C(69) 1 - Industrial Relations: Legislative Timetable. Memorandum by the Lord President of the Council

2 - A Policy for Industrial Relations: Draft White Paper. Memorandum by the First Secretary of State and Secretary of State for Employment and Productivity

3 - Industrial Relations: The Conciliation Pause. Memorandum by the Paymaster General

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16 - Farm Price Review 1969. Memorandum by the Minister without Portfolio


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CABINET

INDUSTRIAL RELATIONS: LEGISLATIVE TIMETABLE

Memorandum by the Lord President of the Council

I was invited by the Cabinet at their meeting on 3rd January to submit, in consultation with the First Secretary of State, a memorandum on the possibility of introducing the Industrial Relations Bill during the current Session (CC(69) 1st Conclusions, Minute 1 (Conclusion 10)).

2. For such a Bill to achieve even a Second Reading before the Summer Recess it would need to reach Legislation Committee at the beginning of July, that is to say in rather less than six months' time. This will be both a long and complex Bill, as is evident from the summary of proposals given in Appendix 1 of the First Secretary of State's memorandum (C(68) 131). Even when the terms of the White Paper have been decided there will be a great deal of work to be done, in consultation with both sides of industry, before the proposals can be worked out in the full detail necessary to provide a basis for drafting the Bill.

3. The best estimate that can be made at this stage is that it will take not less than three months to produce a satisfactory Bill from the time when comprehensive instructions are available. In other words instructions would be needed by the end of March if the Bill was to receive a Second Reading by the Summer Recess. To free the necessary drafting resources we should have to abandon the idea of introducing both Ports and Merchant Shipping this Session; and there might be some interference with the preparation of Second Reading Committee Bills. But drafting of this Session's main programme, essential and contingent Bills would not be affected.

4. There is however no prospect whatsoever of having comprehensive instructions available by the end of March; while it is impossible to be precise, it is thought that it will be June before such instructions can be ready. Even assuming this estimate to be on the pessimistic side I am sure that we stand to lose rather than to gain by trying to rush instructions in before they have been fully worked out. The end result will be to delay the Bill rather than expedite it.
5. Finally there is the question of Parliamentary time. The Cabinet approved a legislative programme for the current Session which was estimated to require 55 Parliamentary days, which is the average amount of time available in recent Sessions (autumn spillovers excluded). Since then we have had to find time for a number of Bills for which we had not bargained, of which Customs (Import Deposits), Shipbuilding Industry and New Towns are the most significant; and there is the prospect of a further essential Bill on Redundancy Payments. Finding a day for Second Reading of an Industrial Relations Bill would make things that much worse.

6. To sum up, I do not think that there is any real prospect of our being able to introduce the Industrial Relations Bill and give it a Second Reading before the Summer Recess, let alone pass it through all its stages.

T.F.P.

Privy Council Office, S.W.1.

7th January, 1969
When the Cabinet considered my draft White Paper on a Policy for Industrial Relations, I was asked to arrange for the Ministerial Committee on Industrial Relations to examine the practicability and effectiveness of my proposals and to compare them with other proposals which had been made, in particular by Mr. Andrew Shonfield and by the Confederation of British Industry as well as by the Donovan Commission.

2. The area in which there has been significant differences of opinion, both inside and outside the Donovan Commission - and which the Committee on Industrial Relations has therefore considered most carefully - is the measures which can be taken to discourage unnecessary strikes, particularly unconstitutional ones which are the main present source of trouble.

3. Broadly speaking, the Donovan Commission considered that the development of satisfactory procedure agreements in industry (through the operations of the Commission on Industrial Relations (CIR)) would go far to eliminate those strikes which so frequently result from unsatisfactory procedures for settling grievances. The only other majority recommendation by Donovan which is relevant to this problem was that the protection given by Section 3 of the Trade Disputes Act, 1906, should be given in future only to registered trade unions and employers associations. This would enable employers to sue for damages unofficial strike leaders for inducing strikers to break their contracts. But the Donovan Commission itself recognised that employers would in practice be unwilling to take action of this kind because of the serious adverse consequences for industrial relations. Moreover, this step will, I believe, be strongly resisted by the TUC as giving a generalised power of action against all unofficial strikes regardless of their cause.

4. Mr. Andrew Shonfield's proposals, as described in his note of reservation to the Donovan Commission, are:
(1) To amend Section 5 of the Conspiracy and Protection of Property Act, 1875, to make striking a criminal offence where there is a serious risk of endangering life, limb or valuable property.

(2) The CIR should have statutory powers enabling it to act independently and in a judicial capacity in the case of (a) inter-union disputes, (b) failure to draw up adequate collective agreements, (c) failure to bargain in good faith about the removal of restrictive practices.

(3) Collective agreements should be enforceable unless the parties specifically stated the contrary in the agreement.

5. The CBI's main proposal is that the Government should be empowered to impose appropriate procedure agreements on employers and unions where this seems desirable, and to enforce their observance.

6. My own proposals in the draft White Paper accept the view of the Donovan Commission that the development of satisfactory procedure agreements in industry is the most promising long-term approach to avoidance of unnecessary strikes. I propose in addition to make provision for dealing with inter-union disputes more or less on the lines proposed by Mr. Shonfield (but with enforcement by the Government rather than the CIR). And instead of modifying Section 3 of the Trade Disputes Act, 1906, to deal with unconstitutional strikes, I propose that the Government should have discretionary powers to require a compulsory ballot before members of a union are brought out on an official strike; and to require a maximum of 56 days "conciliation pause" in the case of unconstitutional strikes.

7. The Committee on Industrial Relations has considered these various proposals and reached the following unanimous conclusions:

Against

(1) The CBI proposals for enforcement of agreements by the Government have no merit.

(2) There are serious disadvantages in giving the CIR an independent judicial function and direct powers of enforcement as proposed by Mr. Shonfield. This would exclude the Government from an effective say in the development of industrial relations on the new lines and would put the CIR in the extremely difficult position of having to combine the role of friend and adviser to both sides of industry with that of their judge.

(3) The majority Donovan recommendation for modification of Section 3 of the Trade Disputes Act, 1906, would not be acceptable for dealing with unofficial strikes.
(4) The extension of criminal liability for striking under the Conspiracy and Protection of Property Act, as proposed by Mr. Shonfield, is undesirable.

For

(5) The proposals by the Donovan Commission and in the draft White Paper for improving procedure agreements through the CIR provide the best long-term approach to avoiding strikes.

(6) The proposals in the draft White Paper for dealing with inter-union disputes - with intervention by the CIR and reserve powers of enforcement by the Secretary of State if the TUC fail to obtain a settlement - are approved.

(7) The proposal in the draft White Paper is approved for reserve discretionary powers for the Secretary of State to require a ballot before an official strike.

(8) The Lord Chancellor's proposals for enforcement of the various legal sanctions by the Industrial Board in England and Wales are approved. (I am considering with the Secretary of State for Scotland whether the same arrangements can apply in Scotland).

Thus the conciliation pause is the only major proposal in the White Paper on which there was a continuing difference of opinion in the Committee on Industrial Relations.

Conciliation Pause

8. A minority of the Committee took the view that the conciliation pause would be, and would be seen to be, ineffective in practice; would not therefore serve even a presentational purpose; but would be a major irritation for the trade unions. Enforcement of the pause could in practice only be attempted after the strike had started. This might well lead to official recognition of the strike. But in any event an enforced return to the factory would not necessarily mean a return to work - go-slows and overtime bans would inevitably result. Experience under the defence regulations had demonstrated the futility of seeking to compel workers to return to work under the threat of legal sanctions. There was no practical solution either on these lines or on those, suggested by the majority of the Donovan Commission, of enabling employers to sue for damages. The practical remedy lay in a speedy reform of procedure agreements, which should be concentrated at the start on the main trouble spots in industry.
9. On the other hand, a substantial majority of the Committee considered that the conciliation pause was a necessary part of the package of proposals and could be made effective if used with discretion. Where a few men, in defiance not only of their union but of their fellow-workers, resorted to unconstitutional strikes with far-reaching effects on the economy, the conciliation pause could be operated effectively. The recent strike of 22 machine setters at Girlings was a typical example of such a situation, and there had been many others. A considerable period must inevitably elapse before satisfactory procedure agreements could be negotiated and brought into operation in the more troublesome areas of industry, even if the CIR concentrated all its energies on these. And even if satisfactory procedure agreements were universally in operation, it would be naive to suppose that they would completely put an end to unnecessary and damaging strikes. In any event, the conciliation pause could operate to the benefit of the strikers because of the requirement that during the pause the terms of employment should be those obtaining before the strike. For example, if an unofficial strike were called to prevent a dismissal, the latter would have to be postponed throughout the pause and would be the subject of negotiations. The choice lay between simply providing for the long-term improvement of procedure agreements (i.e. doing less than Donovan proposed) and introducing the conciliation pause as well. The latter, with its admitted imperfections, was most certainly better than nothing. It had to be borne in mind that there were a considerable number of proposals, going beyond the Donovan recommendations, in the White Paper for strengthening the rights and powers of trade unions. It was not unreasonable to expect the unions in return to accept the conciliation pause, which of course affected unconstitutional strikes only.

Conclusion

10. In the light of the discussion in the Industrial Relations Committee, I remain convinced that the substantive proposals in the draft White Paper are the best that can be devised to meet both the immediate and the longer-term problems involved in improving industrial relations and avoiding unnecessary strikes. I accordingly ask my colleagues to approve them.

B.A.C.

Department of Employment and Productivity, S.W.1.

7th January, 1969
8th January 1969

CABINET

INDUSTRIAL RELATIONS: THE CONCILIATION PAUSE

Memorandum by the Paymaster General

I am deeply concerned about the proposals for a conciliation pause in their present form, and have suggested to the First Secretary of State some changes which I think worth exploring to meet some of the objections to this passage of her White Paper as it now stands. I think it right to outline these to my colleagues.

2. I should first indicate both the area of my agreement with the First Secretary's approach, and secondly the reasons for my reservations on certain aspects of her proposals. I agree:

(i) that Donovan as it stands, minus its proposal concerning Section 3 of the 1906 Act, which she rightly rejects as an anti-union step, is not enough to deal with the problem of the unconstitutional strike and the effect it can have on the economy in some instances;

(ii) that the Shonfield approach is to be rejected;

(iii) that a conciliation pause procedure is potentially a valuable method of encouraging a return to work in unconstitutional strikes;

(iv) that the Industrial Board should, during the pause, investigate the situation.

3. My reservations are on the proposition that fines should be imposable by the Board upon all the employees taking part in the unconstitutional strike.
The sanction will often prove either ineffective or unworkable.

4. The First Secretary of State explains that she would invoke the conciliation pause only rarely. Where the pause procedure is invoked, several possibilities arise.

(a) The union concerned may declare the strike official, either in the normal course of events, or in order deliberately to circumvent the new sanctions. In either case, they would pay strike pay to the men.

(b) The strikers may stay out, and refuse to pay the fines, so that the difficult process of attachment of earnings when they eventually return to work has to be invoked. This would mean that deterrence had been transformed into retribution post hoc.

(c) Strikers may leave their employment in order to avoid prolonged payment of fines, and the Committee on Industrial Relations agreed that it would be wrong to pursue them in their new employment, or to seek any repercussions on social security payments to which they would be entitled during unemployment (although the Committee agreed that this should not be so stated in the White Paper). Leaving employment would, of course, be more likely in some regions than in others, depending upon job opportunities, so that there would be an unfortunate regional differentiation in the ability to "avoid" fines.

I fear that any of these possibilities, or a combination of one or two of them, may be as likely to occur in cases where the pause procedure, as at present envisaged, is invoked as a smooth return to work, or a return to work plus ready payment of any fines incurred.

Public expectations will be disappointed.

5. If the deterrent effects of the proposed sanction of fines on all unconstitutional strikers are capable of being avoided or counteracted, and if the pause procedure is in any case to be invoked only rarely, the proposals will lack credibility at the outset, and may well prove ineffective in
operation. They could therefore, as the President of the Board of Trade says in his recent minute addressed to the Prime Minister and copied to our colleagues, "create expectations which are bound to be disappointed. Thus the Government would appear ineffective, and the field would be left open for more violent Tory proposals". Any alternative to Conservative policies must be both credible and workable if we are not to give great political advantage to the Opposition.

The Labour movement will become embittered.

6. On this occasion, considerable sections of the Party and the movement are likely to feel deep doubts and to oppose the conciliation pause procedure for fines, however much they welcome other provisions in the White Paper. Dispute is likely to follow the publication of the White Paper, stretching into the Trades Union Congress and Party Conference, and leading up to contentious, difficult, and lengthy legislation in the House in the 1969/70 period which precedes the next election. At that time we shall need not only acquiescence in Government policies, but a revival of enthusiasm. It may be argued that the strike ballot procedure will be opposed equally vigorously, but there is, in my view, a sharp difference between a sensible proposal which can be justified, and a proposal which lacks credibility in any case.

The philosophy of an alternative pause procedure for sanctions

7. There are two views about unofficial unconstitutional strikers. One is that they are all wicked and disruptive people. The other is that until both management and unions reform their procedures, many of those who strike unconstitutionally are reacting with varying degrees of impulsiveness to difficult and sudden situations but that a few individuals behave malevolently and disruptively and wilfully (e.g. Mr. Rourke of Girling's). It is the second view which we take, I think. And it is certainly the second view which has been expressed in support of the conciliation pause procedures.
8. The real difficulty in which we find ourselves on this issue seems to me to be that this "accepted" philosophy is not the one which the pause procedures embody. The moment one proposes to fine all unconstitutional strikers engaged in a dispute, one has ceased to differentiate meaningfully between the Rourkes and the rest, and is therefore appearing unjust to workers who genuinely "down tools" in response to a situation which appears to them at the time to be wrong. Also, since the "accepted" philosophy embraces bad managements as well as disruptive workers, it is logical that sanctions should be able to be imposed upon employers as well as upon employees, and I am therefore glad that this is now to be considered. If a way through these inconsistencies between philosophy and proposed practice can be found, I am inclined to believe that both party and public opinion would be very much more favourable.

An Alternative Pause Procedure

9. (i) As soon as the Secretary of State makes an order requiring those involved in an unconstitutional strike to desist from any strike or lock-out, the Industrial Board would automatically be brought in, and - if it thought it desirable to - investigate the matter - would begin an investigation of the causes of the dispute, and would decide whether or not to say that responsibility for the unconstitutional strike rested either with management or with one or more individual strikers. In some cases, it would choose not to assign responsibility. Where it did so, it would impose fines either on the employer, or on those individual strikers it decided were to blame. (At Girlings, this might be all 22, or just Mr. Rourke). Thus the responsibility for whether action was taken leading to fines would rest more squarely on an independent body than on the Government.

(ii) The Board would be free (and indeed expects) to recommend to the Union concerned any steps which in the Board's view might help to avoid a recurrence of similar troubles - e.g. the withdrawal of shop steward's credentials from any particular individuals. But of course such recommendations would be purely advisory.
The possibility has also been suggested that, in addition, the White Paper might propose that employers seriously affected by an unconstitutional strike at a factory owned by another firm be given powers to prosecute the persons found to be responsible (e.g. Fords could prosecute Mr. Bourke). The powers might, conceivably, not be used: but in that event, responsibility for failure to implement an effective policy would lie heavily with employers. However, there are some obvious difficulties in this idea.

10. In practical terms, would such an alternative preclude any of the difficulties outlined in paragraph 4? I believe it would, because union antagonism would be less likely, and so the post facto declaration of an unconstitutional strike to be official would be less likely to occur. Avoidance of fines by giving up the job would be less likely, because fines would not automatically follow participation in a dispute. Arrestment of wages would occur only in those cases where such a step was clearly justified. All in all, the likelihood of the pause procedure securing the objective of bringing the men back to work would be considerably increased.

The Commission on Industrial Relations (CIR)

11. There is one further point which ought, I think, to be included in the White Paper. It is clear from the DEP's valuable analysis of recent unconstitutional disputes that troubles, and probable troublemakers, are concentrated in a relatively small section of industry which is capable of affecting a much wider section of the economy. While it is also clear that the big task to be tackled by the CIR will be long-term, it would seem useful to consider that as soon as it is set up, it should set up Working Parties to consider these limited and difficult areas of industry as a matter of extreme urgency, and to indicate this in the White Paper. It might then be possible to show some practical achievements by the time legislation is under way. This would clearly be most helpful from every point of view.

Conclusion

12. I would hope that colleagues will agree that the alternative proposals I have suggested should be fully explored. I recognise that this will involve some further slight delay in presenting the White Paper. But the issues involved are so crucial that I believe this to be worthwhile.

70 Whitehall, S.W.1.

7th January 1969

J.H.
8th January, 1969

CABINET

A POLICY FOR INDUSTRIAL RELATIONS: TUC VIEWS

Note by the First Secretary of State and Secretary of State for Employment and Productivity

I circulate herewith for my colleagues' information the comments I have received from the TUC on the proposals which are the subject of the present draft White Paper.

B. A. C.

Department of Employment and Productivity, S. W. 1.

8th January, 1969
The T.U.C. General Council have examined with care the proposals made by the Government for changes in the system of industrial relations and in the law relating to trade unions. A number of the suggested changes - those which relate to the establishment of a Commission for Industrial Relations and to the registration of procedure agreements; to the assurance to workpeople of the right to join trade unions and to trade unions of the right to recognition; to the maintenance and indeed the extension of the protection now afforded to trade union activities by the Trade Disputes Act, 1906; to the protection of workpeople against unfair dismissal; to the extension of the jurisdiction of the Industrial Tribunals; to the provision of better information for collective bargaining purposes; and to the removal of some obstacles to workers' participation in management - could in principle help to improve industrial relations and to promote trade union objectives. The General Council will wish to clarify certain aspects of these proposals in their further discussions with the Government.

The General Council however are opposed to, or at least have reservations about, the Government's other proposals, and they wish to leave the Government in no doubt about the nature of those reservations and the strength of their objections.

The General Council's aim is to reach agreement with the Government on ways of improving industrial relations and of strengthening voluntary collective bargaining. This is the test by which the General Council have examined both the Report of the Royal Commission and the Government's proposals - which in some significant respects discard advice given unanimously by the Royal Commission. As the General Council emphasised both
in their evidence to the Royal Commission and in their comments on the Report (Action on Donovan), trade unionists recognise the need to make such changes in the structure and the activities of their organisations as are required to promote the social and economic advance of the nation. Affiliated unions, in association with the T.U.C., are embarking on a detailed examination of how such changes can best be made on the basis of voluntary action which is at the same time the foundation of free trade unionism and the essential prerequisite if the men and women who together make up the trade union movement are themselves to accept such changes willingly. This process however would be impeded if the Government allowed itself to be misled, against the advice of the Royal Commission, by outside criticism which is at best uninformed and at worst ill-intentioned. Any attempt by Government to impose unreasonable and therefore unworkable constraints on the freedom of working people to pursue their legitimate objectives could only harm the relationships between the trade union movement and the Government and between working people and employers.

Inter-union disputes

This danger is clearly illustrated by the Government's proposal that, in an inter-union dispute, the First Secretary should have power to impose financial penalties on an employer who or a union which refuses to comply with a recommendation by the C.I.R. that the union should be excluded from recognition. The General Council are themselves concerned that such disputes should be avoided or at least amicably settled without causing industrial disruption. They accept that arrangements for handling such disputes are one of their central responsibilities, and will be considering, in the light of the Report of the Royal Commission, ways of strengthening T.U.C. procedures in the context of improving trade union organisation and extending membership.

/The General
The General Council accept the view of the Royal Commission that, in addition to the development of the T.U.C.'s own activities in these directions, the C.I.R. itself may well have a useful part to play in bringing persuasion to bear on the unions involved, and indeed in influencing employers' recognition policies. The General Council do not exclude the possibility that in some situations the Government might add its weight to a recommendation by the C.I.R. They are however convinced that to impose financial penalties on a union, on the grounds that in a Minister's opinion such a dispute may cause economic damage, would militate against finding a genuine solution for this problem.

Trade Union Development Fund

The General Council are by no means enthusiastic about this offer to establish a state-financed trade union development fund. The General Council's consultations with unions following the Donovan Report will cover a range of matters from the development, reform and extension of collective bargaining to the reform of trade union structure and a reduction of multi-unionism. The General Council will themselves have to consider, in consultation with the unions concerned, ways in which any deficiencies can be rectified, but experience gives no ground for believing that financial problems are a significant obstacle to amalgamation, or that trade unionists are unwilling to recognise the need to increase contributions where Executives can show that this is needed to improve such services as training, education and research.

/Legal
Legal enforceshility of collective agreements

The General Council welcome the Government's acceptance of the view, argued by the T.U.C. and endorsed by the Royal Commission, that collective agreements neither should nor in practice could be made legally enforceable contracts by statute. They have noted the Government's proposal that trade unions and employers' associations should be enabled, by an amendment of the Trade Union Act, 1871, to enter into contracts which would be legally enforceable by an agreement between the parties to write this expressly into the collective agreement. They are bound to point out, however, that there is very little prospect of unions or employers' associations making use of such a provision. In any particular case it would lead to the same difficulty as would arise generally if all contracts were made legally enforceable by statute. The prospect that judicial decisions might be required about the rights of a dispute would compel unions and employers to frame the terms of the agreement in such a way that they would be legally sustainable. A union would need to adopt in practice a quite novel relationship with its members by acting as their agent and committing them in procedure agreements, since individuals are not implicitly parties to procedure agreements. There is also the danger that the introduction of legal terminology into collective agreements would make these less comprehensible to the members. This would run counter to the need for comprehensible and flexible agreements, particularly as company bargaining develops.

/Ballots on
The General Council regard as completely misguided and quite unacceptable the Government's proposal to take discretionary powers to require a union to conduct a ballot which, in a Minister's opinion, threatens economic damage, and to back these powers with the threat of financial penalties. Here again the Government has disregarded the considered view of the Royal Commission, which pointed out that there is little evidence for the view that workpeople are less likely to vote for strike action than their leaders. The experience of responsible trade union leaders is that to remove from them the right to exercise any responsibility is likely to militate very strongly against confidence in union leadership, and that unofficial action would be encouraged, not reduced, as a result. The resentment of trade unionists at such an intervention would be increased by the proposal that a Minister should decide the terms of the question to be incorporated in the ballot paper and to determine the appropriate majority (of two-thirds in some cases).

There are also very serious practical objections to compulsory ballots. The timing of the ballot would clearly be crucial and the result could depend on this. There could also be a whole range of possible arguments about such things as entitlement to vote, and irregularities in arrangements which under a statutory procedure could give rise to a real danger of injunctions and disputes about the proper procedure. These are matters which are the responsibility of responsible bodies in unions; there is no argument about the general record in the exercise of these responsibilities in the past.

The General Council do not question the right of the Government to discuss with a union which is contemplating an official strike the desirability of holding a strike ballot. Advice from the Government would not be lightly disregarded, but to go beyond this and to force an Executive against its judgment to hold a ballot, under the threat of financial penalties, would worsen, not improve, the situation.

Unconstitutional strikes
Unconstitutional strikes

The Royal Commission made an exhaustive examination of proposals that statutorily enforceable procedures for imposing "cooling-off" periods on unofficial and unconstitutional (and indeed on other) strikes should be introduced. The Commission's unanimous conclusion was that procedures of this sort would not be beneficial, and that the Government's powers should not be increased. Despite this, the Government has proposed that it should take a reserve power to impose such a procedure, and to fine individual workers who did not comply with an order.

The General Council do not believe that this proposal is either practicable or desirable. Such a provision could not be applied where there are no procedure agreements. Even where there are such agreements they are not legal contracts, and it is therefore difficult to see how a judicial pronouncement could lay down when the procedure had been broken by individuals or groups (assuming that as a matter of elementary justice unions would be able to appeal to a Court against a Minister's decision). Moreover, it is not unlikely that trade unions, whether or not as a result of pressure from the membership, would seek to make their procedure agreements so general in their terms that they would not give the Government the opportunity to initiate action: this would be the reverse of the development which the Royal Commission cogently advocated. Finally, in terms of achieving the objectives of securing a resumption of normal working, even if it was possible to compel strikers to return to work, it would not be possible to prevent them, if they so chose, from working without enthusiasm (with which no conceivable law could deal).

The Government acknowledges that it would not be possible to define precisely in a statute what strikes would be unconstitutional, or to define at all in what circumstances its consequences were "likely to be serious", and that these issues would have to be defined by the Minister concerned. The General Council do not accept that it accords with democratic procedures to give a Minister unfettered discretion to invoke powers to fine workpeople solely on the grounds that in his
that in his opinion the results of a strike are likely to be serious, using such criteria as he may think appropriate.

The General Council fully share the Royal Commission's concern that the causes of unconstitutional strikes should be removed, and their view is that the most constructive way of achieving this lies in reforming the institutions of whose defects they are a symptom. The Government's proposal would in fact hinder such a reform.

Compulsory trade union registration and the Independent Review Body

The General Council set out at length in "action on Donovan" their reasons for dissenting from the Royal Commission's recommendation that trade unions should be subjected to compulsory registration and should be obliged by statute to ensure that their rule books cover certain defined subjects. The Government is in fact proposing to go even further than the Royal Commission by adding one significant subject, strike ballots: apparently its intention is that, while unions would be free to frame the specified rules to meet their own requirements, this would not apply to strike ballots.

The proposal that the matters to be dealt with in union rules should effectively be statutorily determined, and that an independent review body should be established to ensure among other things that the statutory requirements are adhered to, are not based on evidence that there is a serious problem which is not dealt with. Furthermore, the Government has apparently disregarded the General Council's assurance that they are to examine jointly with unions whether their rules are satisfactory, and the possibility of instituting a procedure under the auspices of the T.U.C. for hearing individual cases of complaints that a union's rules have not been fairly applied. The General Council do not accept that there is any justification whatever for the Government to pursue these two proposals unless and until it can produce evidence that the General Council's own plans are not going to produce a satisfactory result.

/The General
The General Council hope therefore that the Government will, before its White Paper is published, reconsider these issues in the light of the General Council's comments and proposals for action and of the advice that it received from the Royal Commission.
13th January, 1969

CABINET

DECIMAL CURRENCY: THE CHANGE-OVER:
DRAFT WHITE PAPER

Memorandum by the Chancellor of the Exchequer

I think that it would be helpful for Members of Parliament and for the public generally if we were to publish an explanatory White Paper at the same time as the second Decimal Currency Bill later this month. Although the provisions of the Bill have been kept as simple as possible, it would be useful to have available an explanation of the practical significance of the Bill in plain terms.

2. The attached draft White Paper:

(i) Sets out the main facts and policy considerations which those who are planning for the change-over ought to bear in mind.

(ii) Describes the effects of the main provisions of the draft Bill.

With the exception of the paragraphs on compensation the draft has been agreed by the Ministerial Committee on Decimal Currency. These were not included in the draft circulated to the Committee because at that time the policy was still under discussion between the Decimal Currency Board and myself.

3. The Government's policy on compensation was described in the White Paper 'Decimal Currency in the United Kingdom' (Cmd. 3164, December, 1966). It was that compensation as a general principle was not acceptable; but that if it could be shown to the Decimal Currency Board that there were grounds for giving some assistance in special cases, the Government would consider any recommendations the Board might care to make; such cases, if any, would be exceptional.

4. The Decimal Currency Board gave much thought to this particular function, and considered representations from firms and organisations. They formulated and published criteria last year. These were designed partly as a sifting mechanism and partly to help organisations assess whether or not they might have a case worth presenting for consideration. At the same time the
DECIMAL CURRENCY: THE CHANGE-OVER

Presented to Parliament by the Chancellor of the Exchequer by Command of Her Majesty 1969

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</tr>
</tbody>
</table>

APPENDIX

Official Conversion Tables.
I. Introduction

Background

The United Kingdom will change from £ s. d. to a decimal currency on Monday, 15th February 1971—Decimal Day or D Day.

2. The decimal currency system will be based on the pound sterling and the new penny, the new penny being one-hundredth part of a pound sterling.*

3. The White Paper entitled “Decimal Currency in the United Kingdom”† reviewed the background to the decision in principle to adopt a system based on the pound divided into one hundred minor units; described the benefits of decimalisation; explained the reasons for the Government’s choice of system; and set out the Government’s proposals for the new coinage and the broad arrangements for the change-over. The Government are now presenting a second White Paper in order to place their proposals for a second Decimal Currency Bill in the general framework of the arrangements for the change-over to decimal currency and to explain the main provisions of the Bill.

4. Throughout this White Paper the abbreviation £ s. d. and the term “old” refer to the currency and coinage based on the pound sterling, shillings and pence; the abbreviation £p and the term “new” refer to the currency and coinage to be introduced on the 15th February 1971 based on the pound sterling and the new penny.

Organisation for the change-over

5. The Treasury is responsible for general policy and has a particular responsibility for co-ordinating the change-over arrangements of Government departments.

6. The functions of the Decimal Currency Board, as set out in the Decimal Currency Act 1967, are to facilitate the transition from the existing currency and coinage to the new currency and coinage, and in particular—

“(a) to examine, in consultation with such organisations and persons as the Board consider appropriate, problems involved in the transition;

(b) to furnish information and advice about the new currency and coinage, and to publish, whether by advertisement or otherwise, such information as the Board think useful for familiarising the public with it and its relation to the existing currency and coinage;

(c) to promote arrangements for the adaptation or replacement of commercial and other equipment designed to record or calculate in the existing currency or to be operated by the existing coinage;

* Decimal Currency Act 1967.
† Cmd. 3164: December 1966.
(d) to receive and consider, with a view to such provision (if any) as may hereafter be made by Parliament for the payment of compensation in special circumstances, representations with respect to expenditure or loss incurred or to be incurred by particular persons or classes of persons in consequence of the change;

(e) to make investigations and surveys for obtaining information relevant to the exercise of any of the functions of the Board.”

7. The general approach of the Board and the work they have done so far on machine problems and publicity are not discussed in this White Paper since they are fully covered in the Board’s First Annual Report 1967/68*, their reference booklets† and news letters.

8. The Royal Mint is responsible for the manufacture of the decimal coinage.

The coinage

9. There will be six decimal coins:

<table>
<thead>
<tr>
<th>Denomination</th>
<th>£ s. d. value</th>
<th>Metal</th>
<th>Approx. Diameter (mms.)</th>
<th>Type of Edge</th>
<th>Reverse Design</th>
</tr>
</thead>
<tbody>
<tr>
<td>½p</td>
<td>1 · 2d.</td>
<td>Bronze</td>
<td>17 · 1</td>
<td>Plain</td>
<td>The Royal Crown.</td>
</tr>
<tr>
<td>1p</td>
<td>2 · 4d.</td>
<td>Bronze</td>
<td>20 · 3</td>
<td>Plain</td>
<td>Portcullis with chains royally crowned.</td>
</tr>
<tr>
<td>2p</td>
<td>4 · 8d.</td>
<td>Bronze</td>
<td>25 · 9</td>
<td>Plain</td>
<td>The badge of the Prince of Wales.</td>
</tr>
<tr>
<td>5p</td>
<td>1 shilling</td>
<td>Cupro-nickel</td>
<td>23 · 6</td>
<td>Milled</td>
<td>The badge of Scotland. A thistle royally crowned.</td>
</tr>
<tr>
<td>10p</td>
<td>2 shillings</td>
<td>Cupro-nickel</td>
<td>28 · 5</td>
<td>Milled</td>
<td>Lion passant guardant royally crowned.</td>
</tr>
<tr>
<td>50p</td>
<td>10 shillings</td>
<td>Cupro-nickel</td>
<td>30 · 0</td>
<td>Plain</td>
<td>Britannia.</td>
</tr>
</tbody>
</table>

10. To help to prepare the public for decimalisation 5p and 10p coins have been issued as legal tender since 23rd April 1968 to maintain supplies of shillings and two shilling pieces, with which they are identical in value, weight, diameter and composition; only the designs are different. Decimal coin sets consisting of the new bronze and the 5p and 10p cupro-nickel coins have been on sale to the public since 11th June 1968.

11. A seven-sided cupro-nickel 50p coin will be issued as legal tender on 14th October 1969 to replace the ten shilling note. A 20p or 25p coin in the same tier as the 50p could be issued after the change-over if there were a demand.

* H.C. 303, July 1968.
† Decimal Currency: Expression of Amounts in printing, writing and in speech. Decimal Currency: Three years to go—Facts and forecasts. Britain’s new coins. All three published by H.M.S.O., Price 1/- net each.
12. The present halfpenny is to be demonetised from 1st August 1969 and the half-crown from 1st January 1970. The penny, threepenny piece and sixpence will continue to circulate as legal tender until the end of the change-over period (but see paragraph 21 below) when they will be demonetised. The sixpence will not be retained as a 2½p coin after the end of the change-over.

13. Shillings and two shilling pieces will not be demonetised at the end of the change-over period but will continue to be legal tender as 5p and 10p coins.

14. Most of the decimal coins required by D Day are to be minted at the Royal Mint's new factory at Llantrisant in Wales, which started production at the end of 1968. The bulk of the decimal bronze coins will be specially packed in amounts of £1 or 50p instead of in the usual bags of £20. This will ease the task of the banks, and other organisations which handle coin in bulk, in distributing the new coins in the period immediately before and after D Day. Most of the decimal coins will be sent to the banks for storage as soon as they have been manufactured.

* Demonetisation: the act of depriving a coin of its status as legal tender; it is authorised by Royal Proclamation issued normally a few months before demonetisation is due to occur. After demonetisation the coins concerned may no longer be used as money.
II. Planning for Conversion to Decimal Currency

General

15. There are four main subjects on which those responsible for planning conversion arrangements may find it helpful to have some guidance from the Government. They are: —

(i) the change-over period;
(ii) prices;
(iii) wages and salaries;
(iv) compensation.

These are discussed below.

The change-over period

16. This is the period following D Day during which, for most purposes, business will be transacted in either the old or the new currencies (although cheques, other bills of exchange, promissory notes and all other monetary transactions involving the banking system will have to be expressed in the new currency from D Day). Both the old and the new coins will be legal tender.

17. A change-over period of some months is necessary because it will be impossible to replace or convert overnight all machines which record £ s. d. amounts or are operated by £ s. d. coins. Offices and shops must be free to work in £ s. d. until their essential machines can be replaced or converted to decimal working.

18. It would be impracticable for the banking system to work in both currencies. For this reason banks generally will be closed for normal business on Thursday 11th and Friday 12th February 1971, as well as during the week-end, to enable them to clear £ s. d. items and then to convert their machines and accounts (on the basis of the whole new penny table, see Appendix, Table B) to decimal working; they will however arrange for certain limited essential services to their customers on request. On and after D Day the banks will work exclusively in the new currency: all amounts paid into or drawn out of bank accounts from that date will need to be expressed in terms of the new currency. The banks will however continue to accept and where necessary issue £ s. d. coins in multiples of 5p (one shilling).

19. For practical purposes the change-over will be complete when all organisations are able to work in the new currency. The change-over period can then be formally brought to an end. It is desirable to keep the change-over period as short as possible. Against this background the Decimal Currency Board estimate that not more than eighteen months will be needed for the replacement or conversion of £ s. d. machines. This sets an outside
limit to the length of the change-over period, which will end not later than August 1972. The Board intend to keep the position under review and a shorter period may be practicable.

20. However, a large part of the economy is likely to be working in decimal currency within a few weeks of D Day. The speed of conversion to decimal currency working and use of the new coinage throughout the country will be considerably influenced by the change-over arrangements of major cash-handling organisations—the banks, the Post Office, retailers, public transport authorities and those central and local government departments which carry out numerous monetary transactions with the public. In addition to the banks, many of these organisations are already planning to go decimal on or about D Day. The cumulative effect of this process within a few weeks of D Day is likely to be that organisations will find it increasingly advantageous to work in Shp rather than £ s. d.

21. An important consequence of early conversion to decimal currency working by major cash-handling organisations is likely to be that the £ s. d. coins which are to be demonetised at the end of the change-over period (the penny, threepenny piece and the sixpence) will become progressively more scarce after D Day because a rapidly increasing number of organisations will return £ s. d. coins to the banks and draw out decimal coins for change-giving. Therefore, although these coins will continue to be legal tender throughout the change-over period, they may no longer be freely available except directly from banks.

22. The general conclusion (which is supported by experience elsewhere) is that it would be wise for all organisations to plan for conversion on the assumption that the change-over in the United Kingdom will for most practical purposes be a rapid process.

Prices

23. The change-over to a decimal currency will lead inescapably to adjustments in the price structure of some goods and services, but the Decimal Currency Board and the Government are satisfied that decimalisation need lead to no overall increase in price levels.

24. The official table recommended by the Decimal Currency Board and accepted by the Government for converting an £ s. d. amount to the nearest new halfpenny amount is:—

<table>
<thead>
<tr>
<th>Pence</th>
<th>New Pence</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1/2</td>
</tr>
<tr>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>3</td>
<td>1½</td>
</tr>
<tr>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>5</td>
<td>2½</td>
</tr>
<tr>
<td>6</td>
<td>3</td>
</tr>
<tr>
<td>7</td>
<td>3½</td>
</tr>
<tr>
<td>8</td>
<td>4</td>
</tr>
<tr>
<td>9</td>
<td>4½</td>
</tr>
<tr>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td>11</td>
<td>5½</td>
</tr>
<tr>
<td>1/−</td>
<td>12½</td>
</tr>
</tbody>
</table>
25. Whilst the use of this table for price conversion will not be mandatory, all those concerned with the retail prices of goods and services in both the public and private sectors are expected to use it wherever practicable. It is recognised that the use of the table would not be practicable where its application would lead to unacceptable losses or unjustified increases in the sale of low price goods or services; or where it would eliminate small steps or distort relationships in price or tariff structures. Where departure from the table is unavoidable, it may often be possible to balance increases or decreases in prices by changes in other elements relating to the price such as distance, time and quantity or by compensating decreases elsewhere.

26. The implications of decimalisation (and of demonetisation of the halfpenny in August 1969) for price and tariff structures require careful study by management to determine those appropriate in a decimal currency system and how they should be attained. In certain areas it may be possible to work towards the new structure whenever prices are under review between now and D Day. Prices should not be increased in the interim period solely to provide amounts which convert exactly to payable decimal amounts on D Day. Any increases must either be justified within the Government’s policy on prices or counterbalanced by product or other analogous changes.

Wages and salaries

27. At present it is common practice in industry and commerce to use fractions of a penny which are not payable in coins when expressing both time and piece rates of pay and special bonuses. This practice has evolved because the expression of rates solely in payable amounts would seriously limit the scope for fine negotiation of new or revised rates.

28. There will be no statutory conversion of wage or salary rates. Where, on decimalisation, it is considered desirable to express £ s. d. rates in the new currency they can be converted exactly to their £p equivalents. This may mean some increase in the number of pay rates which include fractions, but it poses no new problems in the actual payment of wages, since it has always been necessary to round to payable amounts fractions of a penny derived from hourly or piece rates.

29. The Government consider it important that decimalisation should not be used as an excuse for the re-negotiation or general rounding up of wage rates. Any proposals for pay increases at the time of decimalisation should be such as can be justified under the Government’s Productivity, Prices and Incomes policy.

Compensation

30. The Government’s general policy on compensation was described in the White Paper “Decimal Currency in the United Kingdom”. It was that compensation as a general principle was not acceptable; but that if it could be shown to the Decimal Currency Board that there were grounds for giving some assistance in special cases, the Government would consider any recommendations the Board might care to make; such cases, if there
were any at all, would be exceptional. The Decimal Currency Act 1967 (section 5(1)(d)) states that it is a function of the Decimal Currency Board:

"to receive and consider, with a view to such provision (if any) as may hereafter be made by Parliament for the payment of compensation in special circumstances, representations with respect to expenditure or loss incurred or to be incurred by particular persons or classes of persons in consequence of the change;".

31. Towards the end of 1968 the Board informed the Government that they had reached the firm view, after long consideration, that a compensation scheme confined to special cases would be undesirable in principle and would be inequitable and inefficient in practice. Since the Government had ruled out a general compensation scheme, the Board recommended that there should be no compensation in any circumstances; and they requested that, if this recommendation was accepted, the Government should invite Parliament to relieve them of the function referred to above by repealing section 5(1)(d) of the 1967 Act.

32. The Board explained that before making this recommendation they had studied the general problems of the change-over for two years and had carefully considered almost one hundred letters, enquiries and formal representations about compensation, but no clear, defensible principles on which a special compensation scheme could be based had emerged. No selective scheme could even out the incidence and effect of decimalisation costs on all the organisations affected, and the Board could establish no principle which would justify making a contribution to the change-over costs of one organisation but not to the similar costs of other organisations.

33. Since they had found it impossible to establish principles which would enable valid distinctions to be drawn between the organisations affected by the change-over, the Board had come to the conclusion that they would be unable to devise clear, defensible criteria which were capable of being administered economically and which would permit of a compensation scheme confined to special circumstances. The Board considered that it was not possible to find a middle way between a policy of general compensation and one of no compensation.

34. The Decimal Currency Board have satisfied themselves that in no circumstances would they be able to propose any scheme for special compensation based on clear principles and capable of being administered fairly and soundly. It would obviously be out of the question for the Government to put any scheme before Parliament unless the Board and they were confident that it was sound in principle and administratively viable. The Board have reached their conclusion after long and detailed study of the question, and the Government consider that their recommendation should be accepted.

35. Accordingly, the Government propose to ask Parliament to relieve the Board of their function of receiving representations about compensation. A provision to this effect has been included in the Decimal Currency Bill.
III. Legislation for the Change-Over

The need for further legislation

36. The Decimal Currency Act 1967 provided that the decimal currency system based on the pound sterling and the new penny should be introduced in 1971. Further legislation is necessary to deal with the detailed arrangements for effecting the change-over; the Government’s proposals are set out in the Decimal Currency Bill.

37. It is necessary to provide for the legal tender status of the new coinage, and for a statutory change-over period when, for most purposes, amounts can be expressed in either the old or the new currencies, and when the coins of both currencies are legal tender.

38. The main provisions of the Bill concentrate on what happens when an amount of money has to be paid, and thus the general emphasis is on how to make payments (with particular reference to payments through the banking system), rather than on how to make conversions from one currency to the other. Broadly speaking, the main provisions:

(a) provide for the legal tender status of the new decimal coinage;

(b) provide for a statutory change-over period of dual-currency working (see paragraph 16 above);

(c) deal with the conversion of £ s. d. amounts on bills of exchange, promissory notes and other instruments of payment written before but not presented until on or after Decimal Day and with the conversion of £ s. d. amounts in bank balances;

(d) deal with the payment of certain £ s. d. amounts during, and all £ s. d. amounts payable after the end of, the change-over period.

The recommended ½p table which is intended for use by all concerned with the retail prices of goods and services is not included in the Bill, since the Bill does not cover the circumstances in which it will be appropriate to use this table (see paragraphs 25 and 26 above).

39. The following paragraphs describe what the legal position will be if the Government’s proposals in the Decimal Currency Bill are approved by Parliament.

Legal tender and cash payments

40. From the beginning of the change-over period the legal tender limits for bronze and cupro-nickel coins will be increased from one shilling and two pounds to twenty new pence (four shillings) and five pounds respectively. This is desirable because the decimal bronze and cupro-nickel coins will be of higher value than the present coins.

41. During the change-over period, £ s. d. coins, decimal coins and mixed £ s. d. and decimal coins will be legal tender for either £ s. d. or decimal amounts. Where a given amount is due in either currency, the exact or a higher amount in either currency or a mixture of both will be legal tender.
42. In practice, the old and new coinages are exactly interchangeable only in multiples of 6d. or £ 2½p. The Decimal Currency Board will therefore recommend that as a rule £ s. d. and decimal bronze coins should be offered only in multiples of 6d. or 2½p in payment of decimal or £ s. d. amounts respectively. On this basis, it will be open to a shop-keeper who is still working in £ s. d. and who prices an article at, say, 7s. 4d. to insist, if he so wishes, on being paid not less than that price. Similarly, a shop-keeper who has converted to decimal currency working will be able to insist on being paid not less than the decimal price. Provided that the customer can tender a higher amount in either currency in multiples of either 6d. or £ 2½p he can pay for the article and he can be given the correct change. Thus a customer can pay for an article priced at 7s. 4d. with £ 37½p (7s. 6d.) and receive 2d. change, and for an article priced at 36½p with 7s. 6d. (37½p) and receive one new penny change. In neither case will it matter whether the coins offered by the customer are £ s. d. or decimal or a mixture of both. This is not a matter on which legislative provision is necessary, but the Decimal Currency Board will give practical guidance on the cash handling and related problems of the change-over.

43. After the end of the change-over period only decimal coins and shillings and two shilling pieces will be in circulation as legal tender.

44. The change-over to decimal currency will not affect bank notes, apart from the replacement of the ten shilling note by a coin which will have been completed by D Day.

Payments through the banking system

45. For the reasons set out in paragraph 18 above, on and after D Day the banks will work exclusively in the new currency. In effect this means that there will be no change-over period for banks. On and from D Day £ s. d. references in cheques, other bills of exchange, promissory notes, money or postal orders and certain other instruments of payment will be read as referring to corresponding amounts in £p on the basis of exact equivalents of pounds and amounts of two shillings; amounts or remaining amounts less than two shillings will be rounded to the corresponding whole new penny in accordance with the whole new penny table at Appendix, Table B. Similarly, £ s. d. amounts in bank balances may be treated as corresponding amounts in £p on the same basis. Bills of exchange, including cheques, and promissory notes written on or after D Day will have to be expressed in terms of the new currency; if they are not they will be invalid.

Bills of exchange and promissory notes falling due before 15th February 1971

46. From the 11th to the 14th February 1971 inclusive the banks will be closed for normal business to enable them to make their conversion arrangements (see paragraph 18). Provision needs to be made for the payment of bills of exchange and promissory notes falling due on these four days. Those which fall due on the 11th or 12th February will be payable on the 10th February; those which fall due on the 13th or 14th February will be payable on the 15th February.
Periodical payments

47. There is an important exception to the general approach described above to payments during the change-over period. To facilitate the arrangements for the conversion of periodical payments made through the banking system (e.g., by banker's orders and the like), it will be possible to pay (whether through the banking system or in cash) an amount in the old currency, which is one of a regular series of payments of the same amount, by paying a corresponding amount in the new currency calculated on the basis of the whole new penny conversion table (Appendix, Table B). Those who prefer during the change-over period to continue to pay the original £ s. d. amount in cash may do so. Salaries and wages are excluded; so are payments under friendly society and industrial assurance company contracts, for which special arrangements will be made.

Payments after the end of the change-over period

48. £ s. d. coins will no longer be legal tender after the end of the change-over period and in consequence there will then be £ s. d. amounts falling to be paid which cannot be paid exactly, e.g., 7d. In the absence of a statutory conversion, or agreement between those concerned, the only way of paying such an amount would be to tender a higher amount in £p, e.g. for 7d., 3p (7·2d.). The Government consider that to round up in all such cases would be inequitable. The choice is between the conversion of these amounts on the basis of either a whole new penny table or a new halfpenny table. If the latter table were adopted it would still be necessary, in strict law, to round up amounts ending in £p paid through the banking system. By using a whole new penny table for the payment of these amounts (i.e. total amounts payable not individual items comprising the total), as is proposed, a balance is struck which overall is equitable both to creditors and debtors.
APPENDIX

Official Conversion Tables

Table A “New Halfpenny” Conversion Table

This table has been recommended by the Decimal Currency Board and accepted by the Government for converting £ s. d. amounts to the nearest new halfpenny amounts. The use of this table for price conversion will not be mandatory, but all concerned with the retail price of goods and services are expected to use it wherever practicable, see paragraphs 25 and 26 of the White Paper.

<table>
<thead>
<tr>
<th>Pence</th>
<th>New Pence</th>
</tr>
</thead>
<tbody>
<tr>
<td>1d.</td>
<td>...</td>
</tr>
<tr>
<td>2d.</td>
<td>...</td>
</tr>
<tr>
<td>3d.</td>
<td>...</td>
</tr>
<tr>
<td>4d.</td>
<td>...</td>
</tr>
<tr>
<td>5d.</td>
<td>...</td>
</tr>
<tr>
<td>6d.</td>
<td>...</td>
</tr>
<tr>
<td>7d.</td>
<td>...</td>
</tr>
<tr>
<td>8d.</td>
<td>...</td>
</tr>
<tr>
<td>9d.</td>
<td>...</td>
</tr>
<tr>
<td>10d.</td>
<td>...</td>
</tr>
<tr>
<td>11d.</td>
<td>...</td>
</tr>
<tr>
<td>1/-</td>
<td>...</td>
</tr>
</tbody>
</table>

... ... ... ... ½p
... ... ... ... 1p
... ... ... ... 1p
... ... ... ... 1½p
... ... ... ... 2p
... ... ... ... 2½p
... ... ... ... 3p
... ... ... ... 3½p
... ... ... ... 4p
... ... ... ... 4½p
... ... ... ... 5p
Table B “Whole New Penny” Table

This table has been recommended by the Decimal Currency Board and accepted by the Government for converting £ s. d. amounts to the nearest whole new penny amounts in banking and accounting transactions where the new halfpenny will not be used. The statutory uses of the table are explained in paragraphs 45, 47 and 48 of the White Paper.

<table>
<thead>
<tr>
<th>Shillings and Pence</th>
<th>New Pence</th>
</tr>
</thead>
<tbody>
<tr>
<td>1d. ...</td>
<td>0p</td>
</tr>
<tr>
<td>2d. ...</td>
<td>1p</td>
</tr>
<tr>
<td>3d. ...</td>
<td>1p</td>
</tr>
<tr>
<td>4d. ...</td>
<td>2p</td>
</tr>
<tr>
<td>5d. ...</td>
<td>2p</td>
</tr>
<tr>
<td>6d. ...</td>
<td>3p</td>
</tr>
<tr>
<td>7d. ...</td>
<td>3p</td>
</tr>
<tr>
<td>8d. ...</td>
<td>3p</td>
</tr>
<tr>
<td>9d. ...</td>
<td>4p</td>
</tr>
<tr>
<td>10d. ...</td>
<td>4p</td>
</tr>
<tr>
<td>11d. ...</td>
<td>5p</td>
</tr>
<tr>
<td>1/-</td>
<td>5p</td>
</tr>
<tr>
<td>1/1d. ...</td>
<td>5p</td>
</tr>
<tr>
<td>1/2d. ...</td>
<td>6p</td>
</tr>
<tr>
<td>1/3d. ...</td>
<td>6p</td>
</tr>
<tr>
<td>1/4d. ...</td>
<td>7p</td>
</tr>
<tr>
<td>1/5d. ...</td>
<td>7p</td>
</tr>
<tr>
<td>1/6d. ...</td>
<td>7p</td>
</tr>
<tr>
<td>1/7d. ...</td>
<td>8p</td>
</tr>
<tr>
<td>1/8d. ...</td>
<td>8p</td>
</tr>
<tr>
<td>1/9d. ...</td>
<td>9p</td>
</tr>
<tr>
<td>1/10d. ...</td>
<td>9p</td>
</tr>
<tr>
<td>1/11d. ...</td>
<td>10p</td>
</tr>
<tr>
<td>2/-</td>
<td>10p</td>
</tr>
</tbody>
</table>
CABINET

A POLICY FOR INDUSTRIAL RELATIONS:
DRAFT WHITE PAPER

Note by the First Secretary of State and Secretary of State for Employment and Productivity

In accordance with the conclusions of our discussion last week of the draft White Paper on Industrial Relations (CC(69) 2nd Conclusions), I circulate a revised version of the draft White Paper for discussion at the meeting of the Cabinet on 14th January.

B. A. C.

Department of Employment and Productivity, S. W. 1.

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THE REFORM OF INDUSTRIAL RELATIONS

Presented to Parliament by the Secretary of State for Employment
and Productivity
by Command of Her Majesty
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Cmd.
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THE REFORM OF INDUSTRIAL RELATIONS

1. There are necessarily conflicts of interest in industry. The objective of our industrial relations system should be to direct the forces producing conflict towards constructive ends. This can be done by the right kind of action by management, unions and Government itself. This White Paper sets out what needs to be done.

2. Our present system of industrial relations has substantial achievements to its credit, but it also has serious defects. It has failed to prevent injustice, disruption of work and inefficient use of manpower. It perpetuates the existence of groups of employees who, as the result of the weakness of their bargaining position fall behind in the struggle to obtain their full share of the benefits of an advanced industrial economy. In other cases management and employees are able unfairly to exploit the consumer and endanger economic prosperity. It has produced a growing number of lightning strikes and contributed little to increasing efficiency. There are still areas of industry without any machinery for collective bargaining at all. Radical changes are needed in our system of industrial relations to meet the needs of a period of rapid technical and industrial change.

3. Until action is taken to remedy these defects, conflict in British industry will often be damaging and anti-social. The Government places the following proposals before Parliament and the nation convinced that they are justified on two main grounds. First, they will help to contain the destructive expression of industrial conflict and to encourage a more equitable, ordered and efficient system of industrial relations, which will benefit both those involved and the community at large. Second, they are based on the belief that the efforts of employers, unions and employees to reform collective bargaining need the active support and intervention of Government.

4. The reasons for the first of these propositions must emerge as the Government’s proposals are stated and explained in turn. But there is need, at the outset, to say something about the past and future role of Government in industrial relations.

THE ROLE OF GOVERNMENT IN INDUSTRIAL RELATIONS

5. The State has always been involved in the process of industrial relations. It has always had to provide a framework of law for dealing with the activities of individuals and groups struggling to advance and protect their interests. The growth of employer power in the 19th Century challenged the adequacy of the conventional doctrine of “laissez faire” and highlighted the need for workers to combine in their own defence. The result was the growth of trade unions which led Parliament and the courts to examine how far the law should tolerate coercive action in “restraint of trade” by employers or trade unions and how far it should seek to defend the wider interests of the community. In the ensuing debate on the principles to be applied, two conflicting philosophies emerged in reports of successive Royal
Commissions and inquiries. The first was the doctrine of "collective laissez faire". Trade unions should be accepted as lawful and given the right to organise. The State should recognise the right to strike and the right to bargain collectively to improve wages and conditions. But so long as the "rules of the game" were roughly fair to both sides the State should not be concerned with its consequences. In effect the Government should provide facilities to help the parties agree, but should not interfere to impose a settlement upon them. It is worth stressing that it was never any part of this view that industrial relations in general or trade unions in particular should be outside the law; it was merely felt that so far as possible the law should not interfere with the day-to-day results of collective bargaining.

6. But from the very beginning of this debate there was an alternative view: namely, while the periodic "re-adjustment" of bargaining power between the two sides was an essential part of the Government's role, it was not in itself sufficient. The State also had to act at times to contain the disruptive consequences of the struggle for those not immediately affected—especially if non-intervention was likely to result in widespread damage to the interests of the community at large. Linked with this argument to an increasing extent was a related one: Governments should intervene still further if it could be shown that certain important economic or social objectives were not sufficiently furthered or were frustrated by collective bargaining.

7. Within the last hundred years, an example of Government action to contain the effects of disruption was sections 4 and 5 of the Conspiracy and Protection of Property Act 1875. This was designed to limit the freedom to strike where it was likely to have undue effects on essential services or life and property. The Truck Acts, the creation of Wages Councils, and the Fair Wages Resolutions were examples of intervention to advance objectives which could not at the time be met by collective bargaining.

8. More recently intervention has become much more necessary and pronounced. The State has laid down minimum periods of notice in contracts of employment in the Act of 1963. Action has been taken to secure improvements in the quality and use of labour by creating Industrial Training Boards and the Redundancy Payments Scheme, both financed by compulsory levies on industry. The Government has increasingly had to play a part in the industrial relations of the motor industry. Far-reaching reforms have been initiated in the industrial relations system of the docks.

9. As a result of these and other developments both management and trade unions have come to accept, and in many ways positively to welcome, Government involvement in industrial relations that in practice goes far beyond the confines of the theory of non-intervention by the State. While often still voicing the doctrine of non-intervention, managements and unions have entered into a positive and mutually beneficial partnership with the State to secure common objectives. Indeed in their evidence to the Royal Commission on Trade Unions and Employers' Associations, and in their representations to Government, bodies representing both employers and trade unionists have urged further intervention and involvement—at least where they see it as advantageous to them. Demands have been made by employers for new laws to discourage strikes; requests have been put
forward on behalf of trade unions for minimum wage legislation and Government action to force employers to recognise trade unions. In short the doctrine of non-intervention is not, and never has been, consistently preached. The need for State intervention and involvement, in association with both sides of industry, is now admitted by almost everyone. The question that remains is, what form should it take at the present time?

THE PRESENT STATE OF INDUSTRIAL RELATIONS

10. The answer to this question is to be found in an analysis of the present state of industrial relations in Britain. The report of the Royal Commission on Trade Unions and Employers’ Associations contains the essential material to enable both the Government and the country to decide what should be the shape of industrial relations in the 1970s.

11. It shows that at its best our industrial relations system works well, and that many criticisms which have been made of it are largely unjustified. There are many companies, and even industries, in which industrial relations are well conducted. In general, managers who recognise and deal with union officials and shop stewards testify to their reason and good sense. Similar tributes to managements are made by many union officials and shop stewards. Research for the Royal Commission revealed few signs that trade union members were dissatisfied with their unions. Most union officials said they appreciated the work of shop stewards and the relationship between them and their stewards appeared to be good.

12. It is not even true to say that the Royal Commission’s inquiries and surveys reveal a state of general complacency and disinclination to change. Managements have in recent years successfully carried through some remarkable experiments in the field of collective bargaining—many of them connected with the growth of productivity agreements. Changes are taking place in trade union organisation. Indeed, there has probably never been a time when more amalgamation schemes and mergers have been under discussion by the trade unions of this country. On both sides of industry there is a growing awareness of the need for change, and many managers and trade union officials are making strenuous efforts to bring this about. The measures proposed in this White Paper should not be interpreted as a criticism of their efforts. The Government’s proposals are designed to assist the forces of change and to direct them into the most constructive channels.

13. Nevertheless our present system of industrial relations has serious deficiencies: both from the point of view of the community and of the individual employee. The disparity of power between employee and employer, though much reduced, still persists, particularly in areas where trade unionism is weak. Lock-outs are now almost unknown, but in their place has come the new threat of widespread redundancies as industry is re-structured and mergers multiply. New disparities of power have grown up between one group of employees and another. For example, imperfect competition in many industries may enable unions and employers to combine to exploit their market power at the expense of other members of the community.
14. Again the growing interdependence of modern industry means that the use of the strike weapon in certain circumstances can inflict disproportionate harm on the rest of society. The right of an employee to withdraw his labour is one of the essential freedoms in a democracy and the existence of this right has undoubtedly contributed to industrial progress and to the development of a more just society. But it is also true that in certain situations today strikes by groups in key positions can damage the interests of other people so seriously—including the interests of other trade unionists—that they should only be resorted to when all other alternatives have failed.

15. The deficiencies of Britain's system of industrial relations are reflected in the character of our strike problem. It is true that, in comparison with many other countries, Britain's strike record, if measured by the number of workers directly involved and the number of working days directly lost, is relatively good. But this does not mean that the industrial effects may not be more serious. As the Donovan report pointed out: "That tally gives a very imperfect measure of the economic consequences of a strike." Compared with other countries we have a large number of strikes in relation to our work force and in industries other than coalmining the number of strikes has gone up considerably in recent years (see Appendix 2). The typical British strike is unofficial and usually in breach of agreed procedure. Although it is often soon over, it comes with little warning and the disruptive effect can be serious. It is commonest in a small number of industries such as motor assembly and components, the docks and ship-building. Other industries often have long periods without strikes, but they may suffer indirectly because of a strike at a key point of their supplies or services. This type of strike can cause far-reaching dislocation of work and at times takes place in complete disregard of its consequences for the community. These indirect effects are not reflected in the strike statistics.

16. Finally, our organised system of collective bargaining has not got to grips with a number of economic and social problems. As the Donovan Report indicated, it has often failed to provide for effective and acceptable collective bargaining arrangements covering matters of common concern to employees and employers. Little has been done to reform outdated and generally condemned procedural agreements—such as those now existing in the engineering industry. Too often employees have felt that major decisions directly concerning them were being taken at such a high level that the decision-makers were out of reach and unable to understand the human consequences of their actions. Decisions have been taken to close down plants without consultation and with inadequate fore-warning to the employees. Outdated social distinctions between hourly-paid employees and those on staff conditions have been perpetuated. At the same time, some employers have opposed and obstructed the spread of collective bargaining to new sections of the work force, especially those increasing numbers employed in "white-collar" jobs. Unions too have often failed to involve their members closely enough in their work, or to tackle with sufficient urgency the problems of overlapping membership and unnecessary rivalry, which always diminish their effectiveness and sometimes their reputation. Many employers' relations with unions have been greatly complicated by the large number of unions that may have members in a single factory.
17. The combined effect of such defects in our system of industrial relations is to increase the feeling of many employees that they have no real stake in the enterprise for which they work. There are of course other factors too. Britain is passing through a period of rapid technological change. New processes and methods of production are combined with changing patterns of company ownership and management structure. Established jobs and ways of work are disappearing to be replaced by unusual and unfamiliar tasks in surroundings often equally strange. This naturally reinforces feelings of insecurity among employees and even management itself and results in lack of co-operation and resistance to change, especially if systems for dealing with legitimate grievances and problems of all kinds do not adapt themselves to the demands placed upon them. Efficiency suffers and the community pays.

18. Yet there can be no reversal of the forces of change. On the contrary, the Government has taken action to accelerate change. This is necessary if Britain is to survive and prosper. But it means that we must make sure that employees have the opportunity to participate in influencing the direction of change, that we must overhaul arrangements for dealing with the consequences of change as they affect all who work in industry, and that we must remedy the defects described in the preceding paragraphs. This requires policies to secure four objectives:

(i) the reform of collective bargaining;
(ii) the extension of the role and rights of trade unions;
(iii) new aids to those who are involved in collective bargaining; and
(iv) new safeguards for the community and individuals.

The next four sections of this White Paper explain the major measures proposed by the Government to deal with each of these questions.

THE REFORM OF COLLECTIVE BARGAINING

19. Collective bargaining is essentially a process by which employees take part in the decisions that affect their working lives. If it is carried on by efficient management and representatives of well organised unions, negotiating over a wide range of subjects, it represents the best method so far devised of advancing industrial democracy in the interests of both employees and employers. It offers the community the best opportunity for securing well ordered progress towards higher levels of performance and the introduction of new methods of work.

20. Yet as the Donovan Report has shown this is far from being the situation in the economy as a whole. Even where collective bargaining is well developed it has many defects. Very often there is a marked difference between the formal collective bargaining system and what actually happens. It is often supposed that formal industry-wide negotiations are the only important method of collective bargaining; but in practice an increasing amount of bargaining, and an increasing proportion of the wage packet, is settled outside the “formal system” by informal understandings and arrangements between shop stewards and managers or foremen at work-place level. Yet this concentration on “informality”, and the network of shop floor arrangements and understandings that result from it, lead to serious problems.
Few clear principles and standards are developed to settle shop floor grievances. Management and unions tend to yield to immediate pressures, especially when applied by minority groups who can exploit their strategic position at the expense of their fellow trade unionists. Anomalies develop in wage payment systems. There is no stable or equitable relationship between payment and performance. Those who are dissatisfied strike in breach of agreed procedures for dealing with their grievances which are ineffective and do not deal rapidly and equitably with the problems of the shop floor.

21. In some industries and firms, managements and unions have made a joint effort to keep their procedures for negotiations and for handling grievances under review, and have made changes in them to remedy defects and to meet today's needs. But in too many cases the procedural arrangements are still seriously inadequate. Many were designed at a time when procedures for negotiation were needed only at industry level, while all that was necessary at company or plant level was a procedure for resolving disagreements over the interpretation of the industry-wide agreement. Many procedures are too slow, too informal and too uncertain to be fully effective in the face of rapid technical change. The people who have to work the procedures, on both management and union sides, often have inadequate training. While procedures must operate flexibly to deal with the wide variety of demands upon them, it does not follow that in modern conditions flexibility can best be achieved by informality and complete reliance on good relations. When employees do not have a clear idea what procedures require in given circumstances, they are likely to ignore them as irrelevant. Flexibility can usually be best obtained by designing formal procedures which can work flexibly.

22. The lack of comprehensive, mutually agreed procedures encourages arbitrary behaviour by managements. Indeed, many of the "wildcat" strikes which cause so much concern today are the result of management's mistaken belief that it has the right to impose changes on its workpeople without full and adequate consultation and then invite them to go through "procedure" afterwards for the remedy of any grievances. This is to show a complete misunderstanding of what good procedures should be designed to do, namely, to secure the co-operation of employees through their representatives in the changes that affect their working lives. Until this approach is adopted there can be no fundamental solution to the problem of unofficial strikes.

23. Most important of all, perhaps, the disparity between the formal system and the realities of shop floor life is often not fully appreciated or even understood by senior management in the enterprises where it occurs. As the Donovan Report said, the assumptions of the formal system still exert a powerful influence over men's minds and prevent the development of effective and orderly methods of collective bargaining. Too often senior management continues to regard industrial relations as a matter for employers' association officials or lower levels of management, rather than as one of its primary responsibilities. On the union side many national leaders continue to uphold the assumptions of increasingly ineffectual industry-wide negotiating structures.
24. There is room for debate about how far this description of the
decay of our formal industry-wide system of collective bargaining applies
from industry to industry. It is obviously true of large parts of private
industry. Some firms in these industries have taken action to tackle the
situation, and thus thrown into sharper relief the problems elsewhere in
their industries. In most of the public sector, including national and
local government service and the nationalised industries, and in a few
industries in the private sector—for example electrical contracting—
effective industry-wide collective bargaining still exists. There, actual
wages and conditions continue to be settled by the national officials who
bargain on both sides. There is no equivalent of the disordered pay structures,
or the chaotic and inflationary shop floor pressure, that is so pronounced
a feature of industries like engineering.

25. However, it does not follow from this that collective bargaining in
such industries cannot be improved. Their procedures may not extend to
all the questions that ought to be covered. For instance, there may be no
adequate procedures to deal with redundancy, or the effects of introducing
new machinery and methods of work. Shop stewards may have few formal
rights to represent their members. There may be no proper agreement to
deal with disciplinary questions, including dismissal.

26. There is therefore need for the reform of collective bargaining both
where industry-wide bargaining has become remote from the major issues
and where it still determines actual pay and conditions. What can be
done to accelerate reform?

27. The major responsibility for solving the problem lies with manage­
ment. Given the right help and encouragement most unions will readily
respond to proposals for improving the machinery of collective bargaining.
The initiative must lie with employers, and notably the boards or chief
executives of undertakings, for they are best placed to set in train the
detailed study of existing systems and their defects and to make the right
kind of positive approaches to trade unions. The best way forward will
often be the negotiation of formal, comprehensive and authoritative company
or factory agreements. Negotiation at these levels is likely to secure,
through a single negotiating body instead of piecemeal negotiations, the
introduction of adequate procedures for the settlement of disputes, and
the extension of collective bargaining into other matters which directly
concern employees, such as discipline and redundancy arrangements. In
the context of such agreements, a good management will find itself able to
manage its undertaking more effectively, and good trade union representa­
tives will be better placed to promote the interests of their members without
unnecessary conflict between different groups.

28. The Government welcomes the readiness expressed by the C.B.I.
and the T.U.C. in their joint statement of 23rd October 1968 to ask
employers’ associations and trade unions to examine the situation industry
by industry and to ask managements in consultation with the unions to
review industrial relations in their undertakings. Such re-appraisals are
essential if the defects of collective bargaining are to be remedied. They
should be prompt and thorough. There is a special need for them in industries where the defects described in the Donovan Report are apparent. The Government will follow closely the progress of these reviews, both at company and industry level. If assistance is needed, the Manpower and Productivity Service of the Department of Employment and Productivity (D.E.P.) will be available to help.

29. The Government urges employers, in the course of these reviews, to examine fully and sympathetically the possibility of removing unnecessary and outdated distinctions between “staff” and other employees. These are sustained chiefly by tradition and inertia, and cause much unnecessary ill-feeling. Some large employers have already found it possible to abolish them. The Government suggests that the T.U.C. and C.B.I. should jointly encourage the abolition of these distinctions throughout industry, and make arrangements to keep the matter under review.

30. The Government broadly accepts the views of the Royal Commission concerning the principles which should inform a satisfactory set of agreements. So far as possible agreements should be clear and precise. They should assist the negotiation of pay structures that are comprehensive, fair, and conducive to efficiency. They should also provide a link between pay and the improvement of performance or results within the individual plant or company. The introduction of such agreements will often provide a suitable opportunity for negotiations over restrictive practices. Employers should also develop, and discuss with employees’ representatives, clear policies on such matters as recruitment, promotion, training and retraining.

31. It is essential to provide rules and procedures for the rapid and effective settlement of grievances and other issues. When procedures are agreed which meet these criteria, and thus avoid the danger of lengthy delays, provision should be made for previous conditions to be maintained while any matter is being considered in accordance with the procedure. There should also be rules and procedures governing disciplinary matters, including dismissal, and agreed procedures for the handling of redundancies. Consideration should be given to the inclusion of provision for a quick recourse to arbitration in grievance procedures if agreement is not reached at the early stages of the procedure. There should be provision for important matters to be raised with the highest levels of management.

32. Agreements should cover the numbers and constituencies of shop stewards; provide for facilities for them to consult their members and to negotiate with management; include suitable arrangements for shop stewards to have day release with pay during training, and to be paid for work done as a shop steward in working hours; provide for reasonable access for trade union officials; facilitate the holding of necessary union elections and, if the union wishes, the deduction of union dues from pay. Managements should make available to employees’ representatives the information necessary for them to do their work.
33. The Government, too, through the work of the Department of Employment and Productivity, shares the responsibility of bringing about the necessary changes in our system of industrial relations. This has caused it to expand and extend its existing arrangements for conciliation and to create a Manpower and Productivity Service. But as the Donovan Report pointed out, and as both the T.U.C. and the C.B.I. recognise, there remains a major gap in the public apparatus for change. There is no institution primarily concerned with the reform of collective bargaining. This is why the Government proposes to establish a Commission on Industrial Relations (C.I.R.).

34. The relationship between the D.E.P. and the C.I.R. will be close and continuous. The C.I.R. will however be a completely independent body and will be free to form its own views on the questions with which it deals. It will work on references by, and report to, the Secretary of State, and its recommendations will be followed up by the D.E.P.'s Manpower and Productivity Service. In these respects the C.I.R.'s relationship with the D.E.P. will be similar to that of the National Board for Prices and Incomes (N.B.P.I.). But the C.I.R. is needed to do a different job, and its methods of operation and therefore its relationships with both sides of industry will be different from those of the N.B.P.I.

35. The C.I.R. will be concerned with ways of improving and extending procedural arrangements, for example how to promote suitable company-wide procedures in important firms, how to develop acceptable rules governing disciplinary practices and dismissals, how to encourage effective and fair redundancy procedures, how to bring shop stewards within a proper framework of agreed rules in their firm, and how to ensure that they are provided with the right kind of facilities to do their job. To decide on the adequacy of existing arrangements for dealing with such matters, the C.I.R. will have to find out about many aspects of industrial relations in particular industries and firms—for example, the arrangements for negotiation over productivity and wages, the causes of recent strikes, and the rate of labour turnover. It will be authorised to obtain such information as is necessary for its work. The C.I.R., unlike the N.B.P.I., will not have the responsibility for applying prices and incomes criteria to particular disputes or settlements; nor will it be directly concerned to secure improvements in productivity.

36. The C.I.R. will also be required, by reporting on references by the Secretary of State, to tackle other problems that are not now the direct responsibility of any public agency, so that its work will represent a novel extension of public involvement in industrial relations in this country. For example, it will investigate trade union demands for recognition; encourage reforms in trade union structure and services; examine cases where companies or trade unions report failure to negotiate satisfactory agreements; and report on other questions related to its responsibilities, such as the effectiveness of existing procedures in an industry or part of an industry. It will be asked to give general advice to the Secretary of State from time to time on the reform of the industrial relations system, and to report periodically to Parliament.
37. Its contacts with trade unions, employers’ associations and individual firms will be regular and continuous. It will need to gain their confidence and co-operation while remaining an independent and candid critic. It would be handicapped if at the same time it had the responsibility of giving legally binding rulings on such questions as trade union recognition, inter-union disputes, whether employers and unions are bargaining in good faith, or restrictive practices. A C.I.R. with such responsibilities would have a completely different character, and its non-legal recommendations would lose weight by comparison. For this reason the Government does not propose to give the C.I.R. itself any legal sanctions, apart from authority to obtain information. It will look to the C.I.R. to be a disseminator of good practice and a focus for reform by example. The Government expects that the work of the C.I.R. will help to bring about a general move towards the reform and restructuring of collective bargaining arrangements, not least because it will be able to suggest to the parties mutually beneficial improvements from practices which have been tried and found to work in other industries and undertakings.

38. The C.I.R. will have a full-time chairman and several full-time or part-time members with relevant experience. It will be established initially as a Royal Commission, to enable it to begin work without delay. Provisions to put it on a statutory basis will be included in an Industrial Relations Bill which the Government intends to present to Parliament as soon as possible.

Registration of Agreements

39. The Government will also set up a register of collective agreements, which will be kept by the D.E.P. This will emphasise to managements their responsibility for the efficient conduct of industrial relations in their undertakings, and will provide information which the D.E.P. and the C.I.R. will need in implementing the policies set out in this White Paper. Registration will at first be voluntary but the Government intends to include provisions in the Industrial Relations Bill to give it statutory backing. Consultations on the scope of voluntary registration are now in progress with the C.B.I., T.U.C. and nationalised industries. Voluntary registration will include:

(1) Procedures for the determination of terms and conditions of employment.

(2) Procedures for the settlement of grievances and disputes.

(3) Arrangements for consultation concerning matters not covered by negotiation.

40. The Government will shortly invite all companies and other undertakings employing more than 5,000 to register their procedure agreements and arrangements with the D.E.P. or to inform the D.E.P. of the absence of such agreements and arrangements. Some of the most serious problems of industrial relations are however found in firms of smaller size. In appropriate cases the D.E.P. will therefore ask them to give information about their procedure agreements and arrangements. The scope of the eventual statutory requirement to register, and within it the subjects for
registration, will be decided in consultation with industry in the light of experience with the voluntary system.

41. The Manpower and Productivity Service of the D.E.P. will use the registered agreements to ascertain where improvements are most needed and where advice will be most helpful, and will take appropriate follow-up action. Special attention will naturally be paid to companies making “nil returns” for all or parts of their undertakings, or whose procedure agreements seem seriously inadequate.

Collective Agreements and the Law

42. The present legal position is that an individual employer and a trade union can, if they so decide, make a collective agreement between them legally binding. However, because many employers’ associations fall within the legal definition of a trade union, collective agreements between them and trade unions happen to be subject to section 4(4) of the Trade Union Act 1871, which for other reasons precludes the direct legal enforcement of agreements between trade unions. Agreements between trade unions and such employers’ associations therefore cannot be made directly legally enforceable even if both parties should want this.

43. There are those who argue that the best way to reduce the number of unofficial strikes is to make collective agreements legally enforceable. Faced with the fact that individual employers and unions who can already enter into legal contracts do not do so, they maintain that the answer is to change the bias of the law so that collective agreements become legally binding unless the parties specifically state their intention to the contrary. This would not only be ineffectual; it could prove a deterrent. As the Donovan report points out, few collective agreements, even procedure agreements, today are in a form suitable for legal enforcement; the vast majority would be void in law for uncertainty. The most urgent need is to press ahead with the reform of procedure agreements but unions are not likely to co-operate with enthusiasm in this if they feel it is merely a first step to coerce them into legal commitments they do not want. It is for employers to convince their unions that legal enforceability is in their own interests.

44. There are those who go even further and would make all collective agreements legally binding, whatever the wishes of the parties. Here again the Government believes such a step would hinder, not help, the development of a more ordered system of collective bargaining. Moreover to attempt to give legal force to agreements that were never designed for that purpose is not realistic. Most of them are not in an enforceable form and even if they were employers could not enforce them. Employers can already sue strikers who are in breach of their individual contracts of employment. In fact they hardly ever do so, because they think it will exacerbate their industrial relations. Similarly, there is no reason to believe that they would seek to enforce legally binding agreements either against individual union members or against unions.

45. Some employers have therefore suggested, not only that collective agreements should be made legally enforceable against the parties’ wishes, but
that the Government or a public agency should assume the responsibility for initiating proceedings in the Courts against those striking in breach of agreement. This is completely unacceptable to the Government. Employees may well be justified in striking in breach of procedure, in defence of their interests, if the procedure is slow and clumsy and protects an employer who has taken unilateral action such as victimisation. Moreover, such a development would mean the complete abdication of their responsibilities by trade unions and managements and devolving on Government the duty of enforcing collective agreements over the whole industrial field, regardless of the circumstances. It is difficult to imagine anything more calculated to weaken the whole machinery of collective bargaining.

46. The Government thinks it right to ensure, however, that there is no legal impediment to the observance of collective agreements negotiated between employers or employers' associations and trade unions by any method freely decided upon by the two parties. For this reason it will propose in the Industrial Relations Bill the modification of section 4 (4) of the Trade Union Act 1871, so that agreements between trade unions and employers' associations will be put in the same position as those between trade unions and individual employers. The Bill will further propose that agreements could be made legally binding only by an express written provision in the agreement. It would thus have no effect on the legal status of existing agreements, or of future agreements if the parties did not expressly decide in writing to make them legally binding.

Disclosure of Management Information to Trade Union Representatives

47. If employees' representatives are to participate with management on equal terms in the extension of collective bargaining and consultation at company or plant level, they will need adequate information to allow them to form an independent judgment on management proposals, policies and decisions. Many managements already recognise the need to disclose such information if negotiations are to be carried on in a climate of confidence, and find no difficulty in making adequate safeguards for any information, disclosure of which might cause risk of harm to a firm's commercial interests. But other firms take an excessively cautious view and are unwilling to disclose relevant information in the course of negotiations or consultation, even when no real risk is involved. This has been a prime cause of the failure of works production committees and similar bodies. Similarly in negotiations it limits the scope for informed discussion between the two sides, encourages an early retreat to entrenched positions, and thus damages industrial relations.

48. The Government proposes to go beyond the recommendations of the Royal Commission by including in the Industrial Relations Bill a provision to enable trade unions to obtain from employers certain sorts of information that are needed for negotiations. It will have detailed consultations on this proposal and will give full consideration to the safeguards needed to protect firms' commercial interests.

Appointment of Workers' Representatives to Boards of Undertakings

49. There are various ways in which workers can participate in management. The most effective is through membership of a trade union which
negotiates with management on all questions affecting conditions of employment including, for example, the introduction of new machinery, manpower planning and deployment, and disciplinary and dismissals procedures. There are other forms of participation, for example through the appointment of workers' representatives to the boards of undertakings. The Government favours experiments in this method, and will have consultations on how they may best be facilitated. Any changes in the law which the consultations show to be desirable will be included in the Industrial Relations Bill.

Restrictive Labour Practices

50. There can be no doubt that equipment and manpower are not always used as efficiently in this country as in other comparable industrial countries. This is partly due to customs and practices which restrict the effective use of resources including manpower; for example overmanning or unnecessary overtime. On the whole such practices are operated, not by the unions themselves, but by groups of employees, who see them as a way of protecting their jobs or of maintaining earnings. Because of this, any attempt to get rid of such practices without adequate compensation is seen as a threat, either to earnings, or to security of employment. Their abolition therefore requires negotiations initiated by employers. This is often best achieved in the context of wider negotiations aimed at producing a comprehensive agreement, since such an agreement can include alternative provisions for such matters as minimum earnings and job security, which are equally acceptable to the employees and more compatible with increasing efficiency. The overhaul of our collective bargaining system will facilitate such agreements, and will thus help to raise productivity. The Government agrees with the majority of the Royal Commission that penal powers would be of no value in this field. In the N.B.P.I., the proposed C.I.R. and the D.E.P.'s Manpower and Productivity Service, this country will have three valuable instruments for tackling the problem of restrictive or protective working practices.

Adult Training

51. An increase in the supply of many kinds of skilled workers is essential to the development of the economy. In certain areas there are continuing shortages of some types of skilled men. Even in the less prosperous areas experience has shown how quickly the demand for skilled labour can grow and outstrip the supply. These shortages can prevent employers from using modern equipment to the best advantage or even from buying it. Likewise they can seriously hinder attempts to set up new industries in areas with a high general level of unemployment. Both the Government and industry already train adults to the skilled level, and the need for this will continue to grow. However, in the engineering industry in particular, all such trainees are normally registered as "dilutees" and opposition is still found in some areas to allowing them to exercise fully the skills they have acquired, or to have the appropriate status when they are employed on skilled work. This opposition is misguided, as it discourages workers from coming forward for retraining to the skilled level, and reduces the ability of industry to grow and adapt itself to technological change or may even prevent factories from being established in development areas. Acceptance of adult trainees is important not only in order to improve industrial
efficiency and regional development, but also to ensure to all employees the right to advance themselves by training.

52. The Government attaches great importance to the review of dilution agreements to ensure that they do not impede the acceptance of adults trained to the skilled level (including Government Training Centre trainees). It believes that the least that is required now is the freer implementation of existing dilution agreements, but also that in the longer term these should be replaced by more flexible arrangements designed to see that men and women are employed according to their ability to do skilled jobs. For this reason the Government has welcomed the recent statement by the Central Training Council on the urgent need to develop new attitudes to training for skilled work, and is discussing with the T.U.C. and the C.B.I. the best way of making progress on the problem of adult trainees. In addition it will be open to the Secretary of State, in consultation with the Central Training Council, to seek the advice of the C.I.R. on the industrial relations aspects of training problems, including dilution agreements.

THE EXTENSION OF COLLECTIVE BARGAINING

The Need for an Extension of Collective Bargaining

53. Even though well ordered and effective collective negotiations and discussions are the best method so far devised for the involvement of employees in the objectives of industry and in the acceptance of the changes necessary for economic progress, for many workers such arrangements do not exist. Major changes in the composition of the labour force have steadily reduced the relative size of many traditional areas of trade union membership—for example mining, the railways and the docks. At the same time the number of employees in areas traditionally difficult to organise into unions has been increasing—most notably in the field of white-collar employment. The result has been that the proportion of the total labour force belonging to trade unions has actually declined in the last few years.

54. Yet trade unionism is needed by those who have so far not been able to develop effective organisation. This is shown by the number of recognition disputes, and the continued growth of the white-collar unions. White-collar employees have to overcome strong prejudices among many managements to gain recognition of their right to bargain. The Government will encourage and help the extension of collective bargaining, and intends to take steps to remove unjustifiable obstacles to the growth of collective bargaining based on strong and independent trade unions. If unions had to rely on industrial sanctions to compel employers to recognise them or if they engaged in unrestricted competition among themselves, the result would be serious damage to the industrial relations system. With the help of the C.I.R. the Government will therefore seek to avoid this situation. It looks to unions, with the guidance of the T.U.C., to co-operate in using the new opportunities that will be created to extend their role and membership, without wasting their energies and resources in unnecessary competition.

Trade Union Membership

55. The Industrial Relations Bill will lay down the principle that no employer has the right to prevent or obstruct an employee from belonging
to a trade union. This principle will become a part of all contracts of employment, and the Bill will provide that any stipulation contrary to it should be void in law. The Bill will further provide that no Friendly Society should have a rule debarring trade unionists from membership. Employees will also be given a remedy if they are dismissed on account of trade union membership. Article 1 of the International Labour Convention on the Right to Organise and on Collective Bargaining 1949 (No. 98), which the United Kingdom has ratified, requires adequate protection for workers against acts of anti-union discrimination, and the measures to be proposed in the Bill will give this statutory support.

Recognition of Trade Unions by Employers

56. Recognition disputes are of two kinds:

(a) where an employer refuses to recognise any union, and

(b) where he bargains with some unions but excludes others.

Disputes may also arise where an employer recognises but will not negotiate with a union. In all these cases the Government will empower the C.I.R. to investigate and report on such disputes referred by the Secretary of State. It will be able to take evidence from management and unions, and to look into the facts of the situation, such as the degree of support for the union or unions involved. It will be empowered to hold a secret ballot, if this is thought to be desirable.

57. In cases of type (a) the Government will expect the C.I.R. normally to favour recognition, if the union is appropriate and can establish that it has reasonable support. A ballot is one way of showing this, but the question cannot be settled by ballot in every case, for a union can often find little immediate support where there has hitherto been little hope of recognition and, perhaps little opportunity for recruitment; increased support and membership follow, not precede, recognition.

58. The Government expects that in such cases most employers will agree to accept an independent and unbiased recommendation by the C.I.R. It proposes, however, to provide in the Industrial Relations Bill that where, despite a C.I.R. recommendation in favour of recognition, an employer continues to refuse recognition, the Secretary of State should be able to take action. One possible course would be for the Secretary of State to order the employer to bargain in good faith, subject to a penalty if he does not. But this would be an inadequate way of resolving the position, since it would often be very difficult for the courts to decide whether the employer was refusing to bargain in good faith or simply taking a tough bargaining position. Instead, therefore, the Government proposes that where the C.I.R. recommends in cases of type (a) that a union or unions should be recognised, the Secretary of State should be empowered to require the employer by Order to recognise and negotiate with the union. If he does not, the union will be able unilaterally to take him to arbitration before the Industrial Court, whose award will be legally binding.

59. The Donovan Report also points out that there may be other circumstances in which the employer already recognises a union but refuses to bargain genuinely with it. For example, this may take the form of exploiting the weak organisation of his employees or their reluctance to strike. This refusal of genuine bargaining may extend over the whole field
of industrial relations in the undertaking, or it may be only in respect of certain matters. In either event, where, because of the employer’s refusal to negotiate, the unions are unable to get substantive claims properly considered, the Industrial Relations Bill will further propose that, in these circumstances too, the Secretary of State should be able to make an Order by which the union could unilaterally take the employer to legally binding arbitration before the Industrial Court.

60. Questions of conflict for recognition between rival unions present greater difficulties. As the Donovan report pointed out, multi-unionism can be a potent source of industrial disputes and the Government looks to the T.U.C. to take positive initiatives and to strengthen its procedures for dealing with it. Detailed proposals are outlined in paragraphs 69–71. Disputes over recognition between powerful unions can cause widespread disruption and unless peaceful methods of finding a solution can be evolved, such disputes will be settled on the basis of which union or group of unions can do, or threaten to do, the greatest damage to the economy. The Government believes that this is intolerable in a modern society and is confident that the T.U.C. shares its view that peaceful solutions must be found. The C.I.R. can play a useful role in bringing persuasion to bear on the unions involved and in reinforcing the efforts of the T.U.C. If, despite these efforts, a dispute is threatened, the Government will ask the T.U.C. to try to resolve the conflict between its constituent unions. If, however, the T.U.C. cannot persuade the parties within a reasonable time to accept a settlement, the Secretary of State will refer the dispute to the C.I.R. In some cases the C.I.R. may only be able to produce a durable solution by recommending the exclusion of one or more unions from recognition. In such a situation the Government will look to all the parties involved to accept the recommendations of the C.I.R. If they do not, the Industrial Relations Bill will propose a power for the Secretary of State where necessary to give effect by Order to the C.I.R.’s recommendations. The employer would then be liable to a financial penalty if he refused to recognise the union or unions which the C.I.R. recommended should be recognised, or recognised one against which it had recommended. A union which used coercive action to obstruct the implementation of the C.I.R.’s recommendations would also be liable to a financial penalty.

61. The proposal for examination of inter-union disputes by the T.U.C. and C.I.R., and for a reserve power in the last resort, is far more realistic than the suggestion that inter-union disputes should be tackled by amending the legal definition of a “trade dispute” to exclude disputes between “workmen and workmen”. People who went on strike in an inter-union dispute might then be liable in some circumstances to be sued for damages, and even to be prosecuted. But, as already explained in paragraph 44, employers have shown little enthusiasm for using the law in strikes, particularly against their own employees. The chief objection, however, to this suggestion is that it makes no contribution to finding a fair solution to the point at issue between the unions. Their dispute may involve difficult questions of industrial relations which require careful examination by people familiar with the problems. If such an examination is known to be available, it will often be possible to avoid a strike altogether; this is much better than changing the law to make strike action in these circumstances
liable to penalties, while leaving the basic problem untouched. In disputes over recognition, which are the most important type of inter-union dispute, the procedure proposed in the previous paragraph will permit a full examination of the dispute by the T.U.C. and if necessary the C.I.R.

The Industrial Board

62. A new Industrial Board will be responsible for dealing with these cases, as well as with the cases referred to in paragraphs 93–98 (conciliation pause and ballots), 109 (registration) and 115–16 (complaints against trade unions by individuals) below. The Board will sit in panels, the members of which will be drawn from the employees' panel and the employers' panel of the Industrial Court, under the Chairmanship of the President or one of the independent legal members of that Court. The precise composition of the panel will depend on the nature of the case. The Board will have power to impose financial penalties on an employer, union or individual striker as it found appropriate; these penalties would be recoverable only in the appropriate County Court by attachment of earnings and other civil remedies for the collection of debts, but without liability to imprisonment in default of payment or on account of failure to obey an order. It is to be observed in this connection that the Lord Chancellor has recently received the report of his Committee on the Enforcement of Judgment Debts. With certain exceptions it recommends the abolition of imprisonment for failure to obey an order for the payment of a judgment debt and the substitution for imprisonment of attachment of earnings orders. This recommendation is clearly relevant to the proposals the Government has in mind.

Wages Councils

63. The Royal Commission pointed out that the Wages Council system has impeded the growth of voluntary collective bargaining and strong trade unionism in many of the industries covered by it, and made recommendations designed to remedy this. The Government's objective is to help employees in Wages Council industries by stimulating and strengthening voluntary collective bargaining in these industries to the point where they can rely on it rather than on the statutory Wages Council, which will then no longer be necessary. The Government is therefore consulting the T.U.C., C.B.I. and Wages Councils about the Royal Commission's recommendations.

Section 8 of the Terms and Conditions of Employment Act 1959

64. Section 8 of the Terms and Conditions of Employment Act 1959 enables a trade union to oblige an employer to observe the recognised terms and conditions (or others not less favourable). The section does not apply in Wages Council industries, and the Royal Commission recommended that this limitation should be removed. This recommendation is being considered in the consultations referred to in the previous paragraph. The Royal Commission also recommended that when the Industrial Court is comparing the terms and conditions observed by an employer with the terms and conditions recognised in the industry, it should be required to compare the two sets of terms and conditions as a whole, and not just particular parts of them. The Government accepts this recommendation and it will be included in the Industrial Relations Bill.
The Need for Further Aids

65. When the State has intervened in industrial relations, it has often done so in order to assist employers and unions in the conduct of collective bargaining. The development of the Ministry of Labour's conciliation service and of arbitration facilities and, most recently, the establishment of the D.E.P.'s Manpower and Productivity Service are all examples of this. The reforms proposed above will increase the need for further bargaining aids, particularly in the fields of trade union development and industrial relations training.

Employers' Associations

66. Employers' associations are closely linked with industry-wide bargaining. The changes that are made in collective bargaining in their industries will decide their future role. Amalgamations and changes in organisation will be needed. Many associations will in future find that their main work lies in assisting members to develop collective bargaining machinery and to improve industrial relations in their undertakings. Associations should carefully review the adequacy of their advisory services to meet such needs. The Government will consider these questions with the C.B.I. and, where necessary, individual associations. When making general references to the C.I.R. concerning an industry or a part of an industry, it will ask the C.I.R. to consider any changes needed in employers' organisations.

Trade Union Re-organisation

67. On the trade union side the problem is different. British trade unions are undermanned and under-financed, even in relation to their present functions. As the Royal Commission showed, most comparable countries have two or three times as many full-time officials in relation to the number of members as British unions. It is true that in Britain great reliance is placed on voluntary officials, for the most part shop stewards, but the Donovan Report also indicates that contacts between stewards and their officials are often infrequent and that they vary very much from union to union. They are also very considerable communication problems arising from many unions' defective and out-dated organisation. It would often be better for union branches to be based on the place of work.

68. To take their full part in a reformed and extended system of collective bargaining, trade unions thus need to be reformed and extended. Among other things they need fewer areas of overlap, more amalgamations, additional officials, specialised services, improved constitutions, better communications, and more adequate contributions and funds.

69. In many undertakings the employer has to deal with a large number of unions. This has attractions for some people who want to belong to a union that will speak exclusively for their own occupational interests; but it greatly complicates, and can easily harm, industrial relations in the undertaking. Unions should take urgent action to remedy the disadvantages of multi-unionism. They should aim to meet the criterion of "one
union for one grade of work within one factory” by the conclusion of inter-
union agreements on recruiting rights and negotiating rights. They should
also seek to create machinery for the joint discussion of matters of common
interest by all the unions in an undertaking or factory. This is a corollary
of the introduction of comprehensive company or factory agreements which
will have to be negotiated with a body representative of all the unions.
At present shop stewards of different unions and their members, in order
to discuss common problems and work out a response to management
initiatives, too often have to meet in “ unofficial” ways which cut across
the formal provisions of union constitutions and which are outside the
framework of the formally constituted negotiating machinery. A first step
should be the establishment of ad hoc consultative committees at national
level in large multi-plant companies.

70. As the Royal Commission said, the initiation and encouragement of
trade union reforms are in the first place the responsibility of individual
unions. The Government looks to their executives to take urgent action. A
major role could be played by the General Council of the Trades Union
Congress. It should take the primary responsibility for resolving disputes
between member unions. It could urge upon them the Royal Commission’s
proposals for the reduction of areas of competition over membership, the
rationalisation of recruitment policies, the establishment of joint machinery
in undertakings and factories, the recruitment and training of a greater
number of officials, and the improvement of career prospects for full-time
officers. It could also encourage unions to make better provision for dual
membership or easy re-admission where this would help job mobility. The
Government will pursue these questions with the T.U.C. and individual
trade unions as appropriate. In appropriate references the Government will
ask the C.I.R. to consider problems of trade union structure and organisation.

A Trade Union Development Scheme

71. But the Donovan Report does not go far enough in its recommenda-
tions for modernising the trade union movement. The Industrial Relations
Bill will therefore provide for grants and loans to be made available to
trade unions by the C.I.R. These grants and loans will be made on the
advice of a committee of independent and trade union members of the C.I.R.

72. The Bill will define the purposes for which assistance can be
provided; these are expected to include assistance for trade union mergers,
the expansion of training for union officials including shop stewards, the
development of unions’ often inadequate research facilities (particularly to
meet the needs resulting from more detailed negotiations at company level),
and the employment of management consultants.

73. Unions will be able to apply to the C.I.R. for grants or loans. By
analogy with the Industrial Reorganisation Corporation, the C.I.R. will
make sure that what is asked for will help to improve union efficiency.
Unions wanting assistance will therefore have to submit a scheme to show
how they intend to use the money, and to satisfy the C.I.R. that they will
be able to carry through the scheme; the C.I.R. will ensure that the grants
or loans made are used in accordance with the scheme. The C.I.R. will
take account of a union’s own financial resources and the scope for increasing
subscriptions; it will normally provide only part of the total funds required. There will be no conditions intended to influence a union’s behaviour in day-to-day collective bargaining.

74. Any union or federation of unions will be able to apply for development aid. The T.U.C. itself will also be eligible. The Government will have further consultations with the T.U.C. on the details of this radical new scheme and the provision to be made for its administration by a Trade Union Development Office within the C.I.R., including the ways in which the T.U.C. might most usefully be associated with its operation.

75. Any union that regards all forms of state aid as undesirable and unnecessary will of course be free not to make use of this scheme. But the Government hopes that unions generally will share its belief that such help will contribute to greater trade union effectiveness without compromising trade union independence.

Training in Industrial Relations

76. Most training of full-time trade union officials, and much of the training of shop stewards, is undertaken by the T.U.C. and the unions themselves. Courses for trade unionists including shop stewards are also provided by adult education organisations, technical colleges and other bodies. The Industrial Training Boards are making increasing contributions towards the cost to employers of sending shop stewards on training courses. A reform of the collective bargaining system will make it even more necessary than it is now that trade union officers at all levels, full-time and voluntary, should be well trained. The Trade Union Development Scheme will be able to help with the cost of new courses provided by the T.U.C. and the unions. The Government will also consider whether additional help should be given from public funds for courses provided by other bodies. It attaches particular importance to the provision of sufficient teachers for this type of course, and the development of suitable teaching methods and materials. The Government will also discuss with Industrial Training Boards how their help can best be developed.

77. Some employers find it useful to give their employees, for example during induction training, some guidance on the main provisions of the collective agreements which apply to them. Such guidance, which need not be elaborate, helps to avoid misunderstandings and to develop a sense of participation. Other employers should consider introducing it in co-operation with unions.

78. On the management side there is an equally urgent need for training in the techniques of industrial and human relations. Few companies in Britain have senior managers with a knowledge of the full range of options available to them as a result of recent developments in payment systems, manpower planning, industrial sociology and psychology, or ergonomics. Management at all levels and especially at the top will need more systematic training in these matters, particularly where company and factory-wide bargaining needs to be put on an orderly and equitable basis. The Government is considering urgently ways of improving the situation, including the possibility of grants to institutions to encourage more training in industrial relations.
NEW SAFEGUARDS

Tackling Strikes

79. Strikes are inevitable in a system of free collective bargaining. But many strikes in contemporary Britain are avoidable. No Government concerned with the economic advancement and prosperity of the country can afford to neglect any reasonable and practical proposal for reducing their incidence and effect.

80. The fundamental solution lies in the re-structuring of our present system of collective bargaining when it is disordered or defective. Many strikes would not take place if there were quick and effective methods of resolving the matter in dispute. Some existing disputes procedures, such as that in engineering, are out-dated and no longer provide an adequate means of resolving many of the disputes to which they should apply. Some employers are too ready to take unilateral action on matters like working methods and dismissals, and take the risk that this will provoke industrial action, instead of discussing and negotiating beforehand. In many circumstances at present the use of the strike weapon is understandable, and in some it is justified.

81. Reform of collective bargaining will remove many of these causes of strikes. Comprehensive and effective company or plant agreements will resolve many existing difficulties. Better procedures will resolve disputes before the impatience of those concerned leads to a strike. The need to reduce the number of strikes through improved procedures will be an important element in the approach of the C.I.R. Other proposals, such as those on trade union recognition and negotiating rights (paragraphs 56–59), inter-union disputes (paragraph 60) and unfair dismissal (paragraphs 103–104), will provide alternative remedies for matters which at present give rise to a large number of strikes.

82. In addition to these changes, the Government proposes new developments which will enable it to deploy its services more effectively, and ensure that conciliation is given every chance to work before there is resort to harmful conflict.

The Services of the D.E.P.

83. The D.E.P. has recently re-examined the services it and other Government-sponsored agencies provide to industry. As one aspect of this it has considered the nature and adequacy of its services for tackling strikes, lock-outs and other forms of industrial action. The aim of the Department’s conciliation service is to help the parties to a dispute to reach a settlement for themselves or to persuade them, where appropriate, to allow it to be referred to arbitration. When a dispute concerns a matter substantially affecting the public interest and it cannot be settled in other ways, the Secretary of State may order an inquiry. The Conciliation Act 1896 and the Industrial Courts Act 1919 provide the statutory framework for these services and no major amendment of these Acts is required.

84. The conciliation work of the D.E.P. very often makes a valuable contribution to promoting good industrial relations and to settling a dispute.
No basic changes are proposed, but the following important developments are to be introduced:

1. In the past the Department has preferred to act only if invited by one or both parties. In future the Department will be more ready to take the initiative and to proffer its help.

2. The Department should clearly not carry out conciliation in a way that cuts across agreed procedures, if these provide proper facilities for resolving disputes. On the other hand, it has to recognise that some existing procedures are defective and may indeed delay a settlement. Its decision to intervene will therefore depend on the circumstances of each case.

3. In some cases it might be an advantage to bring in an outside independent to chair the negotiations, and the Department will suggest this where appropriate.

4. In some cases prompt informal investigations may avert a strike or help to promote a settlement. If possible it is preferable for this to be done before a dispute has resulted in a dislocation of work. Where appropriate such informal investigations will be carried out by the Department (with employer and union representatives where this would help). In the light of experience the Government will consider whether further statutory powers are needed for this purpose.

85. The Manpower and Productivity Service is being staffed at all levels with officers trained and experienced in conciliation and with knowledge of the functions of managers and trade union officials. The development of the Service will make technical knowledge available when needed for example on work study or job evaluation.

Strikes and the National Interest

86. The reforms the Government intends to initiate and encourage will inevitably take some time. Effective procedures cannot be introduced everywhere overnight. Moreover, as the Royal Commission recognised, even when procedures have been reformed and accepted there will still be cases of strikes in breach of them. Britain's special problem in industrial relations arises not from official strikes and lock-outs, but from sudden industrial action taken before adequate negotiation or discussion of the problems has taken place. Such strikes can cause serious damage, not only to other employees in the same firm but to employees elsewhere and above all to the country's economic development; the question must be faced as to whether measures can and should be taken to deal with them.

87. The problem is a complex one, involving both moral principles and practical issues. The Royal Commission made it clear that it was not in principle opposed to the use of legal sanctions for the enforcement of agreed procedures, but believed that until new procedures had been put into operation any attempt to make procedure agreements legally enforceable at the present time would be bound to fail. It did, however, suggest one step that might be taken immediately to deal with the problem.
88. A majority of the Royal Commission recommended that, to reduce the number of unofficial strikes, the protection given by section 3 of the Trade Disputes Act 1906 and by the Trade Disputes Act 1965 in relation to inducement of breach of a contract of employment should be limited to registered trade unions and those acting on their behalf. The implementation of this recommendation would mean that unofficial strike leaders could be sued by employers for inducing strikers to break their contracts. The Government does not believe that this would improve matters. First, the great majority of employers would probably not be prepared to sue unofficial strike leaders. The change would therefore be ineffective in practice, while, by creating uncertainty, it would worsen the general atmosphere of industrial relations. Second, unions could declare strikes by their members to be official unless they decided otherwise, thus bringing the leaders of such strikes once more under the protection of section 3 as amended; or groups of unofficial strikers might constitute themselves as trade unions, in order to obtain the law’s protection. Third, if any employers did take legal action, the strike leaders would have no defence even if their unofficial strike was justified. Far from helping to establish greater order in collective bargaining, the recommendation would have a seriously harmful effect. The Government does not propose to implement it.

89. It is because employers do not, in fact, use what legal powers they have against unofficial strikers that some have suggested a very far-reaching role for the Government. They would like to see the Government, or an independent agency such as the C.I.R., with statutory powers, taking from employers the responsibility for negotiating good procedure agreements, by imposing them if necessary on both sides and then ensuring that they are enforced. For the reasons given in paragraph 45 the Government rejects this approach.

90. In seeking to solve this problem, it is essential to be clear as to the kinds of strikes with which we have to deal. Strikes may be official (i.e. supported by the union or unions concerned in accordance with their rules) or unofficial. They may be constitutional (i.e. called only after the procedure for dealing with disputes agreed by the union and the employer or his association has been exhausted) or unconstitutional. The distinction between constitutional and unconstitutional strikes may on occasion be blurred by disagreement between the two sides about whether procedure has been exhausted or not, or whether the issue is appropriate to procedure. Sometimes there may be no agreed procedure at all, and this too may be a cause of strikes. 95 per cent. of all strikes are unofficial (and of these the vast majority are unconstitutional); they are responsible for three-quarters of the working days lost because of strikes.

91. For the most part strikes—without the use of procedure—take place suddenly and without the permission of the body authorised under union rules to sanction them. Most unions are not prepared to recognise or support strikes in breach of procedure. Yet strikes of this sort are increasing in many industries and their effect can be very serious. Similar problems may arise where there is no agreed procedure or where the procedure is defective. Society urgently needs a means of ensuring that the processes
of conciliation are followed first even if ad hoc conciliation machinery has to be created for the purpose. Technological change and economic progress are leading, over much of industry, to an increasing interdependence between undertakings. This is particularly true within manufacturing industry, and between manufacturing industry and the services such as transport on which it depends. A strike by a key group in the long chain of production and distribution can put many people out of work in other firms and even other industries. It has a cumulative effect which can lead to disproportionate national cost.

92. Where a strike, whether official or unofficial, takes place after the exhaustion of an agreed disputes procedure it would be intolerable to deny the right to withdraw labour since employees might have no other way of remedying a legitimate grievance. It is however quite a different matter for the community to require that groups of employees shall not take precipitate strike action, which may seriously damage the economy and their fellow employees, before they have used the machinery of discussion to which they themselves have agreed or which may be made available by the Government.

A Conciliation Pause

93. It is for this reason that the Government will seek to reinforce, through the Industrial Relations Bill, the machinery of conciliation which already exists. The method proposed would be to give the Secretary of State a discretionary reserve power to secure a "conciliation pause" in unconstitutional strikes and in strikes where, because there is no agreed procedure or for other reasons, adequate joint discussions have not taken place. The power would only be used when, if the strike (or lock-out) continued, the effects were likely to be serious.

94. It would only be used, moreover, where the Department of Employment and Productivity's normal conciliation methods had first been tried. In many strikes the employer is at fault, for example in cases of victimisation, or when the employer has introduced a change in working methods without adequate notice and discussion. An essential part, therefore, of the efforts to get the strikers to return to work would be to require management to withdraw the offending action till adequate discussion had taken place. In many other cases it would be desirable to preserve the status quo in order not to prejudice negotiations or an inquiry. If, despite these steps and despite the setting up by the D.E.P. of an inquiry or other appropriate machinery, the strike went ahead, the Secretary of State would, after warning the two sides, be able to issue an Order requiring those involved to return to work and to desist from industrial action for a period of twenty-eight days; and at the same time requiring the employer to observe specified conditions or terms during the pause, the conditions normally being those that existed before the dispute. If either side failed to comply with this Order the Industrial Board at its discretion could impose financial penalties. Before doing so, it would take into account the circumstances of each particular case.

95. This "conciliation pause" would enable every opportunity for negotiation to be explored. In particular, it would allow time for any suitable disputes procedure to be used. Under a good procedure, it should be possible
for an urgent matter normally to be fully considered within twenty-eight
days. Unless the Secretary of State was satisfied that adequate machinery
for reaching a settlement existed and would be used, a suitable inquiry would
be held. After the end of the pause there would be no power to delay or
restrict a strike or lock-out arising from the dispute in question.

96. The Government believes that the existence of this power would
encourage trade unions to intensify their efforts to see that procedures
were observed by their members. For it is not only the public and employers
who are concerned about unconstitutional strikes. The trade union movement
itself has expressed its concern. The Government welcomes the recognition
by the T.U.C., in its interim statement, "Action On Donovan", that the trade
union movement has a responsibility to see that the strike weapon is not
abused. In particular it welcomes the T.U.C.'s comment that "where proce­
dures are in the view of affiliated unions unsatisfactory, there is an obligation
on them to seek the revisions which they believe to be necessary. If, on the
other hand, an affiliated union is satisfied that the existing procedure conforms
with current requirements of relevance, speed and flexibility . . . (it) has an
obligation to ensure that the procedure is adhered to." To the extent of
course that unions succeed in securing the observance of disputes procedures,
the use of the Government's reserve powers will not be necessary. Some of
those who gave evidence to the Royal Commission wished to place a statutory
duty on trade unions to use their "best endeavours" to prevent their members
from taking unconstitutional action and to use disciplinary action, including
expulsion, where necessary, against their members under threat of de-registra­
tion with accompanying loss of immunity from tort liability where they failed
to exercise these powers. In the Government's view the imposition of this
legal duty would not help to create a healthy relationship between a trade
union and its members. Nonetheless the trade union movement must show its
ability to discharge the obligation referred to in its statement if it rejects all
other alternatives for dealing with a problem it has itself recognised.

Strike Ballots

97. The results of strike ballots under the American legislation illustrate
one reason for rejecting, as the Royal Commission did, the suggestion that
ballots should be made obligatory before official strikes. In major disputes
union members are very often more militant than their leaders, and are likely
to be less closely in touch with the progress and prospects of the negotiations.
If the union leaders were always obliged to hold a ballot when using the
strike threat in negotiations, they might well find their hands tied by a vote
to strike in support of a claim intended merely as a bargaining move at an
early stage of negotiation. If on the other hand the union leaders are ready
to call a strike without balloting their members but there is no doubt about
their support, nothing would be gained by demanding a ballot.

98. It is, however, a matter for concern that at present it is possible for a
major official strike to be called when the support of those involved may be
in doubt. A number of unions already have provisions in their rules making
a ballot of their members obligatory before a strike. In other cases the
holding of a ballot is discretionary; in others there are no provisions about
ballots in the rules. Where a major official strike is threatened the Secretary
of State will discuss with the unions concerned the desirability of holding a strike ballot and will seek to persuade them to consult their members unless there are valid reasons why they should not. Where no agreement is reached, the Industrial Relations Bill will give the Secretary of State power at her discretion to require the union or unions involved to hold a ballot on the question of strike action. The power will be used where the Secretary of State believes that the proposed strike would involve a serious threat to the economy or public interest, and there is doubt whether it commends the support of those concerned. The object will not be to place a prohibition on such strikes, but to help to ensure that before strikes of this importance take place the union members themselves are convinced that they are right to go on strike. The ballot will be conducted by the union, in accordance with its own rules as approved by the proposed Registrar of Trade Unions and Employers' Associations (see paragraph 109), which should of course provide for the fair and efficient conduct of a poll. Apart from giving approval to the form of the question to be put to the vote, the Secretary of State will not intervene in the conduct of the ballot. If members raise any questions of procedure, including entitlement to vote, these will be resolved in the same way as similar disputes in relation to a ballot called by the union itself. Similarly, in all other respects the powers of unions under their rules to decide whether or not to strike, or to end a strike, will remain unaltered.

The Present Law on Strikes

99. The Government has reviewed the law on picketing, but does not propose to make any changes in it. It believes that the present law does not place any unreasonable limitations on picketing, and that properly enforced it provides sufficient safeguards against violent or intimidatory behaviour.

100. The Government has decided to accept the recommendation of the Royal Commission that the inducement of breach of a commercial contract in the circumstances of a trade dispute should be protected in the same way as the inducement of breach of a contract of employment. The law on this is complicated; sympathetic strikes and other ways of bringing indirect pressure on an employer during a dispute are regarded by the present law as legitimate, but they face legal hazards in some circumstances. This anomalous situation must be resolved. The alternative is to outlaw sympathetic action. But trade unions have a long tradition of relying on the solidarity of union members working in different places, and it would be wrong to attach legal penalties to the practical expression of this. It will of course be open to the Secretary of State to require a ballot before an official, or a conciliation pause in an unconstitutional, sympathetic strike.

The Trade Dispute Disqualification for Unemployment Benefit

101. The Royal Commission recommended changes to Section 22 of the National Insurance Act 1965, which concerns the disqualification of persons for receipt of unemployment benefit when there is a trade dispute at their place of work. If these changes were made, a claimant for benefit would no longer have to prove that he is not a member of a “grade or class” of workers, any of whom are participating in or financing or directly interested in the dispute; and a claimant would not be regarded as “financing” a
trade dispute simply because he is a member of a trade union paying strike pay to those on strike.

102. The Government is sympathetic towards the objective of avoiding disqualification for unemployment benefit of people remote from an industrial dispute. But these recommendations need further consideration in the light of comment so far made by the C.B.I., T.U.C. and nationalised industries. The Government intend to resume consultations on this matter as soon as possible.

Safeguards against Unfair Dismissal

103. Although the individual employee is protected in many other ways by legislation or collective agreements, he often has no effective safeguard against arbitrary or unfair dismissal. The Government proposes to end this anomaly. There is need for legislation to establish statutory machinery to safeguard both unionists and non-unionists against unfair dismissal. While it is desirable that voluntary procedures relating to dismissal should be improved and extended, the development of such procedures is much too slow. In a period when increasing and necessary change must be accepted by large numbers of people legislation will provide some guarantee that the inevitable uncertainties which this situation creates will not be added to by an employer’s high-handedness or prejudice. One effect of legislation will undoubtedly be to encourage the development of clear rules as to the circumstances in which employees may be dismissed and for what reasons, and the improvement of voluntary procedures.

104. The Industrial Relations Bill will make it clear that dismissal is justified only if there is a valid reason for it connected with the capacity or conduct of the employee or based on the operational requirements of the undertaking, establishment or service; and that in the absence of such valid reasons it is unfair. Employees who consider themselves unfairly dismissed will have a right to complain to the present Industrial Tribunals, which will have to be extended and equipped to deal with this additional role. Compensation or re-instatement may be awarded by the Tribunals. The exact form of the procedure and of the machinery to operate it, and the extent to which voluntary procedures can be exempted, will be discussed in detail with the C.B.I., T.U.C., nationalised industries and other interests.

Contracts of Employment Act 1963

105. While the Contracts of Employment Act 1963 has proved a useful advance both in laying down minimum periods of notice and in requiring the employer to give the employee a written statement of certain particulars of his contract of employment, the Government believes that the time has come to revise the Act in the light of experience and in order to increase the protection given to employees. In particular it thinks that it is necessary to increase long-service employees’ entitlement to notice before dismissal; to shorten the minimum period of service needed to benefit from the Act; and to require employers to give employees fuller particulars of their contracts of employment. It therefore proposes to enter into consultations with both sides of industry to consider the amendments to the Act which should be included in an Industrial Relations Bill.
Jurisdiction of Industrial Tribunals

106. The Industrial Tribunals have proved their worth as quick and satisfactory machinery for hearing cases under several statutes affecting industry, for example those brought by individual employees under certain provisions of the Redundancy Payments Act 1965. In such cases the presence of employer and employee members on the Industrial Tribunals has proved extremely helpful. The Royal Commission recommended that the jurisdiction of the Industrial Tribunals should be extended to cover legal disputes (except for those about accidents at work) arising from individual contracts of employment and statutory claims between employers and employees, which at present can be dealt with only in the ordinary courts. The Government agrees that it will be easier for individual employees to bring such cases before Industrial Tribunals which have proved that they are well suited to dealing with such matters. It therefore accepts in principle that their jurisdiction should be extended as proposed by the Royal Commission and will further consult both sides of industry on this. The continuing role of satisfactory voluntary arrangements for resolving such questions will be safeguarded.

Trade Union Rules and Registration

107. Prejudices and unfair treatment are not a management monopoly. They can arise among employees and in trade unions. The Royal Commission found no evidence of widespread abuse of union power. But when union membership is accepted as desirable and actively encouraged, it is essential that unions should be able, and be seen to be able, to conduct their business according to clear and comprehensive rules, and to deal fairly with any dispute between the union or its officers and the individual member.

108. This must be done in ways that are compatible with trade union internal self-government and independence. Employees must retain the right to combine together in ways that seem to them to advance their interests. But this must also be seen to be compatible with generally accepted standards of tolerance and fair play. For this reason the Government considers that the present legal requirements relating to the rules of trade unions are inadequate, and should be extended in the interests both of the unions and of their members.

109. The Industrial Relations Bill will therefore propose that trade unions should register with a new Registrar of Trade Unions and Employers’ Associations within a prescribed period. In view of the experience gained by the Registrar of Friendly Societies in dealing with trade union matters, the new post will for the present be combined with that of Registrar of Friendly Societies. Unions will be required to have rules governing certain matters (e.g. admission, discipline, disputes between the union and its members, elections, strike ballots, and the appointment and functions of shop stewards), and to register. Refusal will lay a trade union open to a financial penalty by the Industrial Board. (The Royal Commission’s alternative sanction was that the protection of Section 3 of the Trade Disputes Act 1906 should be confined to registered unions and those
acting on their behalf, but the Government has not accepted this recommendation (paragraph 88), and does not think that it would be an appropriate way of securing registration). Unions will be free to frame rules to meet their own requirements and the Industrial Relations Bill will not propose that there should be provision for them to be challenged except on the ground that they do not adequately cover the subjects mentioned. This right will lie with the Registrar of Trade Unions and Employers' Associations, to whom unions and employers' associations will submit their rules when applying for registration. If he refuses to register a union or employers' association, appeal will lie to the Industrial Court. Trade unions and employers' associations will be allowed reasonable time to make any necessary amendments to their rules.

110. The Government agrees with the Royal Commission's recommendations that the term "trade union" should in law be used only for employees' associations. It will thus be necessary to define in law the term "employers' association". The Government will consult the T.U.C. and C.B.I. about these definitions. Employers' associations will be required to register and to comply with appropriate requirements about rules.

111. The Royal Commission recommended that trade unions should be given corporate status. The T.U.C. has represented that this would be undesirable, as it would have no significant advantages and would not be appropriate to unions' constitutional structure. The Government accepts these arguments and does not propose to implement the Royal Commission's recommendation.

112. The Industrial Relations Bill will further propose that all but the smallest unions should be required to employ professional auditors and that new requirements regarding superannuation funds for their members should be introduced.

113. At present trade unions are protected from actions in tort by Section 4 of the Trade Disputes Act 1906. This means, for example, that a union cannot be sued for libel or negligence (although it is possible in some circumstances to sue the trustees or the officers). This restriction is unrealistic, and the Industrial Relations Bill will provide for removal of the immunity except in the circumstances of a trade dispute. The Government agrees with the T.U.C. that this change will only be acceptable if the definition of a trade dispute is watertight, and will consider carefully what changes (if any) should be made in the present definition for this purpose.

Complaints against Trade Unions

114. These reforms will provide additional safeguards for union members, and do much to enable unions themselves to escape unjustified suspicions. But for them to be seen to deal fairly with members, it is necessary that the administration of their rules should be subject to independent review. This does not imply that there is any reason to suspect frequent injustice any more than the creation of the Parliamentary Commissioner implies that maladministration is common in Government departments. But it is right and healthy in a democracy that any powerful body should be subject to outside scrutiny where abuse of its power can most harm the individual.
115. Complaints against trade unions by individuals who have no access to, or have exhausted, the union's own appeals procedure will be considered in the first instance by the Registrar, who will have the duty of advising the complainants and trying to promote an amicable settlement. In some cases where this cannot be achieved there is already a legal remedy in the ordinary courts, but in others there is no remedy at present. The Industrial Relations Bill will provide that complaints by individuals of unfair or arbitrary action by trade unions resulting in substantial injustice may be referred to the Industrial Board referred to in paragraph 62.

116. In cases heard by the Board, every opportunity will be given to the trade unions concerned to prepare their own answers to complaints. The object will be to ensure fair play and justice, rather than to put obstacles in the way of unions. If complaints are found to be justified, the Board will have power to award damages, or admission or re-instatement in a union. In these cases the Board will consist of a legal chairman from the Industrial Court and two members of the employees' panel of the Court.

117. The Royal Commission rejected the prohibition of the closed shop and said that, under proper safeguards, it could serve a useful purpose. A closed shop might be needed by a union to establish an effective and stable organisation or in order to deploy employees' bargaining strength to the full. Nevertheless the Commission recognised that the closed shop was liable from time to time to cause injustice to individuals and it therefore proposed safeguards. The Government agrees with this assessment. It has proposed above in paragraphs 115-116 measures to protect the trade union member; it is also necessary to consider those who have conscientious grounds for not joining a union and who are dismissed from their employment in consequence.

118. Before agreeing to a closed shop, employers should seek to obtain suitable protection for people who refuse to join trade unions on conscientious grounds. Many unions are prepared to accept such people in a closed shop, if they in their turn are prepared to show good faith, for example by contributing to charity instead of paying a union subscription. When such employees are dismissed from employment because they will not joint a union, the Government proposes that they should have a right of complaint to an Industrial Tribunal as a case of alleged unjust dismissal. The Government agrees with the majority of the Royal Commission that the Tribunal should have power to award compensation to be paid by the employer, since it is his responsibility in concluding a closed shop agreement to bear in mind the interests of existing employees who are not in the union, and to ensure that they are adequately safeguarded. The Tribunal should also have power to award compensation to be paid by the employer if the closed shop is not a formal one established by agreement with a union, but an informal one resulting from the unwillingness of employees to work with a non-unionist. The Tribunal will have to consider whether the employer should in any way be liable for acquiescence in the development of such a closed shop, and the extent to which the employer should compensate an employee whom he has dismissed because he considered it to the advantage of his business to do so in the circumstances.
A NEW OPPORTUNITY

119. These are the major measures, initiatives and policies which the Government proposes to deal with the industrial relations problems now facing this country, and will further discuss with both sides of industry. They are intended to retain the best aspects of our traditional system—its freedom, flexibility, tolerance and general sense of reasonable compromise. At the same time they should enable us to grapple with what is wrong: with disorder, injustice, occasional near chaos and damaging disruption. They involve the Government more closely in the processes of industrial relations, but without diminishing the responsibility of management and unions for the proper conduct of their affairs. On the contrary they are designed to highlight and strengthen that responsibility. In effect they offer both management and unions an opportunity and a challenge. The Government proposes a joint effort to remake and improve the relationships of people at work.
Appendix 1

Proposals for an Industrial Relations Act

The Government intends, after further consultations, to introduce an Industrial Relations Bill, including provisions:

1. To put a Commission on Industrial Relations on a statutory basis (paragraphs 33–38);

2. To require employers to register certain collective agreements and arrangements with the Department of Employment and Productivity (paragraphs 39–41);

3. To modify section 4(4) of the Trade Union Act 1871, to facilitate the direct legal enforcement, where the parties wish, of agreements between trade unions and employers' associations, and to provide that agreements should only be legally binding if they include an express written provision to that effect (paragraph 46);

4. To give trade unions the right to have certain sorts of information from employers, subject to safeguards for confidential commercial information (paragraph 48);

5. If necessary, to facilitate the appointment of trade union representatives to boards of undertakings (paragraph 49);

6. To establish the principle that no employer has the right to prevent or obstruct an employee from belonging to a trade union (paragraph 55);

7. To stop Friendly Societies from having rules debarring trade unionists from membership (paragraph 55);

8. To empower the Commission on Industrial Relations to look into recognition disputes, and to arrange a secret ballot if it thinks this desirable (paragraph 56);

9. To enable the Secretary of State, where the Commission on Industrial Relations recommends that an employer shall recognise a union (or that he shall negotiate with it) but there is continuing difficulty,
   
   (a) to make an Order requiring the employer to recognise and negotiate with the union and, in default, giving the union the right to take the employer to arbitration at the Industrial Court (paragraph 58);
   
   (b) to make an Order giving the union a similar right against an employer who is refusing negotiating rights (paragraph 59); and

   (c) if necessary to make an Order excluding one or more unions from recognition, with penalties for breach of the Order by either the employer or a union (paragraph 60);

10. To establish an Industrial Board to hear certain types of case against employers, trade unions and individual employees (paragraph 62);

11. To amend the law relating to Wages Councils and section 8 of the Terms and Conditions of Employment Act 1959 (paragraphs 63–64).
(12) To provide for the Commission on Industrial Relations to make grants and loans for trade union development (paragraphs 71–75);

(13) To enable the Secretary of State by Order to require those involved to desist for up to 28 days from a strike or lock-out which is unconstitutional or in which for other reasons adequate joint discussions have not taken place, and to require the employer meanwhile to observe specified terms or conditions (paragraphs 93–96);

(14) To empower the Secretary of State, where an official strike is threatened, by Order to require a ballot (paragraph 97);

(15) To protect inducement of breach of a contract other than a contract of employment, in the circumstances of a trade dispute (paragraph 100);

(16) To introduce safeguards against unfair dismissal (paragraph 103);

(17) To amend the Contracts of Employment Act (paragraph 105);

(18) To extend the jurisdiction of Industrial Tribunals (paragraph 106);

(19) To require trade unions and employers' associations to have rules on certain subjects and to register (paragraphs 109–110);

(20) To create a new Registrar of Trade Unions and Employers' Associations—the post to be combined for the present with that of Registrar of Friendly Societies (paragraph 109);

(21) To provide new legal definitions of "trade union" and "employers' association" (paragraph 110);

(22) To require all but the smallest unions to have professional auditors, and to make new provisions regarding superannuation funds for members (paragraph 112);

(23) To enable a union to be sued in tort, except in the circumstances of a trade dispute (paragraph 113);

(24) To make any necessary amendment to the definition of a trade dispute (paragraph 113);

(25) To enable the Industrial Board to hear complaints by individuals of unfair or arbitrary action by trade unions (paragraphs 115–116).

The Royal Commission made other more detailed recommendations, mainly of a legal nature, that are not referred to in this White Paper. These will be considered by the Government and discussed with those concerned, with a view to possible inclusion in the Industrial Relations Bill.

APPENDIX 2

Incidence of Strikes in the United Kingdom

1. A country's pattern of strikes and other stoppages due to trade disputes can be analysed in various ways, for example, according to the number of stoppages in relation to the number of employees, the average number of persons involved per stoppage, the average duration of stoppages and the number of working days lost in relation to the number of employees. The following table comparing the strike patterns of different countries is based on one published in the Donovan Report, brought up-to-date as far as possible.
INTERNATIONAL COMPARISONS OF STATISTICS RELATING TO STOPPAGES DUE TO INDUSTRIAL DISPUTES IN MINING, MANUFACTURING, CONSTRUCTION AND TRANSPORT

Average annual figures based on latest available information supplied by International Labour Office.

Columns (1), (2) and (3)—period 1964–1966.

Column (4)—period 1963–1967

<table>
<thead>
<tr>
<th>Name of Country</th>
<th>(1) No. of Stoppages per 100,000 employees</th>
<th>(2) Average No. of persons involved per stoppage</th>
<th>(3) Average duration of each stoppage in working days</th>
<th>(4) No. of working days lost per 1,000 employees</th>
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(1) Because countries adopt different statistical practices, the figures are not strictly comparable in every respect. The most important variation is in the level below which strikes are regarded as too small to be included; some other countries adopt levels lower than the United Kingdom, notably Australia, Canada, Japan, Norway and the United States. Some countries, unlike the United Kingdom, exclude from their statistics workers laid off as a result of stoppages at their place of work. The footnotes which follow record the more important other variations.

(2) Including electricity and gas.

(3) Manufacturing only.

(4) Figures not available.


(6) All industries.

(7) Including electricity, gas, water, sanitary services.

Column (1) of this table shows that in comparison with many other countries the U.K. has a fairly large number of strikes in relation to the size of its workforce. In this respect the U.K. has in recent years been worse off than nine of the other countries listed, but better than five (Australia, France, the Republic of Ireland, Italy and New Zealand). As regards average number of employees involved per stoppage (column 2), the U.K. figure falls below the figures for twelve of the other countries; and as regards the average duration of each stoppage (column 3) our figure falls below those for nine of the others. Judged in terms of number of working days lost in relation to numbers employed (column 4), the U.K.'s record has been about average compared with other countries. The pattern which emerges for the U.K. is therefore one of a comparatively large number of short stoppages involving, on average, a fairly small number of employees.
2. The number of stoppages in industries other than coal-mining has increased steadily over the last few years, as the following table shows:

**UNITED KINGDOM: NUMBER OF STOPPAGES DUE TO INDUSTRIAL DISPUTES, 1957-1968**

<table>
<thead>
<tr>
<th>Year</th>
<th>Coal-mining</th>
<th>In the rest of the economy</th>
<th>Altogether</th>
</tr>
</thead>
<tbody>
<tr>
<td>1957</td>
<td>2,224</td>
<td>635</td>
<td>2,859</td>
</tr>
<tr>
<td>1958</td>
<td>1,963</td>
<td>666</td>
<td>2,629</td>
</tr>
<tr>
<td>1959</td>
<td>1,307</td>
<td>786</td>
<td>2,093</td>
</tr>
<tr>
<td>1960</td>
<td>1,666</td>
<td>1,166</td>
<td>2,832</td>
</tr>
<tr>
<td>1961</td>
<td>1,458</td>
<td>1,228</td>
<td>2,686</td>
</tr>
<tr>
<td>1962</td>
<td>1,203</td>
<td>1,246</td>
<td>2,449</td>
</tr>
<tr>
<td>1963</td>
<td>987</td>
<td>1,081</td>
<td>2,068</td>
</tr>
<tr>
<td>1964</td>
<td>1,058</td>
<td>1,466</td>
<td>2,524</td>
</tr>
<tr>
<td>1965</td>
<td>740</td>
<td>1,614</td>
<td>2,354</td>
</tr>
<tr>
<td>1966</td>
<td>553</td>
<td>1,384</td>
<td>1,937</td>
</tr>
<tr>
<td>1967</td>
<td>394</td>
<td>1,722</td>
<td>2,116</td>
</tr>
<tr>
<td>1968</td>
<td>219</td>
<td>2,131</td>
<td>2,350</td>
</tr>
</tbody>
</table>

(Provisional figs.)

Source: Department of Employment and Productivity

3. One important feature of the strike pattern in the U.K. is that the great majority of strikes (about 95 per cent.) are unofficial (that is, not sanctioned or ratified by the union or unions concerned), as illustrated by the following table:

**OFFICIAL, UNOFFICIAL AND OTHER STOPPAGES OF WORK DUE TO INDUSTRIAL DISPUTES**

Average Annual Figure for Stoppages in the Period 1964-67(1)

<table>
<thead>
<tr>
<th>Type of Stoppage</th>
<th>No. of Stoppages</th>
<th>No. of Workers Involved(2)</th>
<th>No. of Working Days Lost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Official Strikes (3)</td>
<td>82</td>
<td>84,700</td>
<td>643,000</td>
</tr>
<tr>
<td>Partly Official (4)</td>
<td>2</td>
<td>600</td>
<td>6,000</td>
</tr>
<tr>
<td>Unofficial</td>
<td>2,125</td>
<td>663,300</td>
<td>1,857,000</td>
</tr>
<tr>
<td>Others: i.e. lockouts or strikes by unorganised workers unclassified</td>
<td>24</td>
<td>3,200</td>
<td>24,000</td>
</tr>
<tr>
<td>All</td>
<td>2,233</td>
<td>751,800</td>
<td>2,530,000</td>
</tr>
</tbody>
</table>

Source: Department of Employment and Productivity.

(1) Figures relate to stoppages beginning in years covered and the total number of working days lost due to them.

(2) Includes workers thrown out of work at establishments where stoppages occurred, although not themselves parties to the dispute, but excludes workers consequentially laid off at other establishments.

(3) Figures relate to stoppages known to have been official, but there are sometimes difficulties in classification.

(4) i.e., Strikes involving more than one union and recognised as official by at least one but not all the unions concerned.

These unofficial strikes are also nearly always unconstitutional—i.e. they take place in breach of the appropriate procedure for dealing with disputes.
4. Official strikes, although few in number, tend to involve more employees and to last longer than unofficial strikes. An official strike, because of the number of employees involved, can often result in a very large number of working days lost. For example, the total number of working days lost through stoppages in 1968 was 4,692,000 (provisional); of this, the one-day engineering strike in May accounted for about 1½ million.

5. Official strikes have not shown any consistent tendency to grow in number in recent years, the figures since 1960 being as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Official Strikes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960</td>
<td>68</td>
</tr>
<tr>
<td>1961</td>
<td>60</td>
</tr>
<tr>
<td>1962</td>
<td>78</td>
</tr>
<tr>
<td>1963</td>
<td>49</td>
</tr>
<tr>
<td>1964</td>
<td>70</td>
</tr>
<tr>
<td>1965</td>
<td>97</td>
</tr>
<tr>
<td>1966</td>
<td>60</td>
</tr>
<tr>
<td>1967</td>
<td>108</td>
</tr>
</tbody>
</table>

*The figures include "partly-official" strikes, i.e. strikes involving more than one union and recognised as official by at least one but not all the unions concerned.

6. By contrast, the numbers of unofficial strikes have steadily risen in recent years. The general increase in the number of strikes in industries other than coal-mining has been almost entirely due to an increase in unofficial strikes. Certain industries have been especially prone to unofficial strikes, as the following table shows:

<table>
<thead>
<tr>
<th>Industry</th>
<th>Number of unofficial strikes per 100,000 employees</th>
<th>Number of days lost in unofficial strikes per 1,000 employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coal-mining</td>
<td>127·7</td>
<td>416</td>
</tr>
<tr>
<td>Docks (port and inland water transport)</td>
<td>65·6</td>
<td>1,766</td>
</tr>
<tr>
<td>Shipbuilding, ship-repairing and marine engineering</td>
<td>45·2</td>
<td>412</td>
</tr>
<tr>
<td>Motor vehicle manufacturing</td>
<td>34·3</td>
<td>831</td>
</tr>
<tr>
<td>All industries</td>
<td>9·2</td>
<td>84</td>
</tr>
</tbody>
</table>

7. Statistics relating to the causes of strikes have to be used with caution; a strike may have several causes, and the immediate cause (according to which the strike is classified) may not be the most important one. Most official strikes result from a breakdown of negotiations at industry level about trade union claims for improved terms and conditions of employment.

8. As far as unofficial strikes are concerned, nearly half of them in recent years have been due to disputes over pay. The other most frequent causes are "working arrangements, rules and discipline" (about 30 per cent.) and "redundancy, dismissal, suspension etc." (about 15 per cent.). Other causes, including recognition, demarcation questions, hours of work and closed shop issues account for about 8 per cent. of unofficial strikes.

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13th January, 1969

CABINET

INDUSTRIAL RELATIONS: DRAFT WHITE PAPER:
THE CONCILIATION PAUSE PROPOSALS

Memorandum by the Secretary of State for Social Services
and the Paymaster General

The minutes of the Ministerial Committee on Industrial
Relations (IR(69) 5th Meeting Minutes) record disagreement on
a key passage in the draft White Paper. It may be convenient
for our colleagues in the Cabinet to have a note focusing on this
point and indicating the amendment which would in our view meet
the difficulty to which we have drawn attention, without detriment
to the basic substance of the White Paper proposals.

2. The White Paper as now drafted goes some way towards meeting
points raised in earlier discussion about the "conciliation pause",
particularly as regards clarification of the role of the Industrial
Board and of its discretion in the imposition of fines. But the
changes made do not dispose of the basic anxiety indicated in the
Paymaster General's memorandum of 8th January (C(69) 3, paragraphs
4-6). At present we have grave doubts whether the proposed power to
enforce a pause can either be presented credibly or prove workable in
practice. An announced decision at this juncture to enact it come what
may in the teeth of widespread trade union opposition may well be
counter-productive - from more than one point of view.

3. We therefore invite our colleagues to consider once again
whether further time should not be taken (the relevant legislation
not being envisaged anyway before 1970) to persuade the trade union
movement to offer an adequate alternative to a pause-enforcing power.
The White Paper could make clear the Government's determination that
machinery for a conciliation pause must be established; it could also
make clear that in the absence of a credible alternative it will feel
compelled to take a power on the lines described; but by showing
willing to (at least) examine alternatives it would provide a better
basis than the present draft for hoping that whatever course is
eventually adopted will be accepted as necessary, and therefore
more likely to be respected in operation, by the movement and
the public at large.
4. For these reasons, we propose the following amendment:

Delete from the end of paragraph 96 of the draft White Paper attached to C(69) 6 (paragraph 98 of the draft White Paper attached to IR(69) 4(Revise)) the sentence:

"Nonetheless the trade union movement should make it clear how it will discharge the obligation referred to in its statement if it rejects all other alternatives for dealing with a problem it has itself recognised".

Substitute (but as a fresh paragraph):

"The Government recognise that this proposal has serious and wide-ranging implications for all citizens and in particular for the trade union movement. They intend to discuss its details further with all the interests concerned. In the course of these discussions they will be prepared to examine carefully any alternative proposals which may be put forward, provided that these accept the principle that in one way or another an effective machinery for securing a conciliation pause in suitable cases must be established as soon as practicable. If no adequate alternative proposals are forthcoming they will feel bound to proceed on the lines described."

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

Department of Health and Social Security, S.E.I.

13th January, 1969
20th January, 1969

CABINET

THE PAY OF DOCTORS AND DENTISTS AND OF TEACHERS

Memorandum by the Chancellor of the Exchequer

The Ministerial Committee on Prices and Incomes has considered proposals for increases in the remuneration of doctors and dentists, and in the salaries of school teachers, which raise issues of some importance.

Doctors and Dentists

2. The Review Body on Doctors' and Dentists' Remuneration, whose Chairman is Lord Kindersley, have reported to the Prime Minister on the remuneration to be paid to about 60,000 doctors and dentists in the National Health Service, for the period 1st January, 1969 until 1st April, 1970.

3. The Review Body recommend increases averaging about 8 per cent. These recommendations are based on a comparison with movements in other wages and salaries. In a special addendum the Review Body emphasise that they have taken note of the First Report by the National Board for Prices and Incomes (NBPI) on the pay of University Teachers (Cmd. 3866), which in effect rejected claims based on broad comparability of this kind as being contributory to inflation. They insist however that it is essential that they should not be thought to have revised their opinions by reference to those of any other body. They say that while they consider the increases that they recommend to be consistent with incomes policy, the detailed application of the annual ceiling is for the Government alone, to ensure consistency of interpretation in incomes policy and avoid discrimination.

4. The Ministerial Committee at their meeting on 14th January considered the Review Body's recommendations and saw difficulties in the way of either accepting or rejecting them.

5. Acceptance of the recommendations would imply our acquiescence in the basis of comparability for doctors, at a time when the basis has been rejected by the NBPI for University Teachers (who have been awarded less than a comparison of this kind would justify and substantially less than
Moreover, we have asked the NBPI to investigate the pay of agricultural workers (who are almost all low paid workers) and increases for doctors might be criticised as discrimination in favour of the better paid. Finally, we are having difficulty over the interpretation of incomes policy in relation to the teachers' claim.

6. On the other hand, rejecting the Review Body's recommendations or referring them to the NBPI would at once be denounced as a breach of faith by the medical profession. In the Appendix to this memorandum the Secretary of State for Social Services sets out the relevant history. Notwithstanding what was said to the Kindersley Review Body, rejection or reference to the NBPI of the present recommendations would lead almost certainly to the resignation of the Review Body en bloc, and would have a disastrous effect on the retention and emigration of the doctors needed for the National Health Service. There would be implications for the parallel arrangements on the pay of the higher Civil Service, which is under a general review by the Standing Advisory Committee under the Chairmanship of Lord Plowden. A rejection of comparability as a criterion for determining pay would also have much more widespread repercussions in the public sector generally.

7. The Ministerial Committee on Prices and Incomes considered the possibility of our accepting the Review Body's present recommendations and at the same time announcing that there will have to be new arrangements to take the place of those by which three separate bodies, the NBPI, the Review Body and the Standing Advisory Committee on Pay of the Higher Civil Service, are responsible for advising in different areas on pay in the public sector, the latter two (unlike the NBPI) being unconnected with and not responsible for advice on pay in the private sector. It would be difficult to go very far in making at once any statement on these lines, for the reasons outlined in paragraph 6. Acceptance of the Review Body's recommendations might, however, be coupled with a carefully worded announcement that we propose to begin consultations at once with the medical profession and the others concerned about new arrangements to co-ordinate advice on pay in that area of the public sector.

8. There is another possible approach to this question which the Prices and Incomes Committee did not discuss but which my colleagues may wish to consider, namely deferment of the date of implementation of the Review Body's recommendations for three months. A reduction of £4.5 million in the cost of the award would give substantial expression to a degree of Government doubt about the Review Body's recommendations. It might conceivably be tolerable (though highly unwelcome) to the Review Body, but it would still leave us with a major conflict with the profession.
Teachers

9. The Burnham Committee is in the course of negotiating a two-year agreement to start from next April on the pay of teachers in England and Wales, the operative date of the 1967 agreement having been deferred by three months to 1st July on account of incomes policy. The incomes policy ceiling allowable for an increase in teachers' pay from 1st April, 1969 would be 6 1/8 per cent and the teachers' original claim in the current negotiations was for 21 per cent. With the approval of Ministers, an offer has been made at the ceiling and rejected by the teachers. However, there is a good prospect that agreement might be reached on an offer of 7.1 per cent, which would cost £33 million a year. Agreement would be a welcome new departure, since in both the 1965 and 1967 negotiations the claim went to arbitration (each time achieving a slight increase on the management's offer). Should the claim go to arbitration and be given a response more favourable than incomes policy would permit, the award could be overturned only by an affirmative resolution of both Houses of Parliament.

10. The teachers' claim is mainly based on comparability with other professions. However 1 per cent out of the proposed 7.1 per cent is intended to provide for an increase in the number of senior posts in primary schools and in the salary of most primary school headmasters; and it is argued that this can properly be broadly regarded as a regrading exercise in recognition of the increased demands on and responsibilities undertaken by primary school teachers, which in a system giving normal management discretion to the employers would not require any revision of the pay rules. On the other hand, it is argued that the 1 per cent will in fact simply pay some teachers more for doing the same work and that even the 6 1/8 per cent offer already sanctioned by the Government has escaped the sort of scrutiny by the NBPI which we are giving the claim of agricultural workers and have given to other wage-earners' claims.

11. Some members of the Committee also see a link with the question of doctors' and dentists' pay. They consider that if the Government grants an award to the medical profession at the maximum, purely on the basis of comparability, without reference to the NBPI, it may be difficult to refer the teachers after a similar award. Against this, other members of the Committee point out that comparability for teachers has already been conceded by the 6 1/8 per cent offer, and argue that acceptance of the same basis for doctors does not affect the question of raising the offer to teachers on other grounds.

12. I invite my colleagues -

(a) on the subject of doctors' and dentists' remuneration, to consider which of the following courses to adopt:
(i) to accept the recommendations of the Review Body on Doctors' and Dentists' Remuneration, explaining that the increases approved are within the limits of incomes policy; or to do this, while putting the operative date forward from 1st January to 1st April, 1969;

(ii) to reject the Review Body's recommendations or refer them to the NBPI (which would give rise to much the same reactions among the medical profession);

(iii) to accept the Review Body's recommendations without alteration coupled with an announcement that we propose to begin consultations with the medical profession and the others concerned about new arrangements to co-ordinate advice on pay in the relevant area of the public sector.

(b) on the subject of teachers' pay to consider:

(i) whether we should stand firm on the existing 6 1/3 per cent offer in the Burnham Committee or increase it by a further 1 per cent, to cover claims for increased responsibility payments in primary schools;

(ii) whether there should be a reference to the NBPI of the general question of the structure of teachers' pay.

R.H.J.

Treasury Chambers, S.W.1.

20th January, 1969
INDEPENDENCE OF THE REVIEW BODY ON DOCTORS' AND DENTISTS' REMUNERATION

The Review Body was established in March 1962, so that the remuneration of the professions could be (in the words of the report of the Royal Commission) "determined in practice by a group of independent persons of standing and authority not committed to the Government's point of view". The Royal Commission believed "that seven people such as we have in mind will make recommendations of such weight and authority that the Government will be able, and indeed feel bound, to accept them". The Report, including the recommendation for establishment of a Review Body on the basis proposed, was accepted as a whole by the Government. All recommendations made by the Review Body have been accepted by the Governments (subject to staging of the 30 per cent increase for G.Ps. in 1966) and the profession would undoubtedly see a reference to the NBPI as a breach both of agreed principle and of established practice. The professions have all along been suspicious that incomes policy would undermine the independence of the Review Body and on the appearance of Cmd 3235 they sent a formal deputation to protest about the statement in it that the criteria were "intended to be applied by" independent Review Bodies. They were assured "the status of the Review Body is in no way affected by that paragraph"; and their attention was drawn to a statement made by the then First Secretary in the House on 14th July 1966, when he said, referring to the SAC on the Higher Civil Service and the Review Body:

"These bodies will continue, but the Government will discuss with them and with the representatives of the Higher Civil Service arrangements for ensuring that in conducting their reviews both bodies have full regard to the incomes and prices policy".

It was explained that this statement applied equally to discussion with representatives of the medical and dental professions. No such discussions have taken place and reference of a Review Body report to the NBPI without them could be regarded as a breach of faith on this score.
In their Ninth Report of March 1968, which (with insignificant exceptions) rejected the doctors’ claims, the Review Body added "if it should later appear that movements of wages or salaries exceed what can reasonably be justified under incomes policy criteria then prevailing we should consider it unfair to the professions and prejudicial to the efficiency of the National Health Service to deny appropriate increases to doctors and dentists".

In announcing the Government’s attitude, the Prime Minister said "the Government have accepted the advice tendered in the report in its entirety". This also could provoke charges of double-dealing from a reference to the NBPI. The reference would also provide justification to the doctors for renewing their large claims.
15th January, 1969

CABINET

MEETING OF COMMONWEALTH PRIME MINISTERS;
FINAL COMMUNIQUE

Note by the Secretary of the Cabinet

By direction of the Prime Minister I circulate herewith a copy of the Communique issued today at the conclusion of the Meeting of Commonwealth Prime Ministers.

(Signed) BURKE TREND

Cabinet Office, S.W.1.

15th January, 1969
COMMONWEALTH SECRETARIAT

Marlborough House,
London, S.W.1
Tel. No. 01-839 3411

MEETING OF COMMONWEALTH PRIME MINISTERS - LONDON 1969

Communique

Commonwealth Heads of Government met in London from 7-15 January. Botswana, Cyprus, Malawi, Tanzania, Uganda and Zambia were represented by their Presidents. Australia, Barbados, Britain, Canada, Ceylon, The Gambia, Guyana, India, Jamaica, Lesotho, Malaysia, Malta, Mauritius, New Zealand, Sierra Leone, Singapore, Swaziland, and Trinidad and Tobago were represented by their Prime Ministers. Ghana was represented by the Deputy Chairman of the National Liberation Council; Kenya by its Minister of Finance; Nigeria by the Vice Chairman of the Federal Executive Council; and Pakistan by its Minister for Foreign Affairs. The Prime Minister of Britain was in the Chair.

2. This was the largest meeting of Commonwealth Heads of Government and one of the biggest consultative gatherings of Heads of Government from all parts of the world since the signature of the United Nations Charter. Heads of Government warmly greeted the President of Botswana, and the Prime Ministers of Barbados, Lesotho, Mauritius and Swaziland, whose countries had become new members of the Commonwealth since the previous meeting.
3. The Republic of Nauru has become the Commonwealth's first "special member", with the right to participate in all functional meetings and activities, and to be eligible for Commonwealth technical assistance. The Associated States of the West Indies, having reached a full measure of self-government although not fully independent, also take part in Commonwealth meetings and activities in fields within their constitutional competence. Heads of Government welcomed these arrangements which had been agreed since their last Meeting to enable very small States to participate in the work of the Commonwealth.

International Affairs

4. Heads of Government were aware that they were meeting at a time of some misgivings about the effectiveness of international organisations and associations. They were unanimous that effective international co-operation was more than ever important. Any weaknesses and failures of international machinery were a reason to improve that machinery, not to despair of it. They expressed their continued support for the purposes and principles of the United Nations Charter and their wish to contribute to efforts to strengthen the institutions and work of the United Nations, particularly its role in maintaining and promoting peace.

5. They noted with pleasure the part played by Commonwealth countries in the development of regional co-operation. At the same time they recognized that exchanges of view and consultation within a wider association such as the Commonwealth offered one means by which its members could form a better understanding of one another's problems and attitudes and of their growing interdependence.

6. With these considerations in mind, they reviewed some of the major issues and trends in the world political situation.
7. They were in agreement that the principles of non-interference by one State in the internal affairs of another and of scrupulous respect for the sovereignty, the territorial integrity and political independence of all States are the very cornerstone of the structure of world peace.

8. Heads of Government also felt that events in Czechoslovakia in violation of these principles and of the United Nations Charter tended to undermine respect for the territorial integrity and sovereign independence of all States, particularly small States.

9. They considered that events in the Middle East in violation of the United Nations Charter and the Security Council resolutions emphasised the need for the establishment of a durable peace in the area as a matter of urgency. This could be achieved in accordance with the Security Council’s Resolution of 22 November, 1967. The Heads of Government expressed support for the efforts of Dr. Jarring, the special representative of the UN Secretary-General, and urged all concerned to give him their fullest co-operation. They were encouraged to note the round of consultation now in progress among the four permanent members of the Security Council and urged these Governments to persist in their efforts to help bring about a settlement in accordance with the November 22 Resolution of the Security Council. While the role of major Powers was important, other countries especially those who have an interest in the re-opening of the Suez Canal, including Commonwealth members could contribute towards a settlement.
Recalling the views expressed at their Meetings in 1965 and 1966, Heads of Government welcomed the commencement of the Vietnam talks in Paris and expressed the hope that they would lead to discussions aimed at securing a just, lasting and genuine peace.

It was the view of the majority of Heads of Government that the People's Republic of China has a right and a duty to participate in full in all the world's efforts towards peace. Most Heads of Government expressed the hope that the People's Republic of China would be able to take its rightful place in the international community, although some of them also stressed that this should be achieved without prejudicing the rights of the people of Taiwan to an independent existence if they chose. However, certain Prime Ministers of countries whose Governments recognised the Government of the Republic of China (Taiwan) reiterated their support of that Government's right to membership of the United Nations.

Heads of Government, recalling the ending of Indonesia's policy of confrontation against Malaysia and Singapore in 1966, were encouraged by developments towards stability in Indonesia since their last meeting in 1966 and felt that this would contribute to the general stability and economic development of the region.
The Meeting observed that difficulties between Malaysia and the Philippines arising out of the Philippine claim to Sabah had hampered the progress of regional cooperation in South East Asia. It expressed the hope that these difficulties could be resolved by peaceful means, upholding the right of self-determination which has been exercised by the people of Sabah.

The Meeting also noted with concern and sympathy the difficulties which Guyana was experiencing in connection with Venezuela's claim to more than one-half of Guyana's territory. Acknowledging that threats to the territorial integrity of a State make inevitable the diversion of resources and energies from the constructive tasks of development, many members shared the view advanced by Guyana's Prime Minister that there was an urgent need for an international effort to secure the territorial integrity of every State — and especially of the small developing countries of the world.

The Meeting expressed the hope that the recent achievement of independence by many small states would bring home to the international community the need to introduce special and effective measures to guarantee their territorial integrity.

The Meeting considered that major barriers to progress on negotiated agreements in critical areas and fields would be overcome by significant progress in achieving détente and in cooperation between the major Powers. It was therefore considered essential that efforts to reduce tension and extend areas of peace and cooperation should continue.

Heads of Government recalled that at their Meeting in September, 1966, they had expressed the view that events were throwing into ever sharper relief the need for firm and far-reaching agreements on disarmament. They considered
that the need for such agreements was even more urgent now than it was then, and hoped that the Eighteen Nation Disarmament Committee would resume consideration of this matter.

18. The Meeting considered that the Eighteen Nation Disarmament Committee should, as a matter of priority, explore possibilities of reaching agreement on effective measures designed to bring about a cessation of the nuclear arms race at a very early date. With this end in view a universally binding comprehensive nuclear test ban treaty was an urgent necessity. In this connection, the British proposal to the Eighteen Nation Disarmament Committee for a phased approach to a comprehensive test ban treaty was deserving of further study. They considered that the Eighteen Nation Disarmament Committee should also seek to achieve a cut-off of the production of fissionable material for weapons purposes. Both these measures could be of great significance in halting the nuclear arms race. Mention was also made of the possibility that the Eighteen Nation Disarmament Committee might undertake the study of various proposals made for a convention on the prohibition of the use of nuclear weapons. The Meeting gave particularly strong support to one of the recommendations made by the Conference of Non-Nuclear Weapon States (whose distinguished President was present at this Meeting) and repeated by the General Assembly of the United Nations to the Governments of the United States and the Soviet Union, that they should at an early date begin their bilateral discussions on the limitation of offensive strategic nuclear weapon delivery systems and systems of defence against ballistic missiles.

19. The Meeting stressed again that effective disarmament must cover non-nuclear as well as nuclear weapons. In this connection the Heads of Government drew attention to the urgent need for action to deal with the threat presented by chemical and biological weapons and welcomed the British proposal
to the Eighteen Nation Disarmament Committee for a new convention prohibiting micro-biological methods of warfare. They looked forward to the report on chemical and biological weapons which the Secretary-General of the United Nations had been requested to prepare; they hoped that this would make a valuable contribution to the consideration of arms control measures to deal with these weapons.

20. Heads of Government recalled that at their Meeting in September 1966 they had stressed that while there was still time it was imperative to halt the spread of nuclear weapons. A step towards this goal was taken with the opening for signature of the Treaty for the Non-Proliferation of nuclear weapons. As far as the Treaty achieved this objective, most Heads of Government welcomed it. However, some Heads of Government had reservations on certain aspects of the Treaty including its effectiveness and the reliability of security guarantees for non-nuclear weapon states. It was recognised that the Non-Proliferation Treaty would not fulfil all the hopes set upon it unless progress could also be made by the nuclear powers towards effective measures of nuclear disarmament. It was also recognised that member states which were subjected to attack or threat of attack by either nuclear or non-nuclear weapons had the right to the protection afforded to them under the United Nations Charter.

21. The Meeting heard a statement by Britain on the progress of the remaining British dependencies towards self-government or independence. Twenty such dependencies were now left - many of them very small islands - and there had been recent constitutional advances in sixteen. It noted that in the case of British Honduras, the Falkland Islands and Gibraltar, the British Government was ready to hold discussions with interested neighbouring countries, consonant with its basic principle, which was enshrined in the United Nations Charter, that the interests and wishes of the inhabitants must be paramount.
22. The Prime Minister of Malta drew the attention of other Heads of Government to the situation arising from the rapidly increasing technological capacity to exploit the immense resources of the sea bed, which constitutes nearly three-quarters of the surface of the earth. They considered that the area of the sea bed and ocean floor beyond the limits of present national jurisdiction, for which a precise definition should be sought, should be accorded a special legal status as part of the common heritage of mankind, and as such should be reserved for peaceful purposes and for the orderly exploration and exploitation of its great resources, by such appropriate international machinery as is agreed acting for the common benefit of all States, irrespective of their geographical location, and taking into special consideration the interests and needs of the developing countries.

23. The Meeting welcomed the initiative of the Government of Malta which led to the appointment in December 1968 by the General Assembly of the United Nations of a Committee on the peaceful uses of the sea bed and the ocean floor beyond the limits of national jurisdiction, and declared its support for the committee's work.

Rhodesia

24. The Meeting had a full discussion on the problem of Rhodesia. Heads of Government agreed that there were several reasons why Rhodesia was so important in Commonwealth consultations. The legal authority and the responsibility for the terms on which it would be brought to independence rested with Britain, a Commonwealth member. The attempts of Commonwealth countries adjacent to Rhodesia to establish non-racial societies and prosperous economies were jeopardised by the growing threat of race conflict within the region. But the overriding reason was that problems such as this involved principles of racial justice and equality and the right of all peoples to self
determination which are embodied in the United Nations Charter and in the Declaration of Human Rights. These matters went to the heart of the Commonwealth relationship and were therefore of deep concern to all Commonwealth members.

25. The Meeting recalled that, for these reasons, Rhodesia had been an important subject of discussion at recent Commonwealth conferences, and Heads of Government reiterated the principles and objectives affirmed at their four previous meetings.

26. They also reviewed developments since their last Meeting, noting that the illegal regime had continued acts of political repression against the African majority population, and that there were increasing trends towards an apartheid system in Rhodesia.

27. The constitutional proposals drawn up on board H.M.S Fearless were discussed. Most Heads of Government emphasized their view that these proposals were unacceptable as the constitution of an independent Rhodesia, and should therefore be withdrawn. They considered that to transfer sovereignty to a racial minority as the result of an agreement reached with that minority would settle nothing, if the settlement was not freely accepted by the people of Rhodesia as a whole including the four million African Rhodesians and seen by the international community, especially the independent African countries to be so accepted. Otherwise internal strife, and outside support for guerilla activities would increase, with the inevitable risk of increasing instability and eventual race war. They stated that historical experience suggested that once independence was achieved, a minority in power could not be prevented from changing a constitution in whatever way they might wish. The only effective guarantees of political and civil rights lay in vesting those rights in the people as a whole.
28. The Meeting recalled the pledge given by the British Prime Minister, following discussion at the Commonwealth Conference in September, 1966, that independence would not be granted before majority rule was achieved (NIMMR). The British Prime Minister stated that although the Fearless Proposals remained on the table, there had been no change in the British Government's policy on NIMMR. The Meeting welcomed the statement that the British Government's policy on NIMMR remained unchanged, but most Heads of Government reiterated their position that the Fearless Proposals should be withdrawn.

29. Some Heads of Government reiterated their call on the British Government to use force to quell the rebellion in Rhodesia. The British Prime Minister explained the reasons why the British Government regarded the use of force as wrong and impracticable.

30. The British Prime Minister said that he had taken careful note of the view expressed by most other Heads of Government that the Fearless Proposals ought to be withdrawn. But he could not himself accept this view since he considered that it would be right, if it proved possible, to give the people of Rhodesia as a whole an opportunity to decide for themselves whether or not they wished for a settlement which would be fully consistent with the Six Principles laid down by successive British Governments. Any such settlement would need to be clearly shown to be the wish of the Rhodesian people as a whole. If that took place, he would consult his Commonwealth colleagues about the NIMMR commitments. He emphasized, however, that a settlement based on the Six Principles would not be possible if it were shown that there could be no genuine test of its acceptability in present circumstances in Rhodesia.

31. It was agreed that any settlement must depend for its validity upon the democratically ascertained wishes of the people of Rhodesia as a whole. The process for ascertaining their views was the British Government's responsibility, but the test of the acceptability of any proposed settlement would need to be made in a manner which would carry conviction in the Commonwealth and in the international community.
generally, so that its results would be accepted as truly reflecting the wishes of the people of Rhodesia. Many Heads of Government urged that this could only be carried out through the normal democratic process of election or referendum, and doubted whether adequate safeguards for free political expression and verification of the results could be provided so long as the rebel government remained in power. The Meeting noted the British Prime Minister's statement that it would be open to the proposed Royal Commission to say that in the circumstances prevailing in Rhodesia, no genuine assessment was possible of the acceptability of the proposed settlement to the people of Rhodesia as a whole and that, further, if the Royal Commission felt themselves unable to adjudicate on the acceptability or otherwise of the proposals to the people of Rhodesia as a whole, they would be free to recommend any alternative method, including a referendum, which in their view would adequately test Rhodesian opinion.

32. The Meeting had before it a review of the working of economic sanctions prepared for it by the Commonwealth Sanctions Committee. The Meeting agreed that the comprehensive mandatory sanctions were having some effect. It was important to strengthen the enforcement of these and other pressures on the illegal regime, and to intensify them wherever possible, in order to bring about an acceptable political settlement. Heads of Government therefore affirmed their support for the Supervisory Committee of the United Nations Security Council and for the Commonwealth Sanctions Committee, which they requested to continue to keep the situation under review.

33. Notwithstanding some differences of opinion on method, Heads of Government remained unanimous on the ultimate objectives to be sought in Rhodesia. They were more than ever resolved that, whatever the time needed to reverse it, the seizure of power by a small racial minority could be neither
recognised nor tolerated. Concerted international action was being steadily built up particularly through the United Nations and the Commonwealth and Heads of Government pledged their continuing support for all efforts to strengthen and extend this and to continue to assist Rhodesian Africans in preparing themselves to take their rightful places in the Government and administration of their country. The special problems encountered by Botswana and Zambia arising from the Rhodesia crisis were recognised.

34. The British Prime Minister undertook to continue to consult Commonwealth members on the issue of Rhodesia.

Southern Africa

35. The Meeting considered other problems in Southern Africa. It reaffirmed the condemnation expressed at previous meetings of the policy of apartheid of the South African Government - a policy totally abhorrent to world opinion. It expressed serious concern at the continued refusal of South Africa to accept its international obligations in respect of the territory of South West Africa.

36. The Meeting deeply regretted that Portugal continued to deny the right of self-determination to the inhabitants of her colonial territories in Africa and called on Portugal to concede that right without delay. Some Heads of Government felt that the situation in Southern Africa if continued, would endanger peace and security and pointed to the threats which they felt were posed to their countries by the armed forces of South Africa and Portugal.
Migration

36A. Informal discussions took place outside the meeting between some Commonwealth countries on certain problems of migration between those Commonwealth countries. The Secretary-General was requested by the countries engaged in these discussions to examine in consultation with representatives of those countries general principles relating to short and long-term movement of people between their countries and to consider the possibility of exploring ways and means of studying this subject on a continuing basis with a view to providing relevant information to those Governments.

36B. The Prime Ministers re-affirmed the declaration made in communiques of 1964 and 1965 that for all Commonwealth Governments it should be an objective of policy to build in each country a structure of society which offers equal opportunity and non-discrimination for all its people, irrespective of race, colour or creed. The Commonwealth should be able to exercise constructive leadership in the application of democratic principles in a manner which will enable the people of each country of different racial and cultural groups to exist and develop as free and equal citizens.
February 20th, 1947

I have the honor to forward herewith the report of an

[Text continues on the next page]
Economic Affairs

37. Heads of Government held a general discussion on the world economic situation and broadly reviewed recent developments and trends. They agreed that the representative character of the Commonwealth and its tradition of informed and sympathetic interest in the problems of development make it a most valuable forum for constructive discussion and a useful instrument for co-operative endeavour.

38. They noted that early last year, in New Delhi during UNCTAD II, Commonwealth Ministers had exchanged views on some of the problems affecting trade and development of member countries, and that more recently, Commonwealth Finance Ministers at their annual meeting held in London had a full discussion of the world economic situation with special reference to international monetary problems, development and aid.

39. Heads of Government were concerned that the gap between the rich and poor was widening, but were encouraged by growing recognition of the increasing inter-dependence of nations. Greater co-operative action was vital to ensure economic progress and prosperity on which stability and peace so largely depend. Postponement of adequate and united efforts would lead to greater political and economic problems.

40. They took note of the fact that developing countries of the Commonwealth were making efforts to help themselves. They were steadily laying the ground-work of future self-sustained growth by paying increasing attention to agriculture, education, population control and administrative and institutional reforms. It was therefore hoped that if they were assisted by appropriate international measures, they would be in a position during the decade of the 1970's to achieve higher rates of economic growth.
41. Heads of Government noted the growing movement towards greater regional co-operation among the developing countries of the Commonwealth. This represented a valuable form of self-help on the part of the developing countries.

42. Heads of Government recognised that the results of UNCTAD II had been very disappointing to the developing countries. While there had been agreement on the need to evolve an international policy for development and a global strategy to implement it, little progress had been made in achieving this. On the other hand UNCTAD II had mapped out certain promising lines of approach.

43. They stressed the need to give practical effect to the unanimous agreements reached in principle at UNCTAD II. They expressed the hope that it would soon be possible to conclude successfully the negotiations on a scheme of generalized preferences which would be of benefit to all developing countries and which would provide compensation for the less developed countries whose export trade might be adversely affected by the introduction of such a scheme. They agreed that close and continuous consultations among Commonwealth countries would be necessary during the consideration of the scheme of generalized preference. They emphasised the importance of continuing consultation at the Trade and Development Board and other organs of UNCTAD and asked the Secretary-General to maintain close contacts with these and other international agencies in order to keep these developments under review.
44. Heads of Government agreed that the first Development Decade had fallen short of expectations in achieving practical results. They hoped, however, that the experience gained would help in the identification of areas of development and the strategy to which urgent attention needs to be directed with a view to achieving greater concrete results during the second Development Decade.

45. It was recognised that the terms of trade had moved against some countries of the Commonwealth who depend to a great extent on the export of primary products. More orderly and satisfactory markets for primary products were crucial for Commonwealth countries. Recognising the present unsatisfactory state of major export markets for many primary products, Heads of Government stressed the need for further efforts by Commonwealth countries in international forums to secure improved conditions for international commodity trade, including better access to markets in both developed and developing countries and equitable and stable prices for primary products. They expressed gratification at the extension of the Commonwealth Sugar Agreement which has always been of special interest to the Commonwealth producer countries. They welcomed the recent conclusion of the International Sugar Agreement and expressed the hope that those governments which had not already signed it would do so. They further hoped that other commodities of special economic importance to Commonwealth countries would be covered similarly by suitable international arrangements which arrangements would be pursued and be supported by Commonwealth countries.
46. In this connection, they noted recent developments in the negotiations for the conclusion of an International Agreement on Cocoa. They urged all parties to the negotiations to intensify their efforts so as to reach a speedy agreement, and on the progress of which the Secretary-General should keep members fully informed.

47. Heads of Government welcomed the liberalization of trade in respect of manufactured products consequent on the conclusion of the Kennedy Round of negotiations, and hoped that this process of trade liberalization would be carried further in respect of all products. They regretted however that these negotiations had produced no significant benefits for most developing countries. They expressed the hope that continuing efforts would be made under the auspices of GATT and UNCTAD to enable developing countries to secure improved access for their products to international markets with a view to increasing their foreign exchange earnings, while making every effort to increase trade among themselves.
48. They stressed the dangers of excessive protectionism in a number of Foreign industrialized countries for agricultural products of export interest to Commonwealth countries.

49. While it was recognised that Commonwealth trade must be seen in the larger context of global trade of which it was a vital part, they agreed there was continuing scope for the expansion of Commonwealth trade and for this purpose there was need to strengthen the well-established links amongst Commonwealth members.

50. Heads of Government took note of the Secretary-General's report that, in pursuance of an earlier decision, the Secretariat had begun a study on the feasibility of Commonwealth co-operation to assist in trade promotion. They looked forward to the completion of this study.

51. The Meeting took note of the special difficulties of Lesotho and other African landlocked Commonwealth countries. These countries expressed the hope that all concerned would find it possible to accede to or ratify the international convention on the transit trade of landlocked countries. Heads of Government hoped that all countries concerned would make every effort to provide adequate transit facilities to the trade of such landlocked countries.
52. Heads of Government reiterated the importance of continuing close consultation by the British Government with Commonwealth Governments in regard to developments of interest to them concerning the British application for entry into the European Economic Community.

53. In discussing the international monetary situation, Heads of Government stressed the importance of restoring stability in world payments - and of adapting the world monetary system to meet evolving needs. They stressed the need for providing adequate international liquidity for implementing and activating as early as practicable the scheme for Special Drawing Rights through the International Monetary Fund to supplement reserve assets. They regretted that it had not been possible as yet to get the necessary broad international agreement on a special link between international action to increase liquidity and the needs of developing countries. They hoped that further consideration would be given to establishing such a link.

54. They expressed the hope that more liberal trade policies would follow from improvements in the international payments system.

55. Some Heads of Government felt that Commonwealth countries should call for a world monetary conference, open to all members of the I.M.F., to reappraise the World Monetary System since Bretton Woods and to make recommendations for its improvement, and that there should be a Commonwealth Meeting prior to such a Conference. Others while sympathising with these objectives felt that it would be inappropriate to attempt to achieve them through such a conference and that it would be better to continue official discussions through existing channels.

56. The meeting discussed international assistance for economic development, and noted with concern that the net transfer of resources from industrialized to developing
countries had stagnated at a level which was inadequate to facilitate an acceptable rate of economic development in the developing countries. A critical situation was emerging for a number of countries because of the burden of debt servicing. Heads of Government expressed the hope that countries which had not already done so would be in a position to signify their acceptance of an early date for complying with the UNCTAD resolution on the target of 1% of gross national product at market prices. They stressed the urgency of the replenishment of the resources of the International Development Association and expressed the hope that all countries concerned would follow the lead already given by some in effecting such replenishment.

57. Heads of Government noted with approval the recent tendency on the part of some Commonwealth countries to soften the terms of their loans which they were extending to the less developed Commonwealth countries. They considered that Commonwealth donor countries should take the lead in seeking further improvements in the terms of international aid generally, and hoped that donor Governments would view sympathetically in appropriate cases the granting of more flexible terms.

58. Heads of Government expressed the hope that the consideration of the scheme of supplementary financing would lead to early results of benefit to developing countries.

59. They welcomed the appointment of an International Commission by the World Bank to review the total aid experience of the past two decades and to make recommendations for future aid programmes, and were particularly gratified that a former colleague, The Rt. Hon. Lester B. Pearson, was presiding over the Commission's work.
Commonwealth Co-operation

60. Heads of Government reviewed the extensive range of co-operation which exists among Commonwealth countries in such areas as technical assistance, education, science, medicine, law and many other functional fields. Such co-operation is facilitated and rendered more fruitful by the advantages the Commonwealth association offers - a common working language, similar traditions in government, administration, educational methods, and the organisation of the professions. With the increasing membership of the Commonwealth and the potentially wider scope of co-operation, they recognised the importance of seeking ways and means of achieving more effective co-operation among members in all fields.

61. Much was being done through bilateral arrangements between member countries. The meeting noted that intra-Commonwealth official bilateral assistance, which accounts on the average for about 85% of the total of such assistance provided by Commonwealth members in all developing countries, had increased in 1967 and 1968, and they hoped that this would continue to grow.

62. They also reaffirmed the value of programmes of specifically Commonwealth effort in certain fields. An example would be increasing application of the principle of third-party financing, as a useful mechanism for bringing qualified experts and expert tasks together quickly and efficiently. Third-party financing, by which experts from one country can be financed wholly or in part by another, can significantly enlarge the pool of expertise available for technical assistance arrangements by drawing on skills available in developing countries. These skills, moreover, are often of particular
relevance to the needs of other developing countries. The Meeting agreed that early consideration should be given to the extension of the principle of third-party financing to education, training and consultations. This would allow students to be trained in surroundings and under conditions more appropriate to their future employment, and in this way ease the problem of the brain-drain.

63. The Meeting noted several examples of mutual assistance which had already grown up among developing members of the Commonwealth. The Commonwealth Programme of Technical Co-operation, established within the Secretariat the previous year and on which the Secretary-General submitted a progress report, was a further step in building on the special advantages which the Commonwealth affords. A number of them underlined the particular usefulness of the Programme to the smaller members. They noted that a review of this Programme is to be carried out later this year.

64. The Meeting also considered a number of proposals for strengthening Commonwealth co-operation in specific fields.

65. They agreed that the nature and work of the Commonwealth should be more widely known in member countries. They approved in principle the proposal by Guyana for a Commonwealth Information Programme, and authorised the Secretary-General to appoint an Information Officer and to undertake in consultation with Governments a study of the implications of a programme as proposed.

66. Heads of Government also welcomed in principle the proposals submitted by Pakistan on co-operation in the fields of mass communication and education and asked the Secretary-General to undertake studies in detail and in consultation with Commonwealth governments.
67. The Meeting had before it three proposals by Britain for increased Commonwealth co-operation. The first was for extension of co-operation in the legal field. This proposal involved the establishment of a small Legal Section in the Secretariat, which was agreed; and a conference on legal education, to which further consideration should be given.

68. The second British proposal was for regional centres for the teaching of English and the teaching of science, which was welcomed in principle, and which it was agreed should be further considered by the Commonwealth Education Liaison Committee and the Secretariat.

69. The third British proposal was for a series of studies on the problems of youth. The Meeting asked the Secretary-General to examine its feasibility taking into account the work in this field undertaken by other international organizations.
70. In addition the Meeting discussed proposals for a Commonwealth Book Development Programme designed to assist developing Commonwealth countries to obtain books and journals for educational and research purposes. The Meeting asked the Secretary-General to undertake studies in detail in conjunction with the Commonwealth Education Liaison Committee, convening expert working parties where necessary. The Secretary-General was asked to include in these studies the implications of the ratification of the Protocol to the Berne Copyright Convention.


72. The Meeting also expressed appreciation of the valuable contribution to the strengthening of Commonwealth co-operation and understanding being made by the Commonwealth Parliamentary Association. As an independent association of Parliamentarians, it provides unique opportunity for the sharing of experience, the discussion of common problems and the development of personal links to the benefit both of its members and of the people they represent.

73. They expressed high appreciation with the work of the Commonwealth Secretary-General and his colleagues which they thought more than adequately justified the decision to establish the Secretariat.
15th January, 1969

CABINET

MEETING OF COMMONWEALTH PRIME MINISTERS:
SPEECHES ON BEHALF OF HER MAJESTY'S GOVERNMENT

Note by the Secretary of the Cabinet

By direction of the Prime Minister I circulate herewith the four main speeches made on behalf of Her Majesty's Government at the Meeting of Commonwealth Prime Ministers.

Tuesday, 7th January  
World Political Situation  
Secretary of State for Foreign and Commonwealth Affairs

Thursday, 9th January  
Rhodesia  
Minister without Portfolio

Friday, 10th January  
Rhodesia  
Prime Minister

Monday, 13th January  
World Economic Situation  
Chancellor of the Exchequer

(Signed) BURKE TREND

Cabinet Office, S.W.1.

15th January, 1969
MR. STEWART said that he had been asked to give a broad review covering the whole international scene and to be brief. He would try to satisfy both requirements: it might help if he were to avoid dealing with subjects which would be covered in other contexts - for example economic matters and Rhodesia. Nor would he deal with Nigeria, not because it was not an important subject but because it was Commonwealth practice that there should be no interference in the internal affairs of member countries. He would therefore confine his remarks on this subject to saying that he was sure that all present would wish to extend their profound sympathy to the people of Nigeria in their sufferings and would wish to express the hope that there might be a speedy solution to a problem which was a cause of deep concern to all humanity.

Mr. Stewart said it was reasonable for each country to look at the world situation from its own point of view and he would do this for Britain. It was necessary to keep one's own anxieties in proportion. He did not wish to think that he was in much risk of taking a parochial approach as Britain's interests through trade, historical connections and responsibilities as a permanent member of the Security Council were so far flung that there was scarcely any part of the world in which Britain could truly deny both a general or particular and immediate interest.

It was for this reason that, in both the long and short run, Britain's policies were aimed at reducing tension, achieving peaceful settlements where there were disputes and ensuring that necessary changes in response to the understandable demands for a better life were produced peacefully and not violently. Such preoccupations were not peculiar to Britain and could be applied to all areas of the world.
Mr. Stewart said that one of the main problems was that of relations between Eastern and Western Europe - between the North Atlantic Treaty Organisation (NATO) Powers and the Warsaw Pact Powers - in the aftermath of the Czechoslovak crisis. The Soviet Union as the Head of the Warsaw Pact Powers was a giant in the world; action by the Soviet Union helped to shape world policies. What the Soviet Union had done in Czechoslovakia was a challenge to human rights and to the principles of the Charter of the United Nations. Their attempt at justification of their actions made quite clear what the real challenge was. Czechoslovakia, being a member of the Warsaw Pact, was a threat to the security of the Soviet Union; if the Soviet Union was endangered, then this was a threat to all the nations of the Warsaw Pact. Edmund Burke had said that the language of tyranny was always the same - "your liberty is incompatible with my safety". Russia had said that if Czechoslovakia was free, then Russia could not feel safe. This doctrine constituted a threat to freedom everywhere, and it was for this reason that Britain had decided that the matter should be taken speedily to the Security Council.

Although the NATO Powers had often spoken of the dangers of communism it had to be recognised that there were many parts of the world where the communist ideology had great appeal to those attempting to overcome poverty and social injustice. The British Government's argument was not with an ideology that sought to improve social justice but with the ideology of aggression. The vital question was whether communism was directed towards co-existence or aggression. It seemed from the example of Czechoslovakia that it was moving towards aggression. The moral was that policies of peaceful change should take place in a peaceful manner and that countries should so order their affairs that aggression did not profit. It was for this reason that the NATO Powers had reviewed and strengthened their defences. At the same time they would continue to seek co-existence with the Communist Powers; for example they continued to trade with them.
Where the Soviet Union was prepared to seek settlements, e.g., in Vietnam or the Middle-East, the British Government would be prepared to meet them. Britain would continue to work with the Soviet Union and the United States of America towards limiting the areas of disagreement. The door was still open but much would depend on the attitude of the Communist Powers. He felt that recently the Soviet Union had shown more signs than previously of seeking settlements.

Turning to European integration, Mr. Stewart said that, although the good of integration—and also of association for the African States—was further away than had previously been thought, it was still an important objective of British policy. This was not only because of the economic advantages to Britain in having the access to, and challenge of, such a large market, but also because a united Western Europe would be much stronger to check dangers and ensure stability; this would be of benefit to the world as a whole and to the developing world in particular. A prosperous and united Europe would also be able to help developing countries much more than a divided Europe and it would be the British Government's intention to see that Europe was outward looking.

Mr. Stewart then discussed the conflict in Vietnam where, he said, the casualties were such as to blunt the senses. Some Commonwealth countries were closely involved in the conflict, and the British Government had a special interest as Co-Chairman of the Geneva Conference. He thought that the fact that the United States of America had ceased bombing and that negotiations had begun in Paris were grounds for feeling less pessimistic than previously—the progress which this represented would not have been expected a year ago. It should not be too heavily discounted because of the fact that the negotiations in Paris were being delayed by procedural wrangles: it was a common experience that wrangles of this kind in fact often covered some point of substance which it was important to resolve in order to make progress. But if progress were to be made, Hanoi must begin de-escalation. The United States of America whose policy had in the past been subjected to much criticism, which the British Government did not accept had made the first step with the cessation of the bombing and in the British Government's view it was now up to Hanoi to reciprocate. The important point was to arrive at a settlement the criterion of which must be that the people of South Vietnam must be able to choose their own form
of government. He recalled a statement by the Prime Minister of Singapore that "We are aware of the dangers of the escalation of this war and we are also aware of the dangers of withdrawal. If only communist nations would admit the right of non-communist nations to exist, then we shall be able to make progress". The real problem was therefore whether non-communist governments would be allowed to choose their own form of government. The British Government as Co-Chairman was ready to do whatever it could to help a settlement. He hoped too that the International Control Commission would be enabled to play a more active role in any settlement.

As regards the situation in the Middle East, Mr. Stewart said that in his view the first thing to be enjoined upon the participants was restraint. They should realise that a policy of continuing reprisals would not achieve the security of the parties who practised them. They were too quick to use weapons and too slow to put their ideas to the United Nations mediator, Dr. Jarring, and if this were to continue the danger would increase. He felt that the parties concerned should heed the advice: "Agree with thy adversary quickly". He was encouraged by the fact that the Soviet Union had recently shown fresh interest in this problem and the British Government was considering the proposals that the Soviet Union had put forward. The four Security Council members had responsibilities in this matter but they could not impose solutions; if the parties primarily concerned did not agree, then no solution was possible. The British Government therefore felt that the four permanent members of the Security Council had a duty to encourage a settlement through Dr. Jarring and efforts were being concentrated on this.

Mr. Stewart said that the world had learned from the situations in Vietnam and the Middle East that it was unrewarding to look back on events and to attempt to apportion blame. If progress were to be made it must be asked what kind of settlement could be achieved given the existing circumstances. The world had at its disposal the machinery of the United Nations which was better than nothing, even if it was not as good as had been hoped when it was first created. If further progress were to be made nations must try to make the United Nations work more successfully but they must be realistic about its potentiality and about what the United Nations
could actually do. Britain had commented on the passing of ineffectual resolutions which were designed purely for debating purposes and which resulted in a waste of energy and had stressed the importance of efforts being directed towards reaching solutions.

Britain supported processes of peace-making and upheld the rule of law. They had recently reviewed their reservations to the Charter of the International Court of Justice and were looking again at the Law of Treaties. Britain was also interested in United Nations agencies for economic and technical co-operation and had decided to increase the channeling of aid through multilateral agencies, including the World Development Bank and the United Nations Development Programme. But it would be important that resources should be skilfully utilised and that as much money as possible should be devoted solely to development purposes and that no more than necessary should be diverted to conferences and the proliferation of the international staff of agencies.

Referring to the problem of disarmament, Mr. Stewart said that there had been progress but the British Government which had signed and ratified the Non-Proliferation Treaty, was anxious to see this Treaty, which had been so patiently negotiated, should be brought into effect. The dangers of proliferation were only too obvious and the Non-Proliferation Treaty at least reduced one danger on that road to proliferation but it would not be effective unless followed by further action such as imposing a ceiling on the nuclear capacity of the USA and the Soviet Union. Britain also hoped that progress would be made with regard to chemical and biological warfare. The Non-Proliferation Treaty was evidence that with patience it was possible to make progress on disarmament.

In conclusion Mr. Stewart said that he had covered a number of areas and a number of problems, but perhaps there were some other points which he ought to have included or there may have been some errors in his own perspective and he looked forward to hearing the views of others. He wished to emphasise Britain's belief in the importance of the United Nations, of participating in the development of its aid activities and of dealing with the gap between rich and poor nations, referred to earlier by the Prime Minister of Ceylon, on which the future peace of the world would depend.
Great changes were taking place in the world, and with the presence of communism, they could take a violent and aggressive form. We should be prepared to defend our liberties and to make liberty and our way of life something which would attract the support and sympathy of mankind. These were tasks to which all present could address themselves and which should be part of the policies of them all. The Commonwealth was an organisation with the advantage of being large enough to spread all over the world, and yet not so deeply divided ideologically as the United Nations; it was a body which could help each member to improve its policies for the benefit of mankind. The problem facing governments was to recognise the needs of common humanity before it was too late to meet them.
MR. THOMSON said this was a problem that, as the Secretary-General had observed in his Second Report, went right to the heart of all that was meant by the multi-racial Commonwealth and it rightly aroused strong feelings in them all. The memorandum circulated by the Government of Tanzania reminded them - if they needed reminding - of the strength of those feelings, and of the importance of this question both for the future of Africa and for the future of the Commonwealth.

As far as the British Government was concerned, the overriding consideration throughout the Rhodesian problem had been to fulfil their trusteeship for the largely unfranchised African population of Rhodesia. Their aim had been - and remained - to secure the political rights of the Rhodesian people as a whole, seventeen out of eighteen of whom were Africans. Whatever differences there might be round the table, all of them shared that common aim.

They had had to seek means of doing this in the face of difficulties unique in colonial history arising from the fact that, in Rhodesia alone among British colonies, Britain had had legal responsibility without ever having had the power on the ground inside Rhodesia to exercise that responsibility. This was the key to the limitations imposed on Britain when they considered how they could best end the rebellion.
He recognised that some sincerely believed that Britain could have broken through these limitations, and assumed direct control over Rhodesia by the use of force, which would in effect mean waging war. He understood, but could not share, the views of those who advocated this and he respected their sincerity. Whatever Britain's legal rights, the practical difficulties of a military operation were formidable. The results of such intervention would be doubtful and it would carry a grave risk of escalation. It was always easy to start a war, but it was never possible to say where it would spread or how it could be brought to an end. The consequences of an attempt to solve the problem by war could be disastrous for Rhodesia and Central and Southern Africa as a whole, and for Britain.

With war ruled out, the only alternative to surrender - which would not be contemplated - was to apply economic and political pressure against the regime, with international support, until an acceptable settlement could be reached. When considering the outlines of an acceptable settlement, through sanctions, they had to bear in mind the political impossibility of doing anything to advance the interests of the Rhodesian Africans so long as a settlement had not yet been reached.

They had all learned what sanctions could do - and could not do - the hard way, through experience. Surely they now knew enough to make a realistic assessment both of the effectiveness and of the limitations of sanctions. Sanctions, could - and were - creating an economic stagnation which provided a powerful incentive inside Rhodesia to negotiate. They could not, of course, do what a victorious war could do, namely remove the regime and bring about direct British control on the ground in Rhodesia. He was bound to report his firm impression from his own visits to Salisbury that a majority of the Europeans - including those opposed to Mr. Ian Smith - would never voluntarily agree to that. Such a solution could be
...
imposed only by force. It followed that if one rejected war and supported sanctions, one was supporting the search for an honourable settlement by negotiations. The British Government therefore had no apologies to offer for keeping on the look-out for opportunities to negotiate. No other policy made sense of sanctions. But it had to be a settlement that offered Rhodesian Africans guarantees of economic and social advance, and especially of unimpeded progress to majority rule. Above all, it had to be a settlement that had been convincingly shown to have been accepted by the Rhodesian people as a whole. During the preceding summer and autumn there had been some developments in Rhodesia, including changes in the membership of the Rhodesian regime, which had suggested to the British Government that they ought to make a fresh attempt to explore whether the conditions for a satisfactory settlement existed. At the same time there had been indications that, if a settlement could not be reached, there was a danger that the racialism, and the apartheid elements which already coloured the philosophy of the Rhodesia Front, would become sharper and more extreme.

It was in these circumstances that the Fearless talks had been held. He was sure that everyone at the Meeting would have read the Tanzanian Government's memorandum with the care and close attention which it certainly called for. The memorandum discussed the British Government's main proposals, and it found in them much to criticise. He would not wish to claim that the Fearless proposals were perfect, still less that they themselves had found them easy to work out or to adopt. The criticisms of these proposals which the Tanzanian memorandum made were familiar ground to Mr. Wilson and himself — not so much because their critics had made them before, as because they themselves had throughout been well aware of these risks and imperfections. It would, he was sure, be generally agreed that the ideal outcome would be steady progress
to majority rule, followed by independence. But against the Rhodesian reality which he had described, it seemed that the obstacles in the way of achieving that outcome in any reasonable period of time were very great indeed, if not in fact insuperable. That was why they had thought it necessary to see whether there was some less than ideal solution which the people of Rhodesia as a whole should be allowed to judge for themselves. The whole object of a constitutional settlement on Fearless lines would be to secure unimpeded progress to majority rule. The Fearless proposals incorporated the changes to the 1961 Constitution which had been worked out on board HMS Tiger, though in some cases these changes had been set out with greater precision. In one important respect it was true that the Fearless proposals differed from the Tiger working document, in that it was envisaged that the test of acceptability would take place before a return to legality. On the other hand - unlike Tiger - it would also take place while sanctions were still being maintained. In some other respects the proposals represented an advance on the Tiger proposals. In particular he wished to stress two new features. One was that the Royal Commission set up to carry out the test of acceptability would be charged with the task of looking into the registration of voters, with a view to clearing away obstacles in the way of African registration. Another feature would be the development of African education through the expenditure of one hundred million pounds over a period of ten years, of which the British Government would provide half. This proposal would more than double the current expenditure on African education and it included a Joint Working Party to be charged with the planning and supervision of the expenditure involved.

It was a central part of the British Government's proposals that an impartial Royal Commission should test the acceptability of any proposed settlement to the people of Rhodesia as a whole.
Their proposals made no provision for nominees of the Rhodesian regime — as the Tanzanian memorandum had suggested; the members of the Commission would in fact all be chosen by the British Government and would be men of the highest integrity who would be as independent, and he hoped astute, as any Commission which British Governments had appointed in Africa or elsewhere in the past. It was the Royal Commission, and not the regime, who would have to judge whether the conditions of freedom for peaceful political activity necessary for holding the test had been achieved. Since the regime would know that their only hope for an end of sanctions lay in a favourable report by the Commission, they would have a strong incentive to ensure that those conditions did in fact exist. Secondly, it would be the Commission's task to ascertain whether the people of Rhodesia as a whole found the proposals acceptable. This process would not just be a rubber stamp; the members of the Commission would judge for themselves, and reach their own conclusions. If their verdict went against the proposal, there would be no settlement.

There had been suggestions that the Tiger and Fearless safeguards against retrogressive amendment of the Constitution would be ineffective. Clearly this view was not shared by Mr. Ian Smith, who had described the British Government's proposals for a second safeguard as a denial of full independence. This had in fact been a fundamental point of difference between them when he had met Mr. Smith for talks in Salisbury early in November. There had also been other points of difference. One had been on the question of the jurisdiction of the Privy Council sitting as an ordinary court of law, as opposed to acting as a safeguard against unjust constitutional amendments; another point had been that the British Government had refused to accept the regime's wish to extend the period of a State of Emergency. They had failed to reach agreement over the composition of legislature, since he could not accept Mr. Ian Smith's
suggestion that the relative proportion of directly and popularly elected Africans should be reduced. There had been disagreement over cross-voting and over the proposed "delimitation" formula, both of which directly affected the timescale for the attainment of majority rule. He had been unable to accept the extension which Mr. Ian Smith had sought of the criteria which the Judicial Tribunal should apply when considering whether detainees and restrictees should be released to take part in the test of acceptability. The Meeting would note that all those matters on which they had refused to retreat had one thing in common: they concerned the political rights or the political prospects of the African majority in Rhodesia. There also had been important differences over the treatment of loyal Rhodesian public servants who had left Rhodesia when the rebellion took place.

In a broadcast after their talks in Salisbury Mr. Ian Smith had said that during them "The British Government were obsessed with the question of African majority rule, and this dominated all their thinking". This was certainly true; the British Government could never give up the principle of unimpeded progress to majority rule, and until that was accepted in Salisbury, there could never be a settlement. The British Government had sometimes been charged with trying to engineer a "sell-out" in Rhodesia. They could have done that at any time in the preceding three years - or before - if that had really been their aim. But they had refused to give way on the principle of unimpeded progress to majority rule. They had been ready, despite Britain's own economic difficulties, to accept costly financial sacrifices in order to implement sanctions, and they would go on doing as long as it was necessary. He hoped that the Meeting would recognise these plain facts of the British Government position.

No progress had been made towards a settlement since the Salisbury talks had ended; and little had happened inside the Smith regime since then to encourage any hopes that a settlement could be reached. The gap revealed by the talks had certainly not been closed since. They had published the Fearless proposals and they remained on the table; but there was no sign that the regime was prepared to take them up.
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It was, however, important that they should bear in mind the situation inside Rhodesia. There was ample evidence that the Fearless talks, and the prospect they held out of an ending to the impasse, had given an important impetus to the stirrings of opposition to the illegal regime among the Europeans as well as among Africans and others in Rhodesia. He asked the Meeting to bear in mind the fact that the proposals remained on the table had been a stimulus to those political groups which were opposed to the regime, but which had previously been largely quiescent. A new multi-racial Centre Party had been formed, and had recently held its first convention in Bulawayo.

He did not want to over-emphasise the importance of the present strength of this opposition in Rhodesia; but it was something new that it existed. There had been a resurgence of European criticism of Mr. Smith and his policies in the form of letters to the press, written for the first time by people prepared to sign their names and give their addresses. It took courage to stand up and be counted in this way in a country where restriction on personal liberty had become an accepted fact of life and it was the Fearless proposals that had brought this about. All this had clearly shaken Mr. Smith and the Rhodesia Front. In a national broadcast on 13th December Mr. Smith had devoted most of half an hour to an unprecedented attack on two of his chief critics, Mr. Newson and Mr. Campbell, (one of whom had said earlier that it was the duty of the business community to beat sanctions), as well as on the Centre Party and the Rhodesian newspapers.

Meanwhile, although the "Fearless" proposals remained on the table, the British Government's policy on NIBMR remained unchanged. There had been no change in the circumstances of the kind they had sometimes spoken of as justifying a review of the statement of British intentions recorded in the communique after the last Prime Ministers' Meeting. They had said many times, and he repeated again, that if ever there were such a change in the circumstances, so that they considered that a fresh look should be taken at that question, they would then put the matter before their Commonwealth partners, and have full consultation with them on it. At present, however, they were not suggesting any fresh look at that question.
Against this background he stressed that the British Government regarded the maintenance of comprehensive sanctions as essential. The unanimous adoption on 29th May 1968 of Security Council Resolution No. 253 calling for comprehensive mandatory economic and other sanctions on Southern Rhodesia was an impressive testimony to the refusal of the international community to accept the regime and its objectives for Southern Rhodesia.

It was too early to say what additional effects the comprehensive mandatory sanctions imposed by the Resolution were having on the Rhodesian economy. Some Governments had yet to take steps to implement it - for instance by passing the necessary legislation. But, on the whole, progress had not been unsatisfactory. Up to the present eighty-six Member States had informed the UN Secretary-General of the steps that had been taken to implement the Resolution. But even when the legislation had been passed it would take some time for the effects to work their way through. The British assessment of the effects of sanctions on the Rhodesian economy between 1965 and mid-1968 (which had been circulated to the Commonwealth Sanctions Committee) showed a reduction in per capita income in real terms of some six per cent and a fall in exports to sixty per cent of the 1965 level. This was a picture of a stagnant economy in contrast to an expanding economy previously. But to some extent the effect of sanctions was offset by internal conditions, not least the liquidity position and the fact that money previously used to finance trade was now available for local investment. There were signs that these factors would no longer be so favourable to the regime in the future. Indeed, the Chairman of the Industrial Development Corporation in Rhodesia had warned that in view of exporting difficulties, the advantages of local investment were diminishing and there was now the risk of inflation.

Mr. Thomson said that it would seem that the cumulative effect of the various sanctions measures had been to shake the morale of the Rhodesian business community and to induce widespread gloom and uncertainty. When he first visited Rhodesia after the rebellion in November 1967, the general attitude there, and to some extent in Britain and in other countries, was that sanctions were a farce. Many people felt that they were not working and would never work effectively. On his visit last November, however, he had gained the very opposite impression; although
sanctions had not yet succeeded in their objective, they were far from being the subject of ridicule. Indeed, it would not be going too far to say that, but for the effectiveness with which sanctions were working, Britain would never have got the representatives of the illegal regime to the negotiating table in October/November last year. He was convinced that after their present experience of sanctions the Rhodesians would think long and hard before subverting any further settlement and so risking a re-imposition of sanctions.

He suggested that the Meeting should consider what could be done to intensify and strengthen the pressure of sanctions. He did not think that there were any new dramatic initiatives available. Ideas in the field of communications and travel had been thoroughly examined, and written into the UN Resolution as far as this proved to be practicable. But one simple way of intensifying sanctions would be for other industrialised countries who were subscribing to the Sanctions Resolution to do as well as Britain did in implementation of it. The crucial question for the success of comprehensive mandatory sanctions in 1969 was the willingness of United Nations Member States who were co-operating over sanctions to close the gaps which existed in their own sanctions arrangements and through which Rhodesian exports worth some thirty million pounds a year were still being imported into their own countries.

The Sanctions Supervisory Committee of the Security Council had an important role to play in the achievement of this aim. This Committee, under the able Chairmanship of the distinguished Indian Representative at the United Nations, had so far held three meetings and had submitted its first report to the Secretary-General of the United Nations. The Commonwealth Sanctions Committee in London which had foreshadowed the UN Committee’s work, and whose report had been circulated to this Meeting had also done valuable work and he hoped that the Meeting would agree that it should continue with its task.

As requested in Resolution 253 the British Government had been giving, and would continue to give, the maximum information to the Security Council Committee. They had already submitted five reports to the Committee, two of which had been referred to the Secretary-General for action, and Mr. Thomson hoped that other Commonwealth Governments would give the Supervisory Committee all possible assistance in response to any requests they might receive from it.
In conclusion, he reiterated that it was the British Government's hope that the continued pressure of sanctions would encourage those trends in Rhodesian opinion which he had described earlier and that eventually wiser counsels would prevail in favour of a settlement that would effectively safeguard African political interests, aspirations and rights. But that stage had certainly not been reached yet. The present position could be summed up as follows. First, Mr. Smith had rejected the Fearsless proposals; secondly, there was no change in Britain's undertaking on no independence before majority rule; thirdly, only if there were a substantial and guaranteed change in the situation in Rhodesia would the British Government wish to come back to their Commonwealth partners on this matter; fourth, meanwhile economic sanctions and all other agreed pressures on Rhodesia would be maintained and stepped up so far as was practicable.

Reiterating that the British Government's NIBIR pledge still stood he said that, if in the British Government's view, there were ever a sufficient change in the situation to call for a fresh look at the British Government's undertaking not to agree to independence before majority rule, then it would enter into consultation on this subject with the other members of the Commonwealth. But this was not the position that now confronted the British Government.

Mr. Thomson said that he hoped that he had said enough to show that, having ruled out war as a solution, the British Government was right to make its latest effort for a negotiated settlement. But he would like to emphasise that so far as the proceedings of this Conference were concerned, the British Government would not be asking its Commonwealth colleagues to endorse any British proposals for Rhodesia, nor to abandon their own positions. Equally, he hoped that the Commonwealth colleagues would not press the British Government to give undertakings, or to join in statements, that would conflict with policies to which the British Government was publicly committed and which it believed were right. It would surely be the reverse of statesmanship to divide the Commonwealth over something that had not happened and indeed that showed no present sign of happening. He most earnestly hoped that apprehensions that might never become real would not overshadow the existing co-operation or obscure all the many very real and very important things which they all had in common.
RHODESIA

Speech by the Prime Minister at the Eighth Meeting on Friday, 10th January 1969 at 3.00 p.m.
I should make it clear that in this statement I am not trying to give a Chairman's summing up. That is not needed. Every head of delegation has made his or her position crystal clear. I am speaking now on behalf of the British delegation. I regret that I shall not be able to be as brief as I should have liked, because a very large number of points have been made and they deserve, indeed demand, a full answer.

I think all of us would agree that our Debate on Rhodesia has been in the very highest standard of Commonwealth Conferences. I am grateful for the tributes that have been paid to Mr. Thomson for his lucid exposition of the problem as the British Government sees it. And I think we would all agree that President Nyerere's opening of the general Debate, like the memorandum which he circulated to us, combined moderation and comradeship in expression with extreme cogency and force, both in its analysis of the Rhodesian situation and in the clear and unequivocal statement of the Commonwealth ideal: a speech marked, as all those which have followed have been, by the deep sincerity which came through. Strong charges have been made, but I will observe President Kaunda's injunction to take these criticisms in good spirit.

There have been wide differences expressed, differences above all of judgment about the path which Britain should follow, judgment about what the attitude of our Commonwealth colleagues should be. There are no differences between us as to our objectives, or about not merely the non-racial, but, as President Nyerere fairly reminded us, the anti-racial ideal without which this Commonwealth has no meaning: the principles so movingly described by President Kaunda this morning.

We all start from the fact of rebellion in Rhodesia. I know how difficult it is - as it has been on previous occasions - for countries who have emerged through colonial rule to full sovereign independence, to understand or accept the baffling situation with which we are faced.

I can understand all those with lively memories of British troops on their territory in colonial days, most with memories, too, of the Royal Navy not very far away over the horizon, critical even resentful of the fact that this rebellion has not been crushed by force - as many were in the old imperial days. There has even been, yet again, the suggestion that Britain is applying different standards in this case because the rebels are white. Let us get this clear once and for all, since the phrase has been used, everyone of us round this table recognises every man, woman and child in Rhodesia of every race as our own kith and kin and the words have no other meaning to any of us at all.

We have said, and this has been quoted round this table, that not only would it be wrong to use force: it would be totally impracticable. The Prime Minister of Barbados reminded the Meeting that the problem we are discussing
are discussing goes back 45 years to the granting of local self-government to the settler minority and with it the authority they were given to raise their own armed forces under their own control. Indeed as President Banda rightly reminded us, the Chartered Company had the right to raise their own troops in 1898, 70 years ago. This was not the situation in any other British colony since decolonisation began. In all of those, the armed forces were under British command and were available in the last resort for use by the British Government to preserve law and order against any who sought to disrupt that law and order.

For the reasons so clearly given by a number of speakers, these conditions do not apply in Rhodesia, have not applied for 45 years, even longer.

But since a number of colleagues, from the speech of the Leader of the Kenyan delegation very early on to the speech of the President of Zambia this morning, have strongly pressed their view that force should be used, I feel it is right that I should deal with this, I hope once and for all.

First, we believe that it would be wrong to attempt to settle this issue by the use of force. This view was powerfully put forward by the President of Botswana, and by others. We believe that the inevitable outcome would be a bloodbath in Southern Africa, involving great destruction and loss of life in Rhodesia, but also going far beyond Rhodesia.

But apart from all this the proposal is impractical.

Unlike in former colonial territories, there are no British troops on the ground in Rhodesia. There is no coastline through which troops could be landed and armies supplied. The neighbouring countries which have a coastline providing access to the sea would be hostile to the enterprise, and are themselves capable of mounting substantial military forces.

No one here will be in any doubt about the size of the operation that is proposed, for it would have to deal with an efficient, highly equipped and well trained army and airforce, supplemented by a large white citizen force of territorials, police and others.

Those forces would be operating on interior lines in terrain which would help the defence.

It is totally unrealistic to think of landing troops on the scale required by air. We have Sir Roy Welensky's memoirs when he tells us that fearing a very small landing he moved a very small number of lorries to block access.

The President of Malawi has realistically described what would happen if there were to be a build up over some months in neighbouring countries such as Malawi or Zambia.
Quite apart from all these elements, the operation would have to be mounted and carried out, not as in 1944 across a very narrow channel, but over many thousands of miles. Even if Britain still had Aden as a military base, through sheer distance, through the absence of a sea approach, it would be one of the most formidable military enterprises ever undertaken, almost unparalleled in military history. I cannot remember our colleagues here suggesting that we should not confer independence on Aden, indeed, they welcomed our action. But to mount this operation from Britain 6,000 miles away would be impossible, and no one would seriously suggest it. I must make clear that no British

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Government could or would entertain a proposal of this kind. Whether it included aerial bombardment or not, it would inevitably result in a tragic loss of human life. It would also be totally unattractive in securing the political solution we seek.

This brings me to another proposal that has been made. I recognise the strength of feeling which has prompted a number of colleagues to suggest that we impose a period of direct rule. It sounds attractive and logical and indeed it was envisaged by many of us in Lagos. It is totally resisted by those who exercise power in Salisbury. To impose it, as Mr. George Thomson pointed out at the beginning of this debate yesterday would mean military action, the impossibility of which I have tried to demonstrate. Perhaps I could here refer to something said just now by the Prime Minister of Jamaica, who finds it incomprehensible that we should on board R.A.I.L.S. Fearless have failed to provide for direct involvement of the British Government in the administration of Rhodesia in the interim period.

The question is how this can be enforced. In the 1966 communique it was envisaged this would be secured by negotiation, and that in return sanctions would be ended in the interim period. When the Prime Minister of Jamaica compares this 1966 pre-Tiger proposal with the terms of Fearless, he fails to notice (a) that the Tiger formula involved the removal of sanctions at once; (b) that the Fearless formula involved the maintenance of sanctions till after the acceptability test - and indeed beyond.

Neither the use of force nor direct rule implying force was included in the very powerful speech of the President of Tanzania yesterday nor in his specific proposals which have secured the support of so many of our colleagues. I think it is right to address myself to some of his arguments which I recognise to be formidable, and which have been expressed in other, but no less compelling, ways by the President of Zambia and the President of Uganda and many others.

In his speech President Nyerere drew a sharp distinction between the implications of his proposals and the implications of a settlement based on negotiation providing copper bottomed guarantees of the Six Principles such as Mr. Thomson outlined yesterday. The main difference he saw was that in the Fearless proposals, and I quote his words, "the people would have no choice". He said that if the test of acceptability of the proposals provided for under the Fifth Principle gives the answer "Yes" the oppressive Smith regime will stay.

He went on to say that if the people of Rhodesia - and here we are talking about the African population -- were to say no, the oppressive regime would remain.

What he omitted to say was that if we adopt Tanzania's proposals, exactly the same result will follow at any rate for the immediate future. The racialist regime, as he called it, will remain in the saddle.

And what will follow in its wake, if we have rejected a negotiated solution and adopted the Tanzanian proposals,
will be, first of all, the hardening of that regime, a new constitution introducing apartheid in new forms - whereas the Fearless proposals, as was pointed out yesterday, would not only prevent apartheid in any form, but would involve the dismantling of existing measures of discrimination based on race and colour.

But I repeat, and we are all here thinking of the people of Rhodesia, that the Tanzanian proposals would mean intensified repression and apartheid in the very near future.

It is wrong to say that the people have no choice.

If you rule out force, and I have said force is ruled out, then the whole consequences of the Tanzanian proposal and the President's speech would be to condemn 4 million Africans to continue to have what he has rightly described as an oppressive regime, without allowing those 4 million Africans to consider an alternative.

I recognise the doubts of many colleagues about how effective the test of acceptability would be. I will come to that question later.

I also recognise one very deep anxiety on the part of many Prime Ministers: the anxiety that even if the people of Rhodesia express their acceptance of the Fearless proposals then after independence any likely Rhodesian Government would rat on the safeguards provided in the FEARLESS document and unilaterally breach the provisions designed to make the Six Principles effective. This is a possibility. But I strongly doubt, for the reasons Mr. Thomein stated yesterday, whether this would be likely. I have my own views on what the world could do by way of response, including the reimposition of sanctions.

But what is, I think, a fallacy is to think that there is a total difference between a FEARLESS solution and a NIBMR solution in terms of guarantees of its durability. The Prime Minister of Barbados made a very serious point here. Constitutions based on majority rule, however tightly drafted the constitution, have not been immune from change brought about by extra-constitutional means. He instanced a new neighbour - Panama. We have a number of countries represented round this table where constitutions providing for majority rule have been changed. If it is true that the Fearless constitution could be changed by skulduggery, it is no less true that a constitution which gave effect to NIBMR could be set aside by a military coup d'etat. Anyone is free to judge which is the more likely - it is a matter of degree - in assessing the probabilities. What cannot be said is that there is a difference of kind - not degree - that a NIBMR constitution is inviolable and a FEARLESS one is not. The world would equally react to that by the same means as in the other case.
First, let me say a word about sanctions. In answer to a question yesterday I gave my assessment of the effect of sanctions on Rhodesia, and I would feel that what I said then has been fully borne out by the contributions of the Presidents of two neighbouring countries of Rhodesia, Malawi and Zambia, who from their own knowledge confirm that sanctions are biting, biting indeed quite deeply; although they would both agree that sanctions have certainly not yet led to the political change which would bring about either a change of heart on the part of those currently exercising power, or their replacement by those who would be willing to carry out what all of us regard as necessary.

Whatever our differences about some aspects of the problem (e.g. the use of force, the future of the Fearless proposals) we are all agreed on the importance of making sanctions as effective as possible. This has been referred to by President Nyerere, Chief Jonathan, Prince Dlamini and others. We in the United Kingdom are particularly alert about this. We have in the Foreign and Commonwealth Office a separate department whose sole purpose is to see how we can best give effect to the United Nations Resolution in ensuring that sanctions are working and in seeking out those who are neglecting to enforce them. When we learn of evasions we immediately make representations to the Government concerned. We are now going to report major evasions that come to our notice to the UN Committee set up to supervise sanctions against Rhodesia. It would be useful if all Commonwealth Governments gave special attention to this task and were to follow our practice of telling Governments concerned of evasions and reporting major evasions to the UN Committee.

I stress the urgency of making existing sanctions work. The Commonwealth Sanctions Committee exists not only to help with the enforcement of sanctions but to discuss the intensification of sanctions. We have always been ready to go along with intensification, provided that the test of any new methods should be their effectiveness and not perhaps their vindictiveness. The test is the effect they have in Rhodesia not the propaganda effect they have in the world outside. A number have been proposed which, however superficially attractive, lend themselves to obvious and simple evasion. On this point the British Government are at one with our African and other colleagues who have made the maintenance, and wherever possible the intensification, of sanctions a key point in their proposals.

/President Nyerere
President Nyerere, and those who have supported him, has centered his proposals on sanctions. I fully support him, if no honourable solution can be reached. And as Mr. Thomson pointed out yesterday, there is certainly no sign of any acceptance by the Salisbury regime of the FEARLESS proposals.

I agree; and for that reason we may have to contemplate a long haul, with all that involves. The difference between us, I think, is that many who have spoken feel that we should choose the long haul with all that it entails. The British Government feel that, provided that preliminary agreement can be reached on an honourable solution, the people of Rhodesia should be given a chance to choose between that solution and the long haul of sanctions with all that long haul would mean.

It is the Rhodesian Africans who will be called upon to bear in increasing measure the consequences of sanctions as well as the difficulties. It means ever-increasing unemployment. It means more and more African workers unable to find jobs in the towns, losing their jobs in the towns and being forced against their will to return to their tribal areas. With what was called yesterday the population explosion in Rhodesia it will mean progressively an almost total famine of jobs for the young African school-leavers.

Yes, I repeat we may have to face this if no negotiated settlement on terms we could accept is possible. What I am asking my colleagues is whether we should decide that this is to be the policy or whether we should let the Rhodesians choose an alternative solution if that is possible.

Another consideration not only in the context of sanctions, but in the wider political setting of Southern Africa is the position of the South African Government. I do not believe it would be profitable for me to speculate about this matter. "We had yesterday and again today the realistic assessments made by the President of Botswana and the President of Malawi from their knowledge of the situation."
I felt it right to mention some of the consequences of committing ourselves, rejecting all alternatives, to the long haul which is involved in the Tanzania proposals. It may well be that this is what we shall have to face, with all the implications I have mentioned—and others too. The British alternative, while recognising this, is to see whether an honourable solution can be found by negotiation and giving the final choice to the people of Rhodesia as a whole.

That was the purpose of the negotiations on board H.M.S. Fearless. In our view they fully implement the Six Principles we have laid down.

It has been said, and said rightly, during this meeting that the Six Principles, and therefore Fearless, on the one hand, and NIBMR (No Independence Before Majority Rule) on the other, are inconsistent—indeed contradictory—to one another. This is right simply because the first two of the Six Principles involve continued progress towards majority rule after independence and require guarantees that that progress be not impeded by any post-independence action. This is clearly not the same, as colleagues have rightly argued, as no independence before majority rule.

Let me say, on this the President of Tanzania has been completely consistent through the years. At our 1965 meeting he fought the whole time against the Six Principles and in favour of NIBMR.

Now I come to one of the fundamental propositions that has been put before us. The suggestion that the Fearless proposal be withdrawn, in contradistinction to our own announcement in Parliament, following Mr. Thomson's talks in Salisbury, that they remain on the table.

Those—all of us—who look forward to sanctions having an increasing effect and ultimately leading to a political solution, should recognise that, if we were to withdraw the proposals that have been made, we should be weakening the hand of the many people in Rhodesia who are putting pressure on the regime to change their attitude, indeed some of whom European, African, of all races, are organising politically with the idea of replacing the present regime by democratic process.
To withdraw Fearless now would give the racialist extremists what they are looking for, the signal to proceed to harsher measures of repression and to a fully racialist constitution embodying apartheid - while at the same time to withdraw Fearless now would correspondingly weaken, perhaps destroy, the hand of those who seek to hold them back.

Meanwhile, throughout the period that the proposals lie on the table, and indeed after that, as I will explain in a moment, sanctions remain, and our present position on NIBMR remains.

I have been asked by Mr. Burnham and by others to make quite clear how we would see the timetable if any possible further developments, including the question of consultations with the Commonwealth. At this moment of course the question is hypothetical because, as Mr. Thomson made plain yesterday, there is no indication at all at this moment that the Fearless proposals will be accepted. If, and only if, that situation were to change, then, as I see it, the course of events might go like this. There would first have to be a preliminary agreement with whoever is exercising power in Rhodesia - in the present circumstances Mr. Ian Smith - but this would be ad referendum to the Rhodesian people and subject to the test of acceptability. Part of the agreement as envisaged in Fearless would be the broadening of the "administration" (I use that word in inverted commas) including the entry of Africans to it. The next stage would then be for the British Government to appoint a Royal Commission to carry out a test of acceptability of the proposed terms to the people of Rhodesia as a whole. The Commission would consist of people of high integrity and impartiality, and we should ensure that it would include people who by their experience and qualifications would be well fitted to judge the situation in terms of African conditions and not just in the atmosphere of the British Law Courts. I think that President Nyerere has misunderstood this provision in his own memorandum when he suggested that they would include, and I quote "Rhodesian Government nominees" unquote. This is not so. They would be appointed by the British Government.

The Royal Commission would then go out to Rhodesia and carry out its task, beginning by ascertaining whether the proper conditions for the test existed including the conditions detailed in the Fearless proposals for the freedom of expression for all. The President of Zambia this morning said it would be impossible for them to do their task against the background of the FEARLESS requirements. If he is right, if the conditions for free expression do not exist, the Royal Commission will so adjudicate. And that would be the end of the matter. Again, if they were to report that the people of Rhodesia as a whole find the FEARLESS proposals - or any other proposals - unacceptable, then that would be that. In the words of Mr. Burnham yesterday we shall be back to first base.

/President Kaunda
President Kaunda this morning said that it is an insult to the people of Rhodesia to suggest that they will accept the FEARLESS proposals. If they do not accept it, then the President has nothing to worry about. We go back to the beginning. The NIBMR commitment rests where it is today. Sanctions will remain and indeed will remain throughout the whole operation of the test of acceptability and on to the submission of the necessary legislation to Parliament, if all the conditions for that submission are satisfied.

If the people of Rhodesia demonstrate their acceptance of the terms then, at that stage, as I said yesterday, we would feel it right to consult with our Commonwealth colleagues about the question of the commitment to NIBMR. I attach the greatest importance to this consultation.

As I explained yesterday in answer to Mr. Burnham and to Mr. Trudeau, this would, of course, not be our first approach to the Commonwealth during this whole process. We should remain in close consultation at every stage, as indeed we have in the past.

There will be no question of an approach to our Commonwealth colleagues about the NIBMR commitment unless we were satisfied, and I hope other colleagues will be satisfied too, that the people of Rhodesia as a whole have made it clear, and were seen to have made it clear, that this was what they wanted.

I should then have to put to each of my Commonwealth colleagues this question. I put it now. If the people of Rhodesia, having had the constitutional proposals put to them, having regard to the consequences of accepting them, and having regard also to the consequences of present conditions continuing, and from their point of view deteriorating, decide for acceptance. I must ask are we, any of us outside Rhodesia, to say that they are wrong, that we know better than they do what is good for them - we heard phrases this morning going very close to saying that - that their future must be decided by us, and not by them? Is it that we should then be able to tell the world how clear our consciences are, while they have to pay the price.

This morning President Kaunda said, and he brought this up himself, that Britain has insisted that the people of Gibraltar will not be handed over against their will. He said that Britain has insisted that the people of the Falkland Islands will not be handed over against their will. Let me say to him, that the people of Rhodesia will not have a constitution imposed upon them by legislation of the British Parliament, against their will.

I should like
I should like to put this to President Kaunda. I do so in the same spirit in which he put his criticism of me. He mentioned Gibraltar. Since I was accused this morning of "inconsistency", if not worse, I find, with great respect to some of our distinguished colleagues, a certain inconsistency, between all they have said over these past two days and the fact that last month in the United Nations their Governments, and I refer here only to a small minority of our colleagues, voted for a General Assembly resolution purporting to tell Britain that we should hand over, manifestly against their declared will, 23,000 citizens of Gibraltar, fellow Commonwealth citizens, to a country — to Spain — which, shall I say, would not be regarded by many here as noticeably liberal or democratic in the terms of the definitions of democracy which have been used here this week.

This vote took place even though 23,000 people voted in a referendum in the presence of independent Commonwealth observers, who subsequently reported about the conduct of the referendum to the United Nations. Of these 23,000 all but 44 in a secret ballot came out clearly in favour of maintaining their connection with Britain and rejecting transfer to Spain. The moral principles to which appeal has rightly been made in this Conference do not depend on the number of people affected. What it has been rightly said is right for 4 million in Africa is right for 23 thousand in Gibraltar.

I repeat, Britain is not prepared to impose a political solution in Rhodesia against the will of 4 million Africans. But the votes in the United Nations have shown that there are those who are willing to impose an alien political future on fellow Commonwealth citizens even against their freely determined wishes.
I end as I began by saying that whatever strong and strongly expressed disagreements there have been in this debate, there is no difference of objective, no difference in the determination we hold to the multi-racial, the anti-racial, ideals of the Commonwealth. The difference is in methods, in policies. And it is a difference on an issue which more than one Commonwealth Prime Minister this week has described as virtually insoluble. The Prime Minister of Ceylon's invocation of President Khama's celestial doodle expressed this most graphically. I could quote a distinguished public servant of world renown, known and respected by nearly all my Commonwealth colleagues, with forty years of experience in politics, in Cabinets, in high-level diplomacy in many parts of the world, who has told me that in those forty years he has never known a problem so complicated, so intractable or by all the standards to which we are used, so insoluble. I have tried to give some reasons why apparently simple solutions simply will not work, simply will not achieve their objective no matter with what sincerity they have been urged around this table. That applies particularly to force or to direct rule, which can only be imposed by force.

At the end of the day, as has been freely conceded, this is a British responsibility. This was stated - I will not weary my colleagues with the exact quotations - in the communiques of the meetings of Commonwealth Prime Ministers in 1964, 1965, at Lagos in 1966 and again in London in September 1966. Reference has been made to the fact that successive British Governments, while making it clear that ours is the responsibility, and that ours will have to be the final decision, nevertheless recognise that this issue drives so deep into the whole concept of the Commonwealth and all we stand for that not only at Prime Ministers' meetings but by direct consultation between Prime Ministers' meetings. We have regarded it as a matter for almost continuous consultation. Just as, in the world context, we recognise this as a matter which concerns the United Nations, even though, as I have said, the ultimate responsibility must be with Britain.

I hope I have put clearly this afternoon the nature of the choice - and like so many of the issues that all of us have to deal with day by day, national and international, for us it is a choice between evils, a choice as we see it of the lesser as against the greater evil - and that is where our final judgments may differ. I have said what the British Government have concluded in the discharge of our trusteeship to over four million Rhodesians. Others have given their view. I have said and Mr. Thomson said yesterday that the arguments we are
having may be dealing with a hypothetical situation. Indeed that appears to be the present situation in Salisbury. But the British Government feel that we ought to put it to our colleagues to say how we feel the situation might develop and what our course of action would then be.
MR. ROY JENKINS, said that he would talk principally about international monetary matters; questions on aid and development which featured greatly in this Agenda item would be dealt with by the Minister of Overseas Development when he spoke later in the debate. Nevertheless, monetary matters and development assistance were not entirely distinct since aid depended on a sensible organisation of the world monetary system and an improvement in international liquidity.

The last eighteen months had been an exceptionally difficult period, in fact - as Mr. Holyoake had described it - a momentous, perhaps too momentous, period. During that time there had been devaluation, a gold crisis, disturbances in France and speculation concerning the franc and the deutsch mark. All these problems had provided severe tests for the stability of the international monetary system. He went on to say that there was now a post-Bonn lull since everyone was waiting to see what the policies of the new United States administration would be.

The year 1968 had, however, had some good points. One was that the monetary system had survived the great difficulties he had mentioned: this showed the ability and determination of governments and bankers to deal with monetary problems in rational ways. The most important thing to be devised since the Bretton Woods Agreement was the scheme for special drawing rights, which was important not so much in its quantitative aspects as in being a rational man-made improvement in international liquidity. He hoped that the scheme would be activated on as substantial a scale as possible in 1969.
Turning to the Basle Agreement, he said the attitude of Commonwealth countries had been most helpful and realistic. Canada had put up a credit and it had been possible to negotiate agreements with countries holding sterling which had added greatly to the underlying strength of sterling. Where bilateral agreements had been negotiated they had been generalised so that there was equality of treatment for Commonwealth countries. These arrangements represented a further stage in the evolution of the sterling area and were fully consistent with its principles. The background to the Bonn Conference was difficult but the results should have convinced everyone that the deutsch mark would not be revalued; all parties in the German Government had agreed with the maintenance of this position. One of the beneficial results of the Conference was the removal of the fear of speculation.

Paradoxically, 1968 was also a good year for the growth of world production and trade. Demand in the United States and Britain grew faster than expected; in the case of the United States, faster than the authorities would have wished. Other industrial countries, such as Germany and Japan, had all shown substantial growth. It seemed as if growth in 1969 would be somewhat slower than in the past eighteen months, particularly if the new United States administration adopted an anti-inflationary policy. Nevertheless, he was not expecting a recession but merely a slackening in the growth rate. The deficit countries, Britain and America, had had to check their imports and the surplus countries, especially Germany and Italy, should recognise their responsibilities and play their part in helping to solve the problem by increasing their imports. He was sure both countries were aware of their responsibilities.

Outlining the progress of the British economy since devaluation, Mr. Jenkins said that there had been a steady improvement in the British balance of payments, which of course was the crucial object of his Government's policy, and which they were determined to press to a successful conclusion. The British people had accepted, if not enthusiastically, considerable burdens over the last fourteen months. Dr. Williams had already expressed his appreciation of the scope of the budgetary measures taken by Britain.
At the time of devaluation Britain had taken severe restrictive measures to cut consumption, and this had been followed in January 1968, by severe cuts in the planned growth of public expenditure at the expense of many hopes for the expansion of the public services. The defence cuts had been part of this programme and had been unwelcome to many represented at the Meeting. The March 1968 budget had imposed new taxation increases of £900 million, which was the largest peace time budget and probably the most severe increase in monetary terms in either war or peace. It had been made clear to the British people that Britain faced two hard and difficult years before the growth in public and private consumption could be allowed to match the growth of industrial production. Britain would make all efforts, and part of this was the tough incomes policy, to put right its balance of payments and safeguard sterling at its new parity, which he was convinced was fully competitive.

Despite these earlier measures the economy required constant management and certain adjustments from time to time and, as he had said in the House of Commons, could not be left on automatic pilot. For example, in the Autumn of 1968, he had tightened hire purchase restrictions and imposed further indirect taxation increases, both of which were necessary in the light of the trade figures and the prevailing international monetary situation. At the same time, the Government had introduced the import deposit scheme, which was only intended to be temporary, but was by far the least damaging measure to Britain's trading partners in dealing with the high level of British imports. Food stuffs, fuels and raw materials were excluded, so that most developing countries would find the majority of their exports to Britain were excluded from the operation of this Scheme; for example, 90 per cent of Caribbean exports remained outside the Scheme. Certain special measures were taken to exclude from this Scheme materials, which had been included in the scheme for import surcharge, in order to help developing countries; it had, however, not been possible within the framework of the present Scheme to make exceptions for developing countries as such without making the scheme unacceptable internationally.
The health of the British balance of payments was crucial to the whole sterling area, and Britain intended to continue these policies until results were achieved. Such results were now beginning to show, though more slowly than some had hoped or expected. Nevertheless, there had been a steady improvement in Britain's trade position since mid-1968, though there might still be erratic variations in certain months. Britain was, however, moving towards a substantial surplus which they were determined to achieve and sustain. Britain needed an export-led growth in order to repay its debts, reconstitute its reserves, and play a full part in providing aid for developing countries.

Britain entered 1969 in a state of reasonable but cautious confidence. Britain intended to press on with proposals for the activation of Special Drawing Rights (SDR). There were, no doubt, other reforms in the international monetary system to be urged forward, but he was sceptical of the value of another Bretton Woods at this time (as Dr. Williams had proposed). If such a conference were to take place it could do more harm than good as it would encourage speculation. Bretton Woods had taken place at the end of the last war when foreign exchange markets had not existed in anything like their present form. In order to hold the Bonn Meeting in November, it had been necessary to try (not wholly successfully) to close the main foreign exchange markets of the world for three days, and it would no doubt require a closure of the market for several weeks if another Bretton Woods-type conference was to be held, especially when one considered that the former had involved only ten countries and the latter would involve over one hundred countries. The advance publicity to be expected in another Bretton Woods Conference would, if nothing emerged from it, worsen the position more than if the Conference had never been mooted.

The dilemma of holding another Bretton Woods was that there was a need to be confident of success before it met; they could not afford the speculation which was bound to develop, both before and during the meeting, without closing monetary markets, which in itself would be damaging to world trade as the period required would have to be impossibly long.
The present system had worked reasonably well during the last twenty years. Improvements to it must be carried out by more cautious methods than a large conference with all its attendant publicity. Such a conference would only help if it were called to ratify decisions previously worked out by governments themselves through existing channels, such as the IMF. The existing system was capable of adapting itself to changes as the events of the last year had shown, for example, the development of the SDR Scheme. Commonwealth governments had played a vital role in this, and he pointed out that Commonwealth Finance Ministers at their Meeting had confirmed support for an early activation of SDR.

Some Commonwealth countries had expressed disappointment that it had not been possible to achieve some link between SDR and aid. Britain would like to see this link as part of the scheme and had taken this view in discussion leading up to the signature of the agreement. But the link had simply not been negotiable and it would not have been possible to bring the Stockholm Conference to a successful conclusion if countries like Britain, the United States of America and Canada had insisted on the link being included. The choice had been between no link or no Scheme. The benefits to developing countries from the Scheme were not so direct and obvious, but they were real, as anything which increased world liquidity and the confidence of developed countries to expand world trade was to the benefits of developing countries.

He did not take the view that SDR or improvements in world liquidity should in any way obviate the responsibility of Britain to end its history of deficits. This was an essential and crucial objective and failure to achieve it would set back surplus countries in their consideration of schemes to help improve world liquidity. Britain's measures were of very considerable importance from the point of view of Britain playing a larger role in assisting the developing countries; a necessity of which Britain continued to be very conscious.

* * * * *
CABINET

COMMISSION ON INDUSTRIAL RELATIONS: TERMS OF REFERENCE

Note by the First Secretary of State and Secretary of State for Employment and Productivity

At their meeting on 14th January, 1969 (CC(69) 3rd Conclusions, Minute 1), the Cabinet invited me to revise the terms of reference of the Commission on Industrial Relations.

2. Subject to the approval of my colleagues, I propose that the new terms of reference should be as follows:­

"To examine such matters as may be referred to it from time to time by the Secretary of State for Employment and Productivity concerning the functioning and development of institutions and procedures for the conduct of industrial relations between employers and their representatives on the one hand and employees and their representatives on the other hand; to promote improvements in such institutions, procedures and relations; and to report thereon to the Secretary of State".

3. These terms of reference have been agreed by the Lord Chancellor, the Secretary of State for Scotland, the Solicitor-General and the Scottish Law Officers.

B.A.C.

Department of Employment and Productivity, S.W.1.

15th January, 1969
20th January, 1969

CABINET

THE REORGANISATION OF THE PORTS: DRAFT WHITE PAPER

Memorandum by the Minister of Transport

I was invited (CC(68) 31st Conclusions, Minute 4) to submit a draft White Paper on the reorganisation of the ports when outstanding questions of policy had been settled. My proposals are incorporated in the attached draft White Paper, which has now been approved by the Parliamentary Committee.

Hybridity

2. Whilst it is not possible to give a cast-iron assurance until a final draft of the Bill dealing with this complex industry has been prepared, I have every reason to believe that, provided suitable precautions are taken, a Bill can be drafted to give effect to the proposals as presented in the White Paper which will not be hybrid.

The scope of the proposals

3. Those harbours in which the great bulk of our trade is handled would be placed under the proposed National Ports Authority (NPA) on the vesting day, and there would be provision for subsidiary authorities to be established, under a scheme of organisation prepared by the NPA, to be responsible for managing these harbours. In addition, the NPA would have powers to propose schemes for further takeovers of harbours.

4. The subsidiary authorities would in the main be based on the principal estuaries. They would, however, be of a near-regional character and, as explained in the White Paper, they would be encouraged to plan the developments called for by the needs of the regions, working in close consultation with the Economic Planning Councils.

5. An initial takeover of port operators’ businesses is not possible on the vesting day: it could be done only in a hybrid Bill, which would have small chance of being passed in this Parliament. But the takeovers can be achieved by placing a duty on the NPA to prepare and submit schemes within a year of the vesting day, and this is what I propose.
6. The White Paper contains proposals for ensuring that the NPA has a dominant voice right from the start on employment matters in the industry as a whole and that workers in the residual private sector are not worse off than those in the nationalised sector.

Discussion with the Chancellor of the Exchequer

7. The Chancellor and I have reached agreement on the two points we were invited to discuss further when the White Paper was considered by the Parliamentary Committee. I do not now propose to say in the White Paper that we will make loans available to assist the existing harbour authorities to buy up port operators' businesses voluntarily without waiting for the new legislation; but we will consider sympathetically any individual cases where such an acquisition is judged to be in the long-term interest of the NPA but no alternative means of finance is available.

8. The second point concerned the prospective financial situation of the NPA. The National Ports Council (NPC) had estimated a deficit on revenue account of £7 million in the NPA's first year, a figure which, however, must be treated with some reserve. I intend to seek the co-operation of the NPC and the individual port managements concerned in a thorough study of possible ways of improving the situation before the vesting day.

Compensation

9. Following precedent I am not circulating the compensation proposals in this draft of the White Paper. The proposals have been agreed by the Prime Minister and Treasury Ministers and I will be ready to explain them, and the financial implications, to my colleagues in Cabinet.

Timetable

10. The Bill will be complex, as will the task of implementation. It seems unlikely that the vesting day could be before the end of 1970. To achieve that we would have to introduce the Bill very early in the 1969-70 Session, and the drafting of the Bill would need to begin straightaway. I should also aim to get as much as possible of the preparatory work on implementation done in advance. I see no advantage, however, in formally introducing the Bill this Session; it would have to start all over again next Session and we would not save any time.

11. I invite my colleagues to approve the White Paper (subject to one or two minor drafting amendments). I propose to arrange for it to be published on Tuesday, 28th January, immediately after a statement by me in the Commons following Questions and a similar statement at the same time in the Lords.

R.W.M.

Ministry of Transport, S.E.1.

17th January, 1969

-2-
The Reorganisation of the Ports

Presented to Parliament by the Minister of Transport by Command of Her Majesty 1969

Paragraphs 47-55 and Annexes 5-6 removed.

London
Her Majesty's Stationery Office

Cmnd. SECRET
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ANNEXES

Annex 1—Trade handled in certain harbours (1967).
Annex 2—Permanent registered dock workers employed in harbours listed in Annex 1.
Annex 3—Private harbour authorities.
Annex 4—Powers for the compulsory acquisition of businesses providing port services.
Annex 5—The valuation of quoted securities.
Annex 6—Summary of proposed safeguarding provisions.
The Government's intention to reorganise the ports on the basis of public ownership was stated in the White Paper on "Transport Policy" (Cmd. 3057) presented to Parliament by the then Minister of Transport in July 1966, following the report of the Labour Party Study Group on the Port Transport Industry. Extensive consultations have since taken place between the Minister of Transport and the interests concerned, based on a working document issued by the Ministry in July 1967.

The working document was put forward by the Government as a basis for discussion. Views on it were submitted by the Trades Union Congress, the Scottish Trades Union Congress, the unions mainly concerned with the ports, the Dock and Harbour Authorities' Association, the Confederation of British Industry, the British Shippers' Council, the National Association of Port Employers, the Chamber of Shipping, the National Dock Labour Board, the Economic Development Committee for the Movement of Exports, the Regional Economic Planning Councils and over a hundred other interests. As the statutory adviser to the Minister, the National Ports Council was kept in touch with these consultations and this enabled its advice to take account of the points raised. Separate consultations took place with the interests concerned with pilotage.

This paper sets out the conclusions the Government has now reached and the policy it proposes to pursue.
THE REORGANISATION OF THE PORTS

INTRODUCTION

1. At all levels of the ports industry it is accepted that the present structure of the industry is inadequate to ensure that the best possible service is provided to the nation. As long ago as 1962 the Rochdale Committee* concluded that the lack of any central planning reflected a fundamental defect of organisation and it highlighted a number of other changes needed. The National Ports Council set up following the Committee's report has done much, within its terms of reference, to improve matters, and the Government is grateful for the valuable contribution the Council has made. But experience has shown that the Rochdale Committee was right to conclude that "a Council with purely advisory functions would not be sufficiently effective or influential to ensure that essential changes are brought about". The Government believes that a much more radical reorganisation even than that envisaged by the Rochdale Committee is needed.

2. The Government has concluded that to control and promote the important changes which are required a National Ports Authority should be established. The Authority must have power to determine the nature and shape of the British ports industry, whose efficiency is of fundamental importance to the economy and the life of the community. Such power can only be entrusted to a body which has the discipline of knowing that it is fully responsible for the success or failure of its policies: this must mean national ownership.

THE SCOPE OF REORGANISATION

The priority task for a National Ports Authority

3. The National Ports Authority will have an immense task to fulfil if it is to plan the future development and rationalisation of physical facilities, whilst at the same time adapting the organisation of work in the ports to modern needs. The first necessity is to enable the proposed new Authority to concentrate resources and management on essentials.

4. There are some 300 harbour authorities in Great Britain, with a great variety in scale and scope of operation and in forms of organisation. Some harbours are used just for local needs by a few small coastal vessels a year, or for recreation, and are of little national economic significance. Others cater for massive amounts of our international trade. Furthermore, the role of the harbour authority and the way in which work is organised within harbours vary widely: for example, in some harbours the authority provides almost all the facilities, and carries out much of the cargo handling work; while in others it is little more than a conservancy authority. There

is no simple or uniform pattern, and in some harbours, notably in the major ones like London and the Mersey, there is a great diversity of relationships, and of operational and employment arrangements.

5. This complex industry faces major change: the use of larger ships, the introduction of rapid throughput facilities for bulk cargoes, the development of unit load techniques (notably containerisation of general cargo) and the growth of through transport. The impetus of change must be directed to ensure

(a) that new investment and the rationalisation of facilities produce the best services at the right places;

(b) that the work of loading and unloading ships within each harbour is organised in the most efficient way and makes efficient use of modern facilities.

If these objectives are to be achieved, management too must be efficient and there must be effective worker participation. At the same time, standards of employment and productivity must continue to improve.

6. These changes will have the greatest impact in those harbours where the great bulk of our trade is handled. In fact, over nine-tenths of our overseas trade and over three-quarters of our coastal trade is concentrated on a number of large harbours together with those of the already nationalised British Transport Docks Board. Without national ownership of this section of the industry the present diffusion and misdirection of resources will continue.

7. Within each of these important harbours a large measure of unified control of operations will be needed in order to minimise costs and to increase efficiency. It is neither practicable nor necessary to take over port facilities which are controlled by manufacturers wholly or mainly for the transport of their own goods or raw materials; and there may be cases where a business forms part of a through transport system which it would be undesirable to split up. But general stevedoring and similar activities need to be concentrated to a much greater extent in the hands of the harbour authority itself.

8. Thus, the assumption of responsibility for these major harbours and the general stevedoring and similar activities within them is the first priority. It will present a substantial but manageable first task for a new national Authority. The take-over of the major harbour undertakings will be supplemented by the continuation of the Minister's power under the Harbours Act, 1964, to control major harbour developments costing more than £½ million. This will provide means of ensuring that investment in non-nationalised harbours does not conflict with the national interest.

The harbour undertakings to be taken over

9. The initial reorganisation will be on the following lines. The National Ports Authority, acting through subsidiary port authorities to be established under the arrangements set out in paragraph 19 below, will replace the...
British Transport Docks Board and, with the exceptions mentioned in paragraph 11 below, the harbour authorities for all those harbours in which more than 5 million tons of goods are handled in a year.*

10. Although published statistics do not in every case indicate the tonnages of cargo handled in the areas of individual harbour authorities, it would seem clear from available information that the harbour undertakings which will accordingly be transferred on the vesting day to the National Ports Authority will be those of the following harbour authorities:

- The Port of London Authority
- The Medway Conservancy Board
- The Port of Bristol Authority (Bristol Corporation)
- The Milford Haven Conservancy Board
- The Mersey Docks and Harbour Board
- The Manchester Ship Canal Company
- The Clyde Port Authority
- The Forth Ports Authority
- The Port of Tyne Authority
- The Tees and Hartlepool Port Authority
- The British Transport Docks Board, comprising:
  - Hull, Goole, Immingham, Grimsby, King's Lynn Docks,
  - Lowestoft, Southampton, Millbay Docks (Plymouth), Lydney,
  - Newport, Cardiff, Barry, Port Talbot, Swansea, Garston,
  - Fleetwood, Barrow, Silloth, Ayr, Troon.

It will be seen from the published statistical information given in Annex 1 that the figure of 5 million tons should provide a natural dividing line between the major harbours and the rest. The National Ports Authority will be empowered to obtain full tonnage figures and to serve transfer notices on the authorities shown by these figures to be the ones whose harbour undertakings are to be transferred to the Authority.

11. It is not proposed to transfer initially to the National Ports Authority any harbour undertaking of the British Railways Board (such as Parkeston Quay or Newhaven) or the British Waterways Board (such as Weston Point or Sharpness), but provision on the general lines of sections 7 and 8 of the Transport Act, 1968, will be made for possible subsequent transfers of their harbour undertakings. The harbour undertakings (which in some cases may consist of no more than a jetty or wharf), of private harbour authorities (as defined in Annex 3) will not be liable to be transferred to the National Ports Authority, either initially or subsequently under the arrangements set out in the next paragraph.

12. After the initial vesting of harbour undertakings, the National Ports Authority will be required to consider whether it would be desirable in the interests of the efficient and economical management and operation of a national ports system for it to take over the harbour undertakings of

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* For this purpose a year means any period of 12 months falling between 30th June 1966 and 1st July 1968.
other statutory harbour authorities. It will be empowered to submit schemes to the Minister at any time proposing such take-overs; if there are objections to a scheme, the Minister will cause a public inquiry to be held before he decides whether to confirm it. Fishery harbours, marine works* and private harbour authorities will not be subject to this power.

13. The Authority will have power to become the harbour authority for, and provide port facilities and services at, any newly-developing harbour area if this is required, for example, for a maritime industrial development area scheme (MIDAS).

14. Where the harbour authority whose harbour undertaking is being taken over is a local authority, or a company carrying on other activities in addition to its harbour undertaking, it will be necessary to make provision for determining which property, rights and liabilities are comprised in the harbour undertaking and should be transferred to the National Ports Authority. A company will, however, be given the right to require the Authority to acquire any or all of the remaining parts of its business, subject to arbitration if the Authority objects.

Stevedoring and other port services

15. The Government intends that there should be a greater concentration of port services in the hands of the harbour authorities. There is within the ports a large variety of businesses providing facilities and services. These businesses vary widely both in the nature of the work they do and in the way in which they fit into the commercial pattern of the port. Some serve one user only or a limited number of users. Others are parts of vertically-integrated concerns. Others again are the port links in a “through transport” system, available to users generally, but under one control from origin to destination. There are also specialists such as cargo superintendents, who check the quantity and condition of goods, acting as agents for one or another party, not only in the ports but also possibly at factories, airports, and other points on the route. There are, however, many businesses whose purpose is to provide common-user port services such as stevedoring, wharf-operating, lighterage and towage. These businesses were greatly reduced in number with the introduction of employer licensing under the Docks and Harbours Act, 1966; but even so the organisational pattern remains exceedingly complex, leading to divided responsibilities, the fragmentation of operational control, and unreliability of service.

16. In the Government’s view, the achievement of the greatest possible degree of efficiency requires that the nationalised authorities should become the principal operators of port services and facilities within their ports, and, by virtue of this, the principal employers of port labour. This is, indeed, one of the cardinal requirements in the reorganisation of the ports. It would not, however, be practicable for them to become the operators of

* Fishery harbours are certain small harbours in England and Wales which are principally used by the fishing industry. Marine works are certain harbours in Scotland which are principally used or required for the fishing or agricultural industries or the maintenance of communications.
all port facilities and services, for example of those, such as oil jetties and other private wharves, which are integrated into another transport or industrial activity.

17. It is essential, bearing in mind the vital importance of the nation's trade, that whilst the take-over of businesses serving this trade should proceed as rapidly as possible, it should take place as part of an orderly and manageable process. The take-overs should be selective, and have the aim of securing the efficient and economical operation of the nationalised ports; and in particular the operation of at least the main common-user port services should be concentrated in the hands of the nationalised authorities. The Government has therefore decided that the National Ports Authority should be required to put forward schemes initially within one year of vesting day for the acquisition of businesses providing port services such as stevedoring, within these ports; and the Authority will also be given continuing duties and powers to put forward such schemes as necessary. The Authority will have powers of compulsory acquisition for the purpose of implementing such schemes. The owners of the businesses affected will have the right to object to take-over proposals, and a public inquiry will be held to consider objections before the Minister gives his decision. In general, businesses carrying out the handling, movement, loading, unloading, or warehousing of goods, lighterage or associated towage, or the management of a wharf, will be subject to compulsory acquisition. (A more precise description of those businesses which will, and those which will not, be subject to compulsory acquisition, is given in Annex 4.) The effect of these schemes will be to increase considerably the number of registered dock workers employed in the nationalised sector from the initial figure of about 15,000 (see Annex 2).

18. The Government, however, attaches considerable importance to the maintenance of progress in the further rationalisation of port services and activities in the immediate future. As mentioned below (paragraph 28), work has already started on the second stage of the Devlin Committee's recommendations.* The Government also wishes to encourage the unification of port services and activities under the control of the existing harbour authorities. These authorities have powers under the Docks and Harbours Act, 1966, to acquire businesses or undertakings of these kinds by agreement. In a number of cases these powers have already been used; harbour authorities should seek every opportunity to exercise the powers in suitable cases where satisfactory terms can be negotiated, without waiting for the reorganisation legislation.

THE NATIONAL PORTS AUTHORITY

Organisation and general functions

19. The National Ports Authority will be responsible to the Minister and through him to Parliament for the harbour undertakings transferred to it. It will, within the framework laid down by the Government, establish

the main economic and financial policies and management objectives of the nationalised sector of the ports industry. It will have responsibility for planning, investment, pricing policies, and the promotion of research and development. It will, however, be required to delegate to subsidiary authorities responsibility for managing the ports, with the effect in practical management terms that the Authority will stand somewhat in the relationship of a holding company to its wholly-owned subsidiaries. Within the policy framework set by the Authority the subsidiary authorities will have full responsibility for the management of the undertakings. The Authority will be required as a priority task to prepare for the approval of the Minister a scheme of organisation in line with these proposals, which will provide for the efficient management of its ports. The scheme may be expected to provide for subsidiary authorities based in the main on principal estuaries. In working out the scheme the Authority will have to have regard to the desirability of providing an integrated management structure, which could take the form of a Scottish ports authority, for the Scottish harbour undertakings involved in the scheme; and the Secretaries of State for Scotland and Wales will be associated with the Minister in considering the scheme in so far as it affects Scotland and Wales respectively. In preparing its scheme of organisation, the Authority will be expected to pay particular attention to the scope for and possible alternative means of ensuring that workers' interests are adequately presented to the Authority in its deliberations. The approved scheme will be laid before Parliament.

20. It will be the general duty of the National Ports Authority to provide, or secure the provision of, efficient and economical port facilities and services at the harbours for which it will be responsible. It will be required to carry out this duty in consultation with bodies providing inland and sea transport facilities and services. The duty of the Freight Integration Council to consider and make recommendations on matters relating to the provision and operation of an integrated freight transport service will be extended to cover the National Ports Authority. The Authority's duties will involve the preparation of a comprehensive development plan for the nationally-owned port transport industry. The Authority will prepare and present to the Minister an annual report on the exercise and performance of its functions during the year, and on its policy and programme. The report, together with consolidated accounts presented in a form prescribed by the Minister, will be laid before Parliament by the Minister and will be published.

21. The functions of the subsidiary authorities will include the efficient and economical management, maintenance and operation of facilities and services at ports for which they are responsible; and the preparation and submission to the National Ports Authority of proposals for the development and improvement of these ports. In carrying out these important functions the subsidiary authorities will be encouraged to plan the developments called for by the needs of the regions, working in close consultation with the Regional Economic Planning Councils. They will be required to prepare and submit to the National Ports Authority annual statements of financial results, which will be shown separately in the Authority's published annual report. They will also carry out certain regulatory and controlling functions,
such as employer licensing under the Docks and Harbours Act, 1966, and the
cell of pollution, at present exercised by the harbour authorities whose
harbour undertakings will be taken over.

22. While as a result of these arrangements there will be co-ordination
of investment and planning, and of operations within the ports, this will not
mean the elimination of competition. It is, indeed, important to ensure
that there should be competition on service and on price between individual
ports in the public sector. This would be in accordance with the policy
laid down in the White Paper of November 1967 on the Economic
and Financial Objectives of the Nationalised Industries,* which states
(paragraph 18) that pricing policies should be devised with reference to the
true costs of the particular goods and services provided.

Constitution of the Authority

23. It is proposed that, on the lines customary with boards of
nationalised industries, the Authority will consist of members appointed by
the Minister from among persons who have had wide experience of, or have
shown capacity in, the operation, management or administration of harbours,
or transport, industrial, commercial or financial matters, applied science,
administration, or the organisation of workers. In appointing them he will
have regard, in consultation with the Secretaries of State for Scotland and
Wales, to the desirability of having members who are familiar with the
special requirements of particular regions and areas served by the ports of
the Authority. It is envisaged that there will be not more than about a dozen
members, including both full-time and part-time members.

Constitution of the subsidiary authorities

24. The National Ports Authority will make appointments, whether full­
time or part-time, to the Boards of its subsidiary authorities from a similar
field of choice to that described in the preceding paragraph. In view of the
importance of these appointments, however, the Authority will be required to
obtain the approval of the Minister; in the case of those authorities with
responsibilities in Scotland or Wales, he will consult with the appropriate
Secretary of State. Members of the National Ports Authority will be eligible
for appointment as members of one or more of the subsidiary authorities.

Financial provisions

25. The National Ports Authority will have a general financial duty,
similar to that of other nationalised undertakings, to ensure that revenues
are not less than sufficient to meet expenses chargeable to revenue, including
proper provision for depreciation or renewal of assets; and to establish
and maintain a general reserve. The Government attaches importance to
the establishment of sound financial management and control by the National
Ports Authority and will apply the principles of the White Paper
“Nationalised Industries: A Review of Economic and Financial
Objectives”* to the Authority as to other nationalised undertakings.

* Cmnd. 3437.
26. The Authority will borrow from the Minister to meet its requirements for capital finance; it will also be empowered to borrow temporarily from the Minister, or (with the Minister's consent) from other persons, and the Treasury will be empowered to guarantee those borrowings. A limit on total borrowings of the Authority outstanding at any one time will be prescribed, with provision for raising it to a higher limit by resolution of the House of Commons. It is intended that the initial limit will cover the outstanding borrowings for which the Authority will become liable on the vesting day, the sums needed to meet compensation payments and the financing of capital expenditure; it will cover a period of two to three years, and the higher limit a period of about five years.

27. The Authority will be eligible to receive grants under the port modernisation grants scheme.

EMPLOYEES IN THE PORTS INDUSTRY

28. In 1965 the Government set in hand, on the basis of the Devlin Report,* one of the biggest and most important developments that has ever taken place in our ports. The virtual elimination of the casual system of employment in September 1967, coupled with the introduction of employer licensing, has radically altered the working conditions of the registered docker. It has led to a very considerable reduction in the number of employers within the individual ports, and has provided an improved basis for the development of better industrial relations and for increased productivity and efficiency. Work has already started on the second stage of the Devlin Committee's recommendations for the rationalisation of the pay structure of the industry and the elimination of restrictive practices. It is of the greatest importance that all these processes should be continued.

Employees' participation and the future of the Dock Labour Scheme

29. It is the Government's general aim to encourage the more extensive participation of employees in the industries and undertakings in which they are employed, on the basis of effective machinery for negotiation and joint consultation. The Transport Act, 1968, has extended the statutory responsibilities in these matters of the existing nationalised transport undertakings. In the ports this is of particular importance, first because the extensive technical developments taking place will require radical re-thinking of traditional working practices, in which the employees themselves must necessarily be involved; and secondly because several of the statutory authorities whose harbour undertakings are to be taken over have included members from trade unions concerned with the ports, and the National Dock Labour Scheme already provides joint control of a wide range of matters affecting employment.

30. The Government will wish to have further consultation on these matters with the interests concerned, in the light of the reorganisation proposals set out in this White Paper. It is, however, the Government's general intention that all employees in the industry, including those in the residual private sector, should benefit from the arrangements for participation established for the nationalised sector, and be guaranteed terms and conditions of employment not less favourable than those obtaining under the National Ports Authority for similar work in the same area. The Government also considers it essential to continue for registered dock workers generally statutory provision for joint control of those matters at present dealt with by the National and local Dock Labour Boards, and to bring these arrangements as closely under the administration of the National Ports Authority as is consistent with the preservation of joint control. At the same time the Government attaches considerable importance to fostering the direct relationship between registered dock workers and their operational employers which has been made possible by decasualisation. It is therefore desirable that residual private employers should continue to bear direct responsibility for their own registered labour forces, and be represented on the negotiating and consultative machinery established by the National Ports Authority as well as in the arrangements for the continuation of the functions now exercised by the Dock Labour Boards. In view, however, of the intention that the nationalised authorities should, within a limited period, become the principal operators of port services and hence the principal employers of port labour, the Government intends to ensure that the nationalised authority has, right from the start, the dominant voice on the employers' side of the industry.

31. With these objectives, the Government proposes to include in the nationalising statute provision on the general lines of section 137 of the Transport Act, 1968, requiring the National Ports Authority, in consultation with appropriate organisations, to establish effective machinery for negotiation and consultation for all its employees. (This would include the requirement for the Minister and the Secretary of State for Employment and Productivity to be kept informed of progress.) In addition the Government proposes to include provision on the general lines of section 15 of the Civil Aviation Act, 1949, requiring private port employers to observe terms and conditions not less favourable than those observed by the National Ports Authority and its subsidiary authorities for similar work in the same area, except where there is joint agreement to do otherwise; this provision would be enforceable by reference to the Industrial Court. In view of this provision the private employers would no doubt wish, as in the case of civil aviation, to be associated by agreement with the machinery established for the nationalised sector, which would therefore replace the existing National Joint Council (which covers only registered dock workers). These arrangements would provide for the first time national industrial machinery for all port employees with a guarantee of minimum standards set by the nationalised sector.

32. The Government proposes that all the functions, property, rights and liabilities of the National and local Dock Labour Boards should, with any necessary modifications, be vested in the nationalised authorities, but
that the exercise of these functions, etc., should be subject to the consent of a National Dock Labour Committee, and appropriate local Committees, established by the statute. Detailed arrangements for this, and the composition and method of appointment of the National Dock Labour Committee and local Committees, will be a matter for discussion with the interests concerned. It is the Government's present intention that the National Committee should be appointed by the Secretary of State for Employment and Productivity, half the members being nominated by the trade unions concerned, a majority of the employers' representatives by the National Ports Authority and a minority by the residual private employers. Provision could be made if desired for the additional appointment of an independent chairman and vice-chairman, as in the case of the present National Dock Labour Board; alternatively a chairman might be appointed from within the Committee.

33. The National Committee would be responsible for the appointment of local committees, with a similar composition, i.e., a majority of the employers' representatives would be nominated by the appropriate nationalised authority. This would apply to all local Dock Labour Committees whether or not the nationalised authority was the main employer in the Committee's area.

34. The Government is not at this stage proposing major changes in the functions which are at present exercised by the National and local Dock Labour Boards, or to alter their scope, e.g., by harmonising the differing definitions of "dock work" existing in the various ports. It considers that such matters might best be reviewed in the light of the new scheme of reorganisation.

**Protection of employees affected by the reorganisation**

35. The Government acknowledges the valuable services given to the ports industry by the employees of the National Ports Council, the existing harbour authorities and the National Dock Labour Board. There is no special need for them to fear redundancy when the reorganisation takes place. The Government expects that most if not all will be needed by the National Ports Authority and its subsidiary authorities. (For example, most if not all the work done by the employees of the National Dock Labour Board will still be carried on, but under the control of the new Committees, and most of the present staff will be needed to do it.) Provision will, however, be made for the protection of their interests. The legislation will require the Minister to make regulations providing for the payment of compensation to any who may suffer, as a consequence of reorganisation, loss of employment or loss or diminution of emoluments or pension rights. It is the intention that the regulations would be on the lines of the Harbour Reorganisation (Compensation to Employees) Regulations, 1967, made under Section 19 of the Harbours Act, 1964.
Training and education

36. The National Ports Authority will be given powers and responsibilities for the training and education of its own employees similar to those possessed by the other nationalised transport undertakings under the Transport Acts. It will also inherit from the National Dock Labour Board responsibilities for the training of registered dock workers generally, to be exercised under the control of the National and local Dock Labour Committees. Consideration will, however, be given to the establishment under the Industrial Training Act, 1964, of an Industrial Training Board for the ports industry.

ADVISORY COMMITTEES

37. The Government considers it important that an effective voice in port affairs should be given to port users and others closely concerned. It is therefore proposed that advisory committees shall be set up to advise and assist the subsidiary authorities of the National Ports Authority in the performance of their functions. These advisory committees would be on similar lines to those established in relation to the British Transport Docks Board undertakings in South Wales, on the Humber and on Southampton Water. These are providing a valuable forum for local and regional opinion. For instance, the Humber Local Advisory Board has on it representatives of organised labour, local shipowners, the fishing industry, and local chambers of commerce, and nominees of local authorities, with a Chairman drawn from the Docks Board. The Port of Bristol Advisory Board similarly has representatives from a wide range of interested bodies, and the Chairman is the Chairman of the Docks Committee of Bristol Corporation. It is intended that the advisory committees will have representatives from the range of organisations involved in or affected by the working of the ports.

38. The members of the committees will be appointed by the Minister after consultation with interests concerned, and after consultation with the appropriate Secretary of State in the case of committees concerned with harbours in Scotland and Wales. The Chairmen might be drawn from the subsidiary authorities of the National Ports Authority, or might be independent persons.

39. The committees will have the right to be given information to enable them to discharge their functions effectively. They will be able to make representations and recommendations to the National Ports Authority itself if they have been unable to obtain satisfaction from the subsidiary authority. They will also, if they are not satisfied after consultation with the Authority itself, be entitled to make a formal recommendation to the Minister. In such cases, the Minister will be empowered to give directions to the Authority on matters dealt with in the recommendations, except individual complaints on dues and charges; these will be subject to the provisions set out in paragraph 45 below. These arrangements will replace the functions of the Transport Consultative Committees in relation to the British Transport Docks Board.

SECRET
PORTS OUTSIDE THE NATIONALISED SECTOR

40. The Government considers it desirable to continue to provide, outside the nationalised sector, for appropriate bodies to be able to obtain powers as harbour authorities, for the modernisation of harbour authority constitutions and procedures, and for harbour reorganisations. Sections 14 to 18 of the Harbours Act, 1964, will accordingly be continued. The Minister will be given power to promote harbour reorganisation schemes himself under section 18; and section 15 will be amended to enable him to initiate harbour revision orders dealing with the constitution or procedure of harbour authorities. The procedures laid down in the Harbours Act, 1964, for considering objections to such orders or schemes would apply.

41. Harbour developments costing over £1 million outside the nationalised sector will continue to be subject to the Minister's control under section 9 of the Harbours Act, 1964. In considering such projects the Minister will take into account the plans and programmes of the National Ports Authority and any comments submitted by the Authority on the proposals, but this will not entitle it to receive confidential commercial information. The non-nationalised sector will continue to be eligible to receive Government loans and grants.

THE ROLE OF THE MINISTER

42. The Minister's relationship with the National Ports Authority will, as will be seen from the preceding paragraphs, be the normal one between a sponsoring Minister and a nationalised undertaking. He will be empowered to give directions of a general character to the Authority on matters which appear to him to affect the national interest. In matters involving major capital investment, the Authority will be required to act on lines settled from time to time with the approval of the Minister. The Minister will also be empowered to authorise or direct the Authority to do anything which it appears to him it ought to do in the interests of national defence.

43. The Minister will, in addition to his powers relating to the National Ports Authority, continue to exercise a number of his existing statutory functions in relation to ports in general. His present powers of control over major investment will operate in both the nationalised and the non-nationalised sectors. He will also retain the powers, which have been widely used to stimulate port investment, to make grants and loans to harbour authorities in the non-nationalised sector and to make grants to operators of port services in certain circumstances.

44. The Minister will also retain his functions in relation to the licensing of port employers under the Docks and Harbours Act, 1966.

45. The Minister will assume the National Ports Council's function of hearing objections to certain ship, passenger and goods dues. He will exercise this function in relation both to the nationalised and to the non-nationalised sectors. In addition, the present requirement that certain charges made by harbour authorities must be reasonable will remain.
SECRET

46. The National Ports Council will be dissolved. Provision will be made for the transfer of its property, rights and liabilities to the National Ports Authority; it will, however, be ensured that commercially confidential information in the Council's records relating to the non-nationalised sector is not transferred to the Authority.

PILOTAGE

57. The present organisation of pilotage stems from the Pilotage Act, 1913, under which pilotage services for all major and most minor ports are provided by separate pilotage authorities having their own byelaws. In Great Britain there are 42 pilotage authorities for the 88 pilotage districts, with a strength of approximately 1,600 licensed pilots who derive their income as self-employed persons from shares of pilotage dues. Trinity House, London, the pilotage authority for 41 of the 88 districts, administers about 700 pilots, some 500 being in the London district. The effective executive pilotage bodies of almost all districts include pilots and shipowners and in most districts representatives also of the harbour authorities. In some pilotage districts, the harbour authority is also the pilotage authority.

58. It is clear that, whilst the present standard of pilotage service is satisfactory, there is need for a much greater degree of centralisation and rationalisation, including provision for adequate pensions and redeployment opportunities, and for a radical revision of the Pilotage Act, 1913. As a result of the consultations with the interests concerned with pilotage, the Government has concluded that the broad alternatives most likely to achieve these objectives are unification of all pilotage under the National Ports Authority or unification under a central pilotage authority independent of, but closely linked with, the National Ports Authority. Whichever course is adopted will require further consultations with the interests concerned, including the National Ports Authority when it is established. The Government has therefore decided that pilotage should be excluded from the legislation on reorganisation of the ports and that separate legislation for pilotage should be prepared at a later date. Meanwhile, the present arrangements for pilotage will remain largely unaffected by the ports legislation apart from consequential changes required where a harbour authority whose harbour undertaking is to be brought into national ownership is concerned with pilotage.

CONCLUSION

59. The existing organisation of the ports industry is not suitable for the present era of rapid change in transport requirements and techniques. The existing harbour authorities do not have the comprehensive powers and responsibilities needed. In spite of the provisions for harbour reorganisation schemes and for modernising the constitutions of port authorities under the Harbours Act, 1964, there is not sufficient scope under existing legislation.

SECRET
SECRET

56. In the national interest and in the interest of the ports themselves, day-to-day operations and capital investment should continue. The safeguarding provisions should not hamper normal activities. Actions taken in good faith and in the normal course of business are unlikely to be challenged under these provisions; and the Minister is ready to discuss with the bodies concerned any transactions of an unusual character.

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for the necessary radical improvement of the structure of the industry on a national basis. The National Ports Council has no executive responsibility or powers.

60. The Government proposes to modernise the industry by bringing under the control of the new National Ports Authority the major ports of the country which handle about nine-tenths of the nation's sea-borne trade, and in which the vast majority (over 95 per cent) of the registered dock workers are employed. The reorganisation will ensure that there is a central body with the responsibility and the power to formulate and execute plans for the future which will enable the industry to meet the challenge of technological development and provide a more efficient service to users.

61. A Bill to give legislative effect to these proposals will be introduced in the 1969–70 Session.
**TRADE HANDLED IN CERTAIN HARBOURS (1967)**

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<tr>
<td>Heysham</td>
<td>0·6</td>
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<td>0·6</td>
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<tr>
<td>Ipswich</td>
<td>0·6</td>
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<tr>
<td>Total trade of</td>
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<td></td>
<td></td>
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<tr>
<td>all harbours of</td>
<td>106·5</td>
<td>2·7</td>
<td>87·2</td>
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<tr>
<td>Great Britain</td>
<td></td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>Total trade of</td>
<td>104·5</td>
<td>2·5</td>
<td>74·9</td>
</tr>
<tr>
<td>harbours above</td>
<td></td>
<td></td>
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<tr>
<td>dotted line</td>
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<tr>
<td>Total trade of</td>
<td>98%</td>
<td>93%</td>
<td>86%</td>
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<tr>
<td>harbours above</td>
<td></td>
<td></td>
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<tr>
<td>dotted line as</td>
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<tr>
<td>percentage of total</td>
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<td></td>
</tr>
<tr>
<td>trade of all</td>
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<tr>
<td>harbours of Great</td>
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<td></td>
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<tr>
<td>Britain</td>
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</tbody>
</table>

**Notes:**

(i) The areas to which these figures relate do not necessarily wholly coincide with the areas of statutory harbour authorities.

(ii) The Clyde figures include Ardrossan.

(iii) The Forth figures include Grangemouth, Leith, Methil, Kirkcaldy, Burntisland and Granton.

(iv) The trade of Garston (a British Transport Docks Board port) is included under the Mersey, not under the British Transport Docks Board. The trade of Bromborough is also included under the Mersey.

**Sources:** National Ports Council Digest of Port Statistics, 1968, and reports and accounts of port authorities.
### PERMANENT REGISTERED DOCK WORKERS EMPLOYED IN HARBOURS LISTED IN ANNEX 1

<table>
<thead>
<tr>
<th>Harbour Authority</th>
<th>Total number of permanent registered dock workers employed in the harbour</th>
<th>Total number of permanent registered dock workers employed by the harbour authority or its wholly-owned subsidiaries</th>
<th>Col. 1 as percentage of total employed in all harbours in Great Britain</th>
</tr>
</thead>
<tbody>
<tr>
<td>London</td>
<td>20,600</td>
<td>3,700</td>
<td>38.2%</td>
</tr>
<tr>
<td>Mersey (Liverpool and Birkenhead)</td>
<td>11,850</td>
<td>2,000</td>
<td>22.0%</td>
</tr>
<tr>
<td>British Transport Docks Board ports</td>
<td>10,200</td>
<td>3,700</td>
<td>18.9%</td>
</tr>
<tr>
<td>Clyde</td>
<td>2,000</td>
<td>1,150</td>
<td>37.0%</td>
</tr>
<tr>
<td>Manchester</td>
<td>2,000</td>
<td>1,900</td>
<td>37.0%</td>
</tr>
<tr>
<td>Bristol</td>
<td>1,700</td>
<td>800</td>
<td>31.1%</td>
</tr>
<tr>
<td>Forth</td>
<td>1,100</td>
<td>250</td>
<td>20.0%</td>
</tr>
<tr>
<td>Tees and Hartlepool</td>
<td>950</td>
<td>800</td>
<td>18.0%</td>
</tr>
<tr>
<td>Tyne</td>
<td>700</td>
<td>350</td>
<td>1.3%</td>
</tr>
<tr>
<td>Medway</td>
<td>500</td>
<td></td>
<td>0.9%</td>
</tr>
<tr>
<td>Preston</td>
<td>350</td>
<td>350</td>
<td>0.6%</td>
</tr>
<tr>
<td>Ipswich</td>
<td>100</td>
<td>100</td>
<td>0.2%</td>
</tr>
<tr>
<td>Sunderland</td>
<td>100</td>
<td>100</td>
<td>0.2%</td>
</tr>
<tr>
<td>Blyth</td>
<td>100</td>
<td>100</td>
<td>0.2%</td>
</tr>
</tbody>
</table>

Total number of permanent registered dock workers employed in all harbours in Great Britain: 54,000

Total of col. 1 above the dotted line: 51,600 [95.5% of number employed in all harbours in Great Britain]

Total of col. 2 above the dotted line: 14,650 [27.1% of number employed in all harbours in Great Britain]

Note: Of the harbours listed in Annex 1, Milford Haven, Shoreham and Heysham are not covered by the Dock Labour Scheme.


### PRIVATE HARBOUR AUTHORITIES

"Private harbour authority" means a harbour authority for a harbour the use of which is substantially confined to ships resorting thereto for the purpose, and only for the purpose, of bringing or receiving (i) goods or substances which are to be used by the authority or by any associated body in the manufacture or production of goods, substances, electricity or power, or (ii) goods or substances manufactured or produced by the authority or by any associated body. References to an associated body, in cases where the authority is a company or corporation, are references to a body which either owns or controls all the authority's share capital or is a wholly owned subsidiary of the authority.
POWERS FOR THE COMPULSORY ACQUISITION OF BUSINESSES PROVIDING PORT SERVICES

The National Ports Authority will have power to submit at any time, for the consideration of the Minister, schemes enabling it to acquire businesses or parts of businesses which in its opinion should be transferred to it with a view to promoting the efficient and economical operation of a harbour for which it is the harbour authority, being businesses or parts of businesses consisting of the carrying on at such a harbour of

(A) any of those operations which fall within paragraphs (c), (d), (e) (ii), (e) (iii), (f) (ii) of the definition of "harbour operations" in section 57 of the Harbours Act, 1964; that is to say
   (c) the warehousing, sorting, weighing or handling of goods on harbour land or at a wharf;
   (d) the movement of goods or passengers within the limits within which the person engaged in improving, maintaining or managing a harbour has jurisdiction or on harbour land;
   (e) in relation to a harbour (which expression for the purposes of this paragraph does not include a wharf)—
      (ii) the loading or unloading of goods, or embarking or disembarking of passengers, in or from a ship which is in the harbour or the approaches thereto;
      (iii) the lighterage or handling of goods in the harbour; and
   (f) in relation to a wharf—
      (ii) the loading or unloading of goods, or the embarking or disembarking of passengers, at the wharf in or from a ship;

(B) the management of a wharf (which means any wharf, quay, pier, jetty or other place at which sea-going ships can ship or unship goods or embark or disembark passengers).

2. The following are to be excluded:
   (i) operations concerned wholly or mainly with goods or substances used or manufactured or produced in the manufacturing or production processes of the operator or of any body associated with the operator;
   (ii) management of a wharf used wholly or mainly for pleasure purposes;
   (iii) operations carried on on behalf of the owner of the goods or his agent by those who are commonly described as cargo superintendents.

For the purpose of (i) above a body is associated with an operator if it owns or controls all the share capital of the operator or if it is the operator's wholly owned subsidiary.
CABINET

PAY OF SCHOOL TEACHERS

Memorandum by the Secretary of State for Education and Science

The Chancellor of the Exchequer is reporting to the Cabinet on the issues raised for public sector pay policy by proposals brought before the Ministerial Committee on Prices and Incomes for increases for doctors and dentists and for teachers. My own proposals are for an offer to the teachers at the ceiling (61/8 per cent in this case), plus a settlement of the "primary/secondary differential" at 1 per cent to be excluded from the ceiling, but justified by Section 40 of the White Paper; the whole offer being at 7.1 per cent to run for two years from 1st April, 1969. This memorandum reports the latest developments since the meeting of the Prices and Incomes Committee on 14th January.

2. The Burnham Committee met on 17th January. The teachers submitted a new claim at about 8 per cent, superseding their first one of 21 1/2 per cent. The new claim was for almost the same basic scale as that envisaged in the 7.1 per cent offer which the management want us to authorise. The management asked for time to consider this and the Committee adjourned until 31st January.

3. The teachers' panel showed very clearly their wish to get an agreement this time, if at all possible. Off the record, they said that they would be prepared to try to get through their executives and conferences even a settlement at 7.1 per cent, though they could not guarantee success. The management see this attitude as new and most welcome evidence of realism and flexibility in the teachers, and are strengthened in their wish to make the 7.1 per cent offer for an agreement.

4. In addition the management took soundings, again off the record, about the possibility of a main settlement from 1st April at 61/8 per cent, combined with an effective date of 1st September, 1969, for the 1 per cent for the "primary/secondary differential". The teachers, not surprisingly, rejected this, but the management are seeking our contingent authorisation of it so that they can put it forward on 31st January, if we still refuse to authorise the whole 7.1 per cent offer. They do not think that a settlement, reached as a single whole but giving additional pay after five months to a defined sub-group comprising about
10 per cent of a whole group, need be precluded by the "twelve months rule". And they think that a five month delay on the 1 per cent might help the government presentationally. It is not certain that the teachers can be brought to accept this alternative package, but the prospect will clearly be improved if a further adjournment can be avoided.

5. The National Association of Schoolmasters, the most militant of the unions concerned, withdrew from the Committee on 17th January because they were not prepared to be associated with the 8 per cent claim, which they regard as an abject surrender by the teachers' panel. They are planning industrial action. This strengthens the case for reaching an agreement with the more moderate elements in the National Union of Teachers and the other unions.

6. For my part I still want to urge my colleagues to authorise the whole 7.1 per cent from 1st April, including the 1 per cent to be excluded from the ceiling but included in prices and incomes policy, but, if we decide against this, I would hope that we would have no difficulty in giving contingent agreement to the fall-back offer of 6½ per cent from 1st April plus the 1 per cent on the differential from 1st September. I am in any case strongly opposed to a reference to the National Board for Prices and Incomes.

E. W. S.

Department of Education and Science, W.1.

20th January, 1969
CABINET

STATEMENT ON THE DEFENCE ESTIMATES, 1969

Memorandum by the Secretary of State for Defence.

I attach for the approval of my colleagues the draft Statement on the Defence Estimates, 1969.

D.W.H.

Ministry of Defence, S.W.1.

24th January, 1969
INTRODUCTION

1. The re-orientation of our defence policy is now completed, and the Armed Forces can look forward to a period of stability and progress. It continues to be the basic objective of United Kingdom defence policy to maintain the security of this country, and to make our contribution to the defence of the free world and the prevention of war. To secure this objective, we still need substantial, well equipped regular forces.

2. The essential feature of our current defence policy is a readiness to recognise that political and economic realities reinforce the defence arguments for concentrating Britain's military role on Europe.

THE DEFENCE BUDGET

3. For the first time since 1958-59 the Defence Budget is lower than that of the previous year, even at current prices; at £2,267m, the Defence Estimates 1969-70 are £4m lower than the Estimates for 1968-69. At constant prices, i.e. after allowing for pay and price increases last year of £106m, they represent a decrease of £110m on the total for 1968-69. They are also £92m below the target set by the Prime Minister in his Statement of 16 January 1968 (Cmd 3515). They are under 6 per cent of the Gross National Product compared with about 7 per cent in the Estimates for years up to 1965.

The Defence of Europe

4. This reduction in the percentage of the share of the nation's wealth spent on defence reflects the practical steps taken to curtail our defence commitments East of Suez and to wind up our military bases in the Persian Gulf and South East Asia. 1968 was the first year since 1962 in which British troops were not actually fighting in a Colonial or ex-Colonial territory.
5. In spite of this reduction in our total defence expenditure, the Government's decision to leave the bases East of Suez has enabled Britain substantially to improve her contribution to the defence of Europe and the seas around it. In the past year the advantages of concentrating our military effort West of Suez have been strongly underlined by the events in Czechoslovakia and the increase of Soviet naval activity in the Mediterranean.

6. Nothing which was said or done by the Soviet leaders in 1968 suggests that they envisage the use of war in order to make political gains in Western or Southern Europe. The Czechoslovak crisis, however, shows that if N.A.T.O. ceased to pose unacceptable military risks to any aggressor, political or moral considerations alone would not necessarily rule out their using force. For the last 20 years the members of the Alliance have secured for themselves total immunity against the sort of fate which has befallen the Czechoslovak people. The function of N.A.T.O., and of Britain's contribution to N.A.T.O., is to see that this immunity is maintained.

7. It is clear that the Soviet Government is prepared to invade an independent communist state against the wishes of its Government and people, if it runs no serious military risks. Indeed, it has explicitly asserted its right to intervene by force in any country which it considers to be a member of "The Socialist Commonwealth". Since the demand for greater personal and national liberty is growing throughout the Communist world, this doctrine foreshadows the possibility of further crises like that of August 1968. In the future some such crisis may present a more urgent and immediate threat to the stability of Europe as a whole than we have seen so far. Moreover the painful process of adjustment to the new forces now
stirring within the Communist world may produce changes of policy or personnel in Russia, which would bring new dangers to world peace. Meanwhile N.A.T.O. must accept a serious setback to its hopes of a fruitful dialogue with the Warsaw Pact about the reciprocal reduction of forces in Europe.

8. The year 1968 was notable for the continuing activity of Russian warships and maritime aircraft in the Mediterranean. The Soviet Union has demonstrated that it can deploy and maintain maritime forces as far from their home bases as the Indian Ocean. Moreover, Soviet ships have frequently been seen in international waters around the United Kingdom from the Orkneys to the Scillies and in the Irish and North Seas. Soviet long-range aircraft are also regularly identified in the international air space off our coasts.

9. The military power of the Soviet Union continues to grow. This year the Russian Defence Budget went up some 6 per cent; the Soviet Scientific Budget, which includes a lot of military expenditure, went up by 14 per cent. In terms of percentage of the Gross National Product, the defence spending of the Warsaw Pact countries together is nearly twice that of the European members of N.A.T.O.; it is 50 per cent higher on a per capita basis. The Warsaw Pact countries have about half a million men in their navies; nearly 3½ million in their armies and paramilitary forces; and slightly over 1 million in their air forces and strategic rocket force. The weapons with which these forces are equipped span the whole range of modern technology. The invasion of Czechoslovakia was proof that the Military Staff of the Warsaw Pact can plan and conduct a major land/air operation with ruthless efficiency.
10. The dangers which may arise from these increases in Russia's military capability are intensified by the political instability in Eastern Europe and the Middle East. But there is no reason why members of N.A.T.O. should not continue to enjoy the same immunity from such dangers, provided only that the Alliance on both sides of the Atlantic maintains its political unity and sufficient military strength.

11. The commitment of North America to the defence of Western Europe remains the foundation of N.A.T.O.'s unity and strength. The immense speed with which military operations can be conducted in the modern world - illustrated so impressively by the introduction of a quarter of a million men into Czechoslovakia in three days - means that an alliance cannot hope to react effectively to any threat unless its members are prepared to commit themselves in detail and in advance to common action. It is not enough simply to agree on what action would be taken in a crisis; it is essential also to make physical arrangements in peace-time for the collective command, control and deployment of allied forces in time of tension or war, and to test the arrangements regularly in joint exercises.

12. It is this structure of prior commitments which has given N.A.T.O. its unique value as a deterrent to war. The size, training and equipment of its military forces is equally critical to its success. N.A.T.O.'s military plans and intentions will remain convincing as a deterrent only so long as they are supported by adequate forces operating within a strategic concept which is relevant to the geographical, physical and technological circumstances of a potential threat.

13. Britain has a central role to play in supporting the solidarity, strength and strategy which are essential to N.A.T.O.'s
N.A.T.O.'s success. Our decision to concentrate our defence effort in the N.A.T.O. area enables us to fulfil this role more effectively than in the past. We are the only European power with a role and military capabilities which cover the three main N.A.T.O. fronts from the Arctic to the Caucasus on land, sea and air.

14. We intend to make the most effective military contribution to the Alliance that is compatible with our economic strength. It will remain based on all-regular volunteer forces maintained at the highest professional standards and equipped with the most modern weapons. We contribute the only European nuclear forces to the integrated military organisation of the Alliance. As befits a nation with large maritime interests, the Royal Navy is the strongest Western navy in Europe and virtually all of it is committed to N.A.T.O. The British Army of the Rhine and R.A.F. Germany are a standing guarantee of our involvement to our friends and neighbours across the Channel. In addition most of our forces based in the United Kingdom are formally committed to N.A.T.O.

15. In addition to the substantial increases announced earlier in 1968, we are making further improvements in our contribution to the Alliance following the invasion of Czechoslovakia. Throughout the year an aircraft carrier or Commando ship or assault ship will be deployed almost continuously in the Mediterranean and a guided missile destroyer will be added next year. Maritime patrol aircraft of the R.A.F. will be used in the Mediterranean to help N.A.T.O. keep a watch on the Soviet fleet. Later this Spring we shall be conducting a major redeployment and reinforcement exercise in the Baltic region and from 1971 we will be providing an extra Harrier squadron.
for use in Central Europe. We have agreed to contribute to the establishment of a new on-call Allied Naval Force in the Mediterranean which was agreed in principle by the Defence Planning Committee of N.A.T.O. on 16 January 1969.

16. Besides pointing to the need for continuing strength and solidarity in N.A.T.O. as a whole, the Czecho slovak crisis has reinforced the Government's view that the European members of N.A.T.O. should do more to establish a common identity within the Alliance. In the past year we have extended the scope of our bilateral military staff talks. Detailed discussion of future strategy, tactics and the resulting concepts for weapon requirements has enabled all the participants better to understand their partners' thinking and thus to prepare the way for a better co-ordination of the individual national contributions.

17. We hope that increasing collaboration on major items of defence equipment will add to the effectiveness of Europe's contribution to the Alliance. The advantages of collaboration are greatest on projects where the expenditure needed for development is so large in relation to the number of equipments required by a single country that it is wasteful, both of resources and technological effort, for one nation to proceed alone.

18. Potentially the most important of our collaborative ventures is the multi-role combat aircraft. Last summer we joined a consortium of countries which had been formed to consider the joint development of an advanced combat aircraft. The consortium now consists of the Federal Republic of Germany, the Netherlands, Italy and the United Kingdom. Good progress has been made in defining and harmonising the operational requirements of the member countries so that they could be met by a common basic design of a multi-role combat aircraft.
CONFIDENTIAL

You can in concert conclude, we have been to contribute to the
political development of a new - noted all - right which to the
point of view of the USA. It is no longer of the United States, but
indispensable to the European Community, the Mediterranean,
and to the world.

The United States have extended the European countries who have
experienced the war, to the point of view of the United States, but
the European Community, the Mediterranean, and the world.

The European Community, the Mediterranean, and the world.

The European Community, the Mediterranean, and the world.
These requirements are the basis of feasibility studies which are now being carried out jointly by nominated firms from the industries of the four countries. Parallel discussions are taking place about the industrial arrangements which would be necessary to carry the project on into development and production. Meanwhile European Defence Ministers are now holding regular informal discussions on the occasion of the normal N.A.T.O. meetings with a view to establishing a common approach on matters of common interest within the organisation.

OUTSIDE EUROPE

20. Outside Europe, we are still responsible for the security of our dependent territories and we still have forces stationed in Hong Kong, Malaysia, Singapore, the Persian Gulf, and the Caribbean area. We have made good progress in planning with our allies new arrangements to help preserve stability in the areas concerned after we have withdrawn from our main land bases East of Suez; and the process of withdrawal is going ahead smoothly.

21. During the year ending April 1969, over 5,500 Service men will have returned home from Malaysia and Singapore, and the Brigade of Gurkhas will have been further reduced by about 1,500 officers and men. All British units will have been withdrawn from the Commonwealth Brigade by April 1970: the first unit concerned, the 3rd Battalion, The Light Infantry, will return to this country from Terendak in April this year.

22. The run-down of support facilities in Singapore is proceeding smoothly. The naval dockyard was formally transferred to the Singapore Government in December 1968; it is now being operated on a commercial basis by Sembawang Shipyards (Private) Ltd. with Messrs. Swan Hunter (International) Ltd. as managing agents. The number of local civilians employed by the Services in Malaysia
Malaysia and Singapore will have been reduced by about 5,500 and the number of U.K. civilians by nearly 300 by April 1969, chiefly as a result of the dockyard transfer; about 400 locally engaged military personnel will also have been discharged over the same period.

23. Compared with the situation at the end of confrontation, the number of those working in or for the Services in South East Asia will have fallen by next April by a total of over 33,000, of whom more than 21,000 are British Servicemen and reductions will continue during the coming financial year. By the end of it we expect to have transferred free of charge to the Malaysian and Singapore Governments land, facilities and associated equipment to the value of £19.8m, in accordance with the agreement described in Chapter II of Cmnd 3701.

24. We are planning with our allies the joint Five-Power Exercise in the Far East to be held in 1970, and also the continued provision of facilities for jungle warfare training. A second Five-Power Conference will be held in Canberra next May, at which we hope that further progress will be made in settling the longer term questions relating to the defence of the area.

25. We have fewer United Kingdom forces in the Persian Gulf — something under 7,000 officers, men and associated civilians — than in the Far East, so that the task of withdrawal should be simpler. An outline plan has been prepared, but the final arrangements for our withdrawal must wait upon political developments in the area.

26. We are continuing to co-operate with the local Governments in making alternative arrangements for regional stability in the Persian Gulf and South East Asia. We hope that after we have
left, the Trucial Oman Scouts, who operate in the seven Trucial states, will form the basis of a federal force to defend the Union of Arab Emirates. At the request of the Rulers, we have made available the services of Major-General Sir John Willoughby and a team of experts to advise them on their defence forces. British officers will continue to assist in the development of other local forces in the Gulf and of the armed forces of the Sultan of Muscat.

27. Even when most of our forces are stationed in Europe and trained for their operational roles within N.A.T.O., we must ensure that we still have forces which can operate effectively outside Europe as required. All three Services will therefore continue to train and exercise in many parts of the world. Next year they will carry out training in about 30 different countries. Overseas training, together with the continued rotation of units between B.A.O.R., U.K. and overseas garrisons, will not only relieve the strain on training facilities in Britain and Western Europe, but will ensure that we shall have forces capable of meeting our N.A.T.O. commitments as well as preserving the security of our dependent territories and making whatever contributions we judge to be necessary and practicable towards keeping the peace in other parts of the world.

REORGANISATION OF SUPPORT FACILITIES

28. Although it is not easy to reduce overheads in direct proportion to reductions in defence tasks or activities, the Government is determined that cuts in the teeth arms of the Services shall be matched by cuts in the tail. Major reductions will be achieved by the elimination of supporting facilities, such as Singapore Dockyard, in our overseas bases. But it will also be essential to reduce and reorganise the support facilities.
facilities in the United Kingdom. In planning the necessary changes we intend to minimise any consequent economic and employment difficulties, which might otherwise interfere with the regional planning objectives of the Government.

29. While some changes must wait for more detailed long term planning of the force structures which are required to meet the revised N.A.T.O. strategy when our withdrawal and run-down are complete, all three Services have been able to take some initial decisions.

30. **Royal Navy.** We have now completed our review of the future of H.M. dockyards in the U.K. In assessing the needs of the Fleet, we have taken into account the fact that Singapore Dockyard has been transferred but Gibraltar Dockyard will continue to be used. All four home dockyards will still be required, but the size of the total dockyard labour force will, however, gradually fall within the framework of a major programme designed to increase efficiency and productivity. There will be a total reduction of some 5,000 civilian personnel by the mid-1970s, mostly after 1971, when the fixed wing aircraft carriers will be leaving the Fleet. The aim will be to achieve it by natural wastage and selectivity of recruitment within the framework of productivity agreements with the Trade Unions. These agreements will also provide for the retraining of workmen and the relaxation of some working practices.

31. Certain decisions relating to the air stations of the Fleet Air Arm are set out in Chapter VIII, paragraph 31.

32. **The Army.** The Army is planning changes in its training and support organisation in the U.K. Among the most prominent so far are the reorganisation of the R.A.O.C. depot system in home commands and of Pay and Record offices.
33. **Royal Air Force.** With the merger of R.A.F. Flying Training Command and Technical Training Command into a single Training Command, No. 25 Training Group has been disbanded. There will also be a concentration of establishments involving the closure of Stradishall, Gaydon and Acklington.

34. All these measures will result in eventual savings of nearly 15,000 military and civilian posts and in savings in personnel costs of about £18m a year. They are described in more detail in Chapter VIII. In each case regional considerations were taken into account before a decision was reached.

**THE MEN AND WOMEN IN THE SERVICES**

35. The future role of the Armed Forces imposes vital and exacting duties on Service personnel. Both in the leadership and management of men, and in the operation of equipment, the forces have responsibilities as demanding as any enterprise in the country, and they need to keep in the forefront of technological and administrative advance. To carry out their tasks they will still need over 340,000 officers and men, even when the reductions now underway have been completed.

36. The forces are manned by volunteers. It is therefore essential to attract and keep sufficient men of the right calibre. This means that the housing, conditions and pay of the forces must be comparable with what could be got in...
outside employment and that there should be a due recognition of the particularly exacting standards and mobile way of life required of the Serviceman in his professional activities. Forces' pay is at present the subject of a standing reference made on 1 November 1967 to the National Board of Prices and Incomes.

37. Re-engagement is satisfactory at present. The number of men re-engaging in the Royal Navy has remained fairly steady over the past few years, averaging about 2,700 a year. In the Army, the numbers have improved steadily, rising from 10,674 in the financial year 1965-66 to 13,585 in 1967-68. Re-engagements and extensions in the Royal Air Force have also risen; in the financial year 1967-68, the numbers were 4,222 compared with 3,963 in 1965-66.

38. But we must not only encourage the experienced men already in the forces to re-engage for further service, we have also to obtain a steady flow of new recruits, notwithstanding that, for the next few years, the size of the armed Services will be shrinking. Otherwise the forces will not be properly balanced in their age distribution, career prospects and variety.
variety of skills. Even by the mid-1970s, when the run-down outside Europe is completed, the forces will need to recruit at a steady rate of about 35,000 men annually.

39. Recruiting, however, is made more difficult because the number of young men available and eligible to join the Armed Forces is declining owing to the fall in the birth rate in the middle 1950s. The forces are, therefore, competing in a shrinking labour market. More school leavers are obtaining higher qualifications and more opportunities are open to them in civil life. Moreover, young men not only stay longer in full time education, but owing to the Industrial Training Act their employers offer them many of the advantages traditionally associated with the Services for acquiring special skills and trade and educational training. The tendency to marry younger also affects recruiting adversely.

40. Thus in 1968–69 we expect to obtain 85 per cent of our requirement for officer entries and to recruit only 28,000 men against a total requirement of 38,000 for all three Services.
41. As the satisfactory rate of re-engagement shows, those who have experienced Service life find it a challenging and worth-while occupation. The life and career of the modern Serviceman bears little resemblance to that of a quarter of a century ago, the memories of which still colour the attitude to the forces of those who help to form public opinion. As last year's recruiting figures show, our problem is to convince those with no experience of Service life, or whose experience is out-dated, that the Services can now look forward to a period of stability in which they offer a fine career which is of the utmost importance to the nation and provides sound prospects of good pay and promotion.

42. Closer association between the forces and the civilian population at every level can help to bridge the gap in understanding. During the past 12 months the extensive aid given by the Services to the civil community in dealing with natural disasters has been valuable in bringing the Armed Forces into closer contact with thousands of civilians. We intend to continue and develop this type of co-operation. (This topic is treated in more detail in Chapter II).
43. The increasing study of defence problems outside the Government is helping to create an awareness in the country as a whole of the value of the Armed Forces and a comprehension of the problems of defence and foreign policy. We are working closely with the Universities in many fields. Five defence lectureships have been established with Ministry of Defence support at the Universities of Aberdeen, Edinburgh, London, Oxford and Southampton. The Universities are themselves now organising study conferences and seminars, and we are making more use of training courses at universities, business schools and polytechnics in management problems.

44. We would also welcome the creation of an independent national institute to take a lead in promoting discussions on defence. The Royal United Service Institution reorganized itself to fill this role and has launched a public appeal for funds. It has initiated a large programme of discussion and seminars and has published the first of a number of studies of defence problems.

45. Each year more than 40,000 Service men and women leave the forces to start a new career in civil life. Most of them have more than twenty years of their working lives before /them,
them, and they make a substantial contribution to the nation's stock of educated and skilled manpower. We aim to see that they can transfer smoothly to civilian occupations in which they are able to make full and productive use of their qualifications and experience. They are given advice on all aspects of resettlement, further training, and help in finding jobs.

CONCLUSION

46. The basic aim of our defence policy is now fully established. It is to ensure the security of Britain by concentrating our major effort on the Western Alliance. This aim is sensible, stable and vital. It is sensible because it recognises the basic realities of our economic and political interests in the world today. It is stable because the task is irreducible; we can withdraw from East of Suez but not from our situation in Europe on which our national security depends. It is vital because without the security which comes from the strength to deter aggression, we put at risk the achievement of all our other national purposes.

47. Thus the future role of the Services is more clearly defined than for many years. It will pose new challenges, demanding energy, imagination and adaptability, and high standards to match first-class equipment. Our main task now is to adjust our forces and their support to the new objectives. We have made good progress with this task in the past year.
DEPLOYMENT, OPERATIONS AND EXERCISES

DEPLOYMENT

1. Our forces are now deployed throughout the world as follows:

UNITED KINGDOM

2. Royal Navy. Frigates, submarines and coastal minesweepers on home sea service carry out training, trials and fishery protection. Ships of all classes on general service commissions also spend part of their commission on operations with the Western Fleet and in the United Kingdom for refit, leave and work-up. Royal Marines are based in the United Kingdom, ready to embark in H.M. Ships or to take part in other operations or exercises with Strategic Command. Operational Fleet Air Arm squadrons are also temporarily based in the United Kingdom while their parent carrier is being refitted.

3. The phased programme for re-organising the Naval Shore Commands under a single Commander-in-Chief in Portsmouth is going ahead. Further changes will be announced during the year.

4. Army. As foreshadowed in the Statement on the Defence Estimates 1968 (Cmd 3540 Chapter II, paragraph 4), a re-organisation of the Home Command structure took place on 1 April 1968. The majority of the field force headquarters and units stationed in the United Kingdom now come under the command of the newly created Army Strategic Command. This command includes the land forces based in the United Kingdom, which have now been earmarked for assignment to N.A.T.O. Other front line units and the training organisation are also stationed in the United Kingdom, together with units engaged on public duties and on logistic tasks. In addition, our reserve forces of the Territorial and Army Volunteer Reserves are trained to augment and support our regular forces committed to N.A.T.O. ....

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CONFIDENTIAL
N.A.T.O., and also provide certain re-inforcements for N.A.T.O. headquarters. Further field force infantry and armoured units are stationed in Northern Ireland.

5. Royal Air Force. Bomber and Fighter Commands have now been amalgamated into a unified Strike Command. Signals Command, as a functionally independent No. 90 (Signals) Group, became part of Strike Command in January 1969. The introduction of the first Polaris submarine in mid-1968 was the initial step towards the transfer to the Royal Navy of responsibility for the United Kingdom contribution to the Western strategic nuclear deterrent. The programme for re-shaping Strike Command's front line to reflect the Command's changed role has begun two Victor Blue Steel squadrons were disbanded in the latter half of 1968. During the first quarter of 1969 Vulcan aircraft of Strike Command will be deployed permanently to the Near East Air Force in order to replace the Canberras in the strike role, which we contribute to CENTO. As a preliminary to taking over responsibility for the maritime protection role from the Fleet Air Arm, the Royal Air Force will form its first squadrons of air-defence Phantoms and strike Buccaneers in the latter part of 1969. This year the ground-attack forces of No. 38 Group (Air Support Command) will be strengthened by the introduction of the Phantom and Harrier. From aircraft based in the United Kingdom we contribute strike, ground-attack, reconnaissance, short range transport and air defence forces to N.A.T.O. They are either assigned, or earmarked for assignment, to all three major N.A.T.O. Commanders.

EUROPE

6. Royal Navy. Ships of the Western Fleet operate in sea areas of the Atlantic Ocean and around Europe. Ships are earmarked for assignment to the appropriate N.A.T.O. command to meet commitments in the Channel, Eastern Atlantic and Mediterranean.
frigate is assigned, on a rotation basis, to the Standing Naval Force Atlantic; in 1968 the United Kingdom provided the Commander of this force.

7. Army. Ground forces consist of the British Army of the Rhine (B.A.O.R.) and an independent brigade in Berlin. B.A.O.R. is organised into a corps of three divisions each of two brigades but, with the agreement of our allies, one of these brigades together with a heavy air defence regiment is stationed in the United Kingdom. It remains, however, an integral part of B.A.O.R.

8. Royal Air Force. A tactical air force, including strike, fighter reconnaissance, photographic reconnaissance and air defence squadrons, is assigned to N.A.T.O. and based in Germany as part of the Second Allied Tactical Air Force. Furthermore, Wessex helicopters of No. 18 squadron, though based in the United Kingdom, are earmarked for assignment to N.A.T.O. and ready to move to Germany at short notice.

MEDITERRANEAN AND NEAR EAST

9. Royal Navy. As announced last November, our maritime presence in the Mediterranean will include an aircraft carrier or commando ship or assault ship almost continuously from January 1969, the last two with Royal Marine Commandos embarked. In addition, two frigates are stationed permanently in the Mediterranean and earmarked for assignment to SACEUR; a guided-missile destroyer will be added next year. Temporary additional deployments of frigates, submarines and other ships will also be made. These naval deployments will add substantially to N.A.T.O.'s defensive capability on the southern flank.

10. Army. There are small garrisons in Gibraltar, Malta, Libya and Cyprus. The garrison in Cyprus provides the necessary security required for our Royal Air Force units supporting CENTO. The Army's contribution ....
contribution of one infantry battalion, one armoured car squadron and the logistic support for the United Nations Force in Cyprus (UNFICYP) was reduced in October 1968 by approximately one infantry company and some 36 soldiers in the Headquarters and logistic units. This was part of an overall reduction of the force.

11. Royal Air Force. The forces in the area consist of strike reconnaissance and fighter squadrons, a medium-range tactical transport squadron, a Bloodhound MK2 surface-to-air missile squadron, a helicopter search-and-rescue flight and two Royal Air Force Regiment squadrons. Four helicopters support the United Nations peace-keeping force. By the end of the financial year 1968-69, the Canberra strike aircraft will have been replaced by Vulcan B2s (see paragraph 5 above). A long-range maritime - reconnaissance squadron is stationed in the Mediterranean in accordance with N.A.T.O. policy. This squadron will provide long-range search-and-rescue facilities in addition to its normal tasks.

PERSIAN GULF

12. Our land forces in the Persian Gulf consist of armoured cars, artillery, engineers and infantry in Bahrein and Sharjah under the unified command of Headquarters British Forces Gulf. These units have taken advantage of the challenging training conditions in the area, and have been able to render considerable training assistance to local forces. British officers and non-commissioned officers continue to serve with local forces. The air forces in the Gulf, based in Bahrein and Sharjah, include ground attack and fighter reconnaissance aircraft, fixed and rotary wing tactical transport, long-range maritime-reconnaissance aircraft and search-and-rescue helicopters. Regular detachments are made from other theatres. A continuous naval presence in the Gulf is maintained by frigates and mine-countermeasures vessels operating from Bahrein.

/FAR EAST .....
13. Royal Navy. The Far East Fleet includes a Commando ship, an assault ship, destroyers, frigates, submarines, mine-countermeasures vessels and supporting ships. They operate in the Indian and Pacific Ocean areas as required and continue to undertake patrol duties in the Mozambique Channel. Ships of the Royal Australian Navy and the Royal New Zealand Navy operate with the Far East Fleet. In addition the 3rd Commando Brigade is stationed in Singapore. From July this year, the minesweeper forces will be based on Hong Kong instead of Singapore and will be reduced in numbers.

14. Army. The reduction of our forces, which are to be withdrawn from Malaysia and Singapore by the end of 1971, has continued. In the twelve months ending last January we brought back 1,359 men and 1,575 dependents. With the agreement of the local unions concerned, we have discharged 2,897 locally employed civilian and uniformed personnel, who have received compensation. Fewer U.K.-based civilians are being employed in the area. The reduction in the Brigade of Gurkhas has continued towards the level of 6,000 men by the end of 1971. This has necessitated a decrease in the garrison we maintain in Brunei. During the year the Brigade of Gurkhas has been reduced by 1,500 men.

15. The decrease in terrorism has permitted us to restore the garrison of Hong Kong to its normal strength for part of the year. We have, however, thought it prudent to reinforce the garrison in those periods during which experience has shown that tension is most likely. A battalion from the United Kingdom has taken its turn in this commitment.

16. The troops which had to be sent to Mauritius to maintain law and order in 1968 have been withdrawn.
17. **Royal Air Force.** The Far East Air Force is composed of units of the Royal Air Force, the Royal Australian Air Force and the Royal New Zealand Air Force. It is a balanced force which includes fighter squadrons with their associated ground environment radar, and strike, ground-attack, tactical reconnaissance, long-range maritime-reconnaissance, short- and medium-range transport and support helicopter squadrons, a helicopter search-and-rescue flight and squadrons of the Royal Air Force Regiment. By the end of the financial year, reductions will have been made in the short-range transport force as part of the plan for withdrawal from the Far East.

**CARIBBEAN AND SOUTH ATLANTIC**

18. **Royal Navy.** A force of two frigates, normally equipped with helicopters and carrying a detachment of Royal Marines, operates in the Caribbean. H.M.S. *Endurance*, the Navy's ice patrol ship, is spending her first season in the Falkland Islands and the Antarctic. A small Royal Marine force and a hovercraft unit are maintained in the Falkland Islands.

19. **Army.** A small garrison remains in British Honduras.

**OTHER AREAS**

20. **Royal Navy.** The last of the Royal Navy submarines based in Australia to assist the Royal Australian Navy was withdrawn in January 1969. The four Ocean survey ships (*Hecla*, *Hecate*, *Hydra* and *Vidal*) have been used mainly in the North Atlantic and the North Sea. *Hecla* and *Hecate* will continue in Northern waters, while *Hydra* is to work further south (off West Africa and in the Mediterranean) and *Vidal* will concentrate henceforth on the Persian Gulf. The four new Coastal survey craft (*Bulldog*, *Beagle*, *Fawn* and *Fox*) have been employed initially in home waters. The first pair will proceed to the Persian Gulf next autumn and the second to the Caribbean in 1970. The four inshore survey craft...
(Echo, Enterprise, Exeria and Woodlark) are planned to continue surveys in home waters.

21. Royal Air Force. Units are established in various areas to maintain the Royal Air Force's staging posts. Apart from Gan and Masirah, which come under Far East Air Force and Air Force Gulf respectively and form part of our primary route to the Far East, there are small detachments at various airfields in Canada, the United States and across the Pacific that make up the alternative West-about route to the Far East.

NUMERICAL DISTRIBUTION

22. Our forces are distributed numerically in the following rough proportions:

<table>
<thead>
<tr>
<th>Region</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Kingdom</td>
<td>21,5,200</td>
</tr>
<tr>
<td>Europe</td>
<td>60,060</td>
</tr>
<tr>
<td>Mediterranean and Near East</td>
<td>17,630</td>
</tr>
<tr>
<td>Middle and Far East</td>
<td>53,280</td>
</tr>
<tr>
<td>Elsewhere</td>
<td>37,080</td>
</tr>
</tbody>
</table>

A more detailed distribution by Services is shown on the map at Annex G. The figures shown above are as at 1 January 1969.

THE YEAR'S OPERATIONS

FAR EAST

Malaysia

23. The announcement of an accelerated withdrawal from the Far East by the end of 1971, with the resulting change in military commitments in the area, dominated events in West Malaysia and Singapore. Except for Mauritius, the area was stable, and the Services have had few operational tasks. They were mainly occupied with the formidable problems associated with the withdrawal. They were nevertheless able to help the local people in many ways. A Royal Engineer survey troop from Singapore co-ordinated...
and connected the mapping of Thailand and Malaysia. The work was done in close co-operation with the Thai and Malaysian authorities, who contributed to the cost and gave logistic support. Subsequently, in conjunction with the Singapore Government, who paid part of the cost, the troop started to resurvey Singapore. The cartographic and map reproduction sections in Singapore produced large numbers of maps, town plans and charts for the Services and civil users. A small Royal Engineer bomb disposal team, which has been working on Penang Island for the past twenty months, completed the hazardous task of removing and disposing of some 3,000 bombs, mines, torpedoes and other explosive devices that were left behind in collapsed bunkers and tunnels by the Japanese in 1945. Another force of Royal Engineers stationed in the Far East is undertaking a large development project in West Malaysia. It will provide excellent training and will involve the construction of houses, roads, tracks and a community centre.

24. In East Malaysia, the withdrawal of the Royal Air Force unit was completed on 1 June 1968, and Labuan became the responsibility of the Royal Malaysian Air Force.

**Hong Kong**

25. The garrison continued to assist the police to control the frontier and to maintain law and order throughout the Colony. Battalions took turn and turn about to man exposed positions covering areas in which violent disturbances can occur often instantaneously and without warning. The garrison also carried out patrols in the remote areas of the New Territories and helped the Hong Kong Government to deal with subversion in the small scattered villages there. The garrison and the police, acting with fairness, discipline and determination, gained and held the confidence of the population. Throughout the year Royal Air Force helicopters assisted .......
assisted the garrison and the police in their internal security operations and training. The defence forces were reinforced by elements of the Royal Air Force Regiment from Singapore. Visits by Royal Air Force aircraft on detachment and the continual presence of a Royal Naval guardship and two mine-countermeasures vessels, augmented by periodic visits of ships of the Far East Fleet, kept up public confidence.

**Thailand**

26. Royal Engineers completed their programme of road building in the north east of the country and withdrew from Thailand at the end of April 1968. Apart from providing the squadrons working on it with very valuable training, the road has already brought thousands of villagers into contact with the mainstream of their country's life and has been of great benefit to the Thai Government. This was a successful and valuable project in the peaceful use of military forces overseas. The force employed, which included detachments from other corps, deserves the highest credit for its work in such trying climatic conditions.

**Mauritius**

27. Increasing communal disorders, exacerbated by economic difficulties, compelled the Government of Mauritius to ask for the assistance of British Forces in maintaining law and order on the island. A company from the 3rd Battalion, The Light Infantry (formerly 1st Battalion, The King's Shropshire Light Infantry) was accordingly flown in by transport aircraft of the Far East Air Force from Singapore on 22nd January, and H.M. ships were moved to the area. The immediate task was to impose order in the urban parts of the island, where clashes between rival factions were causing loss of life and damage to property. A series of cordon and search operations, coupled with patrolling and sudden read
blocks, stemmed the rising tide of violence. These operations, which were carried out with great determination and understanding, won the respect and admiration of local citizens and security forces alike.

28. At the request of the Government of Mauritius, a further company was sent to the island. Operations were then extended into the plantations and jungle-covered hills of the countryside; patrols, aided by helicopters, covered the rural areas in support of the local security forces. The well-co-ordinated actions of the Services and local forces restored the situation. One company was withdrawn in August, and the remainder of the force in mid-November.

Rhodesia: the Oil Embargo

29. The patrol of the Mozambique Channel off Beira was continuously maintained in all weathers by ships of the Royal Navy, supported by ships of the Royal Fleet Auxiliary Services. Shackleton aircraft of Coastal Command and the Far East Air Force also played a vital part in this operation. These combined operations successfully prevented the arrival at Beira of oil destined for Rhodesia, in accordance with the United Nations Security Council resolution of April 1966.

British Solomon Islands Protectorate

30. A small team of Royal Engineers worked on the reconstruction of civil airfields in the Islands. Other Royal Engineers instructed employees of the local Public Works Department in vehicle and plant maintenance.

Gilbert and Ellice Islands

31. A small team of Royal Engineers worked on the construction and reconstruction of civil airfields in the Gilbert and Ellice Islands in conjunction with the local Public Works Department.
32. A survey troop was provided from the United Kingdom for work in Western Australia. It helped to map the remote north-western area.

**PERSIAN GULF ETC.**

**Persian Gulf**

33. This has been a quiet year operationally. The emphasis has been placed on advising and assisting local forces to prepare themselves for our announced departure from the Persian Gulf by December 1971. The Trucial Oman Scouts under the control of British officers patrolled the 32,000 square miles of hill and desert and continued peacefully to resolve potential tribal disputes within the Trucial States. Coastal Command Shackletons assisted the Trucial Oman Scouts by searching for dissident tribesmen and illegal immigrants. The Army and the Royal Air Force continue to provide a small number of British personnel for the forces of the Sultan of Muscat and Oman.

34. Naval frigates and coastal minesweepers carried out patrols to prevent the smuggling of arms in the Gulf.

35. A detachment of four Canberra PR9 aircraft from Near East Air Force carried out an aerial photographic survey of Muscat and Oman, the Trucial States, Qatar and Bahrain, covering an area of over 138,000 square miles in about 100 sorties.

**Iran**

36. An R.A.M.C. warrant officer was loaned to the British Red Cross to assist them in the tented hospital erected at Meshed in Iran. This hospital provided medical attention for victims of the earthquake which took place early in September.

**MEDITERRANEAN AND NEAR EAST**

**Cyprus**

37. The United Nations force, to which we contribute a battalion,
on an armoured reconnaissance squadron, four helicopters and logistic support, again played its part in keeping the peace. Tension in the island has been considerably reduced. The Royal Air Force undertook two aerial photographic surveys of the island on behalf of the Cyprus Government in connexion with an assessment of agricultural crop growth.

**Sicily**

38. In January 1968, the 7th Mine Countermeasures Squadron and a naval salvage vessel rendered assistance after an earthquake in North Sicily.

**Malta**

39. A squadron of Shackleton aircraft is now stationed in Malta. It will co-operate with the new N.A.T.O. Headquarters in Naples in watching Soviet naval activity in the Mediterranean.

**El Aden**

40. In order to improve the operational efficiency of the airfield, the main runway at Royal Air Force El Aden is being extended by 52 Field Squadron (Airfield) Royal Engineers on behalf of the Ministry of Public Building and Works.

**WEST INDIES AND THE AMERICAS**

41. After violent rioting had occurred in Bermuda between 25 and 27 April 1968, the Governor requested military reinforcements. H.M.S. Leopard arrived within 36 hours, and a tactical battalion headquarters and one company of the 1st Battalion, The Royal Irish Rangers (previously 1st Battalion, The Royal Inniskilling Fusiliers) were flown in by transport aircraft of Air Support Command. The first reinforcements were despatched some 18 hours after warning was received and within 9 hours of official approval being given to the operation. The situation became quiet after the arrival of the reinforcements, and the troops were not in fact employed....
employed. The rapid response to the appeal for help undoubtedly helped to restore law and order. The troops remained to cover the elections on 22 May, which passed off peaceably, and were withdrawn on 1-3 June 1968.

42. Minor rioting also broke out in British Honduras at the end of April 1968. This followed the publication of the U.S. Mediator's report on the dispute between Guatemala and the United Kingdom over British Honduras. Troops from the garrison company (from 1st Battalion, The Green Howards) stood by but were not required to take action.

43. On 1 March 1968, 53 Field Squadron (Airfields) Royal Engineers moved to Beef Island in the Virgin Islands to aid the local authorities by reconstructing the airfield. This unit was put on standby for assistance in aid of the civil power when there were disturbances in the Islands, but in the event it was not required.

44. A frigate patrol was maintained in the Bahamas to prevent the illegal use of the small islands by intruders. In September, a party of these was surprised and captured by Royal Marines from H.M.S. Eskimo. The presence of the frigates made a large contribution to the maintenance of internal security, particularly in Bermuda, Bahamas and St. Vincent. A sizeable squadron of Western Fleet ships visited the West Indies and Central America early in 1968 and carried out exercises with the local navies. In February 1968 three Shackletons, which had been exercising in the Caribbean, paid a good-will visit to the Venezuelan Air Force in Caracas.

45. H.M.S. Endurance, the replacement ice patrol ship, spent the southern summer months in the Antarctic. She not only acted as Falkland Islands guardship, but undertook much valuable scientific work and supported the British Antarctic Survey. Last November she also conveyed Lord Chalfont, Minister of State...
for Foreign and Commonwealth Affairs, on the first ministerial visit ever to be paid to the Falkland Islands. The SRN6 Hovercraft unit has made the R.M. detachment in the Falkland Islands much more mobile and has operated most successfully.

46. The Royal Fleet Auxiliary Wave Chief stood by off Cape Horn in March 1968 to escort Sir Alec Rose in Lively Lady around the Horn.

47. H.M. Ships Glamorgan and Fife made a series of successful visits to both coasts of Canada and the U.S.A. during the summer of 1968. A squadron consisting of one guided-missile destroyer, three frigates, two submarines and two Royal Fleet Auxiliaries is now visiting countries on both coasts of South America, including the Falkland Islands, and exercising with the navies of those countries.

Royal Visit to Brazil and Chile

48. A VC 10 and Comet IV of Air Support Command, together with an Andover of the Queen's Flight, were used to carry H.M. The Queen and H.R.H. The Prince Philip on a State visit to Brazil and Chile from 1 to 9 November. Royal Air Force search-and-rescue forces provided cover during the flights across the Atlantic in co-operation with other nations. H.M. Ships Danae and Naiad accompanied the Royal Yacht Britannia throughout the Queen's visit.

EUROPE

49. Lightning squadrons of Royal Air Force, Germany maintained an alert force to intercept, interrogate and identify aircraft violating the airspace of the Federal Republic of Germany.

UNITED KINGDOM

50. Throughout the year coastal minesweepers of the Royal Navy’s fishery protection squadron patrolled the United Kingdom fishery limits. With the introduction of the new United Kingdom fishery limits ......
limits in 1961+, the fishery patrol line was extended to over 3,000 miles. Since then, over 80 arrests for illegal fishing and poaching within the U.K. fishery limits have been made, most of them ending in successful prosecutions. Frigates of the Western Fleet carried out fishery protection patrols on fishing grounds off North Norway, Iceland and Greenland.

51. Mine-countermeasures vessels, including those from the Royal Naval Reserve, were engaged in Operation NEW BROOM in May 1968 with ships from the French, Netherlands, Belgian and Norwegian navies. The object of this highly-successful operation, was to clear the new traffic separation merchant ship routes off the Netherlands coast of war-time minefields. Mine-hunters, diving vessels and mooring and salvage vessels have been periodically employed in locating and recovering crashed aircraft, mines and missiles. The Aer Lingus Viscount aircraft, which had crashed into the sea off South East Ireland, was found in an operation that lasted from March to August; many vital major components of the aircraft were recovered under most difficult diving conditions. Other operations involved a Royal Naval Sea Vixen in the Irish Sea, a Royal Air Force Gnat off North Wales and two Wasp helicopters, one off the coast of the Netherlands and the other off Portland. A number of war-time mines encountered by fishing vessels had also to be dealt with; it required long periods of mine-hunting to relocate and countermine them.

52. H.M. ships and Royal Air Force aircraft of Coastal Command continued their surveillance of surface vessels and submarines operating round the United Kingdom.

53. The year has been a busy one for the Lightning aircraft of Strike Command, which maintain a twenty-four hour watch over the United Kingdom air-space to intercept and identify any aircraft /that .....
54. Victor reconnaissance aircraft of the U.K. Reconnaissance Force completed the survey of Denmark which started last year.
55. In June, the Royal Air Force won both the team and individual trophies in the International Helicopter Rescue Competition against teams from Belgium, the Federal Republic of Germany, the Netherlands, Sweden, Denmark and the United States.
56. The normal diverse pattern of operations was carried out by transport aircraft during the year. These included the routine carriage of Service personnel and their dependents to and from overseas, any necessary airlift for support equipment, and medical evacuation flights.
57. The VC 10 force reached its present planned normal working level in April 1968 and it has been flying some 35 scheduled services between the U.K. and the Persian Gulf and Far East (including Hong Kong) each month. The aircraft has proved to be popular with crews and passengers alike and has presented few difficulties. The Britannia, a flexible aircraft to operate, made about 45 scheduled flights to all overseas areas monthly. Other scheduled services were undertaken by Argosies, Belfasts and Andovers with increasing support from the Hercules. All 66 of the latter have been delivered to schedule.

MILITARY AID TO THE CIVIL COMMUNITY
58. The three Services gave much help during the floods in the South West in July 1968 and South East in September 1968. They constructed 12 bridges and provided amphibious and ordinary vehicles; over 250 space heaters to help dry out houses; communications; Royal Air Force aircraft to carry out photographic reconnaissance of the flooded areas; accommodation for the homeless and assistance in the evacuation of families. The Army and the Royal Air Force also ......
also came to the assistance of the civil authorities in Glasgow following the hurricane in January 1968. They gave help in route clearance, demolition, repairs to buildings, and removing furniture to storage from damaged buildings, and assisted the police. The Royal Air Force flew reconnaissance sorties and provided the civil authorities with aerial photography of the damaged areas.

59. Royal Navy helicopters made many sorties on rescue and emergency missions in aid of civil authorities round the world, including the night rescue in extremely unfavourable conditions of a disabled lighthouse keeper from Longships Light in April. In January 1968, H.M.S. Diana answered a distress call from the burning Spanish tanker Bahia Gaditana in the Mediterranean. The ship's company, in circumstances of great danger, promptly extinguished the fire, saving the tanker and preventing serious loss of life.

60. Royal Air Force Shackletons, marine craft and helicopters of Coastal Command and the Royal Air Force Mountain Rescue Team (all volunteers) rescued 26 servicemen and 176 civilians; 72 civilians were moved to hospital by helicopter. In June a Shackleton found the solo yachtsman Joan de Kat in mid-Atlantic despite the fact that he was 200 miles away from his reported position. Search and rescue forces from Cyprus took part in the search for the Israeli submarine Dakar and for a Jordanian and an Egyptian airliner; bodies from the latter were recovered and taken to Alexandria by Royal Air Force marine craft. After rescuing the crew of the Greek MV Prodromos, a Royal Air Force marine craft crew returned to the vessel and succeeded in making it seaworthy enough to be towed to Cyprus. A salvage claim is pending.

61. It is natural that the good work done by the Services to help
the public in time of emergency should attract publicity. Neverthe-
less the routine tasks which they perform for the civil community
in the U.K., although they may not be publicized nationally, are
just as important. While they are often on a lesser scale than the
aid rendered during a serious emergency, they are of great value
to the local people who benefit from them. At the same time, they
make excellent training for the Servicemen and foster good relations
between the armed forces and the public. Out of more than 200
examples last year, the building of an airstrip for the remote
community of Unst in the Shetlands, projects to improve local
amenities and encourage tourist development in Argyllshire, and
the assistance given in the construction of a Youth Centre in
Glasgow deserve mention. Although individually the tasks may
often be small, collectively they represent an impressive effort
by the Services in helping the community.

62. The Statement on the Defence Estimates, 1968 included a
progress report on a study which was being carried out within the
Ministry of Defence with the object of improving and co-ordinating
the ways in which the Services can help the civil community in
peacetime. One result of this study has been the production of a
pamphlet designed to let civil authorities and organizations in
the United Kingdom know what assistance, both routine and emergency,
the Services may be able to offer, the conditions which would apply,
and how it should be sought. Copies have been sent to the other
Government Departments and over 100 outside bodies (including the
Trades Union Congress, Confederation of British Industries and
Local Authorities Associations) who were consulted during the
preparation of the pamphlet and for whose co-operation we are
most grateful.

THE YEAR'S EXERCISES

63. As in previous years, British forces in 1968 engaged in an
extensive programme both at home and abroad. In addition to

/National
National and Commonwealth exercises, it included many arranged by international treaty organisations, particularly N.A.T.O. Such exercises help to strengthen the organisations concerned and provide valuable training for our forces.

The following is a summary of the most important exercises of the year:

a. **N.A.T.O.** Seven maritime exercises, including the largest yet staged by the organisation; two Allied Command Europe Mobile Force exercises; two air exercises; and a large scale command post exercise.

b. **CENTO.** A maritime exercise; an air defence exercise; and a search-and-rescue exercise.

c. **S.E.A.T.O.** A major command post exercise.

d. **United Kingdom and Commonwealth.** Three joint force exercises, one in the Mediterranean, one in Australia and one in the United Kingdom; and five reinforcement exercises, two to B.A.O.R. and three to the Far East.

### N.A.T.O. EXERCISES

65. In September, British naval and air forces took part in the largest maritime exercise yet staged by N.A.T.O. It extended from the Norwegian Sea to the Western North Atlantic and included aircraft carrier operations, in which the strike carrier, H.M.S. *Eagle*, was provided by the Royal Navy; control and protection of shipping; anti-submarine warfare; mining and minesweeping; and logistic support operations. The Royal Navy employed every available ship, and aircraft of Coastal Command provided the major air contribution. Merchant ships were chartered for convoy operations, and naval reservists took part both ashore and afloat.

66. British units assigned to the Allied Command Europe Mobile Force trained both in Canada and in Norway where, in June, they took...
took part in a major exercise. A commando ship with its embarked Royal Marine Commando Group and helicopter squadron was also engaged for the first time in a N.A.T.O. exercise in Northern waters. Between September and November, 6 Brigade were deployed to Germany in what is to become an annual training period. 36 Heavy Air Defence Regiment carried out a similar training period earlier in the year. 11,000 Territorial and Army Volunteer Reservists trained in Germany, some of them participating in the N.A.T.O. command post exercise referred to in paragraph 69.

67. Squadrons from Royal Air Force Germany had several successes in the competitive exercises run by Allied Forces Central Europe. At the annual Tactical Weapons Meet, they provided the winning strike crew and the highest-scoring strike squadron; in the photographic competition a Hunter FR 10 squadron took first place; and in the tactical evaluation exercises high efficiency ratings were maintained.

68. A Royal Navy helicopter squadron went to Denmark in May in order to take part for the first time in a N.A.T.O. exercise which investigated the use of helicopters against fast patrol boats role. In November, while H.M.S. Eagle was in dockyard hands, all the squadrons of her air group were deployed to airfields in Sardinia and Malta to provide air support for a major exercise in the Mediterranean.

69. All three Services took part in the N.A.T.O. biennial command post exercise which was held in October. In addition to the larger exercises summarised above, British naval, land and air forces participated in numerous minor N.A.T.O. exercises in and over Europe and in the surrounding seas.

CENTO EXERCISES

70. As in the past, British naval and air forces were employed in
the three major CENTO exercises in 1968. The first of these, in which units of the Near East Air Force were engaged, was an air defence exercise. The second was a search-and-rescue exercise, involving Royal Air Force parachute medical and mountain rescue teams; and the third was an anti-submarine and minesweeping exercise in the Persian Gulf, in which surface ships and a submarine of the Royal Navy and maritime aircraft of the Royal Air Force operated.

S.E.A.T.O. EXERCISES

71. British personnel participated in a major S.E.A.T.O. command post exercise in Thailand, support for which was provided by transport aircraft of the Far East Air Force.

NATIONAL AND COMMONWEALTH EXERCISES

72. A joint U.K./U.S. exercise in arms control inspection techniques took place in southern England during the period June to September 1968. The aim of the exercise - which was called FIRST LOOK - was to test in the field different inspection techniques for arms control and to obtain practical experience of verification problems. Units of the Army and the Royal Air Force were engaged in this exercise, which was visited by Members of Parliament and by delegations from our N.A.T.O. allies and from members of the Eighteen National Disarmament Committee. Reconnaissance Canberras and Victors of the Royal Air Force provided over 12,500 photographic prints for the test.

73. During the year, Army units undertook 84 overseas exercises in more than twenty different countries. These included Territorial and Auxiliary Volunteer Reserves specialist units exercising in Cyprus. Similarly, Naval and Air forces exercised in areas as far apart as Australia and the Caribbean, transport aircraft of Air Support Command being engaged in an average of 21 exercises a month.
74. Extensive use was made of the Libyan training area by units of Strategic Command and units in B.A.O.R.

75. In April, the Commanders-in-Chief Committee (West) conducted an exercise in the Mediterranean. The exercise involved the deployment from the United Kingdom of one major and three minor Army units as well as Fleet Air Arm and Royal Air Force aircraft. It was followed by an air defence phase and training in desert warfare.

76. Our forces have exercised with those of Australia from time to time. In October, units stationed in the Far East engaged in a major combined exercise, in which 3rd Commando Brigade Royal Marines made an amphibious assault, which was followed by a land battle in Queensland. Shackletons from Singapore deployed to Queensland and operated with Royal Australian Air Force maritime aircraft in the air/sea phase of this exercise.

77. Vulcan squadrons carried out deployment exercises to the Mediterranean and the Far East, and twice joined in air defence exercises with the Royal Australian Air Force in Northern Australia. Lightning squadrons also carried out deployment exercises to Europe, the Mediterranean, Persian Gulf and the Far East and, together with Fleet Air Arm Buccaneers and Sea Vixens, practised air-to-air refuelling with Victor tanker aircraft. Lightnings, assisted by the tankers, flew non-stop from the U.K. to Bahrein and for the first time across the Atlantic to Toronto.

78. Air Support Command aircraft undertook a varied programme of new continuation training flights to all parts of the world. On one of these a Belfast with a double crew undertook a normal trunk route flight to Singapore and back with only one and a half hour's turn-round throughout. A Hercules on a Polar training flight carried huskies and stores for the British Trans-Arctic Expedition.

79. In August, four naval Buccaneer aircraft, supported by tanker aircraft of the Royal Air Force, were flown by stages from the U.K. to land directly on board H.M.S. Hermes off Penang.
1. The Supplementary Statement on Defence Policy 1967 (Cmnd 3357) forecast a reduction of about 80,000 (30,000 U.K employees and 50,000 local entrants) in the number of civilians required for the support of combat forces in this country and in overseas commands by the mid-1970s. The Supplementary Statement on Defence Policy 1968 (Cmnd 3701) forecast that the target would be reached in 1973-74 and subsequently exceeded. By 1 April 1969, the reductions achieved are expected to be about 27,500, (8,500 U.K employees and 19,000 local entrants). A further decrease of about 7,500 (2,700 U.K employees and 4,800 local entrants) is expected during the coming financial year.

2. The Headquarters numbers on 1 April 1969 are expected to total about 16,200. This figure is about 500 less than the Headquarters total on 1 April 1968.

3. Outside Headquarters, the numbers of U.K.-based employees on 1 April 1969 are expected to total about 255,400.

4. Steady progress has been made in implementing the changes in organisation announced in the Statement on the Defence Estimates 1968 (Cmnd 3540).

5. **Service Boards.** The membership of the Service Boards has been reduced by the abolition of the appointments of Deputy Chiefs of Staff: their former responsibilities have been re-allocated between other Board members.

6. **Statistics.** A post of Director of Defence Statistics was created in June 1968. The former separate statistical branches have since been combined and re-organised on functional lines. This new service comprises three groups concerned respectively
with manpower statistics (for the individual Services and Defence as a whole), with equipment statistics, and with the development of statistical systems (such as mathematical computer applications). Statistical analysis and forecasting play an important part in management and planning, especially in the fields of manpower and logistics. These changes should improve the service provided and give greater flexibility in the use of scarce professional statistical resources.

7. The Defence Manpower Studies Unit has been integrated into the new defence statistics organisation, which has taken over responsibility for the manpower work mentioned in the Statement on the Defence Estimates 1968 (Cmnd 3701 Chapter IX).

8. Organisation and Methods. The Organisation and Methods Division at Headquarters and the civilian training branches of the Navy, Army, Air Force and Central Departments have been brought together and re-organised as management services divisions to serve the whole Ministry: one division deals with organisation, another with management techniques and training, and a third with computer development. These divisions are also being strengthened in order to improve efficiency and give greater impetus to the introduction of the most up-to-date management techniques in all parts of the Ministry. A new division has also been set up to foster schemes for increasing productivity in defence industrial establishments.

**NEW FORM OF DEFENCE ESTIMATES**

9. In the Statement on the Defence Estimates 1968 (Chapter I paragraph 31), we stated our intention of introducing, subject to the approval of Parliament, a unified defence vote structure. We have accordingly framed the following plan to relate the...
Votes more closely to the organisation of the Department. The three Votes A (which show the maximum number of officers and men on the strength of each of the Armed Services at any time during the year) will continue to be presented by the Secretary of State for Defence. The money Votes will form a separate Class of general Estimates, presented by the Financial Secretary to the Treasury, and, like the Civil Votes, they will be initially funded to cover expenditure between the beginning of the financial year and the passage of the Appropriation Act, from a Vote on Account. The new Defence Class of Estimates will consist of the following seven Votes:

- Vote 1: Pay and allowances of the Armed Forces
- Vote 2: Retired pay, pensions, etc.
- Vote 3: Administrative services, stores and supplies
- Vote 4: Pay of civilians
- Vote 5: Equipment and related stores and services
- Vote 6: Royal Ordnance Factories
- Vote 7: Purchasing (Repayment) Services

The Accounts will, of course, correspond in form with these Estimates, and, in accordance with Civil Vote practice, the account for each Vote will be certified by the appropriate Accounting Officer. The Second Permanent Under-Secretary (Administration) will be the Accounting Officer for Votes 1, 2 and 3; the Permanent Under-Secretary for Vote 4, covering the common service of the pay of civilian staff; and the Second Permanent Under-Secretary (Equipment) for Votes 5, 6 and 7.

10. These proposals were approved by the Estimates Committee on 23 October 1968 (H.C. 444) and by the Public Accounts Committee on 25 November 1968 (H.C. 27). They are now before the Select Committee on Procedure.
11. Paragraphs 28 - 34 of Chapter I describe the major decisions which have been recently taken as a further step towards reducing the size of the U.K. base and cutting the cost of the resources devoted to support. The following paragraphs record further progress in rationalising responsibilities and activities in the support field. Rationalisation is one of the ways by which we are seeking greater economy and efficiency; it usually means that one Service acts on behalf of all three Services, and separate single-Service organisations are no longer maintained.

LOGISTICS

12. Aircraft Support. The Royal Air Force, which is already responsible for the provisioning, stock control and stockholding of Army air stores, has now taken over similar responsibilities for the Royal Navy's Phantom aircraft and will do so for all other naval air stores, when fixed-wing operational flying by the Fleet Air Arm comes to an end. The base repair and overhaul of army aircraft is also a Royal Air Force responsibility. Consideration is being given to a more economical apportionment of aircraft repair and overhaul work between the Royal Navy and the Royal Air Force.

13. Food. Trials of alternative methods of supplying food to the Services in the United Kingdom which, with the cooperation of the Navy, Army and Air Force Institutes, have been conducted in Army Northern Command and in five Royal Air Force Stations, have now been completed; the results are being evaluated.

14. Hovercraft Support. The Navy Department has become responsible for base repair and overhaul of all Service hovercraft engines. There were overriding practical reasons for leaving
leaving the logistic support of existing hovercraft for the time being with the Army Department as major users: this arrangement is, however, being reviewed. The support of any future hovercraft, such as the BH7, will be managed by the Navy Department from the outset.

15. Motor Transport. The rationalisation of Service motor transport under Army management is being extended to include other types of associated equipment, such as mobile cranes and fork lift trucks. The Army Department expects to assume complete responsibility for the supply of motor transport spares by May 1970. Plans are also being put into effect to make the best use of available motor transport repair resources in the U.K. and thus to achieve economies in workshop facilities and manpower. Motor transport rationalisation has been extended to overseas Commands, modified where necessary to take account of future changes in the deployment of our forces. Although the rationalisation programme is not yet complete, substantial savings have already been made. For example, the rationalisation of vehicle storage and issue has produced a saving in the U.K. of over £300,000 a year, mainly in wages; it has freed over 600,000 sq. ft. of covered storage for other purposes; and it has reduced the annual cost of handling each vehicle by 9.6 per cent.

16. Water Transport. The Navy Department is now responsible for research, development, design, production and procurement of marine craft for all three Services, except the Army's Landing Ships Logistic (L.S.L.s), one remaining Landing Ship Tank (L.S.T.), and amphibians. A study is in progress to determine the best way in which the Navy Department should take over the /provision,
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provision, procurement and supply of associated spares and stores, and carry out major repairs and refits. These measures will save both money and manpower. It is not at present practicable for the Navy Department to operate and control any Army inter-communication craft. Common maritime training between the Services cannot usefully be introduced until rationalisation in other fields produces standard craft and equipment.

17. **Standardisation in Management.** Logistic practice is being increasingly standardised as effective machinery for consultation and co-ordination between the Services evolves. Recommended standard items of stores and equipment are published; items are being identified to the N.A.T.O. standard of codification; standard procedure and terminology are being developed. The purpose of all this work is to improve still further the management of material for the support of the forces through closer co-ordination and interdependence. During last year, the following progress was made in the N.A.T.O. codification programme and in the setting of defence standards:

a. Over 210,000 new items of equipment and about 150,000 items already in Service inventories have been identified with N.A.T.O. stock numbers. Some 1,375,000 items have now been centrally referenced under the N.A.T.O. codification rules in accordance with the policy of developing a common supply language for the Services. A computer, which is to be installed this summer, will greatly aid the complex process of codification.
b. The number of Defence Standards issued in a revised and more sophisticated form has continued to increase. Action on the simpler Defence Specifications has now been completed. A further 500 standards are in course of preparation.

The year's efforts to reduce the variety of equipments in use will result in the progressive elimination of a further 8,000 items from Service inventories, making a total of 15,000 since the Centralised Directorate of Standardisation began operations in 1966.

INSPECTION SERVICES

18. The integration of the arrangements for chemical inspection has now been completed, and further progress has been made with the rationalisation of the inspection of textiles. Much work has also been done in conjunction with industry in devising common inspection documents. Standard conditions of contract, including inspection clauses, are now under discussion with industry.

19. An independent committee of enquiry under the Chairmanship of Colonel G.W. Raby, C.B.E. (Chairman, United Gas Industries) has been appointed jointly by the Ministry of Defence and the Ministry of Technology to examine the organisation and methods of the Equipment Inspectorates and to determine whether and, if so, how they can be improved.

MEDICAL SERVICES

20. In accordance with the decision announced in the Statement on the Defence Estimates 1968, Chapter III, paragraph 19 (Cmdn 3540), the number of Service Medical Rehabilitation Units has been reduced from three to two. The Army Medical Rehabilitation
Rehabilitation Unit, Chester, has been closed and its work absorbed by Joint Services Medical Rehabilitation Units located at Royal Air Force, Chessington and Royal Air Force, Headley Court. Both of these Units will be administered by the Royal Air Force but will be staffed on a joint Service basis.

21. The collection and analysis of medical statistics for purposes of administration and research is an important adjunct to the work of the medical services of the Armed Forces. Studies are being made into the feasibility of establishing a computer-based Combined Services Medical Statistics Unit.

22. Plans are being made to replace the old Service hospitals at Catterick, Tidworth and Aldershot and for the modernisation of several other hospitals, including those at Halton, Haslar and Plymouth.

EDUCATION SERVICES

23. The review of the administration of Service children's schools abroad, referred to in the Statement on the Defence Estimates 1968, Chapter III, paragraph 20 (Cmnd 3540), has been completed. As from 1 April 1969, the overall responsibility for the education of Service children and for the administration of their schools will be centralised within the Ministry of Defence under a joint-Service organisation, which will be known as the Service Children's Education Authority. It will be the equivalent of a small Local Education Authority for the Services. The new organisation will save money and manpower, and will lead to more effective administration. Abroad, the Service which sponsors the greatest number of children in an area will take local administrative responsibility for the schools there.
24. The first of the two Service primary schools in Gibraltar should open by April 1969 and the second by September 1969. As from 1 January 1969, the Ministry of Defence has taken over from the Government of Gibraltar responsibility for the primary education of Service children in Gibraltar. The Government of Gibraltar will remain responsible for their secondary education.

25. A Youth Service has been set up with effect from 1 January 1969 to cater for the special problems of British service personnel and dependents in B.A.O.R. and Royal Air Force, Germany between the ages of 14 and 20 years. A Chief Youth Service Officer, and three Assistant Youth Service Officers, have been appointed. This new service will embrace both sponsored and voluntary youth organisations, and will offer facilities for recreation and training comparable to those provided in Britain by Local Education Authorities.

ROYAL DEFENCE ACADEMY

26. As already announced, the Academic Advisory Council of the Royal Defence Academy has been established under the chairmanship of Dr. F.A. Vick, O.B.E., Vice Chancellor of The Queen's University, Belfast, to advise on the academic aspects of the education of young officers both at Universities and at the Service Colleges.

27. The requirements of the individual Services differ in regard to the optimum sequence of professional and environmental training during a young officer's early years. But all three Services have adopted schemes of academic training which, while differing in detail, maintain the common aim of offering young officers educational opportunities similar to those which exist outside

/ the
the Services and of developing to the full extent the
intellectual qualities increasingly demanded by a Service career.

28. The Navy and Army Departments will continue their existing
arrangements whereby young officers enter a university either
through the University Cadetship Scheme or from Dartmouth and
Sandhurst within a year or two of their commissioning. The
Royal Navy are also discussing with a university the possibility
of integrating the year's academic instruction, which is now
given at Dartmouth at the conclusion of sea-time as a midshipman,
into a three-year degree course for those officers who reach the
requisite standard. The Army Department are changing the
Sandhurst syllabus to include in the two-year course a complete
year of uninterrupted academic study. It also hopes to arrange
with a university that this academic year should be considered as
the first year of a three-year degree course, so that selected
officers can study later at this university for the further
two years needed to complete the degree course.

29. The Air Force Department has decided that, in order to
maintain continuity of flying training and avoid the high costs
occasioned by interruptions, young officers of the General
Duties Branch should complete their academic education before
entering on professional training, including flying. It will,
therefore, introduce an all-graduate direct entry to the General
List of all the main officer branches, by increasing the numbers
of graduates recruited direct into the Service and by increasing
the number of University Cadetships. This policy may take three
years or so to mature. Meanwhile, any cadets entering Cranwell who
are able and willing will be given special academic training to
help them to obtain places at universities and colleges after
one year at Cranwell. This new policy does not mean that the Royal Air Force will cease to recruit young officers who do not want, or cannot obtain, university places. Admission to the Royal Air Force through a Supplementary List commission will continue, and there will be full opportunities to transfer to a General List permanent commission.
IV

COMBAT FORCES

1. The Combat Forces consist of:
   a. Nuclear Strategic Forces
   b. European Theatre Ground Forces
   c. Royal Navy General Purpose Combat Forces
   d. Army General Purpose Combat Forces
   e. Royal Air Force General Purpose Combat Forces
   f. Air Mobility Forces

NUCLEAR STRATEGIC FORCES

Medium Bomber Force

2. The Royal Air Force contribution to the western strategic deterrent is now provided by the Vulcans of Royal Air Force Strike Command, the Victor B2 Blue Steel aircraft having been withdrawn from this role last year. The Royal Air Force will, however, hand over the entire task to the Royal Navy during the year, when the third Polaris submarine H.M.S. Renown becomes operational. As the Vulcans are released from their strategic nuclear role they will be transferred to the tactical role. They will remain committed to N.A.T.O. except for those which are to replace the Canberras in the strike role in support of CENTO.

The Polaris Force

3. The build-up of the Polaris force is proceeding as planned. H.M.S. Resolution has now been operational for some time. H.M.S. Repulse and H.M.S. Renown were accepted into service by the Royal Navy in October 1968 and February 1969 respectively. Both submarines are undergoing their final trials and work-up, which include the test firing of Polaris missiles off Cape Kennedy. H.M.S. Repulse will be operational in the spring of this year, and H.M.S. Renown by midsummer. H.M.S. Revenge will be accepted into service in the autumn.
COST OF NUCLEAR STRATEGIC FORCES

4. The cost of nuclear strategic forces during 1969-70, in terms of money and manpower, is estimated to be:

<table>
<thead>
<tr>
<th></th>
<th>£M Service</th>
<th>Civilian</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medium Bomber</td>
<td>5</td>
<td>1,000</td>
</tr>
<tr>
<td>Polaris</td>
<td>31</td>
<td>3,200</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>56</strong></td>
<td><strong>4,200</strong></td>
</tr>
</tbody>
</table>

EUROPEAN THEATRE GROUND FORCES

5. Our ground forces on the Continent comprise the British Army of the Rhine (B.A.O.R.) and an independent brigade in Berlin. B.A.O.R. is organised as a corps of three divisions, each of two brigades. One of these brigades is now stationed in the United Kingdom, but remains under the operational command of the Commander in Chief, B.A.O.R. This force, which is a component of N.A.T.O.'s Northern Army Group, and is the major part of our contribution to the shield forces of the North Atlantic Alliance, totals about 53,000 men. In addition, arrangements exist for B.A.O.R. to be reinforced, if necessary, to more than double this figure, mainly by individuals and units from the reserves, but to some extent also by regular units and personnel from the United Kingdom. Apart from B.A.O.R., certain units of Army Strategic Command which are stationed in the United Kingdom now have employment in the European theatre as their primary role. These forces, which were declared to N.A.T.O. at the Ministerial meeting in May 1968, consist of HQ 3rd Division and three infantry brigades, the parachute force and one regular Special Air Service regiment. We have also added an air-portable armoured reconnaissance squadron and a voice communication signals troop to the battalion group which we contribute to the Allied Command Europe Mobile Force. We have indicated our willingness to make available to N.A.T.O. at least for the next two years or so, /a further .......
a further infantry battalion subject to the definition of a suitable role for it.

### EQUIPMENT

6. Armoured Regiments. Four regiments have now been equipped with Chieftain tanks, and two further regiments will have been so equipped by April 1969.

7. Field Artillery. The main change here is that Field Artillery Computer Equipment (F.A.C.E.) is in the process of being issued to field gun units. This will improve response time and accuracy of our support artillery.

8. Communications. The semi-automatic multi-channel trunk system for communication in the combat area is now in use and proving highly successful.

9. Infantry. Infantry battalions in B.A.O.R. are now fully equipped with the armoured personnel carrier. Some armoured personnel carriers in each battalion will be converted to allow the 81 mm mortar or the Wombat anti-tank gun to be fired from them.

10. Surveillance. An operational surveillance drone (i.e. an unmanned reconnaissance aircraft which is able to identify targets and acquire intelligence in enemy-held territory) will start coming into service early in 1970. A limited number of devices giving warning of vehicles and men on foot, and some night fighting aids, will be available.

11. Bridging. The issue of the medium girder bridge, the M2 amphibious bridge ferry and the Class 16 bridge (air-portable), all of which can be erected very rapidly by hand, will substantially improve our ability to surmount physical obstacles.

### COST OF EUROPEAN THEATRE GROUND FORCES

12. The cost of European theatre ground forces in 1969-70, in terms of money and manpower, is estimated to be: £...
<table>
<thead>
<tr>
<th></th>
<th>£M</th>
<th>Service</th>
<th>Civilian</th>
</tr>
</thead>
<tbody>
<tr>
<td>B.A.O.R.</td>
<td>193</td>
<td>54,900</td>
<td>32,200</td>
</tr>
<tr>
<td>Berlin</td>
<td>6</td>
<td>3,000</td>
<td>200</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td><strong>199</strong></td>
<td><strong>57,900</strong></td>
<td><strong>32,400</strong></td>
</tr>
</tbody>
</table>

These financial and manpower figures exclude the Army Strategic Command units which, although they are declared to N.A.T.O., remain part of the Army general purpose combat forces (see paragraphs 26 and 27 below).

**ROYAL NAVY GENERAL PURPOSE COMBAT FORCES**

13. The naval general purpose combat forces are the ships of the Fleet at home and overseas, other than the Polaris submarines; the Fleet Air Arm; the Royal Marine Commandos; the Fleet support ships; the overseas shore bases, dockyards, supply depots, etc.

**COMPOSITION**

14. The Fleet contains the following naval general purpose elements:

   a. Amphibious forces, including Royal Marine Commando Units.
   b. Aircraft carriers and squadrons of aircraft.
   c. Submarines.
   d. Cruisers.
   e. Destroyers and frigates.
   f. Mine countermeasures forces.
   g. Support and other ships.

In an emergency, all these forces can be sent to other theatres, if required, either as reinforcements or to undertake joint operations with the Army and the Royal Air Force.

**EQUIPMENT**

15. Preparatory work on the three new classes of surface ships already announced - the cruisers, destroyers and frigates - is going ahead .......
ahead. A start has already been made with the order, placed in November 1968, for the first of the new destroyers to carry the Sea Dart surface-to-air missile. While they will be only about half the size of the County class of guided-missile destroyers, these new destroyers will carry a much more powerful anti-aircraft and anti-missile armament. Discussions about the design and construction of a new frigate designed by Messrs Yarrow-Vosper are at an advanced stage. This design is for a vessel which will be much smaller than the Leanders but will carry the same range of general-purpose armament, including a helicopter.

16. Aircraft carriers. H.M.S. Eagle and H.M.S. Hermes will be in commission throughout 1969. H.M.S. Ark Royal will complete her special refit and conversion to carry Phantom aircraft early in 1970.

17. Amphibious Forces. Both commando ships, H.M.S. Bulwark and H.M.S. Albion (with Royal Marines Commando Units embarked), and both assault ships, H.M.S. Fearless and H.M.S. Intrepid, will be in the active Fleet in 1969.

18. Cruisers. H.M.S. Blake joins the Fleet in 1969 upon completion of her conversion to carry helicopters. She will be equipped initially with Wessex Mk. 3 and later with Sea King, helicopters. H.M.S. Tiger's conversion continues, and it is planned to convert H.M.S. Lion later on.

19. Destroyers and Frigates. H.M.S. Antrim and H.M.S. Norfolk will join the Fleet at the end of 1969 or the beginning of 1970, thus completing the class of eight County class ships. Construction of H.M.S. Bristol, the Type 82 destroyer, is on schedule and she is due to join the Fleet in 1971. Four new Leander class frigates will join the Fleet in 1969, and a further five are building.

20. Helicopters. All ships of frigate size and above will carry helicopters.
helicopters. The Wessex Mk 3, equipped with advanced sonar, radar and a fully automatic flight control system, is now in service; and the Sea King fitted, with a similar weapon system, will be introduced this year. The Wasp is now able to carry light air-to-surface missiles, and its successor, the WG 13, which will come into service in the mid-1970s, will have a better strike and reconnaissance performance. Particular attention is being paid to the operation of helicopters under all conditions of weather and sea.

21. Submarines. The fourth nuclear powered Fleet submarine, H.M.S. Churchill, was launched in December 1968 and will enter service in January 1970. The fifth, sixth and seventh submarines are under construction and the order for the eighth was placed in January 1969.

22. Mine Countermeasures Forces. The programme for converting mine-sweepers into minehunters will be completed this year.

23. Survey Ships. With the completion last year of the new construction programme, the Royal Navy now has a well-balanced and modern surveying fleet. The replacement of naval conversions by commercially designed purpose-built vessels has yielded a saving of 200 officers and men.

24. Support Ships. The first of the three small fleet tankers of a new design, which are intended to replace some of the Wave and Ranger class tankers, will be in commission during 1969. A number of Royal Fleet Auxiliaries in reserve are being disposed of.

COST OF ROYAL NAVY GENERAL PURPOSE COMBAT FORCES

25. During 1969-70, the cost of the naval general purpose combat forces, in terms of money and manpower, is expected to be:
ARMY GENERAL PURPOSE COMBAT FORCES

26. Army general purpose combat forces consist of three ground forces deployed outside Europe to meet our treaty obligations and other commitments; Army Strategic Command, which includes 3 Division (of three brigades and the parachute force) and 22 Special Air Service Regiment, and other front-line units based in the United Kingdom. They do not, however, include 6 Infantry Brigade and 36 Heavy Air Defence Regiment which, although stationed in the United Kingdom, remain under the operational command of C-in-C B.A.O.R.

27. The reductions described in the Statement on the Defence Estimates 1968 (Cmnd 3540) and the Supplementary Statement on Defence Policy (Cmnd 3701) are being implemented and will be completed by September 1972.

COST OF ARMY GENERAL PURPOSE COMBAT FORCES

28. The cost of Army general purpose combat forces in 1969-70, in terms of money and manpower, is estimated to be:

<table>
<thead>
<tr>
<th></th>
<th>£M</th>
<th>Service</th>
<th>Civilian</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amphibious forces</td>
<td>14</td>
<td>6,100</td>
<td>100</td>
</tr>
<tr>
<td>Aircraft carriers</td>
<td>16</td>
<td>4,400</td>
<td>-</td>
</tr>
<tr>
<td>Submarines</td>
<td>41</td>
<td>2,300</td>
<td>-</td>
</tr>
<tr>
<td>Cruisers</td>
<td>5</td>
<td>1,100</td>
<td>-</td>
</tr>
<tr>
<td>Destroyer and frigates</td>
<td>78</td>
<td>17,400</td>
<td>-</td>
</tr>
<tr>
<td>Mine countermeasures forces</td>
<td>4</td>
<td>1,200</td>
<td>-</td>
</tr>
<tr>
<td>Other ships</td>
<td>36</td>
<td>3,100</td>
<td>7,800</td>
</tr>
<tr>
<td>Aircraft</td>
<td>45</td>
<td>3,600</td>
<td>-</td>
</tr>
<tr>
<td>Bases overseas</td>
<td>22</td>
<td>3,200</td>
<td>8,300</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td>261</td>
<td>42,600</td>
<td>16,200</td>
</tr>
</tbody>
</table>
29. The general purpose combat forces of the Royal Air Force comprise all the front-line formations and units including the medium bomber force (when it is transferred to the tactical role), except the transport and tanker forces. They fall into five main categories:

- a. Air-defence; ground-attack; and fighter/reconnaissance.
- b. Medium- and light-bomber and tactical reconnaissance.
- c. Maritime-reconnaissance.
- d. Headquarters.
- e. General support.

30. The Royal Air Force is now well launched on the major re-equipment of its general purpose combat forces. Training for the Harrier and Nimrod aircraft will start in April and September respectively, the first operational squadron of Harriers forming at the end of 1969, and that of the Nimrods early in 1970. Large numbers of Phantoms have been delivered and the build-up of the U.K. force has started: flying at the Operational Conversion Unit started at the beginning of the year, and the first operational squadron will form in May 1969.
31. As the result of the decision to equip only one of the Royal Navy's aircraft carriers with the Phantom, the naval Phantoms that were to have made up the complement of a second carrier will be introduced into the Royal Air Force on delivery; a squadron of these aircraft will form in the Royal Air Force for maritime air defence at the end of 1969. The crews of this squadron will be trained by the Royal Navy.

32. The second aircraft type to be transferred from the Royal Navy, the Buccaneer, will be in Royal Air Force service by the end of 1969, when the first maritime strike squadron will be formed and will be supplemented by the additional purchase announced in the Supplementary Statement on Defence Policy, 1968 (Cmd 3701).

33. This re-equipment programme will considerably strengthen the Royal Air Force. The Harrier will be the only V/STOL aircraft in front line service in the world. Its unique characteristics will allow a new approach to close support techniques. We plan, as was announced in November 1968, to supplement our existing front line by a further squadron. By so doing we shall be making an increased contribution to N.A.T.O. of a sort which only the U.K. can at present provide. The decision has been welcomed by the Alliance.

COST OF ROYAL AIR FORCE GENERAL PURPOSE COMBAT FORCES

34. The cost of Royal Air Force general purpose combat forces in 1969-70, in terms of money and manpower, is estimated to be:

<table>
<thead>
<tr>
<th></th>
<th>£M</th>
<th>Service</th>
<th>Civilian</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air-defence</td>
<td>132</td>
<td>3,300</td>
<td>200</td>
</tr>
<tr>
<td>Light bomber/reconnaissance</td>
<td>24</td>
<td>2,100</td>
<td>-</td>
</tr>
<tr>
<td>Maritime-reconnaissance</td>
<td>60</td>
<td>1,200</td>
<td>100</td>
</tr>
<tr>
<td>U.K. H.Q.'s stations</td>
<td>39</td>
<td>14,400</td>
<td>3,600</td>
</tr>
<tr>
<td>Overseas H.Q.'s stations</td>
<td>28</td>
<td>9,800</td>
<td>6,200</td>
</tr>
<tr>
<td>U.K. general support</td>
<td>58</td>
<td>11,600</td>
<td>4,700</td>
</tr>
<tr>
<td>Overseas general support</td>
<td>35</td>
<td>8,700</td>
<td>5,100</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td>376</td>
<td>51,100</td>
<td>19,900</td>
</tr>
</tbody>
</table>
35. The build-up of the Belfast force will be completed by the end of 1969. The transport force of Air Support Command will then be at full strength. It will help undertake the major tasks stemming from the withdrawal from East of Suez. Thereafter, it will be the means for rapidly moving U.K.-based forces to the continent or elsewhere in emergency, and supporting the overseas training of our forces.

36. The rapid deployment of our air forces and the extension of their combat radius on strike, reconnaissance and air defence missions requires a force of tanker aircraft for air-to-air refuelling. Our tanker force is at present equipped with Victor Mk 1 aircraft; requirements for its successor are under examination.

37. During 1969-70 the cost of air mobility forces, in terms of money and manpower, is estimated to be:

<table>
<thead>
<tr>
<th></th>
<th>£M</th>
<th>Service</th>
<th>Civilian</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic transport force</td>
<td>34</td>
<td>6,800</td>
<td>1,100</td>
</tr>
<tr>
<td>Medium-range tactical transport force</td>
<td>36</td>
<td>5,400</td>
<td>1,000</td>
</tr>
<tr>
<td>Short-range tactical transport force</td>
<td>14</td>
<td>2,400</td>
<td>500</td>
</tr>
<tr>
<td>Control and support facilities</td>
<td>12</td>
<td>3,800</td>
<td>1,900</td>
</tr>
<tr>
<td>Civil charter</td>
<td>2</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

**TOTALS**

<table>
<thead>
<tr>
<th></th>
<th>£M</th>
<th>Service</th>
<th>Civilian</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>98</td>
<td>18,400</td>
<td>4,500</td>
</tr>
</tbody>
</table>

- 59 -
RESERVE FORCES
ROYAL NAVAL RESERVE FORCES

1. Naval reserve forces consist of two main elements:
   a. The Regular Reserve, i.e. the emergency list and retired naval officers, pensioners and the Royal Fleet Reserve, who do not train (or need to train) regularly. Individual officers, however, are occasionally recalled for exercises.
   b. The Volunteer Reserves, i.e. the Royal Naval Reserve, the Royal Marines Reserve and the Women's Royal Naval Reserve. Members of these train regularly throughout the year at sea or in their headquarters ashore, generally undergoing a fortnight's continuous training.

2. The majority of the Royal Naval Reserve consists of civilians from all walks of life who volunteer to train as naval officers and ratings in their spare time. They would, in war-time, perform a number of invaluable services for the Royal Navy; they would man minesweepers and back up other ships of the Fleet, and they would provide the increased manpower necessary for manning shore headquarters, communications centres and the naval control of shipping organisation. In peacetime, they train in eleven sea-going coastal minesweepers, each of which is manned entirely by the R.N.R. and is based on one of the R.N.R.'s sea training centres. They take part in N.A.T.O. and national exercises on equal terms with the regulars, and pay visits to British and continental ports. Last year they carried out a live minesweeping operation in cooperation with other N.A.T.O. navies.

3. The remainder of the R.N.R. consists of professional seamen from the Merchant Navy and fishing fleets.
4. One of the most important functions of the R.N.R. in peacetime is to bridge the gap between the civilian and the Navy and to maintain a naval presence in important seaports where the Royal Navy would otherwise seldom be seen.

5. In all, nearly 17,000 officers and over 22,000 ratings and other ranks can be mobilised; of these nearly 4,000 officers and over 5,000 ratings and other ranks belong to the voluntary reserves.

**ARMY RESERVE FORCES**

6. The Army Reserve consist of two main elements:
   a. the Regular Army Reserves, including the Long Term Reserve, into which Regular reservists will ultimately pass; and the Army General Reserve, which consists of certain former National Servicemen.
   b. the Territorial and Army Volunteer Reserve (T. & A.V.R.).

7. As announced in paragraph 64 of the Supplementary Statement on Defence Policy 1968 (Cmnd 3701), these Reserves have been under review. In the case of the T. & A.V.R., the main features have been settled and Parliament was told of them on 28 November last. Some final adjustments will be necessary when the role of the additional forces earmarked for N.A.T.O. has been determined.

8. Recruitment to the “Ever Readies” has ceased and existing undertakings are not being renewed. The requirement for which this liability was designed - immediate reinforcement of the Regular Army - will now be met by the Regular Army itself.

9. It was announced on 16 January 1968 (Cmnd 3515) that home defence would be put on care and maintenance and that this would mean the disbandment of the Territorial and Army Volunteer Reserve Category III (T. & A.V.R. III). Many of its training centres are being taken into use by the T. & A.V.R. II, which will be spread...
more evenly throughout the country and thus be able to draw on a wider recruiting area. Many of the members of the T. & A.V.R. III have transferred to the T. & A.V.R. II.

10. Additional units are being formed, and some existing units are being expanded, in the T. & A.V.R. II in order to meet the increased requirements for the support of the Regular Army. Up to one hundred cadres are being formed, each of about eight officers, N.C.O.s and men attached to a unit of T. & A.V.R. II. They will take some of the load of peace-time administrative work away from the officers and men of the T. & A.V.R. II units and allow them to concentrate more on their military training. They will also provide a framework for any expansion which might in the future be necessary. The increase in the establishment of T. & A.V.R. II will be by about 6,500 to about 56,000.

11. Fourteen new Territorial, Auxiliary and Volunteer Reserve Associations, replacing the former Territorial and Auxiliary Forces Associations, were formed on 1st April 1968.

12. A bill will shortly be introduced to maintain the Army General Reserve in existence for a further and final period of five years. This is to allow time for the Regular Reserve and the T. & A.V.R. to build up and replace the Army General Reserve as a source for certain specialists.

13. The University Officers' Training Corps, which is part of the T. & A.V.R. IV, continues to provide a valuable link with the Universities, from which the Army aims to secure a regular flow of graduates to regular commissions. Certain changes are, however, being made in its organisation which will lead to economies.

ROYAL AIR FORCE RESERVE FORCES

15. These Reserves provide a pool for the reinforcement of regular units. Certain officers and airmen are earmarked for special tasks in an emergency.

16. The University Air Squadrons, which form part of the Royal Air Force Volunteer Reserve, are being re-organised in order to reduce their total cost. Great importance is attached to these squadrons both as a source of high-quality entrants to the Royal Air Force and as a means of keeping in touch with the universities. The squadrons are also responsible for administering and training the increasing number of University cadets who are being recruited as part of the policy of encouraging a larger graduate entry to the Royal Air Force.

17. The Royal Auxiliary Air Force consists of three Maritime Headquarters Units, whose function is to reinforce Coastal Command's operational control organisation in emergency. They receive Royal Air Force rates of pay during training, together with an annual training bounty.

18. The Royal Air Force Reserve Forces have a strength of approximately 13,000 officers and 70,000 airmen.

COST OF THE RESERVE FORCES

19. During 1969-70, the cost of the reserve forces is expected to be:

<table>
<thead>
<tr>
<th>Service</th>
<th>Cost (£M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Royal Naval Reserve</td>
<td>1</td>
</tr>
<tr>
<td>Army Reserve</td>
<td>18</td>
</tr>
<tr>
<td>Royal Air Force Reserve</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>22</strong></td>
</tr>
</tbody>
</table>
VI
RESEARCH AND DEVELOPMENT

1. We do not foresee dramatic changes in the types and characteristics of our future weapons. Our role in N.A.T.O. has always required a wide range of sophisticated equipment. Nevertheless the forecast again shows a reduction in the funds to be devoted to research and development: the total expenditure on research and development for 1969-70 is estimated at £235m; at constant prices, this represents a fall of £314.1 on the estimate for 1968-69.

2. One of our aims is to reduce demands for skilled manpower and to release resources to the civil sector. We have been concentrating our search for savings in the following directions:
   a. avoiding over-elaboration of operational requirements;
   b. securing maximum value for money;
   c. pursuing every opportunity of collaboration and rationalisation of effort with our allies.

3. The strengthening of the organisation for the examination and review of operational requirements which was announced in the Statement on Defence Estimates 1968 (Cmnd 3540 Chapter I, paragraph 22) has already proved its worth. We are now better able to assess which proposed new weapons offer the most effective means of supporting our military strategy.

4. We are placing increasing emphasis on the detailed definition of a project before incurring any commitment to its full development. We are continuing to improve our procedure for controlling development programmes. The rewards are already appearing in terms of better estimating and more stringent control of individual projects. For example, none of the original estimates for the development of the Harrier or Jaguar aircraft or for the combined development ......
development and production of the Nimrod aircraft is proving very wide of the mark.

5. We are also paying a great deal of attention to the better management of defence development projects both at governmental and industrial level. On the government side, we try so far as possible to concentrate responsibility for a project in a single project officer to ensure that it remains within the limits of time and cost laid down for it, and that decisions can be taken rapidly. The Polaris programme is a strikingly successful example of these arrangements. (See also Chapter VIII, paragraph 46) We seek to use incentive contracts wherever possible, thus limiting our commitments while allowing a suitable reward for efficient industrial management.

5. We are also enlisting the co-operation of industry in the greater use of partnership arrangements for equipment that is likely to sell well abroad. In return for an assurance of firm orders for the U.K. forces and in the expectation of profitable export orders, firms are invited to share the cost of development with the Government.

7. The nation gets value for the money spent on defence research and development in other ways. The rigorous and exacting standards of performance and reliability demanded of defence equipment are a powerful stimulus in many key areas of technology. The work done under defence contracts is of considerable benefit to industry generally, both by reason of its direct applications to civil purposes and by the cross-fertilisation of ideas and techniques.

8. The Government defence research and development establishments also constitute a first-rate technological asset. We are, however examining ways of running them more economically, the possibility of further rationalisation and whether the present balance between them and industry is right. We attach great importance to reinforcing their already strong ties with industry and the academic world, and we shall continue to disseminate the results of defence work as widely as security and our limited resources
resources permit, and to encourage the declassification and circulation of reports produced by establishments. Open Days are being held regularly in order to draw the attention of industrialists to fields of work which might be of interest to them. We also encourage the exchange of scientists with the universities and with industry.

INTERNATIONAL COLLABORATION

9. As stated in Chapter I, we look forward to wider collaboration with our allies in the development of major items of defence equipment. For although the development of a project in collaboration may increase the total expenditure, the cost to each partner should be substantially less than that of going it alone.

10. Collaboration is not easy. There are real difficulties in reaching agreement about operational requirements and time-scales. The sharing of the work and the reconciliation of conflicting industrial interests often present problems. Long and patient effort is necessary to resolve these questions. Nevertheless, we devote considerable effort to the search for collaborative projects. We have regular and frequent contacts with our European partners both within N.A.T.O. and bi-laterally. The Jaguar aircraft, the Martel air-to-surface missile, the SA 330, SA 340 and WG 13 helicopters (all five projects Anglo-French), and the artillery and electronics projects on which we are collaborating with the Federal Republic of Germany, are evidence of the progress that we have made.

DEFENCE SCIENTIFIC ADVISORY COUNCIL

11. In framing defence policy we have long recognised the value of independent advice on scientific and technological issues. Various ways have been devised of meeting this need at all levels, a notably successful example being the Army Department's Advisory Council on Scientific Research and Technical Development. The time
has come to draw the threads together. We have therefore decided to set up a Defence Scientific Advisory Council, which will replace the existing arrangements. It will be modelled on the Army Department's Advisory Council and will embody and broaden much of its existing practice. Professor W.R. Hawthorne, C.B.E., F.R.S., Master of Churchill College Cambridge, the present Chairman of the Army Scientific Advisory Council has agreed to accept the chairmanship of the new body.

PROGRAMMES 1969-70

12. The provision for 1969-70 covers work which is being undertaken in the same fields as last year i.e.:
   a. Aircraft
   b. Guided-weapons
   c. Military space
   d. Electronics (other than electronics associated with a, b and c above and e below)
   e. Ship construction, naval weapons and equipment
   f. Ordnance, military ground vehicles, Royal Engineer stores, and biological and chemical defence.

An analysis of the estimated expenditure under these headings is given in Annex D. Although the primary aim of research work in these fields is to support the military development programme, we consider it important to identify results that can be used for the benefit of the civil economy.

13. The main items in the programme will be as follows.

   AIRCRAFT

14. Major Projects. Major development projects on which work will be carried out include:
   a. Jaguar, the Anglo-French strike/trainer aircraft.
   b. The Spey-engined Phantom aircraft.
c. Nimrod, the maritime-reconnaissance aircraft.
d. Harrier, the V/STOL aircraft for the Royal Air Force, together with a dual-seater trainer version. Uprating of the existing engine to increase aircraft performance.
e. The Buccaneer Mk 2, which is being adapted for the Royal Air Force and to carry the air-to-surface guided-weapon, Martel (see paragraph 16(c) below).
f. The Sea King anti-submarine helicopter (for the Royal Navy); the SA 330 helicopter (for the Royal Air Force); and the WG 13 utility and the SA 340 helicopters (for all three Services).

15. Other Projects. The position regarding the new multi-role combat aircraft has already been described in Chapter I paragraph 18.

GUIDED-Weapons

16. Major Projects. Major development projects on which work will be carried out include:

a. The Sea Dart medium-range surface-to-air guided-weapon system for ships.
b. The Rapier air-portable surface-to-air guided-weapon system with blind fire attachment for ground defence against low-flying aircraft.
c. The Martel stand-off air-to-surface guided-weapon.
d. Swingfire, a long-range anti-tank guided-weapon.
e. Ikara, an Australian long-range anti-submarine weapon system.
f. Seawolf, a close-range self-defence surface-to-air guided-weapon for the Royal Navy.
CONFIDENTIAL

g. Blowpipe, a unit self-defence surface-to-air guided-weapon.

h. Studies will also be carried out on an air-to-surface guided-weapon for helicopters and an air-to-air guided-weapon for the Royal Air Force.

ELECTRONICS
(other than those associated with aircraft, guided-weapons and ships)

17. Major Projects. Major development projects on which work will be carried out include:

a. Linesman/Mediator, an integrated control and reporting system for air-defence and air-traffic control.

b. Clansman, a net radio system for communications in the field.

c. Mallard, a tactical trunk communication system for the 1970s, which is being developed in collaboration with the U.S.A., Canada and Australia.

d. Weapon-locating radars for the Army, including a new lightweight, mortar-locating radar, which can be carried in a helicopter.

e. A continuing programme of development work on electronic devices and components for all three Services.

18. Other Projects. Work will also continue on communications, navigation and display equipment for aircraft and ground forces; on airborne radars for reconnaissance, anti-submarine warfare, etc; and on night-vision and automatic test equipment.

SHIP-CONSTRUCTION, NAVAL WEAPONS AND EQUIPMENT

19. Major Projects. Work will continue on the following major research and development projects:
CONFIDENTIAL

a. Nuclear propulsion.
b. Gas-turbine development for ship propulsion.
c. Automation for ships' data handling system.
d. The Mk. 31 anti-submarine torpedo.
e. Shipborne launching and fire-control systems associated with the naval guided-weapons referred to in paragraph 16.
f. A submarine command and operator trainer for the Faslane base.
g. Improved sonars.
h. The adaptation and evaluation of hovercraft for naval purposes.

NOTE: The United Kingdom has withdrawn from the project of developing an Anglo-Dutch 3D surveillance radar.

20. Other Projects. Work will cover the improvement of ships' auxiliary machinery and the development of electrical control equipment; supply systems; navigational aids; communications systems (including shipborne satellite terminals) and new materials. Improved techniques appropriate to the development of missile systems are now being studied.

ORDNANCE, MILITARY GROUND VEHICLES
ROYAL ENGINEER EQUIPMENT
AND BIOLOGICAL AND CHEMICAL DEFENCE

21. Major Projects. Major development projects on which work will be carried out during the year include:
a. A lightweight close-support gun for the Royal Artillery.
b. A towed medium gun (a collaborative project with the Federal Republic of Germany).
c. A lightweight automatic cannon for use primarily against light armoured vehicles.
d. An armoured vehicle-launched bridge, an armoured recovery vehicle and an armoured engineer vehicle, all based on the Chieftain main battle tank.
e. An amphibious combat engineer tractor to provide engineer support in combat areas and to assist other vehicles at river crossings.
f. A group of air-portable armoured vehicles for reconnaissance, surveillance and fire support.

22. Other Projects. Development, including the evaluation and adaptation of commercial equipment for military use, will continue in the following fields:

a. Weapons, fire-control and night-fighting equipment, ammunition and fuses, mines and explosive equipment, pyrotechnics and survey equipment.
b. Specialist vehicles, trailers and materials handling equipment.
c. Engineering and logistic equipment such as bridging; plant and materials for earth moving, road-making and air-field surfacing; electrical generating equipment for use in the field; and equipment for carrying water and liquid fuels in bulk.
d. Equipment and procedures for biological and chemical defence.

THE PORTON ESTABLISHMENTS

23. From 23 to 25 October 1968, Open Days were held at the Microbiological Research Establishment, Porton. Over 3,000 invitations were issued, some to organisations which have been critical of the work carried out there. Because more than 80 per cent of the M.R.E.'s work is published and much of it is related to general medical...
medical science and public health, we were able to present a very comprehensive picture of the establishment's activities. Arrangements are now being made to hold Open Days at the neighbouring Chemical Defence Experimental Establishment from 4 to 6 June 1969. This is in accordance with the Government's policy of making available as much information as possible about the work of the Porton establishments.
SALES

1. Sales of defence equipment continue to make an important contribution to our exports. This is an increasingly competitive field. Careful controls are applied to ensure that each sale is consistent with our foreign policy towards the country or area concerned and with the longer-term aim of general disarmament, but British defence industries, including the Royal Ordnance Factories, are more than holding their own. In the year 1969-70 the total value of defence exports is expected to reach over £170m, of which the Ministry of Defence share is likely to be about £55m.

SALES TO GERMANY

2. Under the offset agreement concluded with the German Government in March 1968, about 90 per cent of the overseas currency element of our stationing costs for 1968-69 will have been covered. The sale of defence equipment has played a substantial part in this achievement.

SALES TO THE UNITED STATES

3. Despite the cancellation of the order for the F111 aircraft, none of the contracts totalling nearly $200m placed under the offset agreement has been cancelled. We expect that we shall continue to sell significant quantities of defence equipment either directly to the American forces or by sub-contracts to American corporations.
VIII
TRAINING AND SUPPORT

INITIAL AND SPECIALIST TRAINING

1. The Services continue to examine their training methods and to improve upon them as and when opportunity offers.

ROYAL NAVY

2. Programmed Instruction. Programmes covering a wide range of topics have been written and are used increasingly in naval training establishments ashore. These programmes are easily moved from one place to another. They enable more productivity to be obtained from the instructors.

3. Closed-Circuit Television. Closed-circuit television, especially when the cameras are supported by video-tape recorders, is recognised as a valuable teaching aid and is therefore being developed in the Navy. It provides clear instruction about equipment which is difficult for trainees to get at or too expensive to install solely for training purposes, and can demonstrate operational situations recently recorded in ships.

4. Royal Naval Engineering College, Manadon. The honours degree course at Manadon was recently recognised for the award, for the award, of the Council for National Academic Awards (C.N.A.A.) honours degree. All engineer officers entering the college on the General List or the Supplementary List will now read for a C.N.A.A. Honours or Ordinary Degree in mechanical or electrical engineering.

5. Royal Naval College, Greenwich. The advanced nuclear science course has been recognised by the C.N.A.A. for the award of the Master of Science degree.

6. Fourth Year of Seaman and Supply Officer Training. The fourth and final year of training for General List Seaman Officers has been extensively reviewed, and the first of the revised courses starts ....
starts in September 1969. The total time required has been reduced from 42 to 31 weeks, and the operational training value increased. Supply Officers will undertake a shortened version of fourth year training that will consist of 18 weeks seaman training and 16 weeks professional training, a total of 34 weeks compared with 40 weeks hitherto.

7. Training Ships. H.M.S. Manxman will be retained in service as a training ship, mainly for the sea training of marine engineer officers. The ship will operate from Devonport on a similar basis to that of H.M.S. Rapid at Rosyth. In addition, H.M.S. Blackwood has now arrived at Portsmouth to join H.M.S. Crossbow as harbour training ships for the shore establishments H.M.S. Sultan and H.M.S. Collingwood. Her arrival has enabled H.M.S. Crossbow to be adapted to train engineering mechanics for their auxiliary machinery certificate, thus reducing the amount of training to be carried out in the Fleet.

8. New Entry Training. As a first step to implement a long-term policy of concentrating the training of all new entries in H.M.S. Raleigh/H.M.S. Fisgard at Torpoint in the 1970s, training ceased at H.M.S. St Vincent in December 1968. The establishment will finally close on 1 April 1969. Plans for re-building H.M.S. Raleigh for her new role are well advanced. Meanwhile, the new entry training of the youngest recruits will continue at H.M.S. Ganges.

9. The U.K. Army Training Organisation. Considerable progress has been made with plans for rationalising the Army's training organisation to meet the needs of the 1970s. The two Schools of Artillery are to be amalgamated at Larkhill, and all R.E.M.E. apprentice training is to be concentrated at Arborfield. This will...
enable the present establishments at Manorbier and Carlisle to close, with significant savings in men and money. A major study of the Army's arrangements for training its junior entry is now in progress, taking into account the forthcoming reduction in the size of the Army and the raising of the school-leaving age. One likely result is a considerable rationalisation of the present sixteen junior soldier units with, again, substantial savings in both manpower and money. The Trials Establishment Royal Artillery, Ty-Croes, is to be closed 1972. This follows a decision to transfer Thunderbird II firings to Aberporth and to develop the Hebrides Range in order to provide for all our other foreseen needs for firing surface-to-air and surface-to-surface missiles.

10. Instructional Techniques. Since 1964, when a Programmed Learning Wing was set up at the Army School of Education, a series of trials has been conducted to determine the effectiveness and efficiency of programmed learning in military situations. The trials have demonstrated that this technique has considerable potential and increasing use is being made of it. Similarly, more is also being done to explore the applications of closed-circuit television in Army training and education.

11. Junior Command and Staff Course. A Junior Command and Staff Course is to be established at Warminster under the direction of the Commandant of the Staff College, Camberley. It will train selected officers between the ages of 26 and 29 in all arms tactics and basic staff duties in order to fit them for senior captains' appointments both at regimental duty and on the staff. It is intended that eventually every officer commissioned from the Royal Military Academy, Sandhurst and some officers of other arms (e.g. the R.A.M.C., R.A.E.C., and W.R.A.C.) shall attend the course.
12. **Adventure Training.** The declining opportunities for service overseas have created a need in the Army for more adventure training, a form of training that both develops soldierly qualities and is also an incentive to recruiting. Proposals for meeting this need are now being studied.

13. **Recreational Training.** In the Army, recreational training, which includes both team and individual games, is an essential part of military training and a valuable complement to physical training. In the last Winter Olympic Games at Grenoble, the Army provided members of both the Alpine and the Nordic skiing teams; at the Olympic Games in Mexico, it contributed eight competitors, one of whom (Staff Sergeant B. Jones) won a gold medal as a member of the equestrian three-day event team. In the 5,5 metre sailing event, Captain A. Jardine, Royal Engineers, who has only recently left the Service, won a bronze medal.

14. **Royal Military College of Science.** The Council for National Academic Awards has approved the award of degrees in Applied Science and Engineering at the Royal Military College of Science, Shrivenham. There is an Honours and an Ordinary Degree in each discipline. The first course to take their degrees commenced training in September 1968.

15. The long-standing arrangement whereby regular officers have studied at the College for London University External Honours Degrees will end in 1970, when the course that commenced in 1967 graduates.

ROYAL AIR FORCE

16. **Ground Training - General.** Better training methods, including closed-circuit television, programmed instruction and the use of video-strips are constantly introduced. Research into training methods will be extended, and also into the levels of skills, and
numbers and types of tradesmen required. Relations already estab-
lished with Civil Aviation and Engineering Industries Training
Boards will be developed. A new type of broad engineering degree
at the R.A.F. College, Cranwell has recently been approved by the
Council for National Academic Awards.

17. Technician and Apprentice Training. In October 1969 the first
technicians to complete their improver-training will enter produc-
tive service in time for the new aircraft equipments and weapons
systems for which their special skills are required. Craft
apprentices training will continue for the main engineering and
administrative trades.

18. Further Training for Adults. Opportunities will be increased
for adult entrants to receive training in skilled trades. This
will improve their value to the Service and their individual career
prospects.

19. Training - New aircraft types. Specialist instructors who have
been trained in the United States are being used by Air Support
Command to train Phantom servicing personnel in the U.K. Commands
will likewise train personnel to service the Nimrod and Harrier
squadrons.

20. R.A.F. Staff College, Andover. This college, the oldest air
force staff college in existence, is due to close at the end of
this year, when it will amalgamate with the R.A.F. Staff College
at Bracknell. During its 47 years of existence, Students of over
50 overseas countries have graduated from there, and 12 of its
overseas students have become Chiefs of Staff in their respective
countries.

21. Future Training of General List Officers. In future the
possession of a degree (or equivalent) will be an essential requirement
for the award of a direct commission to the General List of the
main officer branches. This major change of policy recognises that defence problems are growing more complex and the young men of high quality that the Service needs will increasingly expect to have the opportunity of a degree-level education. As a consequence of this new policy, cadet entries to the R.A.F. College, Cranwell, are being reduced and, in due course, will cease. Cranwell will, however, continue its long tradition as a professional training centre for Royal Air Force officers. The greater numbers of graduates required will be obtained partly by direct recruitment of graduates and partly by an expansion of the present university cadet scheme.

22. A larger proportion of the General List will, however, be found by transfers from the Supplementary List, as at present.

FLYING TRAINING

THE ROYAL NAVY

23. The last fixed-wing pilots and observers to be trained will graduate in 1970. Helicopter pilot training continues at the normal rate, and conversion courses will also be given to a number of former fixed-wing pilots. Observers are being trained for anti-submarine duties, and preparations continue for the introduction of the Sea King into the training organisation towards the end of 1969.

24. The practice of having aircraft in certain training units maintained by civil contractors has been extended with a consequent saving in naval manpower. The flying training organisation is being progressively adjusted as the requirement for fixed-wing training diminishes.

THE ARMY

25. The School of Army Aviation, Middle Wallop continues to train all Army pilots. In recent years, approximately 100-110 pilots annually have successfully completed the seven-month course, which includes a minimum of 185 flying hours for each pilot.
26. As forecast last year, the number of Basic Flying Training schools in the Royal Air Force has been reduced from four to three. The Jet Provost Mk. 5 will begin to replace the Mk. 4 at these schools during the first half of this year.

27. A contract has been placed for an air electronics simulator for use in the basic training of air electronics operators. This will permit a reduction in the number of flying exercises in the syllabus.

28. The first flight simulators for the Phantom, Nimrod and Harrier should be delivered during the year for use in operational training.

COST OF INITIAL, SPECIALIST AND FLYING TRAINING

29. The cost in 1969-70 of initial, specialist and flying training in the three Services, in terms of money and manpower, is estimated to be:

<table>
<thead>
<tr>
<th></th>
<th>£M</th>
<th>Service</th>
<th>Civilian</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Initial training</td>
<td>64</td>
<td>42,500</td>
<td>8,000</td>
</tr>
<tr>
<td>b. Service Colleges (some of the colleges provide professional training)</td>
<td>19</td>
<td>5,400</td>
<td>4,100</td>
</tr>
<tr>
<td>c. Professional, trade and other training</td>
<td>82</td>
<td>27,600</td>
<td>12,400</td>
</tr>
<tr>
<td>d. Flying training</td>
<td>52</td>
<td>9,500</td>
<td>2,600</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td><strong>217</strong></td>
<td><strong>85,000</strong></td>
<td><strong>27,100</strong></td>
</tr>
</tbody>
</table>

The above figures cover both instructors and trainees.

/REDUCTION ...
30. Paragraphs 28-34 of Chapter I summarise briefly the major decisions on the reduction and re-organisation of support facilities, which have been taken since the publication of Cmd. 3701. They are set out fully in the following paragraphs.

31. Fleet Air Arm. When our withdrawal from East of Suez is complete, fixed-wing flying will come to an end, and three Royal Naval Air stations will no longer be needed from about 1971-72. The Navy will retain the stations at Culdrose, Portland, Yeovilton and Lee-on-Solent; the Royal Air Force expects to take over Lossiemouth; and the Army and Royal Air Force are now actively engaged on a thorough examination of alternative uses for Brawdy. The possibility of continuing to use Arbroath for either defence or civilian purposes is also being urgently considered. The reduction in the number of Fleet Air Arm stations is expected to yield an eventual cut of about 5,000 military and about 1,000 civilian posts and a financial saving of about £8.75m. a year.

32. Royal Marines. We also plan some re-organisation of Royal Marines establishments. It has been decided to transfer to the Amphibious Training Unit at Poole and to the Infantry Training Centre at Lympstone certain training tasks which up to now have been carried out at Deal, at Fort Cumberland and at the R.M. Barracks, Eastney. These transfers will begin in 1970, and are expected to be complete by early 1973; it is too early to assess what savings will be made. Fort Cumberland will be given up.

The first part, covering the base organisation - broadly the wholesale function - is still under study. The second part covers the R.A.O.C. stores organisation in U.K. Commands, and is well advanced. Thus the reductions in the size of the Army have made it possible to streamline the present system of Command Ordnance Depots, Command Ordnance Sub-Depots and Barrack Stores; and we intend to replace these by two new types of unit, Regional Depots and Ordnance Support Units. The former will hold stocks required for training and mobilization, and the latter will hold maintenance stocks of frequently required accommodation stores and other selected important items in locations close to the major areas where troops are concentrated. The details of consequent economies are still being worked out, but we expect that they will result in an eventual saving of about 800 posts and £.8m. a year.

Pay and Record Offices. Starting this year, there is to be a major re-organisation of pay and record offices which will take some years to complete. New computer equipment is being ordered for the use of the Royal Army Pay Corps to replace existing machines at Worthy Down, which become obsolete in 1970 and 1971. This equipment will have a larger capacity, so that much of the work associated with the maintenance of soldiers' records can be carried out in addition to the tasks now performed. There are at present 23 separate record offices and regimental pay offices at 19 different locations in the United Kingdom. In order to reduce the administrative effort and to enable information to be fed to the new computers more economically, the number of pay offices is to be reduced and grouped with record offices at five locations - Brighton, Exeter,
Exeter, Leicester, Winchester and York. There will be an eventual saving of over 900 military and civilian staff and an eventual net saving of £.75m. a year.

35. R.A.F. Training Command. Flying Training Command and Technical Training Command were merged to form a single Training Command on 1 June 1968 and No. 25 Training Group was disbanded on 1 July 1968. These changes resulted in a saving of 255 military and 210 civilian posts; and financial savings of about £.5m.

36. Other R.A.F. Reductions. Plans have been made to transfer the Air Navigation Schools from Stradishall and Gaydon, with the Air Electronics and Engineers School from Topcliffe, to a combined Aircrew Training School at Finningley. The result of these moves, together with the closure of Royal Air Force Acklington which has recently been announced, will be a saving of over 740 military and about 275 civilian posts; financial savings are estimated at just over £1.5m.

PRODUCTION, REPAIR AND SUPPLY ORGANISATION IN THE UNITED KINGDOM

37. The following paragraphs report the main features of the programmes of the production establishments in 1969-70 and describe the progress made with further measures to improve management efficiency in the production, repair, and supply organisation.

/ H.M. DOCKYARDS
38. As stated in Chapter I, paragraph 30, a review of the future of H.M. Dockyards in the U.K. has now been completed and all four home dockyards will still be required. The main aim of the review has been to work out the most effective and economical dockyard support for the Fleet. It has also been to plan a dockyard organisation which will match the reduction in the future size of the Fleet, and in naval support as a whole.

39. The workload for the next ten years has already been largely determined by the destroyers, frigates and submarines which are now in service or on order. Rosyth Dockyard, which has been developed to support the Polaris force and at present is engaged on the refit and refuelling of H.M.S. Dreadnought, will slightly increase its labour force over the next five years. The labour force at Portsmouth, Devonport and Chatham Dockyards will gradually fall in size, by natural wastage, thus producing the total reduction of some 5,000 civilian personnel by the mid-1970s mentioned in Chapter I. This is a continuation of a rundown which, over the past five years, has amounted to some 4,000 in the U.K. Singapore Dockyard has already been transferred to the Singapore Government, together with 3,500 employees. Until we finally leave the Far East, the yard will continue to carry out a substantial amount of repair work for the Royal Navy, but after our withdrawal we shall not need to plan for its regular use.

40. Portsmouth, Chatham and Devonport Dockyards will continue to have a full load of work. Portsmouth Dockyard, which has just started the first long refit of the guided missile destroyer H.M.S. Devonshire, will become the type yard for this class: it will continue to refit a wide range of other ships including /conventional
conventional submarines and frigates. Chatham Dockyard can now carry out the intermediate dockings of SSNs and is expected to start its first nuclear refit about the end of the financial year 1969-70. Devonport Dockyard will, when the major refit of H.M.S. Ark Royal and the building of the Leander class frigate H.M.S. Scylla is complete, become the "lead" yard for Leander class frigates. It will also be developed as a third nuclear submarine dockyard capable of undertaking refits as the need builds up in the 1970s.

41. In the longer term, substantial dockyard support will still be needed; for the new, more advanced classes of ship and submarine which will enter the Fleet during the next ten years require even greater skills and work of even higher quality than in the past. The refit of nuclear submarines involving the most advanced techniques, for example, will be a particularly large commitment, which will grow until, by the end of the 1970s, it will at least equal the workload of aircraft carrier refits in recent years. We thus have the strongest incentive to fit more and more standardised equipment in ships in order to simplify maintenance and repair. We shall also design ships with a greater emphasis on ease and economy of refit.

42. H.M.G.'s decision on the future of the home dockyards will be the basis for a vigorous policy to get greater productivity with a smaller labour force. The efficient upkeep of the Fleet will depend upon its success.

43. Many of the measures necessary to achieve this are the responsibility of management and are already in hand. They will lead to changes in responsibilities and procedures which will require a willingness by the Trade Unions to accept some modification in traditional practices. For without such changes, substantial increases in pay cannot be justified.

/44.
The following steps are being taken to stimulate productivity:

a. to follow up the improvements in management which we have made in recent years by giving greater authority to General Managers in the individual dockyards. At Headquarters, an Executive under the Chief of Fleet Support will be the responsible authority for managing all the yards.

b. to replace, rather than repair, individual components in ships.

c. the gradual introduction of a system under which either complete classes of ships will be based on particular dockyards or one dockyard will become the "lead" yard for a large class, such as the Leander frigates.

d. a comprehensive rationalisation and modernisation of workshops and other facilities in the yards.

If the aims of the dockyard review are to be carried into effect, we must plan, at the same time, for reductions in the labour force and for greater output in the dockyards. Productivity working parties have already been set up in the dockyards, and discussions have started with the Manpower and Productivity Service of the Department of Employment and Productivity. The aim is to obtain greater productivity without redundancy, but this can only be done if satisfactory agreements for retraining certain tradesmen can be negotiated. We want to work in the closest possible partnership with the Trade Unions with the object not only of making the dockyards more productive and efficient, but at the
same time seeing that those who work in them obtain a fair share of the benefits which these improvements should bring.
Royal Ordnance Factories. The main function of the Royal Ordnance Factories will continue to be the manufacture of equipment and ammunition for the Services, and for Commonwealth and other friendly Governments. Ammunition for the three Services constitutes the main group of factory products; other items include explosives, tanks, guns, small arms and spares for equipment already in service. The factories also undertake some development and experimental work for the Services as well as work for civil customers.

The value of the output of the Royal Ordnance Factories in 1969-70 will be about £45m., excluding some £25m. of equipment and material supplied to the factories free of charge and incorporated in their products. The factories are continually being modernised. Improvements include new types of machine tools and machining centres, which are automatically controlled by punched or magnetic tape; and advanced techniques are being applied in the fabrication and forming of materials for new designs of guns and ammunition.

Individual ordnance factories have been given greater autonomy in recent years through the further decentralisation of management. For certain complex projects, where control and co-ordination are especially important, project managers are designated with responsibility for the co-ordination of technical control through all phases of research, development, procurement, production and delivery. This technique is also being used by the other Services. In the Army Department, project managers have been appointed for a number of projects, including the lightweight close support gun, the towed medium gun (FH.70), and the tracked version of the combat vehicle reconnaissance.
Among the industrial management techniques employed are network scheduling and computer-aided production control, linked to critical path analysis.

AUTOMATIC DATA PROCESSING AND OTHER MANAGEMENT TECHNIQUES

47. **Budgetary Control.** All work done in the Royal Dockyards, the Royal Navy Aircraft Yards and the Royal Ordnance Factories is costed; work measurement schemes and incentive agreements are used.

48. Budgetary control and standard costing systems are now operating in two R.E.M.E. workshops, and are well advanced in others. The information from these systems is already having an impact on workshop management methods, particularly in the handling of materials. Similar techniques have also been applied to two R.A.O.C. depots and are being progressively introduced in other R.A.O.C. depots. The possible applications of the latest management techniques and of cost accounting in the Royal Corps of Transport are now being studied.

49. The introduction of budgetary control has also facilitated the conclusion of the Army Department's first productivity agreement - in 38 Central Workshop R.E.M.E. Under this agreement, it is planned to increase the production in the workshop in two stages by some 25 per cent over the next three years without increasing the labour force. It is hoped that this will form the basis of similar productivity agreements in other static Army Workshops and in the Ordnance depots.

50. In Royal Ordnance Factories, fixed prices for production orders have been introduced experimentally to replace the previous system of charging actual costs; factory management is now faced with the need to keep within quoted prices, while...
customers know their financial commitments in advance. Fixed prices, coupled with greater management autonomy and other measures, have improved productivity; an indication of this is that output has gone up without an increase in the labour force.

51. Computers for Management. As we have said previously, all three Services have been using computers for management purposes for a number of years. More sophisticated equipment is being installed to replace earlier types, and the scope of these systems is being broadened to embrace new areas of administration.

52. In the Royal Naval Supply and Transport Service, computers are now used to control supplies of electronic stores and spare gear to the Fleet; special emphasis is being put on maintaining the Polaris and nuclear submarine forces at maximum efficiency. Centralised control of all other stores is planned for 1971, and a centralised computer system to cover all naval supply needs in the late 1970s is under investigation.

53. Automatic data processing has been introduced in the Royal Ordnance Factories for processing management information, particularly production and cost data control. A contract was placed in July 1968 with International Computers Limited for a computer for the R.A.O.C. depot at Bicester. It is due to come into operation 1970, when it will take over store accounts and allied functions for Bicester itself and for the R.A.O.C. ammunition organisation. A new system is being devised for the computer which employs the most modern techniques of inventory management.

54. The Royal Air Force Supply Control Centre, Hendon, continues to take further ranges of stores and equipment under its control, and the benefits to supply support have increased accordingly.
planning is going ahead for the installation of the next generation of computer. A computer has now been installed at each of the four equipment supply depots in Royal Air Force Maintenance Command to deal with the recording, identifying and processing of demands for equipment and to provide immediate information about holdings and precise locations of stocks. The forecast staff saving of about 500 posts has already been made, and other savings are expected. The introduction of modern storage methods in the equipment supply depots is going ahead and further staff savings of about 500 posts should be realised during the coming year. The Materials Handling Research Unit, Cranfield, is helping with this task.

55. Management Consultants. The Navy Department has arranged for a firm of consultants to carry out a pilot study of the application of operational research techniques to the problem of minimising the stockholdings required for the support of a mobile fleet. A firm of consultants is also assisting in a pilot study of management by objectives at a major naval store establishment. This study, undertaken on behalf of the Civil Service Department, is aimed at evaluating the possible benefit to be derived both in the Ministry of Defence and elsewhere in the Government service. The Royal Ordnance Factories also employ management consultants as necessary; at present two particular problems are being studied.

56. A firm of management consultants has made preliminary studies of managerial practices in Royal Air Force Maintenance Command; and trials at No. 14 Maintenance Unit, Carlisle, and No. 23 Maintenance Unit, Aldergrove, on the lines recommended by the consultants, are taking place.
57. A radical review of accounting arrangements in ships and fleet establishments, undertaken by the Royal Naval Supply and Transport Service and the Supply Branch of the Navy, is leading to worthwhile reductions in paper work relating to stores.

COST OF PRODUCTION, REPAIR AND SUPPLY ORGANISATION

58. The overhead costs in 1969-70 of the production, repair and supply organisation, in terms of money and manpower, in the United Kingdom are expected to be about £ \(_m\). They include those of storage, repair and production establishments in the United Kingdom; the costs of similar units overseas are attributed to the combat forces.

<table>
<thead>
<tr>
<th></th>
<th>£M</th>
<th>Service</th>
<th>Civilian</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Naval Dockyards etc</td>
<td>40</td>
<td>400</td>
<td>48,400</td>
</tr>
<tr>
<td>b. Factories</td>
<td>11</td>
<td>—</td>
<td>26,600</td>
</tr>
<tr>
<td>c. Repair, maintenance and storage</td>
<td>102</td>
<td>9,200</td>
<td>61,200</td>
</tr>
<tr>
<td>d. Inspection</td>
<td>26</td>
<td>100</td>
<td>15,500</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td>179</td>
<td>9,700</td>
<td>151,700</td>
</tr>
</tbody>
</table>

WAR AND CONTINGENCY STOCKS

59. The reorientation of our defence effort towards Europe led to a review of planning assumptions based on current N.A.T.O. strategy which, when complete, will affect the general level of stocks and reserves required. The annual incidence of expenditure is influenced by re-equipment programmes and the rates of delivery of the more costly items. Our expenditure for 1969-70 is expected to be £22\(_m\). In addition, peace maintenance stocks are being reduced to correspond with the reduction in our forces. For instance, in the Army, the large stocks formerly held in our base depots in Singapore are being steadily run down, and our holdings in the U.K. are also being

carefully
carefully pruned. An example is the Army's fleet of trucks, cars and their trailers, which over the last two years has been reduced by 20 per cent.

MOVEMENTS

60. Personnel. Almost all personnel movements to and from the United Kingdom are now by air. The number of single journeys by air in 1969-70 is expected to be about 395,000. Rather more than 75 per cent of this task, in terms of passenger miles, will be undertaken by Air Support Command, in addition to its tri-Service training commitments; most of the trooping will be carried out as a part of route familiarisation flying. Movements for north west Europe continue to be handled by civil charter.

61. A unified system is being introduced for handling all unaccompanied baggage of Service personnel and their families leaving and returning to the U.K. As a first stage, the functions of the Royal Air Force Baggage Flight at Woolwich will be transferred to the Royal Navy Store Depot, Deptford, which already deals with the baggage of Naval personnel.

62. Freight Movement. Cargo movement from and to stations overseas will continue to be mostly by sea. The continued closure of the Suez Canal naturally increases costs, transit times and the use of air freight. Most air freighting will continue to be carried out by Air Support Command.

63. Changing commercial methods of handling and moving freight are being studied together by the Services. All three Services have now adopted the commercial International Standards Organisation container system for the movement of stores to Germany; the containers are conveyed to the continental ports
in specialised container ships. The door-to-door movement of these containers between U.K. depots and units in Germany is quicker and cheaper. Most stores, other than ammunition and exceptionally heavy loads, are now travelling by this means.

64. **Landing Ships Logistic.** Six Landing Ships Logistic are now in service, and all but one Landing Ship Tank has been withdrawn. Towards the end of the financial year, these vessels will be transferred from commercial to Royal Fleet Auxiliary management. There will be no change in their employment; when not required for their primary role in support of operations, they will be used for major training exercises and increasingly for routine maintenance tasks, particularly to B.A.O.R.

**COST OF MOVEMENTS**

65. During 1969-70 the total cost of movements in the three Services excluding the cost of those movements by air covered in Chapter 11, para 37, will be about £30m., of which some £10m. has already been attributed in the various costs of the combat forces.

**COMMUNICATIONS**

66. The rationalisation of the Defence Communication Network has been completed in Cyprus, Bahrain, Singapore, Mauritius and Gan. The remaining stations in the U.K., Gibraltar, Hong Kong and Malta should be finished by the end of 1971.

67. Contracts have been signed for the automation of the Defence Communication Centre in the Ministry of Defence by 1970. It will lead to a greatly improved message-handling and distribution system, and considerable staff savings.

68. U.K. trials in the U.S. Initial Defence Satellite Communication System (IDSCS), (previously known as the U.S. Interim Defence Communications Satellite Project (IDCSP)), were successfully
successfully carried out between June 1966 and March 1968. Earth stations in U.K., Cyprus and Singapore, a shipborne terminal in H.M.S. Wakeful, and a vehicle mounted station were used. These trials enabled the Ministry of Technology and the three Services to obtain valuable experience and knowledge, in preparation for the introduction of a U.K. defence satellite communication system (SKYNET). The three static earth stations are now being modified, and two further earth stations are being set up to complete the initial network in readiness for the launching by the U.S. of the two SKYNET satellites - the first towards the end of 1969 and the second about six months later. The SKYNET programme also includes two mobile air transportable stations for use in contingency operations and two ships' stations to be installed in H.M.S. Intrepid and H.M.S. Fearless. On the withdrawal of our forces East of Suez in 1971, some SKYNET earth stations will be redeployed.

COST OF COMMUNICATIONS

69. The cost of communications networks in the United Kingdom for 1969-70 is estimated to be about £2\text{m}. All other expenditure on communications in the three Services is attributed to the costs of the combat forces.

METEOROLOGY

70. We have begun to implement the U.K. share in World Weather Watch in a number of ways. A cash contribution and offers of equipment as aid for developing countries have been made to the World Meteorological Organisation; a British merchant ship is in regular use for upper air soundings; three overseas students have been awarded fellowships at Reading University; and planning is proceeding for the extension of
observation coverage and the use of the Meteorological Office headquarters as an international Regional Meteorological and Telecommunications Centre.

71. Services to industry and public authorities are still being expanded and improved. A regular weather routeing service is now available for ships on the North Atlantic. The Meteorological Office has submitted evidence to the Committee of Enquiry into foot and mouth disease. The office is co-operating with other authorities in reviewing flood problems and planning a general study of river flooding in the U.K. Local broadcasting has been used to give the public better service and more effective arrangements for warnings of adverse weather have been made.

72. Consultations have been undertaken with industry to prepare for the introduction of a powerful new computer which the Meteorological Office will need in a few years time. This computer should help to extend the range of reliable forecasts to 5-7 days ahead, improve the accuracy of rainfall forecasting, and provide better research facilities and a more efficient and centralised organisation of the Office. A new radio-sonde has been developed for measuring pressure, temperature and humidity up to a previously unattainable height of 100,000 ft. with significant improvements in accuracy. The development of automatic observation systems has continued.

73. The Meteorological Research Flight has measured air motion in a region of clear air turbulence using a stable platform mounted in a Canberra. In rocket soundings of winds and temperatures from 30-60 km above the ground in the Hebrides, unprecedented changes were recorded over 10 winter days in wind (from 350 knots westerly to 100 knots easterly) and in temperatures.
temperatures (from +40°C to -30°C) at the 40 km level. Rocket firings for similar purposes started from Gan. Cloud observations by radar at Gan and Singapore and those obtained from U.S. satellites were used in studies on tropical meteorology. The velocity of raindrops was measured with doppler radar at Malvern to provide data of a reliability probably not previously achieved about air motion in rain areas.

74. New arrangements have been made with the Natural Environment Research Council for geomagnetic, seismological and meteorological work at the Observatories at Eskdalemuir and Lerwick. The N.E.R.C. has taken over Eskdalemuir, but meteorological work will continue there, and both observatories will be jointly manned.

COST OF METEOROLOGICAL SERVICES

75. The net cost of meteorological services to the defence budget is estimated at £ m. This includes: first, the cost of operational services directly provided for defence purposes, mainly at Royal Air Force stations, at home and overseas; secondly, the cost of meteorological research; and, thirdly, the net cost of services for the general public and for other civil purposes, including World Weather Watch, after recoveries have been made from certain users, including primarily the Board of Trade in respect of civil aviation.

LANDS

76. The Services' requirement for training areas in the United Kingdom has been fully reviewed against the planned strength for 1969-70, and, so far as it is possible, for the following years. The review has taken into account the re-organisation and reduction of the Reserve Forces and the return to the United Kingdom of personnel from overseas.
77. The main result of the review has been to confirm that the existing training areas on Salisbury Plain, Stanford, Otterburn and Sennybridge will continue to be required for major exercises. Further consideration is being given to requirements for training on Dartmoor.

SURVEY

78. Royal Navy. The Hydrographer of the Navy provides charts and navigational publications to facilitate the safe passage of the Fleet in all parts of the world. Since 1823 Admiralty Charts have been sold, through commercial agents, to the world's merchant fleets. Last year nearly two million charts and 150,000 associated publications brought in a revenue of three quarters of a million pounds, about 60 per cent of it from overseas. The charts are compiled, printed and issued from the Hydrographic Department of the Ministry of Defence in Taunton, Somerset. The Hydrographer controls the work of twelve naval surveying vessels employed on both hydrographic and oceanographic surveys.

79. The hydrographic surveys are required to keep the Admiralty Charts up-to-date, and in British waters are urgently being progressed to permit the safe passage to and from our ports of vessels of increasingly deep draught.

80. The oceanographic surveys are required to give a better understanding of the vital part played by the ever changing environment in submarine and anti-submarine warfare; and to improve our knowledge of the movement of sediment on the seabed, which can bring about drastic changes in the charted depths and positions of navigational channels in shallow waters.

81. Many of the oceanographic surveys are carried out in collaboration
collaboration with British oceanographic and fishery research establishments under the direction of the Natural Environment Research Council, thus contributing to the general advancement of national oceanographic research.

82. The training and the examinations at the RN. Hydrographic School, Devonport, are closely akin to civil practice, thus facilitating qualification of naval surveying officers as Chartered Surveyors in the hydrographic field. Many such officers and surveying recorder ratings move easily into civil hydrographic posts on retirement as surveyors to port authorities, contract survey companies and oil companies.

83. Army. Military survey units at home and overseas have continued to provide the maps, aeronautical charts and geodetic data needed by the three Services. The demand for field surveys of high accuracy connected with new tactical concepts and their associated weapons and navigation systems has increased. Many of these systems require cartographic information to be visually displayed, and considerable research has been devoted to improving the methods of producing and presenting this information. The Directorate of Military Survey has continued to co-operate in survey and mapping with the United States and other allied nations. Two British teams are taking part in the United States geodetic satellite programme, which will lead to a more exact knowledge of the size and shape of the earth, with consequent benefit to mapping and navigation. Similarly, as much of the work of the Military Survey Service is equally applicable to civil requirements, close co-operation has been maintained with Civil Aviation, various scientific bodies and other mapping organisations.

/summary
SUMMARY OF OTHER SUPPORT COSTS AND MISCELLANEOUS EXPENDITURES

84. The total cost in 1969-70 of Support functions other than training, production and repair and war and contingency stocks in the United Kingdom, in terms of money and manpower, is estimated to be £393m. This comprises:

<table>
<thead>
<tr>
<th>Service</th>
<th>Civilian</th>
</tr>
</thead>
<tbody>
<tr>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>a. Whitehall organisation.</td>
<td>52</td>
</tr>
<tr>
<td>b. Local administration, movements and telecommunications in the United Kingdom (with associated services).</td>
<td>119</td>
</tr>
<tr>
<td>c. Meteorological services.</td>
<td>7</td>
</tr>
<tr>
<td>d. Other support services (including land services, contributions to international defence organisations and the cost of supernumerary personnel).</td>
<td>51</td>
</tr>
<tr>
<td>e. Service pensions.</td>
<td>116</td>
</tr>
<tr>
<td>f. Family and personnel services in the United Kingdom.</td>
<td>48</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td><strong>393</strong></td>
</tr>
</tbody>
</table>

85. The costs of other miscellaneous items of expenditure in all departments which, by their very nature, do not fit easily into categories nor are readily or accurately foreseeable, are covered by a separate programme: they include, for example, compensation payments. These costs are offset by receipts, the largest part of which is for those sales of defence equipment, the credit for which has not been attributed to other programmes. As a result, the figure for the programme as a whole amounts to £[22] m. net income to the defence budget.

86. A programme covering special materials amounts to about £[32] m. of this sum, about[20] per cent represents the payments made.
made from the defence budget to the Atomic Energy Authority and to others for supplies and services related to special materials. The remaining \( \frac{1}{8} \) per cent is the fifth of eight payments to be made to the Atomic Energy Authority to cover outstanding liabilities in respect of the capital cost of plant being maintained as reserve capacity, and for certain terminal expenses.
RECRUITING AND RE-ENGAGEMENT

PUBLICITY

1. Expenditure on advertising for recruits to the Services will be £m.

STRENGTHS OF THE SERVICES

2. The strengths of the Services are summarised in the following table:

<table>
<thead>
<tr>
<th>SERVICE</th>
<th>1.1.68</th>
<th>1.1.69</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROYAL NAVY AND ROYAL MARINES</td>
<td>96,299</td>
<td>91,790</td>
</tr>
<tr>
<td>ARMY</td>
<td>192,288</td>
<td>181,580</td>
</tr>
<tr>
<td>ROYAL AIR FORCE</td>
<td>121,415</td>
<td>115,400</td>
</tr>
<tr>
<td>TOTALS</td>
<td>410,002</td>
<td>388,770</td>
</tr>
</tbody>
</table>

The trained or effective strengths of all three Services included in these totals are below requirements owing to shortfalls in recruiting. This is particularly marked in the Army.

OFFICER RECRUITING

THE ROYAL NAVY AND ROYAL MARINES

3. Cadetships and Scholarships. 159 General List Cadets entered Britannia Royal Naval College, Dartmouth in September 1968. This was slightly less than in 1967. As in former years, the principal shortfall was of suitable candidates for the engineering specialisation, but several seaman places were also unfilled. A second General List entry is being introduced in May. 72 Royal Naval and 6 Royal Marines Scholarships, 85 Royal Naval Reserved Cadetships and 3 Royal Marines Reserved Appointments were awarded in 1968.
4. **University Cadetships and Graduate Entry.** The results of the 1968 University Cadetship Competition were most encouraging, and 28 Cadetships were awarded compared with 13 in the previous competition; the scheme has now been extended to the Royal Marines, and the total included 2 Royal Marine awards.

5. **Supplementary List.** The entry of rotary-wing aircrew has been adjusted to allow for the transition to an all rotary-wing force.

6. The shortage of candidates for the seaman and engineering specialisations has been reflected in cadet entry into the Supplementary List. There has been a considerable improvement in recruitment of qualified engineers, although many more are needed.

7. **Instructor, Medical and Dental Branches.** The required number of instructor officers has been entered. Only 3 qualified doctors have been entered during the year, and most entrants into the medical and dental branches have been recruited through the cadetship schemes.

8. **Royal Marines.** The annual entry of permanent Royal Marine officers was slightly below target, but there has been no difficulty in recruiting officers for short service commissions.

9. **Regular and Short Service Officers.** The Army is now up to strength in total numbers of officers, although some individual corps have deficiencies or surpluses. For example, there are shortages of junior officers in some technical and specialist corps. It is becoming more difficult to obtain the necessary numbers of young officers of the right quality for the various categories.
10. The annual target for the Special Regular Commission and the Short Service Commission remains at 500. The Special Regular Commission has now been in existence for a year, and it is becoming clear that it is not yet attracting enough young civilians. During the early months of 1968 the number of applications for short service commissions dropped sharply; but the introduction of a scheme by which service on a short service commission can be linked to a future career in industry has produced more candidates.

11. The intake into the Royal Military Academy, Sandhurst, for September 1968 was 148. This was up to target, allowing for the reduction in the size of the Army. The numbers for the January 1969 entry (109) were satisfactory. Forty scholarships were awarded between the Spring and Autumn competitions, the general standard of applicants being high. 64 boys entered Welbeck College in 1968 against a target of 75.

12. University Entry. Our target is 65. Of these we were able to award 23 University Cadetships in 1968, the same as in 1967. The number of graduates who took commissions in the combatant branches in the Army remains at about 25.

13. Medical. The number of medical cadets joining the active list reached a peak of 67 in 1968. One third of the medical officers in the Royal Army Medical Corps are now ex-cadets. Unfortunately, the recruitment of both qualified and registered doctors and of cadets has fallen markedly, and the number of voluntary retirements has risen.

THE ROYAL AIR FORCE

14. Cadetships and Scholarships. In 1968 recruitment to the Royal Air Force College Cranwell was satisfactory. Due to the cancellation of the Spring 1969 entry for the General Duties Branch,
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Branch, the Autumn 1968 intake was increased by 31 cadets; 90 of the 98 non-engineer places were taken up. The engineer entry was again below requirements although it was better than in 1967.

15. University Cadetships and Graduate Entry. The annual increase in applications for university cadetships was maintained and 83 awards were made in 1968 - an increase of 33 over the previous year. The total number of cadets in residence at universities was 137 against a target of 201. 34 University Cadets, three ex-Henlow cadets, 16 Cranwell Engineer Cadets (degree-trained) graduated during the year. 46 graduates joined the Service direct from civil life.

16. Other Entrants to Commissioned Service. The reduced targets for pilot and navigator entries were met. It was still difficult to attract high quality entrants to the Engineer Branch. Recruitment to the other main ground branches was at the same level as in the previous year and was again below requirements.

17. Medical and Dental Branches. 35 Medical and 2 Dental Cadetships were awarded. It remained very hard to attract qualified doctors into the Service to replace the increasing number who declined a full Service career.

RECRUITMENT OF RATINGS, SOLDIERS AND AIRMEN
ROYAL NAVY AND ROYAL MARINES

18. Throughout 1968 recruitment ran at the rate of 5,000 a year. This is substantially below the level required; in particular, there are major shortages of recruits for the Seaman Communications and Electrical Branches.

THE ARMY

19. During 1968, 1'13727' male adults were enlisted into the Army of whom 3579 or 22.6 per cent were young soldiers age
17 to 17 1/2 years. This compares with 3246 young soldiers (or 21 per cent) recruited in 1967. Adult recruiting during 1968 was running at \( \frac{267}{2} \) per cent below the 1967 level. The number of junior soldiers enlisted (ages 15 and 16) decreased from 5604 to \( \frac{34}{2} \).

20. The number of adults and young soldiers who elected to serve for nine years (as opposed to six or less years) on enlistment was \( \frac{42.47}{100} \) per cent of the total enlisted. This compares with 48.1 per cent for 1967.

21. Efforts are being made to improve methods of selecting recruits and so reduce wastage. Pilot schemes for the centralized selection of adults and junior recruits were started in 1968 and are showing promising results. We hope that both schemes will go a long way to reduce the present high rate of wastage of recruits and trained soldiers. These are completely new systems of residential selection, consisting of a carefully devised programme of occupational guidance, aptitude testing, assessment and assignment. They should lead to a better matching of men and jobs, greater job satisfaction for individual soldiers and a better distribution of manpower to meet the Army's needs. Reduced wastage and increased working efficiency should also produce financial savings.

THE ROYAL AIR FORCE

22. During the year 4584 adult male airmen were recruited compared with 5,161 in 1967. Recruiting was poor during the first half of the year but had improved by the autumn.
23. The main shortfalls were in the trades of aircraft mechanic (weapons), aircraft mechanic (electrical) and electronic mechanic (navigation instruments).

24. The requirement for engineering technician apprentices was largely met.

25. 1035 craft apprentices were recruited against a requirement of 1692. The recruitment of administrative apprentices was insufficient.

THE WOMEN'S SERVICES

26. The recruitment rate for the Women's Royal Naval Service has fallen since 1967 and has been running slightly below the level required. Recruitment for the Queen Alexandra's Royal Naval Nursing Service is, however, satisfactory.

27. Officer recruiting for Queen Alexandra's Royal Army Nursing Corps continues to be short of requirements, and the Corps is 27 per cent under strength. The Women's Royal Army Corps is in a better position, but slightly under strength. Recruiting for other ranks of both Corps has been down on 1967.

28. Recruitment to the Women's Royal Air Force was disappointing; only 1,261 were enlisted compared with 1,805 in 1967. Recruitment of Princess Mary's Royal Air Force Nursing Service student nurses was satisfactory, but the response to the state-enrolled nurse scheme was not as good as we had wished.

CADET FORCES

29. Naval assistance to the Combined Cadet Force and the Sea Cadet Corps in 1968 was on a similar scale to 1967. Although final figures are not yet available, the number of sea cadets joining the Royal Navy may fall short of last year's figure.

30. The total cadet strength of the Army Sections of the Combined Cadet Force and the Army Cadet Forces is 70,500.
31. The Regular Army Training Teams are proving to be of considerable value to the Cadet Forces. Regular Army units in both the U.K. and B.A.O.R. are helping, where possible, to provide facilities for training and annual camp. Alternative accommodation for detachments of the Army Cadet Force displaced by the re-organisation of the Territorial Army in 1967 is nearly complete.

32. The total strength of the Air Training Corps (A.T.C.) and Royal Air Force Sections of the Combined Cadet Force (C.C.F.) is now 39,500, an increase of some 2,500 over the past 12 months. Former cadets continue to form a substantial proportion of entrants to the Royal Air Force; in 1967, 20 per cent of all entrants to the Royal Air Force had been members of the A.T.C. or the Royal Air Force Sections of the C.C.F.

33. The Committee set up to review the organisation, administration and training of the A.T.C. has now reported and its recommendations have been accepted by the Air Force Board. The recommendations covered the whole scope of the Corps' activities, including the introduction of a regional system of administration, larger training and administration grants to individual squadrons, a better standard of accommodation, the provision of new and more interesting forms of training and a lowering of the enrolment age of cadets. Certain changes, such as a reduction in the upper age limit for officers of the Corps, will be effected gradually in order to minimise disturbance.

RE-ENGAGEMENT
ROYAL NAVY AND ROYAL MARINES

34. The improvement in re-engagement rates of men completing 9 and 12 years' engagements continued in 1968. The rate for men who stay on for a further 5 years after completing /9-year
9-year engagements has risen from 29 per cent to 31 per cent in 1968; for men on 12-year engagements who opt to serve a further 10 years to complete 22 years' pensionable service, the rate has risen from 48 per cent in 1967 to 51 per cent in 1968; the rate for men on 14-year engagements who stay on to complete 22 years, has, however, fallen from 87 per cent in 1967 to 80 per cent in 1968.

THE ARMY

35. Considerable effort has again been put into re-engagement within the Army. In 1968, about 76 per cent of all soldiers completing six years service remained in the Army to serve on for nine years; of those who completed nine years' service, about 53 per cent have remained to serve on for twelve years or more; and of those reaching the twelve years service point, about 90 per cent are serving on to complete the full 22 years' engagement.

THE ROYAL AIR FORCE

36. The numbers of those re-engaging to complete 22 years' service or more are controlled and remain satisfactory. About the same number of airmen as in 1967—some 2,200—re-engaged for pension in 1968. 2,430 additional airmen extended their service in 1968 compared with 1,903 in 1967.
1. The redeployment of our forces in the United Kingdom in the light of withdrawals from overseas, reductions in support, and the run-down of the Services has led to a thorough review of our long-term requirements for both single and married accommodation. The full implications are still being worked out. At locations where there is no doubt about our continued tenure, the building and modernization programmes are continuing.

2. The special programme introduced in 1966 to provide housing for Servicemen and their families returning from overseas is nearly complete: of the 8,000 houses we planned to buy, nearly 7,500 have been purchased or are under negotiation: about 6,200 are already occupied. Requirements will be kept under review, but we do not expect to take further special measures to provide houses for the families who will have returned to this country by 1971.

3. The total number of married quarters of the three Services in the United Kingdom, including those recently purchased, now amounts to over 82,000. 3,500 married quarters are at present being built in this country. Our forecast of expenditure on the building programme for all three Services during 1969-70 is approximately £9.5m. Hirings will continue to be used where married quarters are not available; their cost in 1969-70 for all three Services is estimated to be £1m in the United Kingdom and £10m overseas.

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BARRACK ACCOMMODATION

4. It is estimated that during 1969-70 over £29m will be spent on better accommodation and facilities for Service personnel. Work has now been completed on the renovation of the temporary camps needed in the short term to accommodate troops brought home from overseas.

HEALTH OF THE SERVICES

5. In spite of shortages of staff, particularly of doctors, the medical services of the armed forces are keeping up high standards. The health of the forces is excellent. In the Army, for example, in 1967 (the latest year for which we have complete figures) hospital admission rates for all cases were the lowest yet recorded. The average proportion of men non-effective for medical reasons was less than 1 per cent. This compares very well with the rate in industry. Our medical services care for dependants as well as servicemen; for instance, in 1967 the Army and Royal Air Force Medical Services attended to nearly 4,000 births in B.A.O.R.

MANPOWER RUNDOWN

6. Further progress has been made in the rundown to the new force levels. Between April 1968 and January 1969, the strengths of United Kingdom uniformed officers and other ranks fell by:

- Royal Navy and Royal Marines: 2,056
- Army: 7,106
- Royal Air Force: 4,938

7. Detailed plans for the rundown of the Royal Navy have been worked out and promulgated to the Fleet. There will be no redundancy discharges until October 1970, but applications /for the
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for the first phase have been invited in order to give those selected a year's notice.

8. Redundancy figures for the Army up to April 1969 are expected to be as follows:

<table>
<thead>
<tr>
<th></th>
<th>Officers</th>
<th>Soldiers</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Up to April 1968</td>
<td>300</td>
<td>606</td>
<td>906</td>
</tr>
<tr>
<td>(2) April 1968 to April 1969</td>
<td>497</td>
<td>1138</td>
<td>1635</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td>797</td>
<td>1744</td>
<td>2541</td>
</tr>
</tbody>
</table>

90 per cent of the officers and 77 per cent of the soldiers made redundant were volunteers. The forecast redundancy for the year 1969-70 is 242 officers and 946 soldiers.

9. The first phase of redundancy in the Royal Air Force ends on 31 March 1969. Of some 2,400 officers and men declared redundant, 1,900 had left by December 1968; about 90 per cent of these were volunteers. Apart from a few senior officers, no further redundancy is expected in the Royal Air Force in 1969-70.

RESETTLEMENT

10. Mr. C.A. Roberts, C.B.E., who was until recently a member of the National Coal Board and has served in the Armed Forces, has accepted the appointment of Honorary Adviser on Forces Resettlement foreshadowed in Chapter X, para 63 of Cmd. 3701. He will help with a review of resettlement arrangements which is now under way; advise the Ministers concerned on possible improvements; and will generally promote the co-operation of employers in the resettlement of Servicemen.

11. Eight Regional Resettlement Committees are now functioning. These committees serve a most useful purpose, acting as a link between the Forces Resettlement Service and the employers,
trade unions and educational establishments in their areas, and in helping with particular cases of difficulty. The Resettlement Service is indebted to these businessmen and others who generously give their time and experience in serving on these committees.

12. All three Services have overhauled and expanded their counselling facilities. Additional resettlement panels (on which the Department of Employment and Productivity is represented) have been established to give guidance to members of the forces in their resettlement problems and advice on employment and training. Two-day advisory courses on careers in civil life have been introduced for officers, and for non-commissioned officers with appropriate qualifications. Their object is to show the opportunities which exist, to assist individuals to decide on a suitable career, and to advise on the preparation necessary. The courses include personal vocational guidance and offer the greatest benefit if they are taken at least two years before retirement so that there will be time for a suitable course of study for a specific qualification. Service personnel of all ranks who require special advice and guidance can have interviews with the Occupational Guidance Units of the Department of Employment and Productivity.

13. The capacity of the Forces Resettlement Centres, which offer pre-release courses of 28 days in a wide variety of trade, commercial and general subjects, has been considerably expanded to cope with the increased requirement. Arrangements are being worked out with the Department of Employment and Productivity, whereby the time spent at a Resettlement Centre may count towards the time required for a course at a Government Training Centre. It has also been agreed that Servicemen may
start courses at Government Training Centres up to two months before their discharge.

14. A number of new pre-release courses have been introduced or are under negotiation. The capacity of the Business Training and Potential Supervisors' courses, run under the auspices of the Department of Employment and Productivity, has been increased. The arrangements for the refund to students of tuition costs for certain pre-release courses have also been improved.
HOME DEFENCE

In the Statement on the Defence Estimates 1968 (Cmnd 3540), it was stated that the Government had decided that civil defence should be put on a care and maintenance basis. This has now been done. Training and planning is to continue at the minimum level that will permit more active preparations to be resumed if this should prove necessary. Total annual public expenditure on home defence was reduced to £4m in 1968-69 and is expected to fall in subsequent years to under £8m.
XII
STATISTICS
MANPOWER

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

2. In 1969-70 the Armed Forces will need about 44,000 male entrants. This figure consists of men who enter upon regular engagements and those who enter as juniors, junior soldiers, youths and apprentices.

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

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

FINANCE

5. The estimated cost of the defence programme for 1969-70 compared with 1968-69 is as follows:

<table>
<thead>
<tr>
<th></th>
<th>£M 1968-69</th>
<th>£M 1969-70</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ministry of Defence (Central)</td>
<td>28.86</td>
<td>33.67</td>
</tr>
<tr>
<td>Ministry of Defence (Navy)</td>
<td>654.02</td>
<td>646.16</td>
</tr>
<tr>
<td>Ministry of Defence (Army)</td>
<td>604.31</td>
<td>600.55</td>
</tr>
<tr>
<td>Ministry of Defence (Air)</td>
<td>554.06</td>
<td>592.00</td>
</tr>
<tr>
<td>Ministry of Technology</td>
<td>227.29</td>
<td>209.69</td>
</tr>
<tr>
<td>Ministry of Public Building &amp; Works</td>
<td>198.03</td>
<td>179.80</td>
</tr>
<tr>
<td>Atomic Energy Authority</td>
<td>4.77</td>
<td>4.80</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,271.34</strong></td>
<td><strong>2,266.67</strong></td>
</tr>
</tbody>
</table>

6. The Estimates for 1969-70 provide for various transfers of responsibility between departments and certain services from civil Votes.
Votes. The figures shown for 1968-69 have therefore been adjusted for purpose of comparison. An analysis of the 1969-70 Estimate is at Annex B and analyses of the major variations between 1968-69 and 1969-70 in respect of Ministry of Defence (Central), (Navy), (Army) and (Air) Votes are at Annex C, Tables 1 - 5 respectively.

FUNCTIONAL ANALYSIS

7. Annexes D, E and F contain analyses of the defence budget and of defence personnel (military and civilian) by the major programmes of the functional costing system and by sub-programmes related to the major categories of combat forces or support functions. Because of certain changes in conventions used in attributing expenditure of functions, some of the figures given in these annexes are not entirely comparable with those published in the Statement on the Defence Estimates, 1968.

DEPLOYMENT

8. A map showing deployment world-wide is at Annex G.

FOREIGN EXCHANGE EXPENDITURE AND RECEIPTS

9. Details of estimated foreign exchange expenditure and receipts are at Annex H.

RELATED EXPENDITURE

10. Related expenditure outside the Defence Budget is shown at Annex J.
CABINET

PAY OF OVERSEAS TELEGRAPH OPERATORS IN THE POST OFFICE

Memorandum by the Lord Privy Seal

This history of the present strike of Overseas Telegraph Operators and sympathetic action among other of the Union of Post Office Workers (UPW) members (at present stopping overtime and Sunday working on the telephones and a one-day strike of all postal and telephone staff) goes back to the troubles which led the Ministerial Committee on Prices and Incomes to agree to settlements to cover both central pay increases and productivity awards to postmen and telephonists last year. In each case these settlements were preceded by industrial unrest, and the productivity elements paid to the postmen, and expected by the telephonists (though not Post Office officials) to result later this year from the current calculations, exceed what could strictly be justified by reference to achieved saving in costs. Postmen received 4 per cent (3 per cent central pay increase and 1 per cent described as for productivity) and telephonists 5 1/2 per cent (5 per cent central pay increase and 1/2 per cent for productivity already secured) from 1st July, 1968, and telephonists expect a further award, retrospective to 1st January, 1969, when current calculations of savings are completed. Overseas Telegraph Operators (OTOs) after rejecting an earlier offer of 5 1/2 per cent plus 1 per cent, rejected a final offer of 5 per cent plus 2 per cent which excluded payment for the procedure - Overseas Tape Relay Unit (OTRU) - which had been in operation from 1963 to 1967 and is considered to be covered by the basic pay determined after pay research in 1966 of the rates paid for comparable work outside. An additional week, after 31st December, the date limiting the amount of retrospection, was conceded, originally to allow the UPW leadership to canvass support for the offer, but instead they conducted a ballot among the OTOs and announced on 11th January that they had got support for strike action.

2. The Ministerial Committee on 14th January rejected a proposal by the Postmaster General to offer 5 per cent only, leaving productivity to be negotiated later. The Union were already publicly demanding an additional 4 to 5 per cent. The Committee considered that productivity agreements should precede pay agreements and that the UPW claim should be resisted and if necessary referred to arbitration even at the risk of a strike. The OTOs went on strike on 20th January.
Press, on hints from Mr. Jackson, the UPW leader, began to allege differences between Ministers. At the Ministerial Committee on Prices and Incomes on 23rd January the Postmaster General proposed to renew the Government's previous offer of 5 per cent with a further 2 per cent productivity increase for the introduction of a specific change in practice (received revision) six weeks after the date of agreement, but to reserve the position of the OTRU for further discussion to be held between then and July. The Committee decided against this because it would mean giving in on the major issue in the face of determined industrial action. The Committee were prepared to reconsider the position if circumstances changed significantly or an acceptable alternative formula could be devised.

3. My memorandum to the Prices and Incomes Committee, annexed, describes events following discussion at the Parliamentary Committee, on Monday morning, 27th January, of a minute from the Postmaster General to the Prime Minister, including a reference to the loss of overtime earnings that would follow the productivity measures, especially OTRU, which incidentally caused the difficulties which led to the closing of OTRU in 1967. The position is that the UPW continue to rely on industrial action, although they cannot afford to compensate their members for a total strike, and have declared their intention to resist technological change now or in future unless their co-operation is paid for at once in each specific case. In the case of OTRU this would in fact mean paying twice.

S.

Civil Service Department, S.W.1.

29th January, 1969
PAY OF POST OFFICE OVERSEAS TELEGRAPH OPERATORS

Memorandum by the Lord Privy Seal

My colleagues will remember that when we discussed this issue last week the Committee decided (P.I.(69)3rd Meeting, 23rd January) to reaffirm "their previous decision not to grant a pay increase of 5% ... from 1st July 1968, unaccompanied by a firm productivity agreement". The Union of Post Office Workers then decided to escalate industrial action, involving telephonists and the postal workers. Because of this the Parliamentary Committee asked me on the morning of Monday, 27th January to invite the U.P.W. to a meeting, at which the Postmaster General and the Joint Parliamentary Under Secretary of State of the Department of Employment and Productivity would also be present, in order to reaffirm the decision which had already been taken by the Prices and Incomes Committee, to bring home to the union that there was no disagreement between Ministers, and at the same time to explore the scope for further negotiations.

2. The meeting with the Union took place yesterday evening, and as my colleagues will know from the statement which the Postmaster General made in the House yesterday evening, and from what was said to the Press, the result was a complete deadlock.

3. There was, of course, on the Government's side very little room for manoeuvre. But we used the meeting to indicate that on two points the Government were prepared to go some way to meet their demands. First, we made clear, that an offer made by the Post Office some little time ago still stood, that in relation to the pay offer of 5% plus 2% for the productivity improvement known as "received revision" we were quite ready to have the 2% adjusted retrospectively, on the basis of local costings. There was therefore no question of the Government insisting in relation to this particular measure on the Union "buying a pig in the poke". The second was to say that if the U.P.W. was not prepared to submit this issue to the Civil Service Arbitration Tribunal we would be prepared to agree, if the U.P.W. accepted the proposition, to set up an ad hoc Tribunal, to be chaired by
Professor Clegg, the Chairman of the Civil Service Arbitration Tribunal, who is not only a Professor of Industrial Relations at Warwick University, but from his experience in this field (including a period as a full-time member of the National Board for Prices and Incomes), as well qualified as anybody to sit in judgment on those issues. To this specially constituted tribunal there could be added two members, chosen by the U.P.W. and the Official Side respectively.

4. What emerged very clearly was that the U.P.W. were adamant that they were not prepared to submit to arbitration, not only this particular productivity agreement for the relatively small numbers of Overseas Telegraph Operators, but for the future any other productivity agreement in the whole field for which they were responsible. These agreements were, the Union insisted, a matter for negotiation, and not for arbitration: what they left unsaid, but it was quite clear that this was what they were saying, was that where there was deadlock in negotiation the alternative to the employer giving way was industrial action.

5. At the end of the meeting the U.P.W. made it clear that there were two alternatives (they spoke of three but two of these amounted to the same thing):

(i) that if the Postmaster General would offer them 5% without strings of any kind they would immediately call off the strike, or

(ii) if we would offer them 5% plus 2% for "received revision", to be adjusted retrospectively after local costings, and to agree that the re-activation of the other productivity arrangement, O.T.R.U., should be considered separately, they would recommend to their Executive Committee that they should consider accepting this.

6. They made it quite clear that their position was that in no circumstances would they accept the re-activation of O.T.R.U. without payment. This, as the Committee are aware, would, if O.T.R.U. is to be re-activated, involve paying twice for this productivity arrangement. As my colleagues may remember O.T.R.U. had been introduced, and was working, when the pay of the Overseas Telegraphists was last reviewed following pay research. It was taken into account in the survey which the Pay Research Unit made of the work of the grade, and so in determining what was paid for comparable work outside. Payment for it is therefore already built into the pay rates of these people.

7. At the briefing meeting which I had with my colleagues before we met the Union, the Postmaster General put forward an argument which had not been brought to the attention of the Committee. He said that if fully implemented, the
re-introduction of O.T.R.U. would result on average in a loss of take-home pay equivalent to 10% of basic pay, compared with the proposed Post Office offer of an increase of 5% + 2%. We were unable to assess the force of this new argument in the absence of any detail as to how these figures had been arrived at. However, it was agreed that this was a matter of great importance, and the Postmaster General has undertaken to make details available before we discuss this issue (tomorrow evening).

Conclusions

8. (i) It is clear that the Union is not likely to shift its position unless we are prepared to face up to the industrial action they have already planned, and which they may extend, over the next week or two. And unless we do so they will not accept any form of arbitration on the broad issue.

(ii) In considering (i) we shall need to assess the points made about take-home pay set out in paragraph 7 above.

(iii) Now that positions have been taken up on both sides so firmly and publicly there would not appear to be any possibility of a compromise, short of the Post Office saying that on reconsideration, for operational reasons they have decided that instead of persisting in the re-activation of O.T.R.U. they should get ahead with the more sophisticated machinery which, in any case, they were planning to introduce in two to three years' time.

S.

Civil Service Department,
S.W.1.

28th January, 1969
3rd February, 1969

CABINET

FARM PRICE REVIEW 1969

Memorandum by the Minister without Portfolio

The Agricultural Policy Committee has not been able to reach agreement on the limits to which the Agricultural Ministers should go in the negotiations of this year's Farm Price Review. I accordingly set out below the divergent views of the Committee and my own recommendations.

We considered first the total size of the Award and then the possible breakdown between cattle, wheat and barley, which - on any basis proposed - together account for much the larger part of the total Award.

Background

2. The Steering Committee on Economic Policy considered the production objectives for agriculture to 1972-73 at a meeting last November. They then approved the programme for individual commodities shown in Annex II to this memorandum, on the understanding that the programme would be flexible and subject as necessary to modification from year to year in the light of changing circumstances (the Government should not be publicly committed to specific targets); and that the Chancellor was not committed to accept the public expenditure consequences, which could not then be foreseen, of seeking to attain the objectives.

The Minister of Agriculture announced the Government's policy objectives to 1972-73 to the House of Commons on 12th November, and a copy of his statement is at Annex III. The detailed proposals by the Agricultural Departments for changes at the forthcoming Farm Review are shown in Annex I.

Total size of the Award

3. It will be seen that the Agricultural Departments recommend a total award of £50 million. This exceeds the estimated increase of £38 million in farmers' costs and, together with the assumed annual gain of £30 million as a result of improved productivity, would represent an addition to net farm incomes in the coming year of £42 million (or about 8 per cent).
It has to be remembered that, although net farm income is struck after provision for depreciation, it must nevertheless provide a substantial contribution to new investment as well as a return on past investment and payment of the farmer for his work. So an increase in net farm income is not directly comparable with a wage or salary increase.

4. The Treasury have indicated that they would be prepared to accept an award of about £20 million. The Department of Economic Affairs originally proposed £23 million, but raised this to £24.5 million in the light of discussion in the Committee - particularly the discussion of cereals production. These various proposals compare as follows with the outcome of the last two Reviews.

<table>
<thead>
<tr>
<th></th>
<th>1967</th>
<th>1968</th>
<th>1969</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>Cost increases</td>
<td>15.5</td>
<td>58.5</td>
<td>68.5</td>
</tr>
<tr>
<td>Productivity gains</td>
<td>30.0</td>
<td>30.0</td>
<td>30.0</td>
</tr>
<tr>
<td>Award finally agreed</td>
<td>25.25</td>
<td>52.5</td>
<td>52.5</td>
</tr>
<tr>
<td>Increase in net farm income</td>
<td>39.75</td>
<td>14.0</td>
<td>14.0</td>
</tr>
<tr>
<td>(Treasury, DEA Agr.</td>
<td>proposed</td>
<td>25.25</td>
<td>50.0</td>
</tr>
</tbody>
</table>

5. The discussion in the Agricultural Policy Committee about the total size of the award may be summarised as follows.

1. The selective expansion programme. The Agricultural Ministers have argued that the announcement of Government policy on 12th November has aroused justifiable expectations that the Government will ensure at this first and crucial Review since the announcement that adequate incentives will be given to expand production on the scale required. The Agricultural Departments had reached the conclusion, after the most thorough analysis, that an award totalling £50 million and distributed as they proposed was essential to provide adequate incentives. Serious dissatisfaction on the part of the farmers with this year's award would imperil the whole programme to 1972-73, for which planning and investment must start very shortly, and put at risk the very substantial import savings on which we are counting. When, as in 1965 and 1966, the farmers had to absorb a substantial part of their cost increases, production stagnated. An award less than £50 million - that is full recoupment for increased costs, plus an additional incentive - would lead the agricultural industry to the conclusion that the Government was not serious about the 1972-73 programme.
The text on this page appears to be a table with columns and rows. The table is not clearly visible due to the quality of the image. It seems to contain data or information organized in a tabular format. The content is not legible in its current state.

Despite the unclear text, the structure suggests it might be discussing a comparison or list of items, possibly for educational or research purposes. The table could be related to a statistical survey, measurement data, or a similar form of analysis.
The Economic Ministers, on the other hand, have argued that, as the Minister of Agriculture made clear in his statement in November, the Government have simply decided to roll forward from 1970-71 to 1972-73 the selective expansion programme which was announced in 1965. No extraordinary new incentives should therefore be required on this count, but rather a continuation on previous lines. Indeed, when the Government agreed to the new programme to 1972-73, it was on the understanding that no extraordinary incentives would be required. An award as in 1968, which left the farmers to absorb half the increase in their costs in 1969-70, should be fully adequate. There was no worthwhile evidence on the relationship between particular levels of incentive and production, and an over-generous settlement might well maintain inefficient farmers in production and so prevent the rationalisation required to increase efficiency and hence production.

(2) 1968-69 was a bad year. The Agricultural Ministers have pointed out that owing to abnormally bad weather during the harvest and to the aftermath of the foot and mouth epidemic, net farm income was expected to decline by £39 million as compared with 1967-68 and there would be a corresponding decline in output. In consequence, farmers would not have the necessary funds to invest during 1969-70 on the scale required by the expansion programme, nor would they be able to borrow these funds from the banks unless this year's award indicated that a profitable year was in prospect.

The Economic Ministers have argued that the farmers and the banks upon which they rely for credit are accustomed to fluctuations caused by the weather and that there was no need to give special compensation for the poor results in 1968-69 in order to ensure that adequate credit would be available in the coming year. Would the farmers accept a special reduction in the award after an exceptionally favourable year?

(3) Public Expenditure. The Agricultural Ministers have pointed out that an award of £50 million would still leave the estimated cost to the Exchequer of agricultural support for 1969-70 within the existing PESC figure of £321 million. Moreover, in recent years the actual cost of agricultural support has been significantly less than the estimates.

The Economic Ministers have emphasised the Government decision, announced a year ago, that public expenditure would be contained in 1969-70 within 1 per cent of the total for 1968-69. This would be the smallest increase for very many years and would be achieved by the most severe restrictions on nearly all public expenditure programmes. In these circumstances, it would be very difficult to justify an award on a more generous basis than in 1968, when the farmers had been left with half their productivity gain.

An award in the current Review on the same basis would amount to £23 million.
Commodities

6. Of the total award of £50 million proposed by the Agricultural Ministers, £41.4 million is for cattle and cereals. There is general agreement in the Agricultural Policy Committee that the main emphasis at this Review should be on cattle and cereals, but not of course on the sums proposed.

7. Cattle. The Agricultural Ministers have pointed out that, owing to the foot and mouth epidemic and the slow rate of expansion of the beef herd, the total home production of beef in 1968-69 has fallen, and in 1969-70 is expected to regain the 1967-68 level. The target for 1972-73 is 85,000 tons or 9 per cent above the level in 1967-68, so that an increase of 3 per cent per annum is required between 1969-70 and 1972-73. There is a three year production cycle for beef, so that output over these years will be determined to a large extent by decisions taken now. The Agricultural Ministers consider that a substantial increase in the guaranteed price of fat cattle is required in order to achieve the target for 1972-73 and have proposed an increase of 13s. a cwt. In addition, they propose that the subsidies for hill and beef cows should be increased by a total of £2 million.

8. The Economic Ministers have pointed out that the production objectives agreed by the Government for 1972-73 (subject to the conditions which have already been noted) were based on a report (AP(68) 18) where it was agreed that the proposed expansion could be achieved while continuing as in the past to reduce support costs in real terms; i.e. on the basis that the farmers should be expected to continue to absorb some of the increase in their costs out of their productivity gain of £30 million a year. The estimated increase in fat cattle costs for the current Review is put at 6s. 7½d per cwt, and they suggest that an increase of the order of 7s. 6d a cwt in the guaranteed price, which would more than meet the increase in costs and thus leave the farmers with more than the whole of their productivity gain on cattle, is fully adequate to meet the needs of the situation. If the increase were no larger than this the Economic Ministers would be prepared to agree to a long-term assurance to the farmers that the guaranteed price would not be reduced between now and 1972-73.

9. Cereals. The Agricultural Ministers have argued that the increase of 2.75 million tons of cereals - and the associated import saving of about £70 million - foreseen in the production objectives will only be achieved by substantially increasing the acreage of arable land and by introducing more break crops into the production cycle to reduce the incidence of diseases which have been reducing yields. These measures will require substantial additional investment. Moreover as a result of the tight squeeze on cereals in recent farm price Reviews the financial return from cereal production has been falling. They therefore propose an increase of 1s. 9d in the guaranteed prices of wheat and barley and of 6d. for oats, which would add £20.4 million to the value of the cereal guarantees.
10. The Economic Ministers have argued, as in the case of beef, that the farmers should normally be expected to absorb a substantial part of their cost increases. These amount to 9.3d and 8.9d per cwt for wheat and barley respectively. An offer this year slightly in excess of the cost increases would in their view provide a substantial incentive and be fully adequate to the needs of the situation. They recommend that the value of the guarantees for cereals should be increased by £10 million to £10.6 million, as compared with the proposed by the Agricultural Ministers of £20.4 million.

NBPI Report on Agricultural Workers’ Pay

11. The National Board for Prices and Incomes issued their Report on the pay of agricultural workers (NBPI Report No. 101) as the Committee were concluding their preliminary consideration of the Farm Price Review, so that they did not have an opportunity of giving the Report their considered judgment. I should, however, draw to the attention of my colleagues that the NBPI in their report have made two points which appear to be directly relevant. Extracts from the Board’s Report are in Annex IV.

Conclusion

12. I have considered very carefully the divergent views which have been expressed in the Committee. I have also taken note of the Report by the NBPI which related to the wage increase of 17s. a week which has just been approved; will cost about £18 million in a full year; and has been taken into account in the cost increases on which we have been working. I have reached the conclusion that, despite the extremely serious public expenditure position in 1969-70, it would be right to settle with the farmers on a slightly more generous basis than last year, taking account of the Government’s policy statement last November and of the setbacks to agriculture during this season. I therefore recommend that the negotiating limit should be set for the forthcoming Review at a total award of £26 million. This would leave the farmers with £18 million - 60 per cent - of their expected productivity gain in 1969-70, as compared with £14 million - just under 50 per cent - last year. Moreover, it should be possible within this total to provide nearly full recoupment of the cost increases for beef, wheat and barley - the commodities on which, by general consent, we should now concentrate - while making some small reductions to the other proposals by the Agricultural Ministers. If my colleagues agree that the award should be limited to £26 million the Agricultural Policy Committee will decide on its distribution between the various commodities involved.

G. M. T.

Office of the Minister without Portfolio, S.W. 1.

3rd February, 1969
<table>
<thead>
<tr>
<th>Commodity or Grant</th>
<th>Change</th>
<th>Value (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>MILK</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Standard Quantity</td>
<td>Automatic reduction</td>
<td>+</td>
</tr>
<tr>
<td>Guaranteed Price (gal.)</td>
<td>{ Dilution + 0.1d. } 0.5d.</td>
<td>4.6</td>
</tr>
<tr>
<td>CATTLE</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Guaranteed Price (cwt.)</td>
<td>+ 15s. 0d.</td>
<td>21.0</td>
</tr>
<tr>
<td>Beef Cow Subsidy</td>
<td>Some increase and change in stocking ratios.</td>
<td></td>
</tr>
<tr>
<td>Hill Cow Subsidy</td>
<td>No change.</td>
<td></td>
</tr>
<tr>
<td>Calf Subsidy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SHEEP</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Guaranteed Price (lb.)</td>
<td>+ 2d.</td>
<td>3.8</td>
</tr>
<tr>
<td>Hill Sheep Subsidy</td>
<td>Change in stocking ratio.</td>
<td></td>
</tr>
<tr>
<td>WOOL</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Guaranteed Price (lb.)</td>
<td>No change.</td>
<td></td>
</tr>
<tr>
<td>PIGS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Guaranteed Price (score)</td>
<td>No change</td>
<td></td>
</tr>
</tbody>
</table>
Middle Band

{ + 600,000 both ends }

EGGS (Hen)
Guaranteed Price (doz.)
Maximum cut

EGGS (Duck)
Guaranteed Price (doz.)
Maximum cut

CEREALS
Wheat - Guaranteed Price + 1s. 9d. 6.1
Barley - Standard Quantity Abolish Nil
Oats - Guaranteed Price + 6d. 0.6

POTATOES
Guaranteed Price (ton) + 7s. 6d. 1.7

SUGAR BEET
Guaranteed Price (ton) + 2s. 6d. 0.9

FERTILISERS
LIME No change -

OTHER PRODUCTION GRANTS

NOTES:
(a) The awards on milk and sugar beet do not fall on the Exchequer (the net evaluation for these is £2.1 m.).
(b) Narrowing the middle band for pigs is not expected to lead to increased Exchequer expenditure in the foreseeable future.

(c) More generally, there is no close correlation between these conventional evaluations and the actual change in Exchequer expenditure.

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>+58.0</td>
<td>-8.0</td>
<td></td>
</tr>
</tbody>
</table>

**TOTAL**

+50.0
### Annex II

**Commodity Production Objectives**

(1972-73 minus 1967-68)

#### Quantities

<table>
<thead>
<tr>
<th>Item</th>
<th>Base year 1967-68</th>
<th>EDC programme</th>
<th>Technically feasible expansion</th>
<th>Suggested programme</th>
<th>Percentage increase on base year</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cereals</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Million tons</td>
<td>14.6</td>
<td>+3.5</td>
<td>+2.75</td>
<td>+2.75</td>
<td>+19</td>
</tr>
<tr>
<td><strong>Potatoes for human consumption</strong></td>
<td>4,882</td>
<td></td>
<td>+350</td>
<td>+350</td>
<td>+7</td>
</tr>
<tr>
<td>000 tons</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Sugar (refined)</strong></td>
<td></td>
<td>+60</td>
<td>+5</td>
<td>+5</td>
<td>+6</td>
</tr>
<tr>
<td>000 tons</td>
<td>873</td>
<td></td>
<td>+50</td>
<td>+50</td>
<td>+6</td>
</tr>
<tr>
<td><strong>Field beans</strong></td>
<td></td>
<td>+370</td>
<td>+540</td>
<td>+540</td>
<td>+316</td>
</tr>
<tr>
<td>000 tons</td>
<td>171</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Beef and veal</strong></td>
<td></td>
<td>+4.4</td>
<td>+85</td>
<td>+85</td>
<td>+9</td>
</tr>
<tr>
<td>000 tons</td>
<td>913</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Mutton and lamb</strong></td>
<td></td>
<td>+5</td>
<td>no change</td>
<td>no change</td>
<td></td>
</tr>
<tr>
<td>000 tons</td>
<td>252</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Pigmeat</strong></td>
<td></td>
<td>+335</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>000 tons</td>
<td>802</td>
<td></td>
<td>+250</td>
<td>+250</td>
<td>+21</td>
</tr>
<tr>
<td><strong>for pork</strong></td>
<td></td>
<td>+135</td>
<td>+170</td>
<td>+170</td>
<td>+24</td>
</tr>
<tr>
<td>000 tons</td>
<td>594</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>for bacon</strong></td>
<td></td>
<td>+170</td>
<td>+100</td>
<td>+100</td>
<td>+17</td>
</tr>
<tr>
<td>000 tons</td>
<td>210</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Meat offals</strong></td>
<td></td>
<td>+5</td>
<td>+27</td>
<td>+27</td>
<td>+15</td>
</tr>
<tr>
<td>000 tons</td>
<td>161</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Milk</strong></td>
<td></td>
<td>+262</td>
<td>+420</td>
<td>+420</td>
<td>+10</td>
</tr>
<tr>
<td>Million gallons</td>
<td>2,648</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Eggs in shell</strong></td>
<td></td>
<td>+1.8</td>
<td></td>
<td>+1.5</td>
<td>+4</td>
</tr>
<tr>
<td>Million boxes</td>
<td>39.9</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Poultry meat</strong></td>
<td></td>
<td>+1.5</td>
<td>+1.5</td>
<td>+1.5</td>
<td>+4</td>
</tr>
<tr>
<td>000 tons</td>
<td>460</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Horticulture</strong></td>
<td></td>
<td>+11/26</td>
<td>+33/20</td>
<td>+13/20</td>
<td>+7/10</td>
</tr>
<tr>
<td>&amp; million</td>
<td>19/4</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(a) This appears to be an understatement of the EDC's own assessment.

NQ = Not quoted.
ANNEX III

AGRICULTURAL OBJECTIVES: STATEMENT BY
THE MINISTER OF AGRICULTURE IN THE HOUSE OF COMMONS
ON 12 NOVEMBER, 1968

With your permission, Mr. Speaker, and that of the House, I should like to make a statement about agricultural objectives.

The Government have carefully reviewed the contribution made by agriculture to the national economy over past years. This review has amply vindicated the industry as one which has made efficient use of the resources devoted to it. Productivity has continued to rise. Output has increased. There has been a valuable saving in imports. All this has been achieved without a significant increase in support costs and consistently with our international obligations. The industry has given good value for money to the British people, both as consumers and as taxpayers.

Against this background the Government have decided that the selective expansion of agriculture should continue, provided that this is based upon the maintenance of the rate of increase in the industry's productivity. The programme announced in 1965 took us forward to 1970-71. Now we are to project it to 1972-73. We shall, of course, continue to take stock from year to year as we go along.

We have had a valuable report from the Economic Development Committee for Agriculture on the import saving possibilities of agriculture to 1972-73. The Government have examined the Committee's technical assessment. In addition, we have had to take into account the likely consequences on the use of resources and support costs and our international obligations.

The Economic Development Committee, in looking at cereals production for the next four years, believed that it
would be possible to overcome the husbandry and disease problems to achieve increasing average yields. We consider that, taking into account the quality of the additional land which would have to be brought into production, the objective set by the Economic Development Committee may prove to have been a little optimistic. This year's difficult harvest underlines some of the uncertainties which cereal growers can face.

For pigmeat, the Economic Development Committee proposed a very large increase indeed. Much of the expanded production would have to go for bacon. The Committee assumed that it would be possible to obtain a rapid expansion in the production of British bacon of the right quality and at the right price. There are some difficult technical and marketing problems in doing this. But we are looking to the curing industry to increase its share of the market by improving its productivity and competitiveness. Subject to these points, we welcome and endorse in broad terms the Economic Development Committee's assessment.

Our broad objectives over the next four years will be as follows. I have sounded a note of caution about the practical pace of advance in cereals production. Our objective, however, for cereals is clear. We aim to expand production as much as is technically possible and consistent with reasonable resource use and support cost. With this objective, goes an expansion of the appropriate break and fodder crops. For sugar beet, we shall maintain the acreage against a level of consumption of sugar which is, at best, static. We shall continue to aim at meeting the demand for main crop potatoes for human consumption. We shall encourage the output of the right quality potatoes for the processing industries.

It remains important that we should make significantly better use of our grassland. The Economic Development
Committee considered that, on this basis, a continuing growth of beef production was possible. We should like to see an increase in suitable calf retentions. We should also like to see any increase in the dairy herd for beef production related to cheaper milk production; for example, on summer grass.

We accept that we should continue an expansion of beef from the beef and dairy herds. This means that for these important commodities, beef and milk, we are aiming for increased output, similar to that suggested by the Economic Development Committee up to 1972-73. We recognise the importance of sheep and aim at a continued shift of the flock towards the hills and uplands.

For those commodities where we are already virtually self-sufficient – namely, poultry, eggs and pork – we shall aim to increase production to meet rising demands. We shall encourage the bacon curing industry to improve further its productivity so as to produce more bacon of a quality and at a price which will attract the consumer. We also wish to see the encouraging expansion of the horticultural industry continuing on the basis of its competitive efficiency.

I have tried to set out clearly the broad aims of a balanced programme for the whole industry. It goes a long way towards the import saving objectives of the Economic Development Committee. Although, for the reasons I have set out, the full import saving envisaged by the Committee would not be reached by 1972-73, nevertheless, by that time, we should achieve a net saving of about £160 million a year.

I should emphasise that, in the context of the programme, the Government are well aware of the need for stability in our markets. This stability contains support costs and gives confidence to the industry. Measures to promote such stability
already exist for many commodities, such as cereals, butter, bacon and potatoes. Further measures for other commodities may be required. This is under consideration by the Government.

We believe that it is within the capacity of the British industry to achieve the objectives of selective expansion which I have outlined. Much must depend, however, on the ability of the industry to go on improving its technological standards; on the extent to which its rising productivity can help to hold down support costs; and on the attention which it pays to marketing.

We believe that, if this progress can be made, the selective expansion can be achieved with an economic use of resources and consistently with our international obligations. The development of the programme, its cost, the resources required and the market situation will clearly have to be examined with the industry at each Annual Review.

I believe that the industry and the country will welcome the guidelines that we are laying down for the years ahead. I am sure that farmers and growers will do their part. They can be sure that the Government believe in them and in their potential for making a further major contribution to our economic prosperity.
ANNEX IV

EXTRACTS FROM NBPI REPORT NO. 101 ON PAY OF AGRICULTURAL WORKERS

(a) "In the first place it is to be inferred from the contention of both sides of the industry that the agreement is in keeping with the White Paper that they believe that the cost of the increase can be met by the workers' direct contribution towards raising productivity. Taking into account contributions to productivity from sources other than labour, this would imply as a minimum that prices need not rise on account of the pay increase." (paragraph 28)

(b) "It is an essential feature of the situation that the Government themselves have the means by which to ensure that the cost of the pay increase is not automatically passed on to the community, contrary to the intention of the incomes policy. The annual farm price review is due to be conducted next month, and it is open to the Government to take the view, when they are deciding the level of financial support for agriculture in the coming year, that the cost of this pay increase is to be offset by the direct contribution of workers towards increasing productivity and will not therefore result in the taxpayer having to shoulder higher support costs." (paragraph 29)
10th February, 1969

CABINET

AGRICULTURAL POLICY; FARM PRICE REVIEW 1969

Memorandum by the Chancellor of the Exchequer

Productivity and agricultural policy

I start by re-stating the assumptions about the continued rise in productivity on which our whole agricultural policy is based. The decisions taken on production objectives towards the end of last year had as their starting point an agreed report by senior officials on Production Objectives and Support Policies. This stated in paragraph 66 that - "We have taken into account the reduction in inputs which can be expected as a consequence of the increasing productivity of the industry and, in particular, of the continuing outflow of labour which can be expected to lead to a reduction of some £90 million in labour requirements over the period". That is to say, over the four-year period up to 1972-73, the report expected a saving of £22½ million a year on labour costs alone, on a constant price basis.

2. The report continued (in paragraph 69) as follows:

"The Ministry of Agriculture's best appraisal, from which we have no reason to dissent, is that producers would have to be left with some £40 million to £60 million more a year in real terms by 1972-73. This compares with the estimated increase in net income of £110 million a year on Review commodities by that date. £55 million would therefore be the amount left with the industry after four years if they were allowed to keep about half of their increased profits. It would therefore be possible, as in the past, to continue the squeeze on the industry at Annual Reviews to reduce support costs in real terms."

3. This assumption of a continuing annual productivity gain underlay all our subsequent consideration of the issues and the Minister of Agriculture's statement to the Commons on 12th November 1968, when he said that "The Government have decided that selective expansion of agriculture should continue, provided that this is based upon the maintenance of the rate of increase in the industry's productivity." If the appraisal which was made only a few months ago of the prospects for productivity is now to be called into question, then the selective expansion programme itself is called into question. For my part I see no reason
for reversing our position in either respect. One bad year does not affect the underlying productivity trend, I believe that, unless and until there is much more concrete evidence to the contrary, we should proceed on the basis that, taking one year with another, agriculture is capable of a continuing substantial gain in efficiency, that part of this should be applied towards increasing the farmers' potential net income and the remainder towards reducing the potential cost of Exchequer support, and that this should be a fundamental criterion for the specific decisions to be taken in these Annual Reviews. The immediate issue, therefore, is to what extent the award resulting from the present review should be designed to leave farmers with the benefit of the efficiency gain which can be expected to reassert itself in the coming year, given normal weather conditions, and to what extent part of this gain should go to mitigate the cost falling on the taxpayer and the consumer.

Movements in net income

4. Comparisons between the movements in the net income of farmers in recent years and the changes in income of other groups depend on a number of factors including the period covered and the other groups with whom a comparison is made. I am enclosing at Annex A some figures extracted from MAFF material, which show that in money terms net income per farm rose by 40 per cent in England and Wales between 1963 and 1967 and by 55 per cent in Scotland and Northern Ireland. These years are exactly those which the MAFF thought relevant when discussing beef production; it is not reasonable to treat them as significant from one point of view and irrelevant from another. Over the same period the monthly index of earnings of all employees including salary earners and wage earners rose by about 27 per cent in money terms. Although the report by officials referred to above pointed out that farmers' incomes in real terms had risen by about 20 per cent since the mid-fifties, compared with a rise of over 30 per cent in average incomes outside agriculture, the Economic Statistics now circulated by the Ministry of Agriculture seem to indicate that farmers' incomes have kept abreast since the mid-fifties with the aggregate incomes of other sole traders and partners. I also attach at Annex B a table on net income and net output which has already been circulated to APC and which has the advantage of giving a moving three-year average in farming income, thus avoiding the bias involved in taking an untypical base year. So far as one can judge on the available material, my conclusion is that, prior to 1968, farmers' net income as a whole had done reasonably well. We must also bear in mind the annual reduction in the number of farmers, running at about 5,000 a year, which means that the total is shared among a decreasing number of people. It is also generally acknowledged that, within this total, there are wide variations in the circumstances of individual farmers, depending in many cases on the size of their operations.
5. We must now, however, take account of the reduction in net income in 1968 because of bad weather and disease. I understand that an examination of the material on this particular point circulated by the Ministry of Agriculture suggests that not all types of farming and not all parts of the United Kingdom suffered such a reduction. Nevertheless I agree that this is a factor militating against being too severe in applying to this particular review the general approach which I have set out above.

6. But it is not an argument for abandoning this approach entirely or for excessive generosity. But for bad weather, the Agricultural Departments have estimated that the upward trend in net income would have continued during the past year. Given normal weather, this trend will reassert itself in 1969 without an over-generous settlement. If we add something to an otherwise reasonable award purely because of what happened last year, then with normal weather conditions the increase in farmers' income in 1969 would be wholly out of keeping with our general incomes policy.

7. If we were to fix very high guaranteed prices, designed to compensate the farmers this year for last year's bad weather, to a large extent these would be paid on output already in the pipeline. Moreover, because of the basis on which we calculate the annual award these very high prices would automatically be carried forward into future years. Suppose we were to give a bonus of £5 million this year on account of the bad weather in 1968. If costs increase next year, say by £40 million and we decide to leave the farmers with 50 per cent of their productivity gain, the award would be £25 million. But a settlement on this basis would provide farmers in 1971 and subsequently with their additional bonus of £5 million for the bad weather in 1968. I doubt whether we could have any expectation of getting these price levels down again, and I should see extreme difficulty over extemporising at such short notice a new formula of this kind for fixing guaranteed prices in the present review. If this approach is to be seriously considered as a basis for long-term policy in this field, I suggest that it should be thoroughly considered between now and the next review. Meanwhile, though I agree that last year's performance has to be taken into account in a general way, I do not think that the subsidy levels can now be fixed so as specifically to compensate farmers for last year's weather, with a view to abating them in the future if the weather has been good. In the important case of beef such a course would be irreconcilable with the proposal of the Agricultural Departments to give an assurance that the new guaranteed price will be maintained for a period of years.

Income and investment

8. It has been suggested that the fall in net income in 1968 will prejudice the farmers' ability to invest and expand operations in 1969, and that the subsidy levels should be increased to avert this danger. While it is not disputed that net income plays an important part in agricultural investment, I understand that no detailed material has been made available to help in forming a judgment on the weight to be attached to this point, and no evidence has so far been brought forward to suggest a general lack of liquidity among farmers to finance their current
operations. In any event, guaranteed prices which accrue after output has been sold cannot in themselves provide the finance required at the outset. The availability of bank finance is much more relevant to the question of the resources available for farm operations at this particular juncture. It is relevant that total bank advances to agriculture, fisheries and forestry rose to £533 million in mid-November, 1968, as compared with £510 million a year earlier. Furthermore the willingness of banks to lend and the availability of capital from other sources is far more likely to be affected by future prospects than by the experience of one bad year, which is well known to occur occasionally in agriculture.

Public expenditure implications

9. The treatment of agricultural support presents special difficulties for the forecasts of public expenditure. Forecasts made on the basis of any given level of guaranteed prices are subject to big variations in either direction according to the actual level of home supplies and of market prices, which in turn can be affected not only by changes in demand but also by import levels and prices. In several recent years the provision for agricultural support has for these reasons been underspent, but in 1961-62 there was an over-spending of £63 million, and in 1967-68 there would have been an over-spending but for devaluation, which put up market prices and therefore reduced the size of deficiency payments. The figure for agricultural support in 1968-69 which appeared in the 1963 public expenditure survey was the best estimate that could then be made for the current year - though it is in fact being substantially underspent - while the same figure was projected for subsequent years, in the absence of any forecast in the true sense for those years, because we must have some basis for allowing provisionally for agricultural support in our totals. But this projection - though any excess above it would mean that a different allowance would have to be made in the public expenditure total - does not in itself provide a rational basis for determining the present award. The objection from a public expenditure point of view to the proposals of the Agricultural Departments is not simply that in statistical terms they would exceed the projection for 1970-71, though not for 1969-70, but that from every other point of view they imply criteria quite out of keeping with our general approach to public expenditure.

10. In terms of the provision for agricultural support in Vote Estimates, the position is that the Main Estimates for 1969-70 are being submitted to Parliament at £293 million on the basis of existing guaranteed prices. (This figure excludes certain assistance to agriculture and fisheries not classified as agricultural support), Supplementary Estimates will be required to meet the gross cost of higher guaranteed prices, though the net change in outturn may be either bigger or smaller than this according to changes in market conditions. Other things being equal the supplementary provision required in 1969-70 by the proposals of the Agricultural Departments
will be about £28 1/2 million. The full-year supplementary cost on Votes would be £11 million higher than this making nearly £40 million. The difference between this figure and the £50 million award proposed by the Agricultural Ministers is accounted for by that part of the cost which will fall directly on the consumer and by certain technical changes in the seasonal adjustments to the guaranteed price for beef. All other Departmental Estimates have been handled, by common agreement among us, on the basis of identifying uncommitted expenditure and keeping it to a minimum. This approach has been adopted even where the expenditure in question has been allowed for in previous public expenditure forecasts. We are now dealing with precisely such a case of uncommitted expenditure and, while I have not proposed that the general approach should be applied as rigorously as it has been in most other cases, because of the other considerations involved, I am sure that we should preserve some degree of consistency.

11. The 1969-70 figure for agricultural support which is included in the draft White Paper on Public Expenditure is the Estimate figure of £293 million, and not the projection which was assumed for the purpose of the 1968 Public Expenditure Survey. The Supplementary Estimates required by the proposed award will therefore come out of the contingency reserve for 1969-70 and, though this is reasonable in the circumstances, the more that is allocated from the reserve for increases in guaranteed prices, the less will be available for other contingencies either in agricultural or in other expenditure. There will be no possibility of cutting guaranteed prices during the year if their case proves to be excessive.

Conclusion

12. The conclusion which I recommend to my colleagues is therefore that, on a balance of these various considerations, the total award to the farmers from this year’s review should be based on the proposals put forward by the Minister without Portfolio, and the underlying principle should be maintained that the farmers should make a significant contribution out of increased productivity - though not so great as we should have required in other circumstances - towards absorbing cost increases and relieving public expenditure of part of the potential cost of agricultural support. Any other approach would entail a change in the basis on which our agricultural policy has so far been framed.

R. H. J.

Treasury Chambers, S. W. 1.

10th February, 1969
The text on the page is not clearly visible due to the image quality. It appears to be a page from a document, but the content is not legible.

Summary data of net income extracted from Economic and Financial Data circulated by the Ministry of Agriculture on 30th January 1969.

Index Numbers of Net Income per Farm
(All types and all sizes)

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<thead>
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<th>Northern Ireland</th>
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<td>1967</td>
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<td>155</td>
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</table>

Adjusted to real terms

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<th>Northern Ireland</th>
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</thead>
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<td>100</td>
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<tr>
<td>1967</td>
<td>122</td>
<td>135</td>
<td>136</td>
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*The figures for Scotland relate to the years 1963/64 - 1967/68
### ANNEX B

#### NET INCOME AND NET OUTPUT

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Farming Net Income (£ Million)</th>
<th>Index of Agricultural Net Output (Actual Basis)</th>
<th>Three Year Moving Average of Index</th>
<th>Three Year Moving Average of Index</th>
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<td>ALL HOLDINGS (d)</td>
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<tr>
<td>1963/64</td>
<td>407</td>
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</tr>
<tr>
<td>1966/67</td>
<td>480½</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>1967/68(b)</td>
<td>516 (a)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1968/69(c)</td>
<td>477 (a)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Actual Basis (a)
- Three Year Moving Average of Actual Income
- Index
- Three Year Moving Average of Index

(a) On the basis of normal weather conditions income is estimated at £495 million in 1967/68 and £509 million in 1968/69.
(b) Provisional.
(c) Forecast.
(d) Includes estimated production from units under one acre.
7th February, 1969

CABINET

AGRICULTURAL POLICY: FARM PRICE REVIEW 1969

Memorandum by the Minister of Agriculture, Fisheries and Food

I was invited by the Cabinet (CC(69) 7th Conclusions, Minute 3) to circulate a memorandum setting out the salient figures bearing on the Award to be made following the Annual Review, with particular reference to costs, efficiency, and net income in the agricultural industry.

Costs

2. The aggregate change in the cost of all farm imports since the 1968 Review amounts to an increase of £50 million on all commodities, and £38 million on Review commodities, in a full year. About two-thirds of these increases have already occurred, and have been reflected in farmers' income in 1968-69. The rest are known costs that will occur in 1969-70. Possible future cost changes are ignored. The cost increase of £38 million this year compares with £68\(\frac{1}{2}\) million last year and an average for the previous five years of £22\(\frac{1}{2}\) million.

Output

3. The net output of the industry is forecast to fall in 1968-69 by some £35 million or five points on the index (using the average 1954-55 to 1956-57 as the base 100). The index in recent years has moved as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>1964-65</td>
<td>136</td>
</tr>
<tr>
<td>1965-66</td>
<td>135</td>
</tr>
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<td>1966-67</td>
<td>135</td>
</tr>
<tr>
<td>1967-68</td>
<td>143</td>
</tr>
<tr>
<td>1968-69</td>
<td>138 (forecast)</td>
</tr>
</tbody>
</table>

4. Each year we take account at the Review of the gain which is expected to accrue to the industry as a result of increasing efficiency. The figure is reassessed periodically and was raised to £30 million in 1966. The gain arises from new technology, from better farm management and from the economies of scale as farm structure improves. The measure of the gain is the extent to which output rises in relation to inputs of labour and capital.
5. The assessed figure of £30 million is based on the assumption that output will maintain a steady rate of increase. If this increase does not occur, then output will bear a less favourable relationship with a given input of capital and labour, and the gain actually realised from greater efficiency will be less than the assessed figure. In 1968-69, output fell, with the result that the gain will in that year have been negligible.

Income

6. Farming net income is not the same as salaries and wages. Besides providing for the living expenses of the farmer and his family, it must also provide a fair return on the working capital he has invested in his business as well as resources for further investment. The Government have explicitly recognised that net income is a major source of finance for further investment. Of course, farmers also borrow investment money from the banks. To do so they must offer reasonable security for the investment. This means that the prospects must be adequate to cover the interest charges and repayment.

7. In 1968-69, net income has fallen sharply, as a result of the aftermath of the foot-and-mouth epidemic, of the exceptionally difficult harvest which cut cereals production by more than one million tons, and the extra costs farmers have had to bear. It is down by £39 million on the previous year.

8. Aggregate net farming income (United Kingdom) in the last five years has moved as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>£472 ¹/₂m.</td>
<td>£460 ¹/₂m.</td>
<td>£480 ¹/₂m.</td>
<td>£516m.</td>
<td>£477m. (forecast)</td>
</tr>
</tbody>
</table>

Taking 1964-65 as the base year of the Selective Expansion Programme, as a 100, the movement in money terms and in real terms is given below.

<table>
<thead>
<tr>
<th>Year</th>
<th>Money terms</th>
<th>Real terms</th>
</tr>
</thead>
<tbody>
<tr>
<td>1964-65</td>
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<td>100, 0</td>
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<tr>
<td>1965-66</td>
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<td>93, 5</td>
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<td>1967-68</td>
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<td>98, 6</td>
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<tr>
<td>1968-69</td>
<td>101, 0</td>
<td>86, 9</td>
</tr>
</tbody>
</table>

9. The Agricultural Departments each year prepare an analysis of income by farm size and type of enterprise, based on farm accounts collected on our behalf by the University Agricultural Economics Departments. Accounts for 1968-69 are of course not available.
The following figures, relating to England and Wales, illustrate income distribution in 1967–68. The position on all farms will have deteriorated somewhat in 1968–69. The figures on cereals and beef are the best available to show the broad position on these commodities, although it is not possible to isolate these commodities precisely, since they are produced on a wide range of general farms, not simply on specialist ones.

### Aggregate income 1967–68 by size of business

<table>
<thead>
<tr>
<th></th>
<th>Small</th>
<th>Medium</th>
<th>Large</th>
<th>All Sizes</th>
</tr>
</thead>
<tbody>
<tr>
<td>All farms (excluding horticulture)</td>
<td>£856</td>
<td>£2,066</td>
<td>£3,588</td>
<td>£2,251</td>
</tr>
<tr>
<td>Mainly cereals</td>
<td>£1,036</td>
<td>£2,309</td>
<td>£4,375</td>
<td>£2,994</td>
</tr>
<tr>
<td>Mainly beef</td>
<td>£772</td>
<td>£2,093</td>
<td>£3,863</td>
<td>£1,672</td>
</tr>
</tbody>
</table>

**Note:** In this table, size of farms is not based on acreage but on the size of the farm business. Small businesses as shown here are those run by one man with part-time help; medium businesses two to four men; large businesses four to six men. In all cases, the number includes the farmer himself.

10. Allowing for a return on the farmer’s working capital investment in his business at the exceptionally low rate of 7½ per cent, the figures given in paragraph 9 have been adjusted to show what was left to the farmer and his wife for their manual labour and management, insurance contributions and tax, and for investment.

<table>
<thead>
<tr>
<th></th>
<th>Small</th>
<th>Medium</th>
<th>Large</th>
<th>All Sizes</th>
</tr>
</thead>
<tbody>
<tr>
<td>All farms</td>
<td>£584</td>
<td>£1,384</td>
<td>£2,436</td>
<td>£1,522</td>
</tr>
<tr>
<td>Mainly cereals</td>
<td>£561</td>
<td>£1,776</td>
<td>£2,778</td>
<td>£1,874</td>
</tr>
<tr>
<td>Mainly beef</td>
<td>£418</td>
<td>£1,253</td>
<td>£2,506</td>
<td>996</td>
</tr>
</tbody>
</table>

11. Although, as I have said, farm incomes are not the same as salaries and wages, the following table may be helpful in providing some broad comparisons in money terms. Using 1964–65 as the base 100, income movements have been as follows:
1964-65 | 1967-68 | 1968-69 (forecast)
---|---|---
Farmers | 100 | 109.3 | 101.1
Other sole traders | 100 | 110.7 | 114.2 (1968)
Rural workers | 100 | 118.3 | 124.5
Professional persons | 100 | 110.7 | 114.1 (1968)
Company profits | 100 | 104.9 | 111.6 ("")

General

12. At the 1968 Review, we made an Award of £52¼ million against cost increases of £68½ million. On the assumption that the efficiency gain would be £30 million, this implied that farmers would have to bear about £16 million of their cost increases and would then be left with about £14 million as an incentive and reward and to provide for further investment in expansion.

13. In the event, because of the drop in output and income farmers are now not only £39 million worse off than in 1967-68 but they failed to get the additional £14 million which the 1968 Review was intended to provide. Their current income position is thus substantially worse than we aimed at.

14. Assuming that next year's weather is normal, we can of course expect income to be restored to the sort of level which could have been expected in 1968-69. But we cannot possibly expect it to make good the loss of income which farmers sustained that year. This is why I believe that, in this quite exceptional situation, our Award this year must give reasonable prospects that the depletion of the industry's resources will be restored. Only if we do this can we expect investment for expansion to go ahead in line with our objectives. Delay now cannot be made good, so that each year between now and 1972-73 we should forgo a substantial part of the net import saving which the industry is capable of making to the benefit of the balance of payments.

15. I have also been considering how far it would be possible to make a definite link from year to year between the size of the Award and the effects of the weather, disease, etc, in the preceding year. The object would be to ensure that if income losses were made good following an exceptionally bad year, farmers would automatically give up some of the higher income produced after a good year. This is in fact how the Review machinery has been used in the past, although not on an automatic basis. And it is important to keep enough flexibility in the arrangements to allow not only production considerations, but also
any special international, public expenditure or other considerations to be reflected in the Award in any year.

16. Of course, I fully accept that on the assumption that output, income and the efficiency gain are restored, and the industry is on course and buoyant, it should be our objective over the four-year programme that farmers should bear out of their rise in productivity a reasonable proportion of their increasing costs. On this principle, it would follow that we should be allowing in good years for Awards which are necessary in bad years. I think that an approach of this kind - rather than any automatic one - would be best, and fully consistent with the flexibility which, as has all along been stressed, should apply to the implementation of the expansion programme.

C.H.

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

7th February, 1969
17th February, 1969

CABINET

WHITE PAPER

Note by the Chancellor of the Exchequer

As foreshadowed in Cabinet on Tuesday, 11th February, (CC(69) 8th Conclusions, Minute 2), I am now circulating for the information of my colleagues the draft of the statement on public expenditure which I shall be making on Thursday, 20th February and subsequently publishing as a White Paper.

2. I am also circulating this to the Ministerial Steering Committee on Economic Policy.

R.H.J.

Treasury Chambers, S.W.1.

17th February, 1969
With permission, Mr. Speaker, I wish to make a statement.

2. I am now able to report progress to the House on the management of public expenditure for 1968-69 and 1969-70, and to indicate the Government’s further plans for 1970-71.

3. I indicated to the House on 25th November and 2nd December that public expenditure for both 1968-69 and 1969-70 was running within the totals announced by the Government just over a year ago. After taking into account the Spring Supplementary Estimates for 1968-69 and the Vote on Account for 1969-70, which will be published later this afternoon, I can now give this indication greater firmness, precision and detail.

4. For 1968-69 I estimate, on the best available information about outturn, that aggregate expenditure will be £15,870 million at forecast outturn prices, as against an aggregate of £15,165 million for 1967-68 at the same price level. This is an increase in real terms over the previous year of 4.6 per cent, satisfactorily within the announced figure of 4\% per cent.

5. For 1969-70, in accordance with the Government’s announcement in January of last year, the increase in public expenditure over 1968-69 will be held to 1 per cent in real terms. The present estimate puts the aggregate for specific programmes at £16,365 million, at 1969 Estimates prices, with £75 million available for contingencies making a total of £16,440 million, an increase of almost exactly 1 per cent over the 1968-69 target envisaged a year ago.

6. I shall be making the text of this statement available as a White Paper, which will also include details of the latest estimates of the various main services and programmes.

7. I have explained that the figure for 1968-69 takes full account of the Supplementary Estimates which are being published today. Of the total of £165 million for which Supplementary provision will be sought, taking civil and defence Estimates together, only £81 million represents an increase in public expenditure in real terms. The remainder relates to two elements: first, transfers within the public sector and other transactions which add nothing to public expenditure, amounting to £22 million; and secondly, pay and price increases amounting to £52 million. As the House knows, the conventions which govern the form of Supplementary Estimates preclude them from showing the full extent of under-spending on Votes; and these under-spending will be substantially greater than the Supplementary Estimates now being presented.

8. Figures for 1969-70 similarly take account of that part of central Government expenditure for which provision is made in the new Supply Estimates, which will be published in summary form today with the Vote on Account.

9. It may be helpful if I explain briefly how Supply expenditure fits within the framework of the planned 1 per cent increase in public expenditure at constant prices. The net total of the Supply Estimates for 1969-70 is £11,571 million, and making the crudest comparison with the net total of Supply Estimates for last year's Budget this represents an increase of 7.9 per cent before discounting price increases. But Supply Estimates include a number of financial transactions which are not part of public expenditure. The great bulk of these are grants and net lending to local authorities and public corporations which are not counted towards public expenditure totals, because otherwise there would be double counting: it is the final spending by local authorities and other public bodies which enters into the public expenditure total. For these reasons, as much as a quarter of Supply expenditure is not public expenditure. But public expenditure is several more steps away from Supply expenditure, since public expenditure includes a number of large items which are not voted annually by the House. The main ones are the outgoings of the national insurance funds, the expenditure of local authorities, and the capital investment of public corporations other than the nationalised industries. Thus the total and make-up of public expenditure is very different from those of Supply expenditure; and consequently, comparing 1969-70 with 1968-69, the increase in public expenditure is also very different from the increase in Supply expenditure. Taking all the steps in the reconciliation - and these will be found set out in the White Paper - and making the necessary adjustment to discount the effects of price changes, the estimated increase in public expenditure in 1969-70 in real terms is the planned figure of 1 per cent.

10. The relationship between the Supply figures and the figures for public expenditure as a whole which I have traced in this Statement is not easy to present or to apprehend, and the mere fact that it requires lengthy explanation is one of a number of unsatisfactory consequences of procedures for handling the Vote on Account which were devised for another age. I hope that by the appropriate processes of the House it may be possible in the course of the coming year to devise some simpler and more informative arrangements.

11. To complete the picture, I should tell the House that capital expenditure by the nationalised industries, the B.B.C., the I.T.A. and Covent Garden Market Authority in the current year is now expected to be at least 6 per cent at constant prices below the level expected a year ago, and to continue at about the current level in 1969-70. In 1970-71 it is provisionally estimated to revert to around the higher 1967-68 level, though firm figures have not yet been approved.
12. The Government have now completed a review of public expenditure for 1970-71. I shall give details of the specific programmes in the White Paper, but as with the original figures for 1968-69 and 1969-70, the amounts given there must be read as subject to such marginal adjustments, within the overall total, as may from time to time be needed to ensure that the expenditure plan as a whole is adhered to. The aggregate of the specific programmes in 1970-71 is planned to increase by about 2 per cent above total public expenditure in 1969-70, plus a further margin of up to 1 per cent which will be available, if required, to meet whatever contingencies may arise. It is the firm intention of the Government to manage public expenditure in 1970-71 within these limits, which have been selected as fully consistent with attainment of the Government's declared objectives for social progress, economic advance, and, as the first priority in present circumstances, the required switch of resources to the balance of payments.
TABLE 1
PUBLIC EXPENDITURE(1) BY FUNCTION, 1967-68 AND 1968-69

<table>
<thead>
<tr>
<th></th>
<th>1967-68 Provisional Outturn(2)</th>
<th>1968-69 Estimated Outturn</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Outturn prices</td>
<td>Outturn prices</td>
</tr>
<tr>
<td>Defence Budget</td>
<td>2,231</td>
<td>2,268</td>
</tr>
<tr>
<td>Other Military Defence</td>
<td>198</td>
<td>169</td>
</tr>
<tr>
<td>Overseas Aid</td>
<td>205</td>
<td>215</td>
</tr>
<tr>
<td>Overseas Services</td>
<td>127</td>
<td>127</td>
</tr>
<tr>
<td>Roads and Public Lighting</td>
<td>523</td>
<td>600</td>
</tr>
<tr>
<td>Transport</td>
<td>256</td>
<td>261</td>
</tr>
<tr>
<td>Technological Services</td>
<td>177</td>
<td>225</td>
</tr>
<tr>
<td>Other Assistance to Employment and Industry</td>
<td>631</td>
<td>824</td>
</tr>
<tr>
<td>Research Councils, etc.</td>
<td>76</td>
<td>86</td>
</tr>
<tr>
<td>Agriculture, Fisheries and Forestry</td>
<td>373</td>
<td>381</td>
</tr>
<tr>
<td>Housing</td>
<td>1,055</td>
<td>1,090</td>
</tr>
<tr>
<td>Local Environmental Services</td>
<td>761</td>
<td>816</td>
</tr>
<tr>
<td>Law and Order(3)</td>
<td>513</td>
<td>565</td>
</tr>
<tr>
<td>Arts</td>
<td>15</td>
<td>16</td>
</tr>
<tr>
<td>Education(4)</td>
<td>2,123</td>
<td>2,295</td>
</tr>
<tr>
<td>Health and Welfare(5)</td>
<td>1,662</td>
<td>1,785</td>
</tr>
<tr>
<td>Social Security</td>
<td>2,906</td>
<td>3,313</td>
</tr>
<tr>
<td>Financial Administration</td>
<td>187</td>
<td>211</td>
</tr>
<tr>
<td>Common Services</td>
<td>145</td>
<td>169</td>
</tr>
<tr>
<td>Other Expenditure</td>
<td>411</td>
<td>444</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>14,580</strong></td>
<td><strong>15,870</strong></td>
</tr>
</tbody>
</table>

At 1968-69 Outturn Prices .... 15,165 15,870

(1) Excludes capital expenditure by the nationalised industries, the broadcasting authorities and the Covent Garden Market Authority, and debt interest.
(2) As in the Treasury Analysis of Public Expenditure in "National Income and Expenditure, 1968".
(3) Includes Child Care.
(4) Includes Local Libraries and Museums.
(5) Includes Welfare Foods.
## TABLE 2

### PUBLIC EXPENDITURE(1) BY FUNCTION, 1968-69 TO 1970-71

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Defence Budget</strong></td>
<td>2,390</td>
<td>2,266</td>
<td>2,281</td>
</tr>
<tr>
<td><strong>Other Military Defence</strong></td>
<td>532</td>
<td>122</td>
<td>35</td>
</tr>
<tr>
<td><strong>Overseas Aid</strong></td>
<td>235</td>
<td>227</td>
<td>235</td>
</tr>
<tr>
<td><strong>Other Overseas Services</strong></td>
<td>135</td>
<td>120</td>
<td>128</td>
</tr>
<tr>
<td><strong>Roads and Public Lighting</strong></td>
<td>622</td>
<td>608</td>
<td>598</td>
</tr>
<tr>
<td><strong>Transport</strong></td>
<td>263</td>
<td>251</td>
<td>252</td>
</tr>
<tr>
<td><strong>Technological Services</strong></td>
<td>236</td>
<td>216</td>
<td>232</td>
</tr>
<tr>
<td><strong>Other Assistance to Employment and Industry</strong></td>
<td>806</td>
<td>821</td>
<td>856</td>
</tr>
<tr>
<td><strong>Agriculture, Fisheries and Forestry(3)</strong></td>
<td>424</td>
<td>396</td>
<td>400</td>
</tr>
<tr>
<td><strong>Housing</strong></td>
<td>1,125</td>
<td>1,090</td>
<td>1,126</td>
</tr>
<tr>
<td><strong>Local Environmental Services</strong></td>
<td>829</td>
<td>893</td>
<td>887</td>
</tr>
<tr>
<td><strong>Law and Order (4)</strong></td>
<td>572</td>
<td>603</td>
<td>658</td>
</tr>
<tr>
<td><strong>Arts</strong></td>
<td>16</td>
<td>17</td>
<td>20</td>
</tr>
<tr>
<td><strong>Education (5)</strong></td>
<td>2,280</td>
<td>2,385</td>
<td>2,474</td>
</tr>
<tr>
<td><strong>Health and Welfare (6)</strong></td>
<td>1,825</td>
<td>1,876</td>
<td>1,958</td>
</tr>
<tr>
<td><strong>Social Security (7)</strong></td>
<td>3,262</td>
<td>3,438</td>
<td>3,528</td>
</tr>
<tr>
<td><strong>Financial Administration</strong></td>
<td>211</td>
<td>226</td>
<td>218</td>
</tr>
<tr>
<td><strong>Common Services</strong></td>
<td>160</td>
<td>195</td>
<td>209</td>
</tr>
<tr>
<td><strong>Other expenditure</strong></td>
<td>456</td>
<td>480</td>
<td>471</td>
</tr>
<tr>
<td><strong>Contingency Reserve</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| **Total**                                      | 16,271  | 16,440                   | 16,931  |

---

1. Excludes capital expenditure by the nationalised industries, the broadcasting authorities, and the Covent Garden Market Authority and debt interest.
2. In this table Selective Employment Tax paid by local authorities has been allocated to the individual services. In Cmnd. 351 this expenditure was included under "Other expenditure".
3. Excludes the effect of the Farm Price Reviews for 1969 and later years, which will be provided for from the Contingency Reserve.
4. Includes Child Care.
5. Includes Libraries and Museums.
7. The figures for 1969-70 and 1970-71 have been estimated on the basis of existing rates of benefits.
8. This total corresponds to that of £15,078 million in the table in Cmnd. 351, plus £31 million for the estimated cost of the 1968 Farm Price Review as given in the Financial Statement, 1968-69 (H.C. 151), revalued from 1967 Survey prices, as used in Cmnd. 3515, to 1969-70 Estimates prices.
TABLE 3
PUBLIC EXPENDITURE (1), 1968-69 AND 1969-70
RECONCILIATION WITH SUPPLY ESTIMATES

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Supply Estimates (not Vote)</td>
<td>£10,725(2)</td>
<td>£11,571</td>
</tr>
<tr>
<td>Less</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants and net lending to local authorities and public corporations(3)</td>
<td>£-2,070</td>
<td>£2,290(7)</td>
</tr>
<tr>
<td>Transactions within central government(4)</td>
<td>£-404</td>
<td>£640(7)</td>
</tr>
<tr>
<td>Items treated as part of revenue and net borrowing (5)</td>
<td>£-407</td>
<td>£477</td>
</tr>
<tr>
<td>Public Expenditure element in Supply Estimates</td>
<td>£7,844</td>
<td>£8,164</td>
</tr>
<tr>
<td>Other central government:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>National Insurance Funds</td>
<td>£2,399</td>
<td>£2,524</td>
</tr>
<tr>
<td>Other (5)</td>
<td>£340</td>
<td>£363</td>
</tr>
<tr>
<td>Local authorities</td>
<td>£4,840</td>
<td>£5,120</td>
</tr>
<tr>
<td>Public corporations (mainly New Towns)</td>
<td>£201</td>
<td>£194</td>
</tr>
<tr>
<td>Contingency Reserve</td>
<td>£-</td>
<td>£75</td>
</tr>
<tr>
<td>Total Public Expenditure (Financial Statement 1968-69 - H.C.151)</td>
<td>£15,624</td>
<td>£16,440</td>
</tr>
<tr>
<td>Add</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Difference between the Financial Statement 1968-69 (H.C.151) and Cmd. 3515(7)</td>
<td>£44</td>
<td></td>
</tr>
<tr>
<td>Total Public Expenditure (Cmd. 3515)</td>
<td>£15,668(8)</td>
<td>£16,440</td>
</tr>
<tr>
<td>Total Public Expenditure (Cmd. 3515) expressed at 1969-70 Estimates prices</td>
<td>£16,277</td>
<td>£16,440</td>
</tr>
</tbody>
</table>

(1) Excluding capital expenditure by the nationalised industries, the broadcasting authorities and the Covent Garden Market Authority, and debt interest.

(2) 1968 Budget Estimates

(3) Mainly Rate Support Grant and other current grants to local authorities.

(4) CONFIDENTIAL
(4) Including grant to National Insurance Funds.

(5) A net figure comprising Vote payments not entering into public expenditure (e.g., refunds of Selective Employment Tax) offset by sums appropriated in aid of Votes but not deductible from public expenditure (e.g., National Health Service contributions).

(6) Including expenditure from the National Loans Fund and by the Northern Ireland central government.

(7) Between 10th January, 1968, when Cmnd. 3515 was published, and the Financial Statement, 1968-69 (H.C.151) of 19th March, 1968, there were net reductions in various public expenditure programmes amounting to £44 million.

(8) This total corresponds to that of £15,078 million in the table in Cmnd. 3515, plus £31 million for the estimated cost of the 1968 Farm Price Review as given in the Financial Statement, 1968-69 (H.C.151), revalued from 1967 Survey prices, as used in Cmnd. 3515, to 1968-69 Estimates prices.
On the 21st February, the Ministerial Committee on Science and Technology met under my chairmanship to consider a note by the Chairman of the Official Committee setting out the main arguments for and against continuance of the national programme of space technology, known as BLACK ARROW. His note was accompanied by a review of the programme by the Ministry of Technology which the Official Committee had agreed should be submitted to Ministers; and I attach this review as an appendix to this memorandum.

2. The case for retaining BLACK ARROW rests on two main considerations. Firstly, the programme offers the means of maintaining a focus of expertise about space technology which would be of value to other Government Departments and to industry, and also in protecting our investment in international organisations. Secondly, it is believed that investment in such a space programme, at a rate of £3 million in 1969-70 rising to £5 million by 1973-74, would in the long term be justified by economic returns, although these cannot at present be quantified. A national programme of space technology gives credibility to the British space industry as suppliers of systems and components; without it our industry would be in a much weaker position in competition for international business with countries such as France, Germany, Japan and Canada (all of whom have comprehensive space programmes), leaving aside the United States.

3. On the other hand the Treasury maintain that BLACK ARROW does not satisfy the criteria now used in assessing new projects, and that no sound economic case has been made for continuing the programme. They believe BLACK ARROW to be a hazardous venture with an uncertain economic return, of a type which should not now be pursued because of the state of the economy. They also doubt whether success in winning contracts for space equipment depends on having a national programme.

4. It is argued that the decision is of crucial importance since, if BLACK ARROW were cancelled, the United Kingdom would in effect be abandoning space technology; and to re-enter the field in the future and attempt to regain our position, if it seemed desirable to do so, would be prohibitively expensive. However, the Treasury are of the opinion that it might be feasible to resume work in the space field through licensing arrangements with the United States and others.
5. With the exception of the Minister of State, Treasury, Ministers were agreed that if the programme were to continue it should be at the increased rate of spending proposed by the Minister of Technology; i.e., increasing from £3 million in 1969-70 to £5 million in 1973-74. It would be financed out of the Ministry's "block budget" and due provision for it would be made in their 1969 PESC forecasts. It was accepted that the programme should stand or fall as a whole. The same Ministers concurred with the Minister of Technology's view that the arguments in favour of completing and using the British launcher outweighed those in favour of switching to a United States launcher.

6. At the meeting of the Ministerial Committee, there was strong support for the view that our space programme had real potential for development, although it was not yet possible to predict the precise directions in which it could be exploited. The industries based on space technology were among the most rapidly growing businesses in the world, and we might seriously underestimate the value of BLACK ARROW if we based it simply on the exports in the 1970s that could now be foreseen. The prime value of the programme lay in the support it would provide for the electronics and telecommunications industries - and this in turn had a bearing on the position which the United Kingdom still held as a world telecommunications centre. Our position in the large and profitable market for ground stations would probably be prejudiced if we abandoned BLACK ARROW, because potential customers would be drawn to those countries which had a proven capability of developing complete space systems.

7. As to the other uses of BLACK ARROW, the Royal Air Force would benefit from the development of the meteorological satellite which was now included in the programme, and improved weather forecasting would bring large economic benefits, particularly from more efficient working in agriculture and the construction industry. The European Space Research Organisation (ESRO) is understood to have expressed an interest in the BLACK ARROW launcher, as have the Science Research Council on behalf of British space scientists.

8. A minor point in favour of BLACK ARROW, but one which should not be overlooked, is the political advantage of having ourselves launched an all-British satellite by 1970.

9. The question is not whether the United Kingdom should or should not embark on a major space programme, as BLACK ARROW would in any case amount to little more than an insurance policy. The point at issue is whether the programme should continue or whether it should be cancelled in order to release resources for the development of other, potentially more profitable, technologies. It has been argued that if the programme is sacrificed for this reason, it should be with a clear knowledge of the alternative uses to which the resources would be put. In this connection, the Civil Service Department have stated that relatively few qualified men are required for the programme, and manpower demands cannot therefore be said to sway the case in either direction.
With the exception of the First World War, the United Nations has not been a participant in major military conflicts since its founding in 1945. The organization has, however, been involved in several peacekeeping operations, including in the former Yugoslavia, the Middle East, and Cambodia. The United Nations has also been a key player in international efforts to address global challenges such as climate change and nuclear non-proliferation.

The United Nations has a number of specialized agencies, including the World Health Organization (WHO), the United Nations Educational, Scientific and Cultural Organization (UNESCO), and the International Labor Organization (ILO). These agencies work to promote human rights, education, and economic development around the world.

The United Nations has been criticized for its failure to prevent or halt large-scale atrocities, such as those committed in Rwanda in 1994 and in Syria in recent years. The United Nations has also been criticized for its role in international financial institutions, which have been accused of exacerbating global inequality and economic instability.

The United Nations remains a central hub for international diplomacy and cooperation, and its role in addressing global challenges continues to evolve. The organization is constantly adapting to new challenges, such as the rise of artificial intelligence and the increasing threat of cyber attacks.
10. I therefore invite my colleagues -

(i) to note that, with the exception of the Minister of State, Treasury, the Ministerial Committee on Science and Technology supported the case for the continuance of the BLACK ARROW programme;

(ii) to decide whether or not the BLACK ARROW programme should continue, as elaborated in paragraph 21 of the Appendix, in the light of the views expressed above.

T.F. P.


24th February, 1969
Introduction

1. At a meeting held on 28th February 1968 Ministers agreed that the BLACK ARROW programme should be continued for a further year from 1st April 1968, subject to the following -
   (a) that the Ministry of Technology would find compensating savings for the additional provision required in 1968-69 within Part I of the Civil Technology public expenditure block and the Department's Civil Estimates for 1968-9;
   (b) that continuation of the programme in 1969-70 would be for subsequent decision in the light of further consideration of the method of making financial provision for it;
   (c) that the justification for the retention in the programme of the development of a launcher would be reviewed at official level within the next six months.

The Cabinet endorsed these conclusions at its meeting on 7th March 1968.

2. With regard to (b) above, the Ministry have accepted the Treasury view that the BLACK ARROW programme should continue to fall within the Ministry's Category I programme, and provision was made in the 1968 PESC forecasts for Category I expenditure of about £3 million in each of the years from 1969-70 to 1972-73.

3. In the review of the launcher element of the programme, it became increasingly evident that the interaction between it and the programme as a whole was such that it was not sensible to consider the launcher separately. It has therefore not been possible to put a paper on the launcher to the Committee in advance of completion of a comprehensive review of the whole programme.
Need for a National Space Technology Programme

4. The purpose of a national space technology programme is to create and maintain a capability in this field both within Government and in British industry. It is not claimed that there is in the foreseeable future a quantifiable economic case for such a programme; equally it is impossible to be confident at this very early stage in the history of space technology that the substantial body of opinion in this and other countries* which considers space technology as a key growth area of potentially great industrial and economic importance, is wrong. The Ministry of Technology accordingly continues to believe that a modest national programme of space technology, primarily on satellites, should be pursued, in order to maintain a technical and industrial base from which it would be possible to expand later, when and if the economic case for doing so becomes clear.

5. A further important argument is the need for the Government to have its own source of expert advice in order to take soundly based decisions on space activities in which the United Kingdom already has a practical interest (e.g. INTELSAT, scientific research in space, defence communications by satellite). Such expertise can only be maintained on the basis of a current programme in this field.

6. Such a programme should be regarded as applied research, and like all research an act of faith in the prospect of economic benefits. Until the techniques involved are more firmly established and the economic factors can be more reliably quantified, it is right that the programme should be held at the minimum level which is scientifically and industrially sensible. It would however yield ancillary benefits in the form of "spin off" to industry in general and enhanced prospects of obtaining international space contracts. Although the Ministry does not base its case on direct short-term economic benefits, an attempt has been made in the Annex to forecast the possible scale of the market; for what this is worth, it suggests that in the course of the 1970's the United Kingdom might hope to obtain satellite business from overseas rising to a level of £13 million a year, in addition to significant ground station business. These figures are largely based on simple extrapolation of existing trends, and presently unforeseen developments in the use of satellites may show them to be underestimates.

* Appendix B to CSC(68) 3 (Revise) gave information on other countries' national space programmes. This information is believed to be still broadly correct, and gives an indication of the space effort of those countries.
7. The decision of Ministers, taken in the context of the November 1968 European Space Conference, that the United Kingdom should on certain conditions participate in European space applications (as well as continuing to do so in European space research) implies a belief in the future prospects of space. It does not in any way remove the need for a national programme; if anything it reinforces it. For the work coming to the United Kingdom from international programmes is not likely to cover all the aspects of the technology which we should regard as important; indeed it is more likely to be in those areas where we already have competence, rather than in those where we wish to acquire it. Without the backing of a reasonably comprehensive national programme, we should, in comparison with the other European countries with substantial national programmes in this rapidly advancing field of technology, be badly placed for international negotiations concerning space, for knowledgeable participation in the technical direction of international projects, and for seeking the optimum use of the funds to which we have contributed including a reasonable share of contracts from the various international organisations involved. On the other hand, given a national programme, its content could be adjusted, in the light of expected requirements, in order to place British industry in the most advantageous position.

The BLACK ARROW Programme
8. The national space technology programme consists effectively of BLACK ARROW, and no practicable alternative exists as a means of meeting the needs set out in paragraphs 4-7 above. It consists of two elements planned as an integrated programme -

(a) The development and manufacture of a series of satellites in the course of a programme of research into the main aspects of satellite technology;

(b) the development and construction of a small satellite launcher (based on the successful BLACK KNIGHT research launcher) in order to prove components, sub-systems and satellites in actual space conditions.

9. Against the above background of the need for and purposes of a national space technology programme, the Ministry of Technology has reviewed

(a) the content and orientation of the satellite programme;
(b) the level of funding required; and
(c) the question of the continuation of the launcher element.

Content of the Satellite Programme

10. The content of the BLACK ARROW satellite programme has been reviewed in the light of the purpose of the national programme discussed in paragraphs 4-7. Hitherto a central theme of the programme has been the development of electric propulsion. This technique still offers promising prospects in particular of putting large payloads into geostationary orbit more economically than by reliance throughout upon conventional chemical propulsion; it is however not of immediate relevance to current requirements, which are for the development to particularly demanding standards of reliability of a range of techniques and sub-systems common to most types of satellite (e.g. in respect of structure, power supply, attitude sensing and control, data-handling, bearings) and the building-up of a general expertise in the procedures of satellite integration and check-out, which demand an unusually high quality of project management.

11. It is planned therefore to give priority in the early stages of the programme to the development and testing of common user items of the kind described above. At the same time, in order to provide a development incentive, it is considered desirable as far as possible to include them in programmes focussed on the development of experimental satellites related to specific applications. The first of these will probably be an experimental meteorological satellite for which the Meteorological Office have put forward a requirement which is due to be considered again. Plans are being drawn up for using X4, the fourth satellite in the BLACK ARROW programme, for this purpose. The application objective which would best follow X4 has not yet been determined; it could be directed for example towards a satellite for communications experiments or an air navigation satellite, but the development timescale does not require an immediate choice. The programme would continue to cover the development of techniques and components, and in particular the work on electric propulsion.

* X1 and X2 are primarily for the purpose of determining the behaviour of the launcher, though they will also carry a scientific experiment. In X3, space testing of satellite components and sub-systems proper will begin, and a complementary scientific experiment will be carried out.
Scale of the Programme

12. The review has shown that at the present level of funding (some £3 million a year), the rate of satellite launchings would be one each 2.6 years. In such a rapidly advancing field of technology this sort of interval between successive experiments is much too long, and together with the 4-year satellite gestation period would make the programme technically non-viable as well as wasteful of resources. Whilst the use of the American Scout launcher would allow some acceleration it would only reduce the interval to 2.3 years, which is still unacceptably long. At the level of £5 million a year, the interval becomes 1.4 years with BLACK ARROW and 1.3 with Scout; either of these rates is acceptable, and it will be seen that the use of Scout makes only a marginal difference. (The choice of launcher is discussed further in paragraphs 15-19 below).

13. In the light of these considerations, the Ministry of Technology have concluded that regardless of the choice of launcher, the level of activity must be built up gradually to a level of about £5 million a year; the programme should be planned on this basis forthwith, though the spend need not be increased immediately. The following table shows the provision which the Ministry of Technology is making in its 1969 FESC forecasts:

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<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>2.955</td>
<td>3.17</td>
<td>3.48</td>
<td>3.9</td>
<td>4.4</td>
<td></td>
</tr>
</tbody>
</table>

Because of the lag between expenditure and payments, Mintech payments will not reach £5 million till 1974-75.

14. The following table shows the manpower requirements in industry of the programme at the £5 million level, compared with (a) the present level and (b) the position when the £3 million level is reached:

<table>
<thead>
<tr>
<th></th>
<th>Launcher</th>
<th></th>
<th></th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>WPG &amp; DC</td>
<td>Industrial</td>
<td>WPG &amp; DC</td>
<td>Industrial</td>
</tr>
<tr>
<td>Present programme</td>
<td>180</td>
<td>90</td>
<td>100</td>
<td>50</td>
</tr>
<tr>
<td>(a) Current</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(b) At £5M level</td>
<td>120(x)</td>
<td>50(x)</td>
<td>175(x)</td>
<td>100</td>
</tr>
<tr>
<td>£5M programme</td>
<td>120</td>
<td>60</td>
<td>320</td>
<td>190</td>
</tr>
<tr>
<td>Increase for £5M programme</td>
<td>-</td>
<td>10</td>
<td>145</td>
<td>90</td>
</tr>
</tbody>
</table>

\(x\) Reduction due to completion of launcher development
It will be seen that the increase is almost entirely on the satellite work; it is not possible to forecast the geographical distribution, because this will depend on which firms get contracts.

No increase would be needed in Mintech HQ or R and D establishments staff.

The Launcher Element

15. This has been regarded in the context of the BLACK ARROW programme as a means to an end, required because space conditions cannot be fully simulated in the laboratory and final validation of a satellite system requires testing in orbit. The issue is whether there would be advantages in using foreign (in practice American) launchers rather than continuing to develop a national launcher capability. It can be assumed, in the light of assurances received from the United States National Aeronautics and Space Administration, that United States launchers would be available to the United Kingdom for experimental programmes such as BLACK ARROW without any unacceptable formal conditions.

16. In favour of using an American launchers is the fact that there are certain technical advantages in launching from a United States range compared with Woomera. Furthermore Scout, the most probable American alternative, is well proven, and so could be expected to be more reliable than the BLACK ARROW launcher; it is impossible to make any precise estimate of the likely failure rate of the latter, but on the basis of experience with BLACK KNIGHT (from which it is developed), there is no reason to expect a rate higher than 1 in 4. One failure during the launcher development programme of three firings could probably be accepted without the need for a repeat firing. Failures later in the programme would be more serious, but their probability would become progressively less.

17. The other advantage of Scout is in cost. The rate of launching (one every 1.4 years - see paragraph 12 above) which with the British launcher would cost £5 million a year could be achieved with Scout at an annual cost of £4.8 million. Changing to Scout would also give a once for all saving in development costs but since the launcher development is largely completed this would only amount to £0.8 million not. (But it should be noted that as explained in paragraph 18 (v) below Scout is not suitable for all the tasks in the programme some of which will require a larger launcher).
18. In considering the choice of launcher the following points in favour of a British launcher are important -

(i) its use gives greater flexibility of planning and executing the programme;
(ii) with an American launcher, it would be difficult to preserve commercial security in relation to satellite payloads;
(iii) a switch to another launcher at this stage would delay for a year the launch of the X3 satellite in which space testing of satellite components and sub-systems will begin;
(iv) the acquisition of a comprehensive systems capability and know-how could be important both commercially and in the context of Mitech's expert advisory functions - cf. paragraph 5 above;
(v) some of the later tasks envisaged in the programme (e.g. an electric propulsion satellite with large solar arrays) will require a larger satellite volume than is possible with Scout; the BLACK ARROW launcher design provides this. Moreover a relatively simple uprating of the BLACK ARROW launcher (with strap-on boosters and longer tanks) which can be undertaken within the £5 million per annum programme will enable significantly heavier payloads to be launched. If the BLACK ARROW launcher is not available for these purposes, Thor Delta would have to be used; this is much more expensive and the cost advantage would be largely lost - unless optimum use could be made of the larger payload capacity. But this in turn would require a much higher level of expenditure on the satellite than could be justified at present on a "minimum" capability basis;
(vi) in addition to possible use by SRC and Meteorological Office there is the possibility of foreign sales of the BLACK ARROW launcher; an uprated version would fill a gap in the range of American launchers;
(vii) the use of a British launcher would save dollars.

Some of the foregoing points can of course be advanced against the United Kingdom's policy towards ELDO. The two cases are however very different. The ELDO launcher is intended for operational use; our objection is that the use of a launcher costing at least 100 per cent more than an American one will seriously penalise the satellite projects, and is too high a price to pay for the avoidance of the admitted disadvantages. A research project...
like BLACK ARROW is not critically dependent on cost and it is worth paying a small premium to keep complete control. Furthermore what is at issue in the ELDO case is a further £100 million or so of development money, plus an extra £5 million per operational launcher; in the BLACK ARROW case, as indicated in paragraph 17, the differential is minimal both absolutely and relatively.

19. In the considered judgment of the Ministry of Technology, the points in paragraph 18 conclusively outweigh the financial and other advantages of switching to an American launcher.

Need for early and firm decisions

20. The present BLACK ARROW contracts run out at 31st March 1969. Decisions on the continuation of the programme are therefore needed by the beginning of March. For the programme to progress at the optimum rate, it is most desirable that firm decisions should be taken allowing normal contracts to be placed rather than a continuation of the wasteful short-term contracts and frequent reviews under which the programme has laboured for the last four years.

Conclusions

21. Ministers are accordingly invited -

(i) to approve the case for a national space technology programme set out in paragraphs 4-7.

(ii) to note the planned re-orientation of the BLACK ARROW programme (paragraphs 10-11).

(iii) to agree that for the reasons in paragraphs 12-13 the level of activity should be built up from some £3 million a year to £5 million a year by 1973-74, the whole programme falling within the Ministry's Category I expenditure.

(iv) to agree that for the reasons set out in paragraphs 15-19, the programme should continue to include the development and use of a British launcher.

(v) to approve the continuation of the BLACK ARROW programme accordingly.
1. A projection has been made of the satellite and ground station work likely to be available to United Kingdom industry from the requirements of the international organisations of which the United Kingdom is a member, and from United Kingdom and other countries' national requirements. This projection is based in part on the trends revealed by present requirements, and is necessarily highly speculative.

2. **Satellites.** The estimate of the number of civil applications satellites that will be in orbit in 1980 for global use is as follows:

<table>
<thead>
<tr>
<th>Purpose</th>
<th>No. of Satellites</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communications</td>
<td>30</td>
</tr>
<tr>
<td>Meteorology</td>
<td>15</td>
</tr>
<tr>
<td>Navigation</td>
<td>15</td>
</tr>
<tr>
<td>Earth Resources</td>
<td>15</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>75</strong></td>
</tr>
</tbody>
</table>

3. The average cost of the development and manufacture of these satellites with their test equipment is estimated at £6 million each (1968 prices). The United Kingdom might expect, if our standard of satellite technology is competitive, to gain a share of about 10 per cent of the work necessary to the development and construction of these satellites, and each satellite will need to be replaced at about five yearly intervals. The annual average value of the business the United Kingdom could therefore expect is about £9 million.

4. In addition to satellites for global and regional applications, it is expected that, by 1980, the scientific satellite work likely to be available to the United Kingdom from ESRO would have an annual value of about £4 million. The United Kingdom national space science programme would also involve expenditure on satellites of about £2 million per annum.

5. The annual value of the satellite business likely to be available to United Kingdom industry from 1980 is therefore about £15 million; this level being reached progressively during the 1970s.
6. **Earth Stations**

6.1 It is estimated that, up to 1975, the number of stations working to the INTELSAT system will increase by about 70. (At present there are 20 or so.) Of these 70 additional stations, United Kingdom industry is expected to be able to bid for over 50 and may get 5–10, providing business worth from £5–£15 million over the next seven years.

6.2 Smaller earth stations for other applications are expected to be numbered in many hundreds, and United Kingdom business could be worth as much as £25–£30 million over the next 10–15 years.
3rd March, 1969

CABINET

THE RELEASE OF OFFICIAL INFORMATION

Memorandum by the Prime Minister

The Report of the Fulton Committee on the Civil Service made a number of observations under the headings "Consultation and Secrecy" and "The Anonymity of Civil Servants". An extract of these is at Annex A.

2. There has recently been pressure in Parliament for an enquiry "to make recommendations for getting rid of unnecessary secrecy", as proposed by the Fulton Committee. A public speech by the Leader of the Opposition on 7th January took a similar line. He has however added the associated questions - from the Press point of view - of the law of libel, and committal for contempt. Since then he has announced the appointment of a Commission heavily packed with Press representatives and lawyers who have mainly taken up a particular attitude on one or more of these three questions. I have told Parliament that I am considering the whole question of the release of official information, including the Official Secrets Acts. I do not think that, in view of the public pressure, it will be reasonable to defer a decision on the setting up of an enquiry for very much longer. In this paper, therefore, I consider the main implications of agreeing to set up such an enquiry and the form that it might take.

3. The basic issue here is the provision to the public of more information about the workings of Government. Also relevant are the questions whether the Official Secrets Acts need to be amended, and whether the convention of anonymity on the part of civil servants should be further relaxed; but I think it is right to regard these as consequential to the principal question how far we should publish more information.

4. The major implication of setting up a Committee from outside the Government service to enquire into this matter is that it invites them to advise how far the working of the machinery of Government should be disclosed to the public. We are free at present to issue as much or as little information about this as we choose. The Official Secrets Acts do not inhibit us, because they bar only the release of
official information without authority - and it is inconceivable that any Government should, by agreeing to the indiscriminate release of information, give up control of its own machine. The enquiry should therefore be concerned with what disclosures should be authorised: the Acts are concerned with the results of unauthorised disclosure.

5. There has been an increasing trend to publish official material about Departmental organisation and processes, and also some of the factual information on which policy decisions have been based - notably in Green Papers. And I feel sure that we could, with advantage, publish more of this. For example, I think we could go further in informing people about the responsibilities of senior officials. The main limitations in many cases seem to be the extent of public interest in the subject matter, and of the additional Civil Service staff that we can agree to make available for preparing such material for publication.

6. But the main public interest is, I think, not so much in those relatively uncontroversial fields as in the disclosure of the considerations affecting policy decisions which have yet to be reached. This brings us into an area of difficulty, because policy decisions not only take account of objective considerations based on facts and statistics but also reflect subjective judgments on such other questions as the influence of other relevant commitments and the likely reactions of a variety of interests which stand to be affected by the decision. It is extremely difficult to lay down in advance what are the circumstances in which full publicity on these matters would or would not be expedient. We can, no doubt, all think of circumstances in which it would not: so we must recognise some risk that an outside enquiry would produce general recommendations for greater publicity about policy considerations which it would be difficult to reject in principle but which, if applied in particular cases, could embarrass the process of Governmental decision-making.

7. From this point of view, it would be convenient to regard the question of releasing more official information as basically one of policy for ourselves to settle, with the help of such advice as we need from within the Government service. But I judge that to dispose of the Fulton recommendation in this way would not satisfy Parliament, the Press and the public. I have therefore given thought to the form and scope that would be appropriate to an outside enquiry into this matter.

8. The terms of reference should in my view be as at Annex B. The following safeguards seem to me necessary:

(a) Information which is affected by considerations of national security ought to be excluded from the scope of this enquiry. I believe that there is a case for asking whether we at present try to protect too much official information by our security procedures, and I propose to arrange for this to be examined through the Government machinery. It is not in my view a suitable subject for an outside enquiry.
(b) The enquiry should be specifically concerned with the release of information "to the public". This would exclude consideration of the special problems of giving information to such bodies as the courts, Select Committees, the Parliamentary Commissioner and other Commissions such as the Roskill inquiry on the Third London Airport, and selected academic researchers.

(c) Consideration of any amendment of the Official Secrets Acts should be confined to what might be required to implement the Committee's recommendations on the release of information. Any wider review of the Acts (which, as paragraph 4 points out, are concerned with the consequences of unauthorised disclosure) would tend to prejudice the already limited safeguards against improper leakages of information. It would also take the enquiry directly into the security field (see (a) above).

(d) Similarly, I should wish to limit consideration of any change in the existing rules governing the conduct of civil servants to what might be required to give effect to the Committee's other recommendations. This was the approach of the Fulton Committee in paragraph 280 of their Report. And to embark on a full review of the convention of "anonymity" could lead to recommendations which would involve a fundamental modification of the whole ethos of the Civil Service and bring into question its non-political character.

(e) In announcing the appointment of the Fulton Committee, I made clear the assumption that the existing relationship between Ministers and their official advisers should be maintained. In a statement on the setting up of this new enquiry, I should wish to say that the same assumption would govern it.

9. To sum up, I think it right that my colleagues should be aware of the implications of asking an outside committee to advise the Government on this matter; but I consider that the balance of advantage lies in setting up such a body, provided that its terms of reference are limited in the way I have proposed. I invite the Cabinet to agree with this conclusion and to take note that I shall in due course make a statement to the House of Commons.

10. So far I have dealt only with the question of the release of official information and associated questions of the Official Secrets Acts. I should welcome the views of my colleagues on the extension of the terms of reference to cover the other issues I have mentioned, the law of libel and committal for contempt. Alternately, my colleagues may consider that these questions - if they are held to be proper and urgent matters for enquiry - should be handled in other ways.

H.W.

10, Downing Street, S. W. 1.
3rd March, 1969
CONSULTATION AND SECRECY

277. We think that the administrative process is surrounded by too much secrecy. The public interest would be better served if there were a greater amount of openness. The increasingly wide range of problems handled by government, and their far-reaching effects upon the community as a whole, demand the widest possible consultation with its different parts and interests. We believe that such consultation is not only necessary in itself but will also improve the quality of the ultimate decisions and increase the general understanding of their purpose.

278. We welcome the trend in recent years towards wider and more open consultation before decisions are taken and we welcome, too, the increasing provision of the detailed information on which decisions are made. Both should be carried much further; it is healthy for a democracy increasingly to press to be consulted and informed. There are still too many occasions where information is unnecessarily withheld and consultation merely perfunctory. Since government decisions affect all of us in so many aspects of our lives, consultation should be as wide as possible and should form part of the normal processes of decision-making. It is an abuse of consultation when it is turned into a belated attempt to prepare the ground for decisions that have in reality been taken already.

279. We recognise that there must always be an element of secrecy (not simply on grounds of national security) in administration and policy-making. At the formative stages of policy-making, civil servants no less than Ministers should be able to discuss and disagree among themselves about possible courses of action, without danger of their individual views becoming a matter of public knowledge; it is difficult to see how on any other basis there can be mutual trust between colleagues and proper critical discussion of different hypotheses. But the material, and some of the analyses, on which these policy discussions are going forward, fall into a different category; unless there are overriding considerations to the contrary (e.g. on grounds of national security, the confidential nature of information supplied by individual firms, or to prevent improper financial gain), there would be positive advantages all round if such information were made available to the public at the formative stage of policy-making.
280. Civil servants, and perhaps also Ministers, are apt to give great and sometimes excessive weight to the difficulties and problems which would undoubtedly arise from more open processes of administration and policy-making. In this connection, therefore, we wish to draw attention to practice in Sweden. At the formative stages of policy-making, there is wide and prolonged consultation, which normally takes the form of setting up a committee of inquiry; its report is generally published; the report and the public discussion that follows are then a major part of the basis on which the Minister has to come to a decision. In addition, all files of any administrative office (in Swedish terminology, ministries and agencies) are open to the Press and the public if not declared secret on grounds of military security, good international relations or for the protection of individuals named in them (e.g. because they may contain criminal or medical records); when policy decisions are in preparation, however, working material is not made available for public use. This shows that open government is possible; we suggest that the Government should set up an inquiry to make recommendations for getting rid of unnecessary secrecy in this country. Clearly, the Official Secrets Acts would need to be included in such a review. Some restrictions on the objective of "open decisions openly arrived at" will doubtless remain necessary; but a mature democracy rightly demands that they should be kept to the absolute minimum. The fuller the information, the closer the links between government (both Ministers and civil servants) and the community; and the smaller the gap of frustration and misunderstanding between "them" and "us".

THE ANONYMITY OF CIVIL SERVANTS

283. The argument of the preceding paragraphs has important implications for the traditional anonymity of civil servants. It is already being eroded by Parliament and to a more limited extent by the pressures of the Press, radio and television; the process will continue and we see no reason to seek to reverse it. Indeed we think that administration suffers from the convention, which is still alive in many fields, that only the Minister should explain issues in public and what his department is or is not doing about them. This convention has depended in the past on the assumption that the doctrine of ministerial responsibility means that a Minister has full detailed knowledge and control of all the activities of his department. This assumption is no longer tenable. The Minister and his junior Ministers cannot know all that is going on in his department, nor can they nowadays be present at every forum where legitimate questions are raised about its activities. The consequence is that some of these questions go unanswered. In our view, therefore the convention of anonymity should be modified and civil servants, as professional administrators, should be able to go further than now in explaining what their departments are doing, at any rate so far as concerns managing existing policies and implementing legislation.
THE ECONOMY OF CIVIL ENGINEERING

The economy in the provision of civil engineering services is influenced by various factors. One of the primary factors is the cost of labor and materials. The availability of skilled labor can significantly impact the cost of projects. Additionally, the cost of materials, particularly for projects involving large-scale infrastructure, can have a substantial effect on the overall cost of construction.

Another important factor is the efficiency of project management. Effective project management ensures that resources are utilized efficiently, which can help in reducing costs. This includes minimizing waste, optimizing the use of materials, and ensuring that the project is completed on time, thereby avoiding penalties and additional costs.

Environmental considerations are also crucial in the economy of civil engineering. Sustainable practices can reduce the long-term costs associated with maintenance and operational expenses. For example, using materials that are environmentally friendly and durable can prevent the need for frequent repairs and replacements, leading to significant cost savings.

Furthermore, the use of technology in project planning and execution can enhance efficiency and reduce costs. Advanced software and tools can help in optimizing designs, reducing errors, and improving the overall productivity of the project.

In conclusion, the economy of civil engineering is a multifaceted area that is influenced by a variety of factors. By considering all these elements and implementing strategies to optimize costs, civil engineers can contribute to sustainable and cost-effective solutions for infrastructure development.
284. We do not under-estimate the risks involved in such a change. It is often difficult to explain without also appearing to argue; however impartially one presents the facts, there will always be those who think that the presentation is biased. It would be unrealistic to suppose that a civil servant will not sometimes drop a brick and embarrass his Minister. We believe that this will have to be faced and that Ministers and MPs should take a tolerant view of the civil servant who inadvertently steps out of line. On balance we think it best not to offer any specific precepts for the progressive relaxation of the convention of anonymity. It should be left to develop gradually and pragmatically, though the inquiry we have recommended in paragraph 280 above may well result in specific recommendations on this closely related problem. The further it develops, the closer the links between the Service and the community.


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Committee on the Release of Official Information

Terms of Reference

(1) To review the extent to which official information not affected by considerations of national security is already made available to the public, and to advise how far the provision of such information should be increased.

(2) To advise whether, as a consequence of any changes in existing practice that may be proposed under (1), it would be necessary:

(a) to amend the Official Secrets Acts;

or

(b) to change the existing rules governing the conduct of Civil Servants.
AGRICULTURAL POLICY: FARM PRICE REVIEW 1969

Memorandum by the Secretary of State for Scotland and the Minister of Agriculture, Fisheries and Food

After three weeks of discussion and negotiation with the Farmers' Unions it is quite clear where they stand in relation to an award of £30 million.

2. They reject it -

(a) as quite unrealistic in the light of cost increases (now up from £38 million to £40 million as a result of the 8 per cent bank rate) and last year's fall in net income and output;

(b) as denying them the capital resources they need to invest for further expansion; and therefore

(c) as inconsistent with the future policy for agriculture announced on 12th November in the light of the Report of the Economic Development Committee on agriculture's import saving role.

3. Even those of our colleagues who still seem to think the counter-arguments are strong may allow that they are very difficult to put across to the industry. We can assure them that the most has been made of the arguments in meetings between officials and the Unions, between the Agricultural Ministers and the Presidents of the Unions, and between the Minister of Agriculture and the President of the National Farmers' Union who leads the farmers' team. As these encounters have progressed the Unions' reaction has been one of mounting incredulity and indignation.

4. They cannot believe that, if we are sincere in our expansion policy, we are prepared to give so little weight to agreed figures which show clearly that farm incomes (providing return on capital and funds for investment as well as personal incomes) are on a downward trend, and that as a result output and productivity are suffering.
5. They cannot understand that the Government have, as they see it, lost interest in import saving during the three months since the November statement in which the only hopeful sign for the balance of payments has been one set of improved trade figures. And by the time they have studied the Green Paper "The Task Ahead" and all it says about a shift of resources into import saving they will be even more mystified and disillusioned about our economic strategy.

6. For all the reasons we have given, with detailed argument and personal conviction, to the Ministerial Committee on Agricultural Policy and to the Cabinet, we find it difficult to disagree fundamentally with the Union's assessment. We see no hope of defending an award of £30 million as consistent with our policy. The agricultural Ministers have always taken the view that some injection of capital over recoupment of costs is necessary to get expansion. We remain confirmed in this view.

7. There are, of course, arguments we can use in relation to individual commodities. As the talks have developed we have stressed that on beef and cereals we think of giving significantly more than recoupment of costs. But against the background of the treatment of the industry as a whole, they find such arguments quite unconvincing. They come back relentlessly to the global figures for costs, net income and output which the whole industry will see as the indicators of its present position.

8. Against this background we must make it clear that we cannot regard the present figure as capable of credible defence. Unless we can improve on it substantially, we do not believe we shall get the production (and import saving) we have said we want. But it may also be of concern to our colleagues that we shall face a first-class row which will erupt in the House of Commons (fanned by the Report of the Select Committee on Agriculture due out on 5th March) and throughout the country. The Conservatives, now at odds with the farmers, will find it easy to cash in on this.

9. We shall be continuing the negotiations right up to the meeting of Cabinet at which this paper will be discussed and will give a further report orally. At the kind of figure we are now having to work on there is, of course, no hope of an agreed Review. But we are less troubled by this than by the central argument that we are not fulfilling the policy which the Minister of Agriculture announced on 12th November.

W.R.
C.H.

Scottish Office, S.W.1.
4th March, 1969
10th March, 1969

CABINET

GREEN PAPER ON HIGHWAY STRATEGY

Memorandum by the Minister of Transport

The Ministerial Steering Committee on Economic Policy on 18th February invited me to redraft the proposed Green Paper on Highway Strategy and recirculate the final text about a week before publication.

2. Publication is fixed for 26th March and the paper is now being printed by HMSO. Although copies of the proof of the text are not yet available I am circulating copies of the revised text at Annex A. I hope also to circulate proofs of the revised maps very shortly.

3. The majority of the amendments are designed to emphasise the importance of roads to regional development, to indicate the extent to which the proposed strategic network will serve the regions as a whole, and to show how individual local needs will be taken into account when developing new or improved links between the strategic network and particular areas.

4. The national map now shows more detail, as suggested by the Committee, including regional boundaries, all the existing and proposed New Towns, major town expansions and many more place names. Welsh roads are omitted altogether, as agreed. Four large-scale maps will also be published showing more clearly how the proposals affect the individual regions. I have carefully considered the Committee's suggestion that these regional maps should also show the relationship between the proposed network and the existing road system. This would add substantially to the cost of production, but, apart from that, if we published maps showing this degree of detail, we should inevitably be faced with costly and premature problems of planning blight because the line of the new roads in the network would appear, to members of the
public, to be more precisely fixed than they are at this stage of planning. I have, therefore, after consultation with the Paymaster General, reluctantly decided that we must avoid giving so much detail. I will certainly ensure, however, that the Regional Economic Planning Councils are given all the detail they need to assess the proposals comprehensively for each region.

R.W.M.

Ministry of Transport, S.E.1.

6th March, 1969
Minister's Foreword

Roads make an important contribution to economic growth both nationally and in the regions. They have to be planned ahead and their economic consequences foreseen. We need a new strategy for building and improving national roads in the 1970s and early 1980s. The first 1,000 miles of motorway will be completed in the early 1970s. But it is no longer sufficient to plan in terms of so many miles of road since the nation is concerned with effective networks rather than with individual roads. After a good deal of work on appraisal of the future traffic situation on the whole of the existing network of trunk roads and taking into account the requirements of industry, exports, regional development and other relevant factors, we have been able to plan a network of national routes not only to give a high economic return on the vast sums involved, but also to meet the social and developmental needs of the regions and of the country as a whole.

I must emphasize that this paper deals only with the inter-urban trunk road plan. As the paper explains, the development of the new network represents only one part of the future road programme. Substantial sums will also be spent on improving other inter-urban roads serving particular local areas and on links with the main network. In addition, there is the whole problem of urban road development, to which a large part of the future road programme will be devoted. This paper does not however attempt to deal with urban roads.
The proposed inter-urban trunk road strategy needs careful thought, detailed planning and public support. All these are most likely if there is a general discussion on the aims of the strategy and on the details of the proposed network — a discussion which is based on known facts and in which all sections of public opinion play a part. There is no monopoly of wisdom on this subject and rather than put forward a cut and dried plan, I have decided to publish this Green Paper as a basis for discussion. The suggestions in it are not, at this stage, firm government policy. Instead, they are an indication of current thinking. I hope all those interested will study the paper and let us have their views.
Introduction

1. This paper outlines a proposed new strategy for future trunk road development beyond the present road programme and suggests, for public discussion, a network of national routes which might be selected for improvement to a high standard throughout their length.

2. These national routes are the direct responsibility of the Minister of Transport who is the highway authority for trunk roads in England (whether they are motorways or ordinary all-purpose roads). The network at present covers over 5,900 miles of road. In Scotland and in Wales roads are the responsibility of the Secretaries of State for Scotland and Wales respectively. Future highway proposals for Wales are described in the White Paper "Wales: The Way Ahead" (CMND.3334) published in July 1967 and proposals for Scottish roads will be published shortly. The proposals for Scotland and Wales will mesh in with the strategy for English roads outlined in this paper.

The Present Road Programme

During the 1960s and for the first few years of the 1970s the road programme has had four objectives:

(i) the establishment of a much needed basic network of high quality routes - mostly motorways - to provide the vital access between regions and between the major cities;

(ii) the comprehensive development of other important routes serving the needs of shorter distance transport;

(iii) the improvement of a great many routes by specific works at places where this is most needed. These isolated schemes have had the object of eliminating the worst bottlenecks,
relieving time-consuming and economically wasteful congestion and meeting regional development needs; and

(iv) to devote a substantial and growing part of the programme to road works in urban areas.

4. By the early 1970s, when all the schemes already in the inter-urban programme are finished, we shall have some 1,000 miles of motorway and 1,000 miles of high-class dual carriageway all-purpose trunk roads, plus a large number of smaller individual trunk road improvements which have reduced traffic congestion and accidents.

Forward Planning

5. The programme of road building and improvement must continue after this to meet the rising tide of demand for road space and it will be important that every road scheme is well planned to fit national and regional needs and that the resources devoted to it are well spent. While the programme can only go forward at whatever rate the resources available at the time will permit, it is still necessary to decide, before the present strategy comes to an end in the early 1970s, what sort of pattern of modern highways is needed and how the available resources should be allocated to obtain the best possible economic and social advantages from them.

6. One fact which affects the rate at which resources for inter-urban roads might be available is the competing demand for roads in urban areas. To the extent that resources for all road works must be kept within certain limits for reasons of over-riding national economic importance, the plans for inter-urban roads must make allowance for the increasing need for road improvements in urban areas. This paper
does not attempt to discuss the very difficult problem of urban roads which needs to be considered in the context of travel needs and physical planning. This is being examined in land use/transportation studies in the conurbations and similar studies in other towns and cities. It is intended to provide for an increased programme of urban road building to ensure that the needs of towns and cities can be met as well as those for inter urban roads as put forward in this paper.

7. The Ministry of Transport has already taken action to ensure that a large number of new highway schemes will be at an advanced stage of design and preparation ready to follow on the existing programme in the early 1970s.

8. The first step in selecting these schemes was to assess in as much detail as possible the conditions that would exist by 1980, on each of the 2,000 or so sectors of trunk road in England, if nothing were done beyond the improvements already in the programme. Present conditions were known and future traffic growth was estimated, taking into account such things as the changed travel patterns that would arise from the growth and redistribution of population, including the establishment of new towns and development of existing ones. By assessing the level of congestion and accidents that would be caused by 1980 traffic on each stretch of road, it was possible to identify those sections where the worst conditions would occur and which, therefore, appeared to justify first priority. However, before deciding whether investment in a particular scheme represents good value for money it is necessary to assess with some accuracy the cost of the improvements needed and the benefits they offer including any
special regional benefits there may be. A large number of schemes are therefore being prepared to a point where reliable cost/benefit evaluation can be undertaken. Well over £500 million worth of such schemes have been announced for preparation and others will follow until an initial pool of £1,000 million worth of schemes have been chosen for evaluation.

The Benefits of Road Improvement

9. The direct economic benefits derived from a road improvement scheme can be measured by calculating the savings in time, operating costs and accidents; the values attributed to them added together give the total direct benefits over a period of time and these can be expressed as a percentage of the capital cost to give a rate of return on investment. The rates of return for most inter-urban schemes, calculated in this way, are very high.

10. In addition to the direct economic benefits there are others which flow from the construction of new and improved roads. These include benefits of commercial value like regularity in delivery leading to lower stock holding, the use of larger and faster vehicles suited to better roads and particularly the stimulation of new industrial development that would not otherwise have occurred. These, too, will be given weight in assessing new road schemes.

11. The benefits derived from isolated improvement schemes are largely confined to those which arise on the length of road concerned and its immediate environment. Where, however, it is possible to improve a route comprehensively throughout its length or to provide a new high standard route to take the traffic from a number of existing roads, additional benefits arise, mainly from the concentration of the
longer distance traffic on the new route. The attraction of such
routes is demonstrated by the much higher rate of traffic growth on
the motorways compared with other inter-urban roads and in the steady
growth on the motorways compared with other inter-urban roads and in
the steady growth of traffic on comprehensively improved roads like
the A1. What is not always so clear is that these routes also have
the effect of relieving the roads which formerly carried the traffic
to a degree which enhances their value very considerably. For example,
the transfer of the heavy streams of longer distance vehicles
facilitates the circulation of local traffic on essential local
business. There is thus a strong case for basing a future highway
strategy on the careful selection of roads for comprehensive improve-
ment rather than upon a series of isolated improvements to the most
congested lengths of the trunk roads network. It would relieve
traffic congestion on these roads but do so as part of a conscious
plan to direct the traffic to a more effective network of routes. This
can be achieved by considering routes as a whole and by studying the
possibilities of developing new routes as well as improving existing
ones to cope with future traffic needs. Successful regional or local
transport plans demand advance knowledge of the sort of major highways
which are likely to exist in 20 or 30 years time. A comprehensive
route strategy would provide it. It would also provide the sort of
forward information which industrial and commercial interests will
find invaluable in planning the future of their businesses.

The Proposed Strategy

2. The Ministry's proposal is that a substantial part of the future
road programme should be concentrated on the comprehensive development

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of a number of carefully selected trunk routes of major importance to the country which would progressively complement the 1,000 mile motorway network. These routes when completed, together with the motorway network and other routes already raised to a high standard, would provide the country with a main system of high class roads to which all important centres of population - existing and projected - would, or could, easily be connected.

Choosing the Network

13. The Ministry have given very careful thought to assessing the extent and pattern of the network of routes on which future resources should mainly be concentrated. Their assessment is shown in the enclosed maps. The routes marked in blue represent new roads which will have been completed and existing roads which will have been improved when the existing programme is complete. Routes marked in red are those which in the Ministry's estimation should be comprehensively improved to form together with the blue routes, the main national network. It is emphasized that the maps do not attempt to show the improvements which will also be taking place on other trunk roads or on the complex of local authority roads serving all areas of the country.

14. This network, put forward by the Ministry for consideration, is based in the first place on an objective assessment of inter-urban traffic needs in the 1970s and early 1980s. It takes full account of all the facts and estimates available to the Ministry about present and future traffic needs, accidents, overload and economic loss on every section of trunk road, as well as the latest available traffic census.
census figures. Particular attention has also been paid to the needs of industrialists and exporters and to planned changes in the pattern of industry and population.

15. The precise standard of these road improvements and their actual alignment will be determined as detailed planning proceeds. Many will undoubtedly be built as motorways. In other cases new or improved high standard all-purpose trunk roads will offer the best solution. The Ministry envisage that dual-carriageway roads will be provided in all cases. On this basis it is estimated that the proposed network shown in red on the enclosed Maps would cost about £1,600 million to complete at present day prices.

Link Roads and Localised Improvements

16. The proposed strategy does not, however, mean an end to isolated improvements. There will be many places where new or improved link roads to the network are needed to serve a particular area or where congestion or traffic hazards on other trunk roads will justify localised and sometimes fairly extensive roadworks, even though the road as a whole may not qualify for comprehensive improvement. These individual improvements cannot be detailed on the maps and the precise form they would take and their respective priorities can only be decided as overall planning progresses. The intention, however, is to continue to devote a significant proportion of total resources to deal with such situations and it is envisaged that over £600 million will be spent in this way in addition to the sums devoted to comprehensive improvements.

/Economic

- 7 -
Economic Growth

17. A national highway strategy must be considered in the light of the important contribution it can make to national and regional economic growth. Wherever major routes are built they provide an economic stimulus to the areas through which they pass and to those distant areas brought into closer contact with the nation's main economic centres. Greater accessibility, reduced transport costs, improved reliability of delivery and service, reduced storage and depot needs all increase the ability of any area successfully to develop its economic activities and make it more attractive to industry and business. In particular, roads can substantially reinforce the major measures the Government are already taking to ensure a better balance in economic development throughout the country. It has been a comparatively straightforward matter to take account of the effect on traffic volumes, vehicle ownership and economic activity which will flow from existing plans for regional development and the associated growth and redistribution of population. This is reflected in the proposed strategic route network and it will be seen from the map, for example, that all the New Towns so far designated will be well served by the network. In subsequent proposals for regional and local road construction linked to this network, full account will be taken of the wider economic and social benefits that connection to the network can provide especially in areas where economic stimulus is particularly needed.

18. Roads are also key elements in the long-term planning strategies which are being prepared for each region with the advice of the Regional /Economic
Economic Planning Councils. The national routes which traverse a region and the other roads which meet regional and local needs, including those to New Towns and to areas subject to major economic change such as the Special Development Areas, must all be considered together and integrated into a comprehensive regional road programme which will ensure maximum economic growth.

Economic Appraisal and Standard of Construction

19. A new and more advanced technique for appraising the direct economic benefit of highway networks has been developed in the Ministry and is in course of being applied in a way which will permit comparisons to be made of the economic value of substantial road networks, including comparisons between alternative networks for the trunk road system as a whole. It will also permit the value of a system of comprehensive improvements to be compared with that of a similar amount of unconnected works, to establish the additional benefits which might flow from the former. The method is described in the Appendix.

Priorities and Timescale

20. It is neither necessary nor desirable at this stage of planning to attempt to decide on the order of priority for the improvements proposed within the broad strategy. This will emerge in the course of detailed planning and the publication of the present proposals will in no way replace the normal processes of scheme selection and negotiation with local authorities and other interested parties - nor, of course, the statutory procedures. The intention is to retain at this early stage the maximum flexibility of choice about the priority of individual routes and schemes.
21. This flexibility also applies to the plan as a whole even after the network has been agreed. It will be possible to modify the network if this is shown to be desirable in the light of future developments. It is to be expected that proposals will be made from time to time for additions to the network, (e.g. for new links to carry traffic to the roads in the network) rather than for its radical revision. If these are substantiated and agreed their implementation becomes a matter of priorities in the manner set out in the previous paragraph.

22. As to timing, any forecast made now can only indicate the approximate order of time and must therefore be related to a span of years. As indicated in earlier paragraphs the Ministry envisage that to carry out the comprehensive improvements now proposed and at the same time to undertake a substantial amount of work on other inter-urban roads would cost in all some £2,250m. over a period of 10 to 15 years from 1972.

Public Participation

23. As stated in the Foreword, the primary purpose of this Green Paper is to invite public discussion of the Ministry's proposed highway strategy and the suggested strategic network shown in the enclosed maps. In particular, the Minister is inviting those organisations whose standing and interest in the planning of roads is of special importance (like the Regional Economic Planning Councils and the local authorities) to let him have their comments: also those which represent the road users, the hauliers, the passenger vehicle operators, the motorists and the cyclists. He is asking for the views of those organisations with a more general but important interest (e.g. the
T.U.C. and the C.B.I.) and is also open to receive those of any other institution or organisation and of individual members of the public. The opinions and proposals received will be carefully evaluated using, where appropriate, the appraisal techniques described above.

24. The plan in this Green Paper is not a proposal containing or based upon firm design proposals for individual roads. What is being put forward for consideration is a broad strategic plan. The detailed design and location of particular improvements will emerge in the normal course and the usual facilities will then be provided for public inspection of proposals and intervention. The publication of this network is intended to provide the opportunity to influence broad planning at the earliest possible stage.

Conclusion

25. When the appraisal of the networks and comments and suggestions received by the Ministry has been completed and tested, the Minister will announce the firm route network which will be the basis of the strategy. Much will depend on the public response to this paper but the present intention is to announce the plan before the end of 1969.
ROUTE STRATEGY PROPOSALS FOR ENGLAND

- Existing Trunk Roads
- Motorways and other Dual
- Contouring Routes completed or programmed
- Strategy Routes
- Existing Urban Areas
- LUTON
- New and Expanded Towns
- CROY

Notes:
- Principal Roads and improvements on Non-Strategy Trunk Roads not included
SOUTH WESTERN ECONOMIC PLANNING REGION
OVERSEA POLICY: NIGERIA

Memorandum by the Secretary of State for Foreign and Commonwealth Affairs

The bombing of civilians

Recent reports about indiscriminate bombing have aroused fresh criticism of our Nigerian policy, both in Parliament and elsewhere. There is certainly strong pressure in some quarters in Parliament for a change of policy, but it is difficult to judge how widespread this feeling is.

2. The immediate issue is that of the bombing of civilians in Biafra. The Times and other critics have concentrated entirely on the bombing by the Federal side. They choose to overlook the fact that the Biafrans began the bombing in this war, that they bombed Lagos at one time and bombed a Federal village causing deaths as recently as 31st January. On my instructions, Sir David Hunt took this up personally with General Gowon on 3rd March and I myself saw the Nigerian High Commissioner on the same day. We pointed out that these air attacks, which many would consider deliberate attacks on civilians, were doing great harm to the Federal position for little or no military advantage. We pressed that immediate steps should be taken to ensure that the instructions to pilots to attack military targets only were scrupulously obeyed and publicised. We also urged the Federal Government to consider making it clear publicly that they would not object to the observer team visiting rebel territory if Ojukwu agreed.

3. General Gowon replied that he had never approved indiscriminate bombing of towns; that the state of captured towns now in Federal hands proved this; that he regarded the ordinary people in rebel areas as fellow Nigerians; that the only bombing authorised was against military targets (he handed over a copy of current instructions to the Air Force which state that efforts must be made to preserve as many lives as possible and that no non-military targets should be bombed and gatherings of civilians must be avoided); that interrogation of prisoners
had produced full information about numerous targets (ordnance installations, petrol dumps, training establishments) on the edges of towns.

4. Gowon was doubtful about letting the observer team visit rebel territory but promised to think again about this. He also promised to consider making a further public statement about the orders given to his pilots.

5. The real problem is that, while Gowon is sincere, through incompetence or recklessness lower down the line his orders may not be fully carried out, particularly by Egyptian pilots.

6. We are continuing to urge him to ensure much more detailed supervision of their briefing and control. We have also pointed out strongly that air attacks on targets other than the airstrips used by aircraft bringing in arms, even when the targets are legitimate, do their cause much more harm than good.

The principles underlying our policy

7. Our policy is based on the principle that secession is damaging both to Nigeria and to Africa as a whole. In this we are fully supported by U Thant and by the overwhelming majority of African Governments. We must have regard both to the welfare of Nigeria as a whole and to the future of Africa, and to our own standing both with Nigeria and with Africa. The fact is that Nigeria needs the Ibos and the Ibos need Nigeria. Iboland is an integral part of Nigeria not just politically but geographically, commercially and in every other way. It cannot exist on its own and the minority peoples adjacent to it have no wish to be incorporated in Biafra or to be dominated by the Ibos. Any solution which stops short of recognising this cannot last and only stores up trouble for the future.

8. Some of our critics have suggested that we are ill-informed about the situation in Nigeria, and more especially inside Biafra. I think this criticism is wide of the mark. We do not of course have the advantage of a resident Diplomatic Service mission in Biafra. We used to have a Deputy High Commissioner in Enugu, but Colonel Ojukwu made his position so difficult that we were compelled to withdraw him. The High Commission in Lagos do in fact send us very full and carefully considered reports on the Federal side and their assessments have been borne out by events. So far as the Biafran side is concerned, we have information from a stream of visitors of all sorts - British and Canadian MPs, United States Congressmen, relief workers, missionaries and journalists, a great number of whom come to see us in the Foreign and Commonwealth Office. We therefore have a great deal of information from visitors and others supplementing the High Commission's information. We compare notes regularly with the
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Americans, the Canadians, and with European Governments, as well as with the International and British Red Cross, OXFAM, the Save the Children Fund, Shell/BP, the United Africa Company and a large number of British firms, with whom we maintain regular contact. We also maintain official contact with the Nigerians and unofficial contact with the Biafrans in London. We know a very great deal about Nigeria and Biafra and are probably better informed than any foreign government.

Our interests and policy

9. What some critics of our policy, in and out of Parliament, want is for us to stop supplying arms to the Federal Government which means, in effect, withdrawing our support for them. It would be wrong to think that this action would put us into a neutral position. As creators and traditional suppliers of Nigeria, any move to stop supplying conventional arms to the Federal Government would mean in effect that we were supporting the rebellion of Colonel Ojukwu. We should not be hasty into taking action against our better judgment which would, in fact, be very damaging to our interests and which would do nothing at all to bring a solution nearer. The considerations advanced in the paper which I circulated to my colleagues on 9th December (C(68) 126) are still valid. The stopping of arms supplies to the Federal Government at this stage would have very serious consequences for us.

10. It might well endanger the 16,000 British subjects living in Federal Nigeria; it would also put at risk the tremendous Shell/BP investment in Nigeria on which they are spending about £1 million a week. This great investment is now beginning to produce a return which will quadruple in the next four years and have an important effect on our balance of payments. Already oil exports are again approaching the figure which they reached before the war. Interference with Nigerian oil supplies would certainly affect adversely the negotiations with oil-producing countries in the Middle East; and might damage international confidence in our economic recovery.

11. We might decide to run the grave risk to life and wealth if there were overriding moral or political considerations. But it is certainly not axiomatic - and I do not believe it to be true - that it would be morally right to cut off traditional arms supplies to Nigeria when she is combating a rebellion, the success of which would be disastrous to Nigeria and Africa. Politically the main effect of a change of policy would be to make Nigeria increasingly dependent on the USSR, to the damage of both Africa and ourselves.

The military prospects

12. The Federal Government are aware that we are under very great pressure and that we shall find difficulty in holding the line here if the war continues indefinitely on present lines. The Prime Minister made this clear to Chief Awolowo when he saw him on 19th January.
Chief Awolowo was optimistic about the prospects of a final offensive but it has not developed yet. During recent weeks the Biafrans have had some success in pushing towards the south-west on either side of Owerri, which was for a time cut off, but in the last few days a Federal relief column has pushed through to Owerri. The Federal forces for their part have linked up their two divisions in the north. We cannot rule out the possibility that the Federal Army will be able to advance from the north. The latest assessment I have had from Sir David Hunt is that he would expect the Federal forces to lurch forward on the northern front any day now though he is resigned to possible disappointment. If the Federal forces were able to overrun the remaining Biafran area quickly (and to do this they would have to complete their advance before the end of May when the rains come) our immediate dilemma is resolved. What should prove decisive would be the knocking out of the Biafran airstrips to which the arms flights go at present. The best practicable hope is that they might be able to make enough gains to persuade Ojukwu that he cannot win (especially if there had been no further recognition or other moves in support from outside). Alternatively, if there was a demonstrable turning of the tide against Biafra the more reasonable Biafrans might get rid of Colonel Ojukwu. In either of these events negotiations could begin with a real will to settle on both sides which is in fact a prerequisite of success. Up till now the Federal side have taken up what is, in our view, a reasonable negotiating position and are prepared to give reasonable guarantees for Ibo safety and well-being. The Biafrans have not. They are unwilling to settle for less than independence; yet no Nigerian Government could concede this and survive. General Gowon has sworn to restore the unity of his country and, given the support of the Russians and most of Africa, does not doubt his capacity to carry out his promise.

13. We must, however, face the fact that the war may drag on and that the Federal forces which are greatly extended and indifferently led with very long lines of communication may not be able to establish an early ascendancy of the type which would bring about realistic negotiations. It is even possible, though at present I think unlikely that the Biafrans might advance further south and threaten Port Harcourt, though there are no grounds for thinking that Colonel Ojukwu's forces can, in the long run, prevail against the much stronger Federal forces. It is, therefore, right that we should consider the worst possibilities and review the alternative open to us.
Efforts to bring about negotiations

14. Ever since the beginning of the dispute we have taken a leading role in efforts at mediation. Ministers have had repeated discussions with both sides, most recently during the Commonwealth Conference. We have also fully supported the efforts of the Commonwealth Secretariat and the Organisation of African Unity (OAU) which have both brought the two sides together in negotiations which in the event were abortive. So far all efforts have failed. The OAU is expected to try again next month. But there is as yet no sign of a real willingness to compromise on either side on the essential question of independence and sovereignty for Biafra, and the gap is still as wide as ever. If Nigerian unity were accepted, negotiations could concentrate on protection for the Ibos in a free and equal Nigeria; if Biafran independence were accepted, negotiations could concentrate on co-operation. But at present there is no common ground on this issue, although in reality there are strong common interests.

Alternatives

15. (1) To go on as we are

Advantages: British subjects and our commercial interests are safeguarded. Our relations with the Federal Government remain reasonably satisfactory and we are in a position to help bring about a settlement when the makings of one appear. We are also well placed to rebuild our position politically and economically in what is the largest and most important black African country, a member of the Commonwealth in whose continued prosperity and stability we have a genuine long-term interest.

Disadvantages: We shall remain subject to strong attack in Parliament and in the Press at home, to criticism in Europe, Canada and elsewhere and the limitations on the degree of our support will continue to make difficulties for us with the Nigerians themselves. The Government appear to the uninformed to be joining with the Russians in backing the stronger side against a brave and struggling small country.

(2) To step up our support for the Federal Government so as to produce a military solution

Advantages: This could bring about much earlier an end to the war or a situation favourable to negotiations as I have earlier described. This is what General de Gaulle did in not too dissimilar circumstances in The Chad last year.
Disadvantages: In domestic political terms, any change in the type, or marked increase in the scale, of overt support for Federal Nigeria can be ruled out.

(3) **To stop arms supplies, to withdraw support from the Federal Government and to seek to disengage**

**Advantages:** We escape for a brief space from the pressure of criticism in Parliament and in the Press.

**Disadvantages:** We face the grave risks described in paragraphs 9 and 10; and when these risks became realities - as some of them certainly would - we should be criticised just as violently from a different standpoint. In local terms we should make much more probable in the long run the break-up of Nigeria, probably with bloodshed and chaos like the earlier situation in the Congo. We should be doing real damage to the future of millions of Africans and might help to set back African political development by many years.

(4) **To bring strong pressure on the Federal Government to enter into negotiations unconditionally** (i.e., instead of requiring the Biafrans to accept in advance that the purpose of negotiations is to achieve "one Nigeria" in some form).

**Advantages:** This might theoretically help to bring about negotiations which, while they might not succeed, would reduce the pressure on us politically. It is possible that in the course of negotiations the two sides would find themselves closer to a situation which they could both accept than at present seems probable. It would also put off the day when we would otherwise find ourselves obliged to make a more radical change in our policy with more unwelcome effects on our relations with Nigeria.

**Disadvantages:** The Federal Government would strongly object and might well not agree. We have already brought a great deal of pressure to bear on the Federal Government. Their position about negotiations is reasonable and it would be unreasonable to press them to negotiate when we and they know perfectly well that there is for the present no genuine wish to compromise on the other side.

(5) **To see whether it will be possible to bring about a general arms embargo**

**Advantages:** This would enable us to respond to widespread opinion in this country and elsewhere. It would, if effectively imposed, gradually reduce the ability of each side to maintain the fight to the finish.
Disadvantages: We should appear to the Federal Government to be changing our support for them, with the results already indicated. The Russians are unlikely to co-operate, and the French declare publicly that they are not supplying arms. We, therefore, do not believe that an attempt to impose an effective international embargo would succeed. Even if one were agreed, the black market flow of arms to both sides would continue.

Conclusion

16. I conclude therefore that it would be neither right nor wise for us to cut off at this stage the supply of arms to the Federal Government. In the House of Commons on 12th June last I stated the conditions in which we might do this, but neither of these conditions have been fulfilled. At the same time it is important, both for the welfare of Nigeria and for the rebutting of criticism that we should:

(1) press the Nigerian Government to keep on emphasising their willingness to reach an agreement provided that this does not involve the dismemberment of Nigeria;

(2) press them to repeat their assurances to the Ibos and to hold to the statesmanlike line propounded by General Gowon in his speech at Zaria on 30th November;

(3) whenever the situation for negotiations looks promising, seek to play an active part in consultation with the OAU and the Commonwealth Secretariat;

(4) impress on the Nigerians the need to avoid actions like indiscriminate bombing which are inhuman, militarily useless and politically damaging;

(5) continue to play our full part in relief.

M.S.

Foreign and Commonwealth Office, S.W.1.

10th March, 1969
11th March, 1969

CABINET

INFLUENCE OF OVERSEAS AGENCIES ON PARLIAMENT

Memorandum by the Prime Minister

On 10th March the Parliamentary Committee discussed the question of Lobbies and Parliamentary and other pressure groups. It was agreed, following the distinction I made in my intervention at the Parliamentary Labour Party meeting on 6th March, that there were two main problems:

1. The problem of the employment of Members of Parliament on a salaried or fee-paid basis to represent particular pressure groups or lobbies, frequently without their fellow MPs - and this can include Ministers - being aware of their interest.

2. The problem of public relations firms operating on Parliament, Government, and public opinion generally, on behalf of overseas Governments. The public relations firms may or may not have paid Parliamentary contacts: this is not the only issue.

The Committee felt that action was urgent on both questions, and felt separate treatment was required for the two problems.

2. On Members of Parliament it was felt that the existing rules about "declaration of interest" as set out in Erskine May were quite inadequate. In general the rules are related strictly to MPs who are directors, or more doubtfully substantial shareholders, in firms whose profits could be directly affected by matters coming under discussion in Parliament. They do not provide for the growing practice of employing Parliamentary consultants, and other Parliamentary representatives, very often at high rates of pay. In many cases MPs regard it as their duty to make their position clear by public statements, and indeed sometimes by statements in Parliament.

3. The Committee agreed that this was a matter primarily for Parliament, not for the Government to clear up. It was decided therefore to recommend to the Cabinet that an early announcement should be made referring the question of the definition of declaration
of interest to a Select Committee. It will be a matter for consideration whether there should be a new and separate Select Committee, or whether the existing Select Committee on Procedure could take on the assignment.

4. On the question about outside pressure groups, whether or not Members of Parliament are on their pay-roll, the Committee felt that the problem was most acute in respect of public relations and other firms holding accounts, often undisclosed to the public, from overseas Governments or indeed overseas financial interests. Some of these are publicly known, respectable and accepted - such as certain of the organisations concerned with European unity. The Cabinet will however be aware of others which have given rise to great concern - the pressures on behalf of the Katanga lobby, not disconnected with substantial financial interests in that part of Africa; the recent disclosures about Greece; and indeed the highly effective public relations campaign on behalf of "Biafra". There is also reason to believe that similar operations are being undertaken on behalf of the Rhodesian regime. Spain and Portugal were also mentioned.

5. The activities of these lobbies are not confined to pressure on Government and Parliament, though our public life would be a great deal healthier if their activities in these two directions were more fully known. More and more, however, some of these lobbies appear to be directed towards influencing public opinion through newspapers and, still more, though radio and television.

6. The Committee were given a brief outline of the measures taken by the United States Congress requiring a registration of all such lobbies, including the fees received and the out-payments for lobbying purposes by the organisations concerned. The Paymaster General and the Attorney-General are preparing a joint paper on the American system for consideration by Cabinet.

7. The Committee felt that there was no need, at any rate at present, to register lobbies and pressure groups which operate in a purely domestic sense, e.g. the NFU, the NUT, Trade Unions and the Co-operative Movement.

8. Some but not all members of the Committee felt that whereas the question of Members of Parliament's "declaration of interest" should be entirely a matter for Parliament, as suggested above, the Government had a responsibility - such as that asserted in the case of the American Legislation by the United States Government - to act so far as "foreign lobbies" are concerned. Others felt that, when the Government had taken its researches further, this problem too could be handled by the proposed Select Committee on the basis of facts and guidance provided by the Government.
9. This problem has been with us for a very long time and there is now great public and Parliamentary concern about it. It was felt that subject to approval of Cabinet a statement should be made this week: (a) informing the House of the Government's decision to refer the problem of the declaration of interest to a Select Committee; and (b) stating that the Government had decided that action must be taken in relation to overseas lobbies.

10. I append a suggested statement.

H. W.

10 Downing Street, S. W.1.

11th March, 1969
APPENDIX

DRAFT STATEMENT

The House will recall that on 4th March I was asked by my Honourable Friend the Member for West Fife "whether in view of the increasing number of hon. Members being remunerated by outside bodies, he will re-examine the desirability of legislation to establish a public register of such interests." I said that the Government were continuing to watch the position and in answers to Questions by the Rt. Hon. Member for East Hertfordshire referred to the disparity between the treatment, so far as this House is concerned, of honourable members who are required by long established practice to declare their interest, and others who are not so required.

I should now like to tell the House the results of the Government's examination of the issues raised.

As I have more than once suggested there are two separate issues here.

The first is the position of Members of Parliament who by virtue of some paid connection with an outside interest, be it domestic or overseas, are involved in matters which are the concern of Parliament and of Government. As I indicated in reply to my honourable Friend, it is important that the position of such members should be made clear in all matters which affect their responsibilities to the House and to their Parliamentary colleagues.

This is an issue for Parliament. The Government have therefore decided to recommend to the House [here insert either the proposed establishment of a new Select Committee to consider declaration of interest, or the proposed reference of the issue on declaration of interest to the existing Select Committee on Procedure].

There is however a second issue about which there is considerable public concern, and concern in this House. This relates to the operation of public relations and other organisations holding an account or a commission on behalf of an overseas Government, or an overseas.
political or financial interest. The activities of some of these organisations has been raised in this House on a number of occasions, and there is concern about their activities, whether or not they employ on any basis individual Members of this House. What is important is that Parliament, and the public, should know when activities of this kind are being conducted. Many of these organisations do valuable work in informing Parliament and the public; the danger occurs when it is not done in an open way. There is increasing evidence that some of these organisations are at least as concerned with operating on the media of communications outside Parliament as on Parliament and on the Government. Again the public has a right to know.

The Government have therefore given urgent consideration to the means of ensuring that organisations conducting such activities on behalf of overseas interests are publicly registered.

I hope to make a further statement in the near future about the Government's proposals in detail on this issue.