C(69) 101 - Broadcasting. Note by the Postmaster General

102 - The Timing and Method of Release of the Records of the 1939-45 War. Note by the Secretary of the Cabinet

103 - Broadcasting. Memorandum by the Lord President of the Council

104 - Public Expenditure: 1970-71. Note by the Chancellor of the Exchequer

105 - Passenger Service Charges at United Kingdom Airports. Memorandum by the President of the Board of Trade

106 - Housing Prospects. Memorandum by the Minister for Planning and Land, Ministry of Housing and Local Government

107 - Northern Ireland. Memorandum by the Minister of Defence for Administration

108 - Northern Ireland. Memorandum by the Secretary of State for the Home Department

109 - Pay of Grades Represented by the Post Office Engineering Union. Memorandum by the Postmaster General

110 - Effects of Industrial Action by Post Office Engineering Union. Memorandum by the Postmaster General

111 - Post Office Engineering Union Pay Claim. Memorandum by the Lord Privy Seal

112 - Northern Ireland. Note by the Secretary of the Cabinet

113 - Equal Pay. Memorandum by the First Secretary of State and Secretary of State for Employment and Productivity

114 - Northern Ireland. Note by the Secretary of the Cabinet

115 - National Newspaper Price Increases. Memorandum by the President of the Board of Trade

116 - Arrangements for Partial Contracting Out of the New Earnings-Related Pension Scheme. Memorandum by the Secretary of State for Social Services

117 - Public Expenditure: 1971-72 to 1973-74. Note by the Chancellor of the Exchequer

118 - Public Expenditure: 1971-72. Memorandum by the Chancellor of the Exchequer

119 - Northern Ireland. Note by the Secretary of State for the Home Department

120 - Equal Pay. Memorandum by the First Secretary of State and Secretary of State for Employment and Productivity

121 - Parliament (No. 7) Bill. Memorandum by the Lord Chancellor

122 - Industrial Commission. Note by the Secretary of the Cabinet
C(69) 123 - Industrial Policy. Memorandum by the First Secretary of State and Secretary of State for Employment and Productivity

124 - Supply of Wasp Helicopters to South Africa. Note by the President of the Board of Trade

125 - Local Government Reorganisation in Wales - Implications for England. Memorandum by the Minister of Housing and Local Government
CABINET

BROADCASTING

Note by the Postmaster General

I am attaching for the information of the Cabinet copies of papers which have been considered by the Broadcasting Committee.

J.T.S.


25th July, 1969
Local Radio

2. The White Paper on Broadcasting (Cmnd. 3169 of December 1966) authorised the BBC to undertake an experimental service of local radio. Eight stations (Leicester, Sheffield, Merseyside, Nottingham, Brighton, Stoke-on-Trent, Leeds and Durham) were opened accordingly between November 1967 to July 1968.

3. The experiment was to be reviewed, "after a year or so of operation" and the Government reserved "until the conclusion of the experiment any decision on the question whether a general and permanent service should be authorised, and, if so, how it should be constituted, organised and by whom provided, as well as how it should be financed".

4. A decision on these questions is becoming urgent because:-
   (a) the time set for the experiment is now running out;
   (b) the BBC staffs concerned are naturally anxious about their future;
   (c) the future of local radio is closely related (both financially and structurally) to the plans which the BBC have submitted to me for reshaping their national radio services (see paragraph 6 below);
   (d) the opposition having announced that their policy will be to authorise commercial local radio, our own policy now needs to be announced and brought into effect as rapidly as possible.
5. I have accordingly canvassed a wide range of opinion on the local radio experiment: from the BBC, from the local broadcasting councils, from national and local organisations of all kinds, and from the general public. The results are outlined in Paper B(69)4.

National Radio

6. Lord Hill and his colleagues on the Board of BBC Governors have put to me their plans for the future structure of the national radio services. The two purposes behind their plans are: to rationalise and modernise the service to take account of changed listening habits; and to effect economies because the BBC is living beyond its means.

7. Each of the four national services would specialise on a type of programme; Radio 1 - much as now - on pop and news; Radio 2 on light music and news; Radio 3 - transmitted on VHF only - on classical music and minority drama; while Radio 4 would in time become wholly a speech programme. This classification is developed and its implications considered in B(69)6. As part of the change to Radio 4, "opt-out" programmes in the three English Regions (but not in Scotland, Wales and Northern Ireland) would be dropped. Besides this, another economy, and one likely to cause trouble, is the reduction in the number of BBC orchestras. These economies would help to keep national radio out of the red; they would not enable the BBC to finance, from current licence revenue, a local radio service.

Finance

8. Broadly speaking the maintenance of the existing BBC national radio services would require an increase of 5s. in the current licence fees (£6 - combined television and radio and 25s. - radio only) bringing in some £4m. p.a. extra revenue.

9. To finance local radio on the basis of say 40 stations (covering 88% of the population) would cost, when in full operation after, say, two years, another £4m. involving another 5s. on the licence fee.

10. These figures are based on various assumptions, e.g.

(a) that there is no major scope for further economies in BBC costs. A thorough review by McKinsey's is now in its concluding stages and, in so far as sources of economy have been revealed, they have already, according to the BBC, been taken into account;

(b) that we must continue to accept a substantial, though reducing, loss from licence evasion. The present loss (on combined television and radio licence fees) is estimated at around £7½m. p.a. The BBC are assuming that over the next few years we can reduce this by £3½m. p.a., (producing some £4m. p.a. for sound radio). I am circulating a separate memorandum on this problem Paper, B(69)5, but I am bound to say I think the BBC are being optimistic;
(c) that local sources of finance for local radio can make no more than a marginal contribution to its cost. This, unfortunately, seems to be true. Seven of the existing eight experimental Stations receive contributions ranging from £7,500 p.a. to £63,000 p.a. from the local authorities concerned (and practically nothing from anyone else). But these local authorities though in favour of continuing these stations on their present basis have urged that the "financial burden" on them "must be very materially reduced". And clearly the chance of any further authorities providing money for this purpose against a background of pressure for economy and of the opposition's advocacy of commercial local radio (which it is claimed can make a sizeable contribution to local rates) is extremely remote.

(d) that the BBC should not accept advertising revenue. The BBC, after some thought, have set their faces firmly against this. I wholly agree with them.

11. As an alternative to, or in reduction of, the possible increases in licence fees discussed above various proposals for subsidies are known to have been considered by the BBC and some, at least, of these may be further pursued. They include:

   (i) Relief from S.E.T.

   (ii) A Government grant for educational broadcasting

   (iii) A Government grant equivalent to the estimated revenue lost by licence evasion

   (iv) An Arts Council grant for BBC orchestras

Television

12. Another question on which a decision is expected urgently is whether we should relax, or drop altogether, our present control over the number of hours of television broadcasting - a control which I personally consider unnecessary and outmoded. Since the BBC and ITA are given full independence in organising their services within available resources, it seems unduly restrictive that Government should prescribe for how long they should be on the air. An extension of broadcasting hours would be welcome to the independent programme companies as affording some relief from the recently announced £3m. p.a. increase in the levy on their advertising receipts. On the other hand it would add to the financial pressure on the BBC. I have commissioned an independent study into this problem and have just received the results. They will shortly be available for consideration by the Committee.

13. Also, in the White Paper of December 1966 we recorded our decision that no allocation of frequencies to a fourth television service would be authorised for the next three years at any rate. This period is now running out. A second service of independent
television might, I think, in principle be the best way of widening the choice of programme available. But here too there is a financial problem — this time for independent television. The ITA's views, which I have sought on this matter, should be available shortly after the end of this month.

14. Conclusion

The Committee is invited to take note of this paper.

J.T.S.

General Post Office,
St. Martin's-le-Grand,

20th June, 1969.
20th June, 1969.

CABINET MINISTERIAL COMMITTEE ON BROADCASTING

LOCAL RADIO - THE BBC's REPORT

Memorandum by the Postmaster General

1. My colleagues will wish to see the attached report from the BBC on the local radio experiment they have been conducting at our request during the last two years.

2. I will circulate my own assessment of the experiment shortly.

J.T.S.

General Post Office
St. Martin's-le-Grand

20th June, 1969.
1. Introduction

From the BBC's point of view, a number of considerations, including financial provisions, negotiation of leases, and most important, staff uncertainty, require that a decision on the long-term future of Local Radio should be reached in the summer of 1969. The period of station operation covered by this review is necessarily brief, especially so in the case of the later stations. But in the view of the BBC it is an adequate period on which to base decisions for the future.

2. Selection of Stations

The readiness of local authorities and other local interests to contribute financially was obviously an important factor in the selection of towns for local radio stations. The BBC decided, since speed was vital, to work in the first instance through local authorities. In response to a general invitation, eighty of them were represented at a large conference at Broadcasting House in January 1967 where the scheme was explained by officials of the BBC, the Post Office, and the Association of Municipal Corporations. This conference prompted enquiries from a large number of towns interested in participating in the experiment. Many withdrew, finding the costs too great, but enough were prepared to meet them, or a substantial enough part of them, for the experiment to proceed. Nine towns were selected. One, Manchester, withdrew after a change of control at the local elections, leaving eight stations which began transmitting on the dates shown.

Leicester 8.11.1967; Sheffield 15.11.1967;
Marseyside 22.11.1967; Nottingham 31.1.1968;
Brighton 14.2.1968; Stoke-on-Trent 14.3.1968;

The White Paper expected that the first stations would become operational within about a year. Considerable work was involved in selecting and training staff, finding suitable premises, adapting them and installing technical equipment; nevertheless, the first three stations became operational well within the year.

3. Finance

The Government, in the White Paper, laid it down that so far as possible the experiment should be financed from local sources, and not from the general licence fee. Local authorities and other bodies were mentioned as possible sources of income, although any income by way of direct subvention on the rates was ruled out.

All the capital expenditure involved in the experiment has been borne by the BBC. The original estimate of £35,000 of capital per station proved to be accurate.

A little over 50% of the local radio operating expenditure for 1968/69 was contributed locally. Most of it came from the local authorities. The figures were:

<table>
<thead>
<tr>
<th>Town</th>
<th>Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brighton</td>
<td>£25,000 p.a.</td>
</tr>
<tr>
<td>Durham (County)</td>
<td>£10,000 p.a.</td>
</tr>
<tr>
<td>Leeds</td>
<td>£25,000 p.a.</td>
</tr>
<tr>
<td>Leicester</td>
<td>£52,000 p.a.</td>
</tr>
<tr>
<td>Merseyside</td>
<td>£63,000 p.a.</td>
</tr>
<tr>
<td>Nottingham</td>
<td>£32,000 p.a.</td>
</tr>
<tr>
<td>(Sheffield)</td>
<td>£50,000 p.a.</td>
</tr>
<tr>
<td>(Rotherham)</td>
<td>£7,500 p.a.</td>
</tr>
<tr>
<td>Stoke-on-Trent</td>
<td>£52,000 p.a.</td>
</tr>
</tbody>
</table>


The Borough of Hove contributed £1,000 to Radio Brighton as a once-only payment. The Leeds figure of £25,000 was less than was originally anticipated, because the City Council considered the transmission range to be less than it had expected. These grants apply only to the period of the experiment. In the case of the first group of stations, they expire in November 1969.

At Merseyside and Stoke-on-Trent, where the obligation undertaken by the local authorities was by way of a guarantee, the local authorities have received offsetting contributions from local industry and commerce to a substantial extent. The BBC was not involved in these arrangements.

Apart from these subscriptions from industrial and commercial interests at Merseyside and Stoke-on-Trent, contributions from local sources other than local authorities have not been large, although relatively small sums (up to £500) have come from a variety of local sources including, at one station or another, all the possible contributors mentioned in the White Paper with the exception of the Open University. Some contributors, including, for example, groups of Churches, have preferred to buy additional equipment for their local station, to the value of perhaps £200 or £300.

Experience has shown that there were unfortunate disincentives in the local subscription scheme. In deciding on the level of its contribution, a local authority already under severe financial pressure was not unaware of the fact that the BBC would underwrite the local station and in the last resort would make good the margin between what the local authority offered and the actual operating cost. Equally, once a local authority had announced the amount of its guarantee, other local interests tended to regard offsetting contributions from themselves as payments to help relieve the rate-payers of a burden, rather than as positive additional support for the station.

The BBC found its own local staff fully extended in actually running the stations. It did not itself initiate fund-raising activities. The Local Radio Councils did not prove to be effective fund-raisers. It was not that they tried and failed, but rather that they did not see this function clearly as part of their brief.

In 1966 the BBC's estimate of the cost of running a local station was £52,000 per annum. For their first twelve months on the air, the local operating costs of the three stations which led the experiment were:

<table>
<thead>
<tr>
<th>Location</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leicester</td>
<td>£54,000</td>
</tr>
<tr>
<td>Sheffield</td>
<td>£55,000</td>
</tr>
<tr>
<td>Merseyside</td>
<td>£65,000</td>
</tr>
</tbody>
</table>

In addition there were central costs, of which the heaviest item was a substantial sum for audience research.

It is clear that the corresponding figures for the second year will be considerably higher. Some rising costs, e.g., extra S.E.T., could not be foreseen or avoided. Limited additions to staff became necessary, where experience in practice showed the work-load to have been underestimated. Other additional charges resulted from the success of local radio. Audience reaction proved to be on a scale which led to substantial overspending on the provision made for postage and telephone expenditure. The demand for more local programmes expressed by Local Radio Councils reinforced by the evidence of every audience research survey, and the continuing and growing availability of good local material on a scale well beyond expectations, resulted in a level of local output considerably higher than had been foreseen. An anticipated 4 to 5 hours per day has now grown to an average 6½ hours daily, at an all-in average cost of nearly £33 per hour.

During the experiment some stations have become a little too ambitious, and have over-extended themselves. In these cases some cutting back of the present output might well be necessary. Nevertheless, taking into account the undoubted need for some further limited staff strengthening and the likelihood of increased programme expenditure, particularly on fees to professional contributors, it seems certain that on today's rates budgets of up to £80,000, and perhaps in the case of stations with large editorial areas up to £100,000, must be expected.
During the period of the experiment the Local Radio Councils have been feeling their way, with a considerable degree of success. They have well discharged their primary function of standing sponsor for the station to the community and they have had a real influence on programmes and on station policy.

The BBC's relations with the Councils have been cordial, constructive and fruitful. Occasionally a member, here or there, has shown signs of wanting to have more authority. But, almost universally, the BBC's claim to editorial control has been respected and understood, and the station managers given a free hand. At some centres Council members have organised themselves into groups, each taking a special interest in a certain section of the station's output and even going so far as to participate in programme-making under the station manager's editorial guidance, and in helping to seek out talent and contacts.

Links with BBC Headquarters have been well maintained. The Chairmen have met in London every two months at least, to discuss experiences and problems and to put their views and their questions to the central Local Radio Development Manager and to Managing Director, Radio, both of whom have invariably attended these meetings. The Director-General has also been present frequently.

The Councils had no say in the choice of staff at the local stations. This was because in every case the Council was only named a very short time before the station opened. The right of a Council, perhaps through its Chairman, to participate alongside the BBC in the selection of the Station Manager needs to be considered in connection with any permanent local radio arrangement. Such a right would do much to meet the wishes of those Council members who would like to see the Councils enjoying a stronger constitutional position.

The independence of the local stations is of a degree hitherto not experienced within the BBC. After the launching of the stations, the central unit in London was reduced to one senior official. The output of the stations cannot be heard in London, and there is no formal day-to-day programme supervision. The local character and distinctiveness of the stations is assured first by their freedom to meet the needs of their widely differing communities in their own way, and second by the influence of their Local Radio Councils and of local public opinion generally. At the same time, the station managers know that the central organisation of the BBC is there to support them. They have shown good sense in knowing when, and to whom, to refer when they were in need of assistance.

5. Programmes

Preliminary audience research showed that the local listener's first requirement was a good and independent source of local news. A high proportion of each station's budget is spent in meeting this requirement. Bulletins at fixed times throughout the day are a universal feature, but the informality of its general presentation allows a station to interrupt its programmes at any time with flashes of important news. The radio car, permitting almost instant broadcasts at any time from any location of interest, gives immense flexibility to this coverage.

Breakfast time, mid-day and high-tea time have been found to be the peak listening periods, and this is where the main emphasis is placed on providing news and topical magazine programmes. Outside these peak hours, regular spaces are provided for programmes of particular interest to women, with local market prices, advice from local consumer groups, and much other local information of value; to the elderly and housebound; to the sick; to youth; to young children; to parents; to group after group of local people sharing special interests. Extensive coverage is given to matters of local controversy; many consider the greatest value of this form of local radio to be the opportunity it provides of airing local issues thoroughly and with complete impartiality. Many of these arguments arise on local government matters. Local government in one form or another is constantly being dealt with in the programmes, hour by hour. One station, Radio Leicester, broadcasts Council debates as they happen. The other stations give running reports on Council meetings.
Local M.P.s are frequent contributors to local radio programmes. Frequently they speak direct from Westminster, reporting on Parliamentary activities. At other times, when they are in their constituencies, they give talks, and take part in discussions, from the local studios.

The stations have paid great attention to topics touching on the local economy and local prosperity. Local industry and commerce have yielded a constant stream of valuable and informative programme material.

All the stations are strong on sports coverage, and this is an ingredient which pulls in very large audiences. Gramophone record time is in short supply. The copyright owners, because of Union policies, permit only one hour of records to each station per day. Most of these records are used in request programmes which enable listeners to send broadcast greetings to neighbours at times of family celebration, to sick friends in hospital, and so on.

Already the local stations have made participation in broadcasting an everyday experience to thousands of people who never expected to speak on the air in their lives. Each station has become in a real sense a community forum, available to citizens who care to call in at the studios, or to face an encounter with the radio car or with a local reporter's tape-recorder, or even just to telephone in and speak on the air direct from home, or to write a letter which can be read at the local microphone. Radio is making local democracy articulate.

Two years ago, many people believed that local broadcasting could never be a sustained operation, and that the supply of local material would rapidly be exhausted. This theory has been totally exploded. Practical experience has shown the local community to be a continually replenished reservoir for the broadcaster. The supply of local topics crying out for programme treatment is virtually inexhaustible. The limiting factor is not the supply of material, but rather of resources to handle it.

6. Local Music and Drama

The inability of local stations to meet the national fee scale required by the Musicians' Union has meant that little employment has been offered to professional musicians. Equity, too, has insisted on national rates with a similar result. The offer to consider a lower rate in this case was unfortunately accompanied by restrictions which, in the view of the BBC, it would have been impossible to operate.

Local amateur music-making, at many levels of music, has however found a ready place in local programmes. Much of it has been of a high standard. The same is true of amateur entertainment generally. Already a number of artists who began as amateurs in local radio have moved on to professional performance before larger audiences. It seems that the local station could well have a valuable talent-spotting and launching role in the spectrum of the entertainment media generally, giving promising newcomers some first experience in broadcasting and enabling them to become known.

The local stations give great help every day to Music, Drama and the Arts. In the way of previews, descriptive talks, interviews and discussions, local criticism, and "What's On" announcements, they draw attention to local cultural activities and give them the build-up they need. There is encouraging evidence of the favourable effect of such broadcasts.

7. Educational Programmes

The single educational specialist on the staff of each station has been an exceedingly busy person. He has worked in close consultation with the educational sub-committee of the Local Radio Council, and on the average his output has reached four hours a week. Such productivity has only been possible because of generous cooperation by L.E.A.s, Extra-Mural Departments, the W.E.A., and others, at the programme-making as well as at the advisory level.
Programmes for schools, always devised in consultation with the local Chief Education Officer and his staff, have divided into two categories. One category was that of local topics, and out of a wide range perhaps the programmes advising leavers on local career opportunities, including interviews with personnel managers and prospective employers, should be singled out for special mention. The second category was of programmes on general topics, provided because the teaching resources of the community needed special help in these subjects. There have also been educational projects for groups of children in need of special help - for example Radio Durham has undertaken a special educational service designed by the L.E.A., for seventy handicapped children unable to leave their homes. The L.E.A. has supplied the children with VHF receivers.

Further Education programmes have covered an equally extensive field. Many of these series have been accompanied by well-produced booklets. Sales of 500 of such booklets are a commonplace.

At both levels, Schools and Further Education, there is a general feeling at almost every centre that the exploitation of local radio has hardly started yet. Enough has been done to show great potential. The Department of Education and Science has made a study of the work undertaken so far which gives encouragement to this opinion.

8. Religious Broadcasting

Each Local Radio Council has formed a Religious Broadcasting sub-committee, and almost everywhere this has proved to be a most active and effective body. The Churches generally have been quick to see the possibilities of local radio and have taken the lead in making arrangements to prepare good programmes themselves on a regular, frequent and continuing basis. In some centres they pay the costs of live broadcasts from places of worship on Sundays and included in the rota by general local consent are religious groups (e.g. the Jews) who do not normally participate in the "main stream" broadcasts on the networks.

9. Listening Figures

The BBC's Audience Research Department has conducted extensive and costly enquiries into the impact of local broadcasting, culminating in sample surveys by interview with approximately a thousand persons in each of the eight areas after one year's operation.

These have concerned the availability of VHF receivers, the extent of listening to the local station and public opinion about the role and achievements of local radio. The Post Office has been fully informed about the methods used and will, of course, receive the final report - about all eight stations - when it is complete in mid-summer.

Interim studies in Leicester, Sheffield, Merseyside and Nottingham indicated that these areas together contained about one million adults who had VHF sets and/or radio relay, that about 800,000 had heard their local radio of whom over half-a-million were listening to it at least one or two days a week. Some 80 per cent of those who had listened thought their local radio had already made "a very good start" and was something the local people could be proud of.

The findings after a full year's operations are now becoming available. To judge by the interim studies, those for the first (Leicester) are likely to be paralleled by the rest. These show there to have been a growth in the incidence of VHF and/or radio relay from 40 to 44% over the year. About a third of the population were currently local radio listeners, most of them at least one or two days a week. To cite two examples; the station's breakfast programme "Good Morning Leicester" had recently been heard by 15% of the total adult population and its midday "Leicester Scene" by 16%.
Most of the local population regard their station as "interesting", "entertaining" and "free and easy", few consider it "dull" or "too serious". There is widespread support for the view that it has made a good start, providing a valuable service to the community and constituting a legitimate source of local pride.

At the same time substantial majorities reject propositions that the supply of suitable local material was inadequate, that local affairs were not important enough to justify a local radio station or that local radio was superfluous either because "there were enough radio stations already" or because "we have already got all the local news and information we needed".

10. Conclusion

The style and comprehensive range of service evolved by the eight local stations during this experiment has no parallel. British local radio adds something new and significant to the spectrum of broadcasting.

In its evidence to the Pilkington Committee in 1961, the BBC argued that community-service local radio on these lines was both practicable and desirable in Britain. The BBC now considers that the experiment just undertaken amply confirms that view. The stations have come fully up to expectations in their performance, and in many respects have exceeded it. In the BBC's view, local radio on these lines has proved itself. It provides a service of real value to local democracy, and one which gives enrichment to local life. The BBC hopes that it will be empowered to provide a permanent service on these lines, based on satisfactory financial arrangements.

NMS
14.5.69.
23rd June, 1969.

CABINET

MINISTERIAL COMMITTEE ON BROADCASTING

LOCAL RADIO: EVALUATION OF THE EXPERIMENTAL SERVICE

Memorandum by the Postmaster General

1. In December 1966, we asked the BBC to conduct an experiment in local radio. Our purpose was to establish, before deciding whether a general and permanent service should be authorised:

(i) that there was sufficient programme material of a specifically local character to maintain it month-in, month-out;

(ii) whether there was a sufficient continuing demand for it;

(iii) how far local financial support for the stations could be relied upon.

More generally, we envisaged that "properly organised local radio would provide a valuable service to the community; and by giving a new means of expression to its particular interests and aspirations, serve to reinforce its distinctive character and sense of identity ......... and would, at its best, prove an integrating and educative force in the life of the local community" (White Paper on Broadcasting, December 1966, Cmnd. 3169).

2. Before assessing the experiment, which began in November, 1967 with the opening of the station at Leicester, I consulted a wide range of opinion: MPs whose constituencies are served by the eight local stations (their views are summarised at Appendix A), local authorities in those areas, national associations representing local authorities, commerce and industry, and the press, trades unions, national organisations concerned with social, cultural and educational questions and the Churches. I understand H.M. Inspectorate had prepared a report on the educational programmes from the stations. I invited the public in the areas with local stations to send me views. I have received a number of deputations (their views are summarised at Appendix B). I have also had full reports from the BBC (circulated in B(69) 3 ) and from the Chairmen of the eight Local Broadcasting Councils. Officials from my Department have visited all the stations and attended meetings of all the Councils. During my review, I hope to fit in one or two visits myself.

3. Each local station is broadcasting locally produced material for about forty-eight hours each week. Of this, local news and commentary programmes, particularly the treatment in depth of local controversies is perhaps of first importance; but it includes many educational programmes with a local slant e.g. local history, geology, as well as entertainment programmes - ranging from record requests to satire. I am satisfied that there is ample local material to provide informative, interesting and entertaining programmes for a general service.
4. I am satisfied, too, that there is a real demand for local radio. Ideally, the experimental period would have been longer, so as to give the stations more time to establish themselves and to win audiences. The first station has been operating for eighteen months, the last - Durham - for less than a year. Also the fact that they transmit only on VHF, while most listeners have only medium and long wave sets, has of course limited their impact. However, the following table shows that well over half of those able to listen to the station do so, and nearly a third do so frequently.

Average over the eight stations

<table>
<thead>
<tr>
<th>Adult population equipped to receive local radio</th>
<th>Proportion of adult population who listen to local radio</th>
<th>Proportion of adult population who listen to local radio frequently</th>
</tr>
</thead>
<tbody>
<tr>
<td>43 per cent</td>
<td>26 per cent</td>
<td>14 per cent</td>
</tr>
</tbody>
</table>

In numerical terms, nearly a million people are listening and over half a million are listening frequently. Some audiences are:

"Morning Merseyside" ........................................... 160,000;
"Lunch Date" (Nottingham) ..................................... 45,000;
a Durham Consumer Group programme ......................... 6,000;
Stoke's inter-denominational service ...................... 17,000;
Stoke's adult educational programme ....................... 40,000;
"Looking around for History" ................................ 74,000;
Leicester's Saturday afternoon sports programme .......... 40,000;

5. For the experiment itself the method of finance propounded in the White Paper may be judged a moderate success. Of the total annual running costs of the eight stations, just over one half (£316,000) has been provided from local sources, almost entirely by local authorities. Since the BBC were, implicitly, bound to underwrite the experiment, the result is better than might have been expected. But it is now plain that local voluntary contributions cannot be relied upon as a source of substantial financial support. I am circulating a separate memorandum on methods of financing local radio.

6. The question whether the experimental service has helped to realise the general social objectives we prescribed in the White Paper (see paragraph 1 above) cannot be appraised solely by the quantitative results. Here a qualitative appraisal is equally important. The general consensus of opinion of those I have consulted or who have written to me is that these expectations have been realised. Local authorities and individuals have commented on the helpful information given by the local station, especially during emergencies e.g. about road conditions, escaped prisoners, transport services. They have also appreciated local news, especially the extended coverage of Council meetings and local sport. The Arts Council of Great Britain and local cultural organisations have commented favourably on the coverage given to news of local concerts, theatres, etc. and there is some evidence that attendances at
these and other local events have risen, and that local clubs have found new members. I have received many appreciative letters from the blind, the old and other housebound listeners. In all, nearly a thousand members of the public wrote to me; 98 per cent of them thought local radio was worthwhile and should continue. It is clear that listeners already regard the local station as their own, and the station staff as friends; I have had many letters imploring me not to close down "our local station". Some typical comments have been "new experience for the ordinary man to belong and participate"; "priceless asset"; "the best thing to happen to radio since the war"; "gets rid of apathy in local affairs"; and "we never knew before now how much was happening locally". There was some criticism that the stations could not be received on medium wavelengths.

7. During the recent debate on the Greater London Radio Authority Bill, there was general agreement on both sides of the House that the local radio experiment had been a success and that there was a demand for local radio. My consultations confirm this; local radio has enhanced the sense of community and created a feeling of public participation, not only in the station itself but in local affairs. One of the real problems we have to face is apathy and discontent because people feel that they are out of touch with the processes of government and decision making. To redress this, a major communication gap must be bridged. I think local radio could play a major part in achieving this purpose. I believe that, provided the financial requirement can be satisfactorily met, we should authorise a general service of local radio. I am setting out my proposals for such a service in a separate memorandum.

J.T.S.

General Post Office
St. Martin's le Grand
E.C.1.
23rd June, 1969.
### Members of Parliament

#### Radio Brighton

<table>
<thead>
<tr>
<th>Member</th>
<th>Comment</th>
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<tbody>
<tr>
<td>Rt. Hon. J. Amery (Brighton Pavilion, Cons)</td>
<td>In short time gained impression that there is substantial listening public and station is run efficiently.</td>
</tr>
<tr>
<td>Col. Sir Tufton Beamish (Lewes, Cons.)</td>
<td>Constituency not really in service area. Local radio is an unnecessary waste of taxpayers' money.</td>
</tr>
<tr>
<td>Dennis Hobden (Brighton Kemptown, Lab.)</td>
<td>Brighton's Town Council thought station had made tremendous impact. Station really &quot;local&quot;. Local radio should not be financed entirely by local authorities.</td>
</tr>
</tbody>
</table>

#### Radio Durham

<table>
<thead>
<tr>
<th>Member</th>
<th>Comment</th>
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</thead>
<tbody>
<tr>
<td>G. A. T. Bagier (Sunderland S. Lab.)</td>
<td>Lives outside coverage area but gathers station is successful and hopes it will be able to carry on. Conservative Council at Sunderland not prepared to contribute.</td>
</tr>
<tr>
<td>Charles Grey (Durham, Lab.)</td>
<td>Has brought community closer together. Varied programmes, with a lot of participation by local people. Difficult to assess impact over the wide area covered by the station. Should be financed by BBC out of licence money, with local authorities making supplementary grants for e.g. educational programmes.</td>
</tr>
<tr>
<td>Rt. Hon. E. Shinwell (Easington, Lab.)</td>
<td>Experiment worthwhile. Local authorities cannot be relied on for finance. Local documentary programmes could be extended if finance available.</td>
</tr>
<tr>
<td>D. Watkins (Consett, Lab.)</td>
<td>Station successful, giving expression to local interests. Difficult for local authorities to contribute much in area of low rateable values. Hopes service will continue.</td>
</tr>
<tr>
<td>Rt. Hon. F.T. Willey (Sunderland N. Lab.)</td>
<td>Valuable service to community and helped to increase interest in local affairs. Disappointed Sunderland refused on political grounds to contribute but thinks more financial support likely when station better established.</td>
</tr>
</tbody>
</table>
Radio Leeds

Rt. Hon. Alice Bacon
(S. Leeds, Lab.)

Great success. Covers many aspects of Leeds life and gives news in a very fair manner in area where both papers are controlled by one political organisation. Some criticism that it is available only on VHF.

Albert Roberts
(Normanton, Lab.)

Station has distinct local flavour. Local authorities around Leeds could contribute on a population basis.

Col. Sir Malcolm Stoddart-Scott
(Ripon, Cons.)

Constituency only partly in reception area so cannot comment on programmes. Has heard criticism that cost falls on city ratepayers.

Radio Leicester

John Farr
(Harborough, Cons.)

Limited audience because on VHF. Personally found station staff helpful. Should not be financed by public funds or from rates. Should be run by BBC and financed by advertising.

Woodrow Wyatt
(Bosworth, Lab.)

In his constituency, few people listen and reception is poor. Has made little impact.

Radio Merseyside

Edwin Brooks
(Bebbington, Lab)

Station has shown energy and enterprise and encouraged ordinary people to speak up and speak out. BBC have not done enough to publicise it. Future needs to be considered with communications generally - press, radio and television. Suggests new fourth TV channel could pay for itself and local radio from advertising revenue.

Lt. Col. R. Crawshaw
(Texteth, Lab.)

Programmes interesting and well balanced and of local interest. More publicity needed. Local radio must be kept clear of "commercial entanglements".

E. Dell
(Birkenhead, Lab)

Party workers say it is success. Local authorities have complained about present financial arrangements.
T. Fortescue
(Garston, Cons.)
Successful and well-run station playing important role in area. Finance too dependent on local Authorities. Probably have to be financed by advertising, though with strict controls.

E. Marples
(Wallasey, Cons.)
Not many people listen in Wallasey, mainly because service is on VHF. Station staff pleasant but not very efficient -- kept him waiting.

M. McGuire
(Ince, Lab.)
Not a radio fan personally but people who do listen have commented favourably.

R. Graham Page
(Crosby, Cons.)
Sent questionnaires filled in by 21 constituents; 12 of them listened to Radio Merseyside; 13 thought local radio should be financed by advertising and 8 did not.

J. M. Temple
(Chester, Cons.)
Own experience with station satisfactory. Station had a good following. Should not be financed by local government but by local advertising and independent.

J. Tilney
(Wavertree, Cons.)
Programmes have reflected local character. Against purely commercial radio, which would degenerate into pop and advertisements. Local radio should be run by BBC and financed by advertising.

Rt. Hon. H. Wilson
(Huyton, Lab.)
In an interview on Radio Leeds, the Prime Minister spoke of the need for more people to take an interest in local affairs and participate in local government. Local radio could contribute to building up local sense of community.

Radio Nottingham
J. Dunnett
(Central Nottingham, Lab)
Programmes reflect local character and station successful. Local Authority finance unlikely to be forthcoming in future and general feeling local radio should be financed from licence fee and run by impartial BBC.
<table>
<thead>
<tr>
<th>Name</th>
<th>Party</th>
<th>Comments</th>
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</thead>
<tbody>
<tr>
<td>A. J. Gardner</td>
<td>(Rushcliffe, Lab)</td>
<td>Very useful local service, especially news and educational programmes. City Council unlikely to make financial contribution in future. Thinks station should continue on present lines; against commercial radio.</td>
</tr>
<tr>
<td>P. Holland</td>
<td>(Carlton, Cons.)</td>
<td>Station has strong local flavour but doubts it has made much impact. Difficulty in getting local finance. Resentment among local lecturers etc. who appear and get no fees.</td>
</tr>
<tr>
<td>G. Perry</td>
<td>(Nottingham S. Lab.)</td>
<td>Has heard little comment but local NUJ Branch opposed to commercial radio.</td>
</tr>
<tr>
<td>J. Ashton</td>
<td>(Bassetlaw, Lab)</td>
<td>Frequently broadcast. Refreshing to hear participation by local people. Present method of finance unsatisfactory. Suggests Radio 1 should take advertisements to help pay for local radio.</td>
</tr>
<tr>
<td>J. Hynd</td>
<td>(Attercliffe, Lab.)</td>
<td>He does not hear the programmes and neither does his agent.</td>
</tr>
<tr>
<td>J. H. Osborn</td>
<td>(Hallam, Cons.)</td>
<td>Number of listeners probably low. Present method of finance unsatisfactory. Stations should cover larger areas.</td>
</tr>
<tr>
<td><strong>Radio Stoke-on-Trent</strong></td>
<td></td>
<td>Programme reinforced the distinctive character and sense of identity of area. Local radio should not be controlled by local authorities. Local sources of finance unlikely to be available in future. Could not support commercial radio. Suggests 5s. Od. increase in licence fee plus some contribution from local authorities.</td>
</tr>
<tr>
<td>Rt. Hon. H. Davies</td>
<td>(Leek, Lab.)</td>
<td>In favour of experiment and found station go-ahead and co-operative, with a lot of new ideas.</td>
</tr>
<tr>
<td>Rt. Hon. H. Fraser</td>
<td>(Stafford and Stone, Cons.)</td>
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DEPUTATIONS

1. Organisations concerned with the provincial press

The Newspaper Society
The Printing and Kindred Trades Federation
The National Union of Journalists

All of these organisations are concerned that local radio should not be financed by advertising, which they consider would cause many provincial papers to close down. In the last resort, the Newspaper Society would accept commercial local radio if the local press could share the profits, but the NUJ and the Printing and Kindred Trades Federation reject this solution, which they consider will not safeguard their members' employment and which would lead to an undesirable monopoly in the control of local news media.

2. Six of the major local authorities at present contributing financially to the experimental local stations

They want local radio to continue and consider the stations have provided a valuable service to the community. At present they are contributing between £52,000 and £25,000 a year each to the stations' operating costs. They made it clear to me that they were not prepared to contribute on this scale in future; some of them appeared to envisage a token contribution of £5,000 a year. Most of them thought local radio should be financed by the BBC from the licence fee. They wanted to be able to nominate representatives to the Local Broadcasting Councils.
20th June 1969

GABINET

MINISTERIAL COMMITTEE ON BROADCASTING

BROADCAST RECEIVING LICENCE EVASION

Memorandum by the Postmaster General

1. My earlier memorandum (B(69)2) mentions the problem of the loss of revenue to the BBC through evasion of the broadcast receiving licence requirements. The present memorandum appraises the extent of the problem, the progress made during recent years and suggests action for the future. My colleagues will wish to keep the appraisal and suggestions in view in considering the financial implications of plans for local radio.

2. There are at present nearly 18 million broadcast receiving licences in force (15½ million combined sound and television licences of which 105,000 are for colour television; and 2.4 million sound licences). These licences bring in a revenue of about £95 million annually for the BBC. In September 1966, the number of television licence evaders was estimated at over two million or 13.4 per cent of the homes with television. In March 1968, the estimated number of television licence evaders was 1.2 million or 7.4 per cent. The number of sound licence evaders is not known but we suspect there may be some 2 million people who have radio sets installed in cars but have no licence. There is nothing to be ashamed of in our efforts to reduce evasion, We have done much better than we hoped. It is a success story. However, the loss of revenue through television licence evasion, at an estimated £7.5m. a year, remains far too high. Clearly, if we could reduce it still further the BBC's financial position would be easier.

3. Progress in reducing evasion during the last two years has been due to:

(a) The Wireless Telegraphy Act 1967. The objective was two-fold: to make detection much more likely and deterrence much more effective - the first by requiring all dealers to notify my Department of all sales and rentals of television sets since January 1968, the second by sharply increasing the permitted level of fines on detected evaders. The first objective is being pursued with
considerable success. In the first year of the scheme's operation, nearly 300,000 television licences were taken out following notifications by dealers and some 30,000 sound licences were surrendered for television licences; and over 13,000 people were prosecuted for unlicensed use. Some of these people would have been induced to take out licences, or detected, without the dealers' information; I cannot say how many. However, the scheme, while creating a lot of work for the Post Office, has enabled us to concentrate our efforts on known targets. The additional revenue attributable to the scheme in the first year of operation was estimated at about £1.7m, and the total estimated staff costs in that period were just under £200,000. The second objective has not been realised. Though the Act increased the maximum penalty for evasion from £10 to £50 for the first offence and from £50 to £100 for the second and subsequent offences, in general, Magistrates are not using the power. There are few fines of over £20 even for several years' evasion, and the majority are in the £5 to £10 range.

(b) The existing fleet of nine detector cars will have been increased to twenty by the early autumn.

(c) Publicity The passage of the Wireless Telegraphy Bill in the summer of 1967 got wide news coverage and at the same time there was a campaign of paid advertisements in the press. During this period, there was a most noticeable increase in the number of licences which rose sharply from 13.9 million in January 1967 to 14.7 million in September 1967. In the summer of 1968, a series of short filler films was shown on BBC and ITV and the BBC made announcements about licence requirements, e.g. on BBC2 about the need for colour licences. It is difficult to judge whether this had any significant effect on licence figures which, though they increased overall by half a million during 1968, fluctuated from month to month. In the winter and autumn of 1968-69, local publicity campaigns were held in seven areas. These involved the use of posters, detector cars, letters to members of the public and advertisements and news items in local newspapers. These campaigns have been very effective; the total cost was of the order of £16,500 and the additional revenue produced was £154,000.

4. It is clear from the press comment which has accompanied the speculation about the BBC's plans for restructuring their radio services, that both the BBC and the public will expect the Government to make a determined effort to reduce the licence evasion still further and recover some of the £7.3m. now being lost. I have been considering how best this could be done. The increased activity against licence evasion during the last two years has put a heavy burden on the staff in local post offices. The basic grade doing licence enforcement work is
4 per cent under establishment throughout the country as a whole and the situation is worse in many of the largest towns where evasion is highest. This shortage is long standing, and even if we were prepared to increase the number of posts assigned to this work, it is unlikely that they could be filled. Any measures which involve work in local offices will have to be considered against this background. It is therefore a question of deploying the existing staff resources to the best advantage rather than increasing the total amount of work to be done.

5. For this reason, I have ruled out any special attempt to reduce sound licence evasion. Sound licence evasion is far more difficult to detect. We have no detector cars for sound radio and the modern set is easily concealed. Also, the return in revenue for the effort involved is considerably less. Similarly, I do not think it would be helpful at present if the Transport Departments were to use the powers given in Section 8 of the Wireless Telegraphy Act 1967 to include questions about car radios on the Vehicle Excise Licence form. Neither the Post Office nor the local authorities could process this information and I see no point in obtaining information which we cannot handle. The bluff would quickly be blown and the whole system brought into disrepute. However, when the records for both vehicle licences and broadcast receiving licences have been computerised in the next few years, it would be possible to use this power and stop this particular kind of evasion.

6. The BBC have suggested that I should activate Section 3(2) of the Wireless Telegraphy Act 1967, under which I may require television dealers to notify me of rental and hire purchase agreements entered into before January 1968 or even before the 1967 Act was passed. Under the terms of the Section, I have to give the dealers at least twelve months' notice in writing of such a request. Because of the progress being made in reducing evasion and in order to keep the dealers' goodwill, we did not use this power immediately. I see objections to using it now; again, the Post Office would find it difficult to process this additional information as well as the current notifications, running at 2 million a year. The request would be greatly resented by the trade, which has so far proved cooperative in operating the principal notification scheme; but this additional burden could put co-operation at risk. I am advised moreover that the average length of a rental agreement is three years. If this is so, more than half the rentals will soon have been picked up under the normal arrangements. It is unlikely that a large proportion of the 1½ million evaders are those with long-term rental or hire purchase agreements. I invite my colleagues to agree that there would be little point in activating Section 3(2) of the Wireless Telegraphy Act 1967.

7. The most likely way to make further significant inroads into the number of evaders is by increased publicity. In view of the public interest already created in the BBC's proposals, I think we should aim for a major publicity exercise in the late summer and early autumn of this year. I suggest this should take the form of a new series of filler films to be
shown nationally by the BBC and on independent television and that this should be followed up by a further series of local campaigns early in the New Year. I am advised that this would be more effective than a national press advertising campaign.

8. There is obviously a hard core of evaders whom it would be uneconomic to pursue relentlessly, but I consider that a sustained attempt should be made to reduce the number of evaders to 0.75 million by this time next year, and to hold it there against a rising total of television households. In my view, this is the very most that will be practicable; and it would be undesirable to publish a figure as a target. Even if we hit it, the extra revenue in a full year would be only £3m. This will not therefore solve the BBC's immediate need for further finance for its radio services nor would it pay for a general service of forty local radio stations at £100,000 each year.

9. When the Post Office becomes a public corporation later this year, there will have to be changes in the present organisation of licence work. While the Minister of Posts and Telecommunications will remain responsible for licensing the uses of wireless telegraphy generally, and so for broadcast receiving licence policy including the level of the licence fee, the Post Office Corporation will continue to issue broadcast receiving licences on the Minister's behalf and to enforce the licence system. The Ministry will not have the local infrastructure on which both issue and enforcement depend. There will be a contract, the terms of which remain to be worked out between the Minister and the Post Office Corporation, to cover these arrangements; it will of course be essential that the terms of this contract should ensure that the Minister's policy will be carried out effectively and efficiently by the Post Office. The method of payment will be a major factor in achieving this objective. I have three possibilities in mind:

(i) a fixed price for each transaction, to encourage cost stability;

(ii) payment by results, though this might present difficulties of definition;

(iii) costs plus a flat rate profit charge.

As anti-evasion measures had more and more effect, we ought to see a decline in their costs in real terms.

10. Plans are well advanced for transferring licence records and much of the enforcement work to a computerised system. The first trials of the system are taking place at Croydon and will be assessed shortly; the results so far are encouraging. It is planned to extend the system to several more offices around London this year and then to spread through the country. This is a considerable task; it is too early yet to estimate when it can be accomplished - this depends partly on the staff resources
which can be made available, but I hope it can be done within a couple of years from now. It is unlikely that the computerised system will lead to any dramatic decrease in costs but rather that it will enable the work to be done more effectively. However, in the last resort, enforcement depends on having staff available to knock on people’s doors and to ask to see their licence or obtain evidence of unlicensed use on which a prosecution can be based. Without this sanction, the most elaborate system is unlikely to be effective.

11. In summary therefore I propose:

(i) to make a major effort to reduce the number of television licence evaders to 0.75 million by August 1970;

(ii) in order to do this, to launch a major national publicity exercise later this year, to be followed up early next year by a series of local campaigns, but not at this stage to implement Sections 3(2) or 6 of the Wireless Telegraphy Act 1967.

I think this is the right order of additional effort to devote to this problem. But I should welcome my colleagues’ views.

J.T.S.

General Post Office,
St. Martin’s-le-Grand,
London, E.C.1

20th June 1969
CABINET

MINISTERIAL COMMITTEE ON BROADCASTING

THE FUTURE OF THE NATIONAL RADIO SERVICES

Memorandum by the Postmaster General

The BBC's plan

1. The BBC have now informed us of their draft plan for the future structure of national sound broadcasting. It is described below and its main implications considered. The BBC's plan for local radio is considered in paper B(69)4 and is not included here.

2. The BBC's objectives are twofold: to restructure the programme pattern in the light of changes in listening habits caused by television and the demand for pop; and to effect economies sufficient to contain the cost of national sound broadcasting within existing sound radio licence revenue.

The future structure

3. They see the first objective as being best achieved by classifying programme networks by type (pop, light music, speech, serious music, education) rather than, as is partly the case at present, by level of "brow". Briefly, by the mid-1970's the BBC aim to provide:

   (a) Radio 1 much as at present, concentrating on pop music but including news summaries at each clock hour.

   (b) Radio 2, completely separated (except in the evening) from Radio 1, putting out continuous light music (other than pop) and short news bulletins every hour at the half hour, with occasional news flashes.

   (c) Radio 3 with more classical music, keeping serious twentieth century music and some drama of minority appeal, but excluding news and documentary matter. The musical content would rise from 50 per cent to 75 per cent. Stereo would be extended. The title "Third Programme" would be dropped.
(d) Radio 4, evolving into a wholly speech programme including drama and general entertainment features (some of them taken from Radio 2 and Radio 3) but with the emphasis on providing wide cover for news and other factual and documentary programmes.

4. These reforms could not be brought into effect at once:

(a) at present, Radio 1 and 2 run in double harness for much of the day. Separating them means playing more records and re-negotiating the BBC's "needle time" agreement with Phonographic Performance Ltd, who own the rights and with the Musicians' Union. Negotiations with the Union could take a long time;

(b) there would not be enough programme time on Radio 4 to enable it to take over programme items from Radios 2 and 3 and at the same time accommodate the schools and further education programmes. The BBC will shortly be formulating proposals for re-arranging educational broadcasting. They have in mind that from late 1971, of the duplicate transmissions of Radio 4 - one on medium wave, the other on VHF - the VHF transmission should carry all educational programmes. When not in use for that purpose, it would continue to duplicate Radio 4.

Economies - the need

5. These measures are aimed at modernising and rationalising the service and are not, of themselves, primarily directed towards effecting economies. However, the BBC consider that, the cost of local radio apart, either economies must be made in addition to those emerging from Mckinsey's recommendations, or else the revenues of the BBC must be increased. Otherwise their deficit on national sound radio will have built up to £6.5m by 1974.

6. The most obvious sources of additional finance would be:

(a) revenue from advertising on radio. This the BBC reject not only on the familiar grounds of principle, which I support, but because a decision to create a commercial system financed from advertising should not be taken merely to overcome an immediate economic difficulty;

(b) a subvention from the television element in the licence fees. A possibility would be to rationalise the present licensing system by abolishing the need for separate sound licences with a compensating addition of, say, 5s. Od. on the combined sound and television licence fee. (At present, it costs over 5s. Od. per licence to run the licensing system. At a licence fee level of 25s. Od. it would not be profitable greatly to increase expenditure on enforcement and the licensing of sound receivers is, in any case, not completely enforceable);
(c) an increase in the sound licence fee of 5s. Od. has been suggested (in a later paper, I will consider as a separate issue a possible 5s. Od. increase to pay for local radio — and additional service).

(d) the Government to pay for schools and further educational broadcasts as well as for Open University broadcasts (See paragraph 4(b) above). The Corporation have in mind an amount of £2m. over the whole period till 1974; and about £0.65m. per annum when the scheme is in full operation. The BBC's calculations assume that we will accept this proposal; but the survival of their plan for restructuring radio does not depend upon it.

The economies proposed — their implications

7. The BBC's main proposals for additional economies (which they regard as highly desirable also on their merits) are:

(a) to eliminate regional 'opt-outs' for the three English regions outside London: North (at Newcastle and Manchester) Midlands (Birmingham) and South and West (Bristol). This would save about £2m. over the years 1970-74. Regional opt-out programmes would continue to be available for Scotland, Wales and Northern Ireland. English regional production for the national network would also continue;

(b) to economise in those programmes which are most expensive to produce, through greater efficiency in drama production and a considerable reduction of live orchestral music.

The financial effects are tabulated in the Annex.

8. Though the loss of regional opt-outs implies at first sight a degradation of service, the weekly amount of opt-out material per region is — at a characteristic 1¼ hours — small. Given the size of the regions, much of it is irrelevant anyway. It is to a service of local radio that the BBC would look for a meaningful, community-orientated, component in their total service. If we do not authorise local radio the BBC would fall back on area radio, with opt-outs, from eight centres in England. This, very much a second best, would in their view be the least they could do to complete the provision of a comprehensive radio service suited to the current needs of listeners.

9. Programme content apart, the BBC plan would imply changes in the extent of reception of their national radio services, as follows:

(a) an improvement in the coverage attained by, and the quality of the reception of, Radios 1 and 4; Radio 1 coverage would improve by 10 per cent by day; and both Radio 1 and Radio 4 coverage by about one third at night;
Radio 3, restricted to VHF, would not be receivable on medium wave only sets. I have considerable reservations about this proposal which would reduce the potential audience for Radio 3 by over 60 per cent. There are only about six million VHF sets out of a total of possibly twenty million sets of all kinds. There are particular implications for car radio listeners. Of perhaps 3 million car radios, the number with VHF is extremely small and there are technical problems in obtaining good reception of VHF in moving motor vehicles;

listeners who have bought VHF sets to get the best reception of Radio 4 would not be able to hear Radio 4 on VHF at times when educational programmes are being transmitted. Conversely,

educational programmes would be receivable only on VHF. Individuals and institutions (including schools) wanting to receive the programmes, would need to have VHF sets;

stereo transmissions, now confined to the VHF versions of Radio 3 in London, Dover, the Midlands and the North, would be further extended on VHF.

Industry would welcome a decision to broadcast some national services (i.e. Radio 3 and educational broadcasts) in VHF only; but would no doubt prefer it if more popular national service had been selected. There would be a similarly muted welcome by industry for the extension of stereo. My advisers have yet to receive a detailed exposition of the BBC's technical proposals and they must be subject to further examination.

But perhaps the most difficult consequence of the BBC's plan flows from the proposed reduction of output of expensive programmes (paragraph 7(b) above). The main brunt would fall on the orchestras employed by the BBC. The argument is that the BBC have more orchestras than they need; and that the licence payer should not be called upon to support them beyond the specific broadcasting need. The BBC estimates that an aggregate saving of £5.0m. can be achieved over the years 1970-74 by increasing needle time and disbanding orchestras. Of the thirteen orchestras at present employed by the BBC, the following, which the BBC regard as the best would be retained:

The BBC Symphony Orchestra
The BBC Radio Orchestra
The Midland Light Orchestra
The BBC Northern Symphony Orchestra
The Scottish Radio Orchestra

Those disbanded would be:

The London Studio Players
The BBC Training Orchestra
The BBC Scottish Symphony Orchestra
The Northern Dance Orchestra
The BBC Chorus
Three others would be kept on only if supplementary financial contributions from other sources were available. These are:

- The BBC Concert Orchestra
- The Welsh Orchestra
- The Northern Ireland Orchestra

If all these disbandments were put into effect the result would be that, of the 608 orchestral musicians now employed by the BBC, 329 would become redundant. Lord Hill has promised Lord Goodman to consult him before final decisions are taken.

11. No doubt it will be represented that the BBC have a general responsibility for patronising the arts. The Corporation's answer would be that their responsibility to the arts is only incidental to their duty to provide broadcasting services. I do not share the BBC's view that the licence payer does not expect it to engage in patronage for its own sake. There is no point in having a national broadcasting institution in such a privileged position unless it is prepared to do so. But, obviously, a line has to be drawn somewhere and that is the issue to be determined.

Public reaction

12. Likely to prompt the strongest public reaction are the elimination of regional opt-outs and the disbandment of orchestras. But most listeners stand to gain if local stations, or even area stations, replace the present irrelevant system of English regional opt-outs. Presentationally, it would be necessary to stress that English regional production for the national services would continue.

13. The disbandment of orchestras, particularly the proposal to disband a Scottish and, possibly, a Welsh and Northern Ireland orchestra, would certainly prompt strong reactions. The BBC's argument is that performances on gramophone records would be an improvement on the live performances of the orchestras in question. The BBC also say that, given the present number of orchestras, they are not fully utilised even now. It might be worthwhile for the BBC to consider whether additional uses for orchestras could not be found in other ways e.g. by giving performances in schools, municipal parks, at seaside resorts, etc. There might also be a special case for considering an Arts Council subvention for the BBC Training Orchestra.
15. My colleagues will, no doubt, wish to reserve final judgment until we have had time to gauge reaction after publication of the plan early next month. My own initial reaction is that given the need to economise many of the proposals are eminently sensible, but I have strong reservations on some of the BBC suggestions.

J.T.S.

General Post Office,
St. Martin's-le-Grand,

20th June, 1969.
## Summary of financial effects

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<tr>
<th></th>
<th>£m. 1970-74</th>
<th>£m. 1970-74</th>
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<tr>
<td><strong>Estimated deficit</strong></td>
<td></td>
<td><strong>11.8</strong></td>
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<tr>
<td><strong>Productivity improvements</strong></td>
<td>5.3</td>
<td></td>
</tr>
<tr>
<td><strong>Savings from re-arrangements of networks (para. 3)</strong></td>
<td>0.4</td>
<td></td>
</tr>
<tr>
<td><strong>Savings from disbandment of orchestras (para. 10)</strong></td>
<td>5.0</td>
<td></td>
</tr>
<tr>
<td><strong>Savings from eliminating English regional opt-outs</strong></td>
<td>2.1</td>
<td></td>
</tr>
<tr>
<td><strong>Government subvention for schools broadcasting</strong></td>
<td>1.35</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>14.7</td>
<td>11.8</td>
</tr>
<tr>
<td><strong>Less</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of redundancy payments and Capital cost of medium wave improvements</td>
<td>- 1.5</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>13.2</td>
<td>11.8</td>
</tr>
<tr>
<td><strong>Surplus</strong></td>
<td>1.4m.</td>
<td></td>
</tr>
</tbody>
</table>
9th July, 1969.

CABINET
MINISTERIAL COMMITTEE ON BROADCASTING

HOURS OF BROADCASTING

Memorandum by the Postmaster General

1. In my view, control by Government of the amount of broadcasting time is now wrong in principle, and unduly restrictive in practice: and I have announced that I am reviewing it. It would be convenient to announce the outcome at the same time as we announce a decision on local radio.

The present system

2. In a typical week, BBC 1 broadcasts for some 83 hours a week, ITV 77 hours and BBC 2 37 hours. These totals are composed as follows:

   (i) the so called weekly "maximum" -

   - BBC 1 & ITV 53½ hours a week
   - BBC 2 32 hours a week; plus

   (ii) the additional allowance for outside broadcasts -

   - BBC 1 & ITV 450 hours a year
   - BBC 2 225 hours a year; plus

   (iii) the exempted classes - i.e. classes of programme the transmission time of which does not count towards the weekly maximum, e.g. schools broadcasts and adult education broadcasts; religious, ministerial and party political broadcasts; and broadcasts in the Welsh language. For radio, I prescribe clock "off" hours. The current rules are annexed.

Review by Prof. Wedell and Mr. Blake

3. In March of this year I decided to commission an independent review by Prof. George Wedell and Mr. Brian Blake. I annex the report I have received from them. In brief, their analysis of the position is as follows:

   (i) the broadcasting authorities should in principle be given full responsibility for deciding for themselves the amount of time required for their services. They should assume the duty
of ensuring that sufficient time is given to minority programmes (notably schools broadcasts and adult education programmes) at present protected by the exempt categories;

(ii) programmes of the latter kind would, they judge, survive if restrictions were dropped;

(iii) in practice dropping the restrictions would mean an extra 1½ hours a day in term-time. Cheaper types of programmes would be used at a cost of about £1m a year per network. I see no reason to challenge this assessment, though I think it quite possible that the cost could build up to £1½m to £2m a year per network (i.e. up to 2s. 6d. per licence-holder met either as part of an increase in licence fees or by cutting other expenditure) in time;

(iv) BBC television income, principally licence revenue, will grow slightly over the next few years. They seem to foresee a slightly greater increase in independent television's income.

(vy) the authorisation of a fourth television channel would make little difference to the issue;

(vi) a relaxation of the rules would provide a useful test of the strength of the structure of the two broadcasting organisations in resisting pressures against minority programmes.

I do not of course follow Professor Wedell and Mr. Blake in all the particulars of their report. They are wrong on some secondary points of fact; and some of their opinions — e.g. their strictures (paragraph 17) on our 1966 White Paper and their assertions (paragraph 92) on the nature of the relationship between the programme planners and the two governing bodies — are gratuitous. However, in total their report provides an interesting and useful analysis of the problem.

**Alternative decisions open to us**

**Abolition of the controls**

4. Although I understand the considerations which led my colleagues to conclude in 1966 that the present controls should continue, it seems to me that the time has come for a change. My preference is for complete abolition of the controls. This would have the following effects:

(i) it would remove the conflict with the principle of the independence, in the day-to-day conduct of their affairs, of the broadcasting authorities from intervention by Government. Within their available resources, we should leave broadcasting time to them;

(ii) abolition would be well received on all sides in Parliament, and might be quite popular with the public;

(iii) abolition would make possible greater flexibility, more experimental programmes which might encourage programme exports, more use of independent television's surplus production capacity resulting from the new contract structure established under Lord Hill's chairmanship;
(iv) it would be welcomed by the leading independent television companies and regarded by them as a slight compensation for the recent three per cent increase in the incidence of the television levy. They might see it as balancing a decision favourable to the BBC on local radio. It would remove a minor complication from programme planning and might produce a marginal saving. It would give the companies a little more advertising time, but not much of it at near peak hours so that it would be no great money-spinner.

My powers of control under the Television Act and the BBC Licence and Agreement would in any case remain, but I would in future treat them as reserve powers in the strictest sense. Control having been relinquished, it could not be reimposed save in an extreme situation.

A major relaxation and simplification of the rules, but without outright abolition

5. As my colleagues will have noted, Prof. Wedell and Mr. Blake, recommend a major relaxation and simplification of the rules, but without outright abolition. They propose that I should amend the existing rules to read as follows:

```
BBC 1 } 9.15 a.m. to 12.30 a.m. daily
ITV }  
BBC 2 }
```

provided that the total number of hours of transmission of any one of these programme services shall not exceed 4,732 hours a year" (i.e. 91 hours a week on average). A relaxation on this scale would have much the same consequences as outright abolition. Its practical differences from outright abolition would be:

(i) the general prohibition of breakfast-time broadcasting. This is the development which the BBC regard as having in the longer run the most serious implications for programming. I sympathise with the BBC's views, but I do not think they should be allowed to prevail;

(ii) the general prohibition of broadcasting between 12.30 a.m. and 9.15 a.m., apparently designed to protect people trying to get to sleep against noise from their neighbours' television receivers. This restriction would, I suspect, be popular, but I see little justification for using my powers for this kind of purpose. The prevention of nuisance is not one of my functions.

The status quo

6. The major considerations which can be argued in favour of the status quo are the financial implications for the BBC, the effect on minority programmes of the kind in the present exempt categories, and the prospective effect on consumer spending:
(i) With Prof. Wedell and Mr. Blake, I do not think that it would be significant if BBC1 were to broadcast up to 2 hours a day less than ITV, but this need not necessarily be the case.

(ii) It can, I know, be argued that provision for exempted categories provides the best guarantee, in a competitive situation, that enough time will be given to these particular minority programmes. But I believe that these programmes are now firmly established. The Broadcasting authorities would be unwilling to take short-term advantage from de-restriction in view of the impending major review of broadcasting.

(iii) I recognise that any increase in television advertising unless it totally fails in its purpose, is bound to increase expenditure on consumer goods, and so go against our immediate economic strategy, but I would expect its effect to be trivial compared to the relaxation which the two broadcasting organisations and receiver manufacturers are at present urging in credit restrictions on colour television sets.

Radio

There is very little demand for any increase in radio hours. However, if I were abolishing control of television hours, it would be anomalous to maintain control of radio hours, and so I would abolish that also.

Conclusion

8. I invite my colleagues to decide between

(i) maintenance of the status quo;

or (ii) complete abolition of the controls;

or (iii) the proposal for partial abolition contained in the Wedell Report (paragraph 106).

9. I would propose to announce the decision to Parliament before the summer recess, if possible at the same time as announcing other decisions on broadcasting, including local radio.

J.T.S.

General Post Office,
St. Martin's-le-Grand,
E.C.1.

9th July, 1969.
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J.T.S.

General Post Office,
St. Martin's-le-Grand,
E.C.1.

9th July, 1969.
Rules on Hours of Broadcasting

HOME SOUND SERVICES

Sundays

Radio 1

Radio 2 (Light Programme)

Radio 3 (Third Network)

Radio 4 (Home Service)

Maximum hours

...5.30 a.m. to 2.02 a.m. (Mondays)

...6.55 a.m. to 2.02 (Mondays)

...7.55 a.m. to 11.15 p.m.

...7.50 a.m. to 11.48 p.m.

Weekdays

Radio 1

Radio 2 (Light Programme)

Radio 3 (Third Network)

Radio 4 (Home Service)

...5.30 a.m. to 2.02 a.m. (Next day)

...6.55 a.m. to 11.20 (except Saturdays)

...6.55 a.m. to 11.15 (Saturdays only)

...6.30 a.m. to 11.48 p.m.

...38th. February.....1969
RULES ON HOURS OF BROADCASTING
OF THE BBC1 TELEVISION PROGRAMME FROM THOSE STATIONS OF THE BBC
TRANSMITTING ON THE VHF BANDS ON THE 405-LINE STANDARD

1. Broadcasting hours shall not exceed:
   (i) 53 1/2 hours a week;
   (ii) 8 1/2 hours on any one day.

2. The following broadcasts shall not be taken into account for the purposes of
   rule 1:
   (i) Religious programmes (namely religious services from a place of worship
       or studio, and other programmes which the Corporation, with the advice
       of the Central Religious Advisory Committee, may present as part of its
       programme of religious broadcasting);
   (ii) Ministerial and party political broadcasts;
   (iii) Outside broadcasts, up to a maximum of 450 hours in any one calendar
         year, of events which are neither devised nor promoted by the Corporation,
         of which up to 120 hours may be in recorded form provided they are broadcast
         within 8 days of the event recorded;
   (iv) Any broadcasting in excess of 8 1/2 hours on Christmas Eve, Christmas Day,
        Boxing Day, New Year's Eve or New Year's Day and, in Scotland, the day following
        New Year's Day designated a Public Holiday in Scotland;
   (v) School broadcasts (namely
       (a) programmes created at the request of the Corporation's School
           Broadcasting Council for showing on school days between the hours of
           9 a.m. and 4.45 p.m. and
       (b) other programmes up to a maximum of 25 hours in one calendar year,
       requested or assented to by the School Broadcasting Council on educational
       grounds, provided such programmes are transmitted on school days between the
       hours of 9 a.m. and 4.45 p.m. for viewing in schools and other places where
       children of school age are educated);
   (vi) Repeats, for up to 1 hour daily on not more than a total of 10 days
        during school holidays, of school broadcasts;
   (vii) Adult Education broadcasts (namely programmes (other than school
         broadcasts) arranged in series and specifically planned in consultation with
         and with the approval of the Corporation's Further Education Advisory Council
         for the purpose of helping viewers towards a progressive mastery or understanding
         of some skill or body of knowledge);
   (viii) Broadcasts in the Welsh language.
3. On Sundays:

There shall be no broadcasting between 6.15 p.m. and 7.25 p.m.: but this rule does not apply to religious programmes as defined in rule 2(i); to appeals for charitable or benevolent purposes; to live outside broadcasts of events which are neither devised nor promoted by the Corporation; to programmes in the Welsh language; or to programmes designed specially for the deaf.

4. None of the above rules applies to engineering test transmissions, trade test transmissions, or tuning signals.

5. These rules supersede the previous rules for the programme mentioned in the heading.

6. These rules are subject to any future direction by the Postmaster General as to the Television Services under Clause 15(i) of the Licence and Agreement dated 19th December 1963.

18th February 1969
1. Broadcasting hours of BBC-2 from those stations shall not exceed:
   (i) 32 hours a week;
   (ii) 8½ hours on any one day.

2. BBC-2 is normally to be broadcast within that period of the day in which BBC-1 is broadcast.

3. The following broadcasts shall not be taken into account for the purposes of rule 1:
   (i) Religious programmes (namely religious services from a place of worship or studio, and other programme items which the Corporation, with the advice of the Central Religious Advisory Committee, may present as part of its programme of religious broadcasting);
   (ii) Ministerial and party political broadcasts;
   (iii) Outside broadcasts, up to a maximum of 225 hours in any one calendar year, of events which are neither devised nor promoted by the Corporation, of which up to 60 hours may be in recorded form provided they are broadcast within 8 days of the event recorded;
   (iv) Any broadcasting in excess of 8½ hours on Christmas Eve, Christmas Day, Boxing Day, New Year's Eve or New Year's Day, and in Scotland, the day following New Year's Day designated a Public Holiday in Scotland;
   (v) School broadcasts (namely:
      (a) programmes created at the request of the Corporation's School Broadcasting Council for showing on school days between the hours of 9 a.m. and 4:45 p.m., and
      (b) other programmes, up to a maximum of 25 hours in one calendar year, requested or assented to by the School Broadcasting Council on educational grounds, provided such programmes are transmitted on school days between the hours of 9 a.m. and 4:45 p.m. for viewing in schools and other places where children of school age are educated);
   (vi) Repeats, for up to 1 hour daily on not more than a total of 10 days during school holidays, of school broadcasts;
   (vii) Adult Education broadcasts (namely programmes (other than school broadcasts) arranged in series and specifically planned in consultation with and with the approval of the Corporation's Further Education Advisory Council for the purpose of helping viewers towards a progressive mastery or understanding of some skill or body of knowledge);
   (viii) Broadcasts in the Welsh language.
4. On Sundays:

There shall be no broadcasting between 6.15 p.m. and 7.25 p.m.: but this rule does not apply to religious programmes as defined in rule 3(i); to appeals for charitable or benevolent purposes; to live outside broadcasts of events which are neither devised nor promoted by the Corporation; to programmes in the Welsh language; or to programmes designed specially for the deaf.

5. None of the above rules applies to engineering test transmissions, trade test transmissions, or tuning signals.

6. These rules supersede the previous rules for the programme mentioned in the heading.

7. These rules are subject to any future direction by the Postmaster General as to the Television Services under Clause 15(i) of the Licence and Agreement dated 19th December 1963.

...16th February... 1969
RULES ON HOURS OF BROADCASTING FROM EACH TELEVISION STATION OF THE I.T.A.

1. Broadcasting hours shall not exceed:
   (i) 53 1/2 hours a week;
   (ii) 8 1/2 hours on any one day.

2. The following broadcasts shall not be taken into account for the purposes of rule 1:
   (i) Religious programmes (namely acts of worship from a church or studio, and other programmes which the Authority, with the advice of the Central Religious Advisory Committee, approves for broadcasting under the terms of Section 3(5)(a) of the Television Act 1964);
   (ii) Ministerial and party political broadcasts;
   (iii) Outside broadcasts, up to a maximum of 450 hours in any one calendar year, of events which are neither devised nor promoted by the Authority, or its programme contractors, of which up to 120 hours may be in recorded form provided they are broadcast within 8 days of the event recorded;
   (iv) Any broadcasting in excess of 8 1/2 hours on Christmas Eve, Christmas Day, Boxing Day, New Year's Eve or New Year's Day, and in Scotland the day following New Year's Day designated a Public Holiday in Scotland;
   (v) School broadcasts (namely
      (a) programmes created at the request of the Authority's Educational Advisory Council for showing on school days between the hours of 9 a.m. and 4:45 p.m., and
      (b) other programmes, up to a maximum of 25 hours in one calendar year, requested or assented to by the Educational Advisory Council on educational grounds, provided such programmes are transmitted on school days between the hours of 9 a.m. and 4:45 p.m. for viewing in schools and other places where children of school age are educated);
   (vi) Repeats, for up to 1 hour daily on not more than a total of 10 days during school holidays, of school broadcasts;
   (vii) Adult Education broadcasts (namely programmes (other than school broadcasts) arranged in series and specifically planned in consultation with and with the approval of the Authority's Educational Advisory Council for the purpose of helping viewers towards a progressive mastery or understanding of some skill or body of knowledge);
   (viii) Broadcasts in the welsh language;
   (ix) Broadcast of a half hour "parade" of new advertisements, made before 12 o'clock noon on one day a week (other than Sunday).
3. On Sundays:

There shall be no broadcasting between 6.15 p.m. and 7.25 p.m.; but this rule does not apply to religious programmes as defined in rule 2(i); to appeals for charitable or benevolent purposes; to live outside broadcasts of events which are neither devised nor promoted by the Authority or its programme contractors; to programmes in the Welsh language; to programmes designed specially for the deaf.

4. None of the above rules applies to engineering test transmissions, trade test transmissions, or tuning signals.

5. These rules supersede the previous rules.

6. These rules are subject to any future direction by the Postmaster General under Section 17 of the Television Act 1964.

18th February 1969.
Hours of Television Broadcasting

report of a study
undertaken at the request of
the Right Honourable John Stonehouse, M.P.,
Postmaster General

by
Professor E.G. Wedell
and Brian Blake

June, 1969.
Hours of Television Broadcasting

Introduction

1. We were asked "to advise the Postmaster General, in the light of relevant social and economic considerations, on the advisability of extending the present limits on hours of television broadcasting for the ITA Programme Companies and the BBC, either by a limited amount, by a series of extensions phased over a limited time, or by removing existing limits altogether."

2. Two wishes expressed by the Postmaster General have of necessity limited the scope of this enquiry: its confidential nature and its urgency. We have therefore had to proceed on the basis of the replies received by the General Post Office to the letter sent by Mr. Wood to the broadcasting organisations on 18th March; on such informal conversations as we were able to arrange without disclosing our objective; on such published material on the subject as is available; and on our own experience, knowledge and opinions. There have been neither time nor resources for extensive research.

3. We divide our report into sections:
   A. Assumptions
   B. The present situation and the background
   C. Social considerations
   D. Economic considerations
   E. Structural considerations
   F. Recommendations

A. ASSUMPTIONS

4. Our approach to the possibility of relaxing or abolishing the rules governing television broadcasting is based on certain assumptions about the limits within which the Postmaster General and the Government feel free to act at the present time. These assumptions are:

i. That there should be no general increase in the television licence fee in the near future.

ii. That the Government will, for some time to come, be anxious not to encourage consumer spending.

iii. That the Government will be anxious to avoid increases in capital investment in the public sector, of which the broadcasting organisations form part.

iv. That our recommendations must be related to the present range of three television services with near-national coverage. (We consider briefly in paragraph 34 the extent to which the introduction of a fourth television channel would cause us to modify our recommendations).

v. That our recommendations should relate in the first instance to the period between now and the expiry of the Television Act and the BBC Charter in the middle of 1976.
We were informed by the broadcasting organisations that their current hours of broadcasting are as indicated in the sample weeks below:

<table>
<thead>
<tr>
<th>Service</th>
<th>Area</th>
<th>Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>BBC-1</td>
<td>London and South East</td>
<td>82 hours 49 minutes</td>
</tr>
<tr>
<td></td>
<td>North Region</td>
<td>83 hours 3 minutes</td>
</tr>
<tr>
<td>BBC-2</td>
<td>London and South East</td>
<td>37 hours 30 minutes</td>
</tr>
<tr>
<td></td>
<td>North Region</td>
<td>37 hours 30 minutes</td>
</tr>
<tr>
<td>ITV</td>
<td>London</td>
<td>77 hours appr.</td>
</tr>
<tr>
<td></td>
<td>Central Scotland</td>
<td>74 hours appr.</td>
</tr>
</tbody>
</table>

The BBC figures relate to the week 22nd-28th March 1969; those for ITV are said to be typical for current output. In both cases the figures refer to transmissions during school terms. In the holidays ITV London programmes run for about three hours less; those in Central Scotland for five hours less. Since BBC educational output is in volume about twice that of ITV, there are correspondingly larger reductions in programme hours on BBC-1.

It is useful to compare the actual transmission hours shown in the previous paragraph with the maximum permitted hours of general broadcasting under rule 1 of the Rules on Hours of Broadcasting issued by the Postmaster General on 18th February, 1969:

<table>
<thead>
<tr>
<th>Service</th>
<th>Hours per week</th>
</tr>
</thead>
<tbody>
<tr>
<td>BBC-1</td>
<td>53½ hours</td>
</tr>
<tr>
<td>BBC-2</td>
<td>32 hours</td>
</tr>
<tr>
<td>ITV</td>
<td>53½ hours</td>
</tr>
</tbody>
</table>

The balance of almost 30 hours on BBC 1 and 24 hours on ITV is accounted for by programmes exempted from the restriction on hours under rule 2 of the Rules on Hours: religious programmes, ministerial or party political broadcasts, outside broadcasts up to a maximum of 480 hours a year (BBC-1 and ITV) and 225 hours (in the case of BBC-2); school broadcasts; adult education broadcasts; broadcasts in Welsh, etc.

The bulk of the additional hours, on all channels, is taken up by school and adult education programmes. In the week May 10th-16th, for instance, BBC-1 North carried 14.25 hours of school programmes and 5.30 hours of adult education programmes, a total of 19.55 hours.

It will be noted that the proportion of additional hours on BBC 2 is smaller than that on the other two services. During our discussions it was made clear to us by the representatives of the BBC that the Corporation's concern over parity of hours relates primarily to parity between BBC-1 and ITV.

The history of the television hours rules differs from those for sound radio because the former were developed in a competitive situation. The sound radio rules merely prescribe the clock times during which the various BBC services may broadcast. In the case of the experimental local sound broadcasting stations not even this restriction was thought necessary; financial stringency has tended to limit transmission times to well within the national sound services. It is, however, open to any local service to transmit outside these hours. The fact that none of the stations have done so also reflects the listening habits of their audiences. This suggests that patterns of demand, as well as financial pressures, are significant determinants of broadcasting output.
We were informed by Mr. Lawrence that the television hours rules were introduced initially to protect Independent Television against competition from the BBC service, which was already well established. In more recent years they have been regarded as serving the reverse purpose: to protect the BBC from ITV competition.

Chapter XIX of the Report of the Committee on Broadcasting 1960 describes the position regarding hours of broadcasting as it then was, and sets out the expression of views made to the Committee both by the broadcasters and by other organisations. In the light of these the Committee considered the current prescriptions and decided to recommend only one minor change: the revocation of the rule requiring that programmes between 2.0 and 4.0 p.m. on Sundays should be designed for adults.

Although we were not asked to take the Pilkington Committee's views as our point of departure, it is useful to ask what changes have taken place since the Committee's consideration of the matter in 1961. There appear to us to be at least four significant respects in which the situation today differs from that eight years ago.

In the first place the Television Act 1964 places the ITA in a much more commanding position in the determination of the programme content of the Independent Television system. Thus the Authority itself can now be held responsible for the programme content of its service, including those elements which the categories at present exempt under the Hours Rules are designed to encourage.

Secondly, the volume of television output by the BBC has grown a good deal faster than the Corporation envisaged when giving evidence to the Pilkington Committee. At that time it thought that the combined output of two television services might increase to about 100 hours in the six year period 1964-70. In fact, as is indicated in paragraph 1, the output of the two television services is already about 120 hours per week after only five years.

Again, the financial position of Independent Television is no longer such as to enable the system to overwhelm the BBC in terms of quantity of output. The recent increase in the rate of incidence of the television levy has further reduced the system's capacity in this respect. Moreover, the regulatory mechanism provided by the levy enables the Government further to reduce any excessive competitive capacity of ITV if this should prove necessary.

There has, lastly, developed during the last few years a recognition on the part of the two broadcasting organisations of their common responsibilities which did not obtain when the Pilkington Committee was sitting. Reference was made to this recognition in the 1966 White Paper on Broadcasting: "Though Parliament has placed them (the broadcasting organisations) in competition with each other, they have a common objective of public service." The Government also affirmed that "Since full responsibility is required of them, they must be afforded full authority to secure that their services are conducted in the general interest."

The practical implications of this affirmation for the control of hours were given little attention in the White Paper. The governing bodies, to whose sense of responsibility such weight was attached in paragraph 48, were entirely ignored in paragraph 45 which dealt with hours. Paragraph 47 merely claimed that "the amount of broadcasting time would remain a matter of sufficient social importance to require that the Postmaster General should continue to hold and exercise his present powers of control." This seems to us an inadequate treatment of the subject. We therefore propose now to consider the arrangements for the control of hours in the context of the developments described in paragraphs 13-16 above.
C. SOCIAL CONSIDERATIONS

18. The social considerations relevant to decision-making in the field of broadcasting hours may conveniently be expressed in the form of propositions:

a. Viewers should be given the widest range of choices compatible with the technical and financial limitations of a television output of high quality.

b. It should be recognised that viewers in an increasingly educated society are able to regulate the inflow of television into their homes themselves by discriminating use of the switch.

c. Citizens should be protected from exposure to noise nuisance from other people's television receivers (as from their radio receivers) during normal hours of sleep.

Evidence of Demand for Additional Hours

19. When these general propositions are applied to the determination of broadcasting hours, they support in principle the extension of the broadcasting day to all reasonable waking hours. There is, in principle, no reason why television services should not extend over the same range of hours (roughly 5.30 a.m. to 2.02 a.m.) as those during which sound broadcasting is permitted. During all these hours some viewers no doubt would be glad to watch television.

In practice, the pattern of life of most people precludes their viewing during most of the hours at present not covered by television. The BBC survey "The People's Activities" showed, for instance, that between 30 and 40% of the adult population (15 years of age and over) are at home in the daytime, but that most of these are occupied with household duties in the mornings and with miscellaneous activities (other than viewing and listening) in the afternoons. Viewing figures for daytime television confirm this.

20. Another BBC survey carried out in January 1967 into radio listening habits after midnight found that about two out of three people in the sample never listened after midnight. Although about one third of the sample did listen between midnight and 12.30 a.m., only 5% of the sample were found to listen frequently after that time.

21. The ITA submitted as evidence in support of a demand for additional hours figures derived from one of the Authority's regular surveys carried out in November 1963. The salient figures are set out below:

<table>
<thead>
<tr>
<th>Would like to see more television</th>
<th>Total</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Women</td>
</tr>
<tr>
<td>Mornings - Monday to Friday</td>
<td>21</td>
<td>20</td>
</tr>
<tr>
<td>Afternoons</td>
<td>37.5</td>
<td>43</td>
</tr>
<tr>
<td>Saturday Mornings</td>
<td>24.5</td>
<td>21</td>
</tr>
<tr>
<td>Sunday Mornings</td>
<td>37.6</td>
<td>34</td>
</tr>
</tbody>
</table>

These figures were, in fact, submitted to the Post Office in a more extensive form some years ago. At that time the ITA interpreted the main percentages derived from the survey in terms of adult viewers who
would like to see more television as follows:

<table>
<thead>
<tr>
<th>Day</th>
<th>Number of Viewers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monday - Friday mornings</td>
<td>7,350,000</td>
</tr>
<tr>
<td>Monday - Friday afternoons</td>
<td>13,250,000</td>
</tr>
<tr>
<td>Saturday mornings</td>
<td>8,600,000</td>
</tr>
<tr>
<td>Sunday mornings</td>
<td>13,250,000</td>
</tr>
</tbody>
</table>

We were informed that the Post Office's Chief Statistician, to whom the ITA figures were referred, took the view that, "in the absence of any information about the sampling arrangements the ITA had adopted, it was not practicable to assess the validity of their results from a statistical standpoint. The mere statement that they were based on a 'weighted sample of 3511' conveyed nothing of any value." We are surprised that no steps were taken then, nor appear to have been taken since, to ascertain the adequacy or otherwise of the Authority's sampling arrangements. Prima facie, from our knowledge of sampling techniques and of the fact that the ITA employs reputable outside market research organisations, we see no reason to regard these figures as more or less reliable than those deriving from any similar sociometric survey.

23. It is, of course, relevant to question the usefulness of this type of survey to ascertain intended, as distinct from actual, viewing habits. As the Chief Statistician observed in the minute from which we have already quoted "it was for consideration how far they (the results) were pertinent indicators of the 'demand' for extended viewing hours. As framed, the questions had offered to interviewees the prospect of an additional facility without placing them under any obligation to make use of it, and without any implication of extra cost. The fact that a material proportion were in favour was, therefore, hardly surprising; but it threw no light on the crucial issue - to what extent the interviewees would make use of the new facilities if they were available. The best that could be said of the enquiry was that it placed some sort of upper limit on demand." 7

24. The sum total of these various pieces of evidence suggests the following conclusions:

(a) The filling of the present gaps in transmission on weekdays at midday and in the afternoons is likely to be welcomed, particularly by younger housewives, retired people and shift workers.

(b) There may well also be some welcome for the extension of television to about 12.30 a.m.

(c) There is little indication that breakfast time television is high on the list of viewers' priorities.

(d) The extension of television in any of these three ways will serve quite small audiences only.

25. We emphasise the tentative nature of these conclusions about the nature of the demand for additional hours. As has been the case in the past, we would expect demand for viewing during additional hours to be stimulated by supply. But since broadcasters are at present free (with few restrictions) to position their transmissions at times thought to be most convenient to most of their viewers, and since audience figures during many of the hours at present in use are quite small, we would not expect a rush by the broadcasters to use such additional hours as may become available. We return to the economic aspects of this consideration below. 8
If it is true that the broadcasters cannot, owing to the limitation of hours, provide as varied a service as they would like, the extension of the range of choices, both in terms of time, and of subject matter, made possible by extended hours would constitute a valid social argument for extended hours. We therefore asked the broadcasting organisations what use they would seek to make of any additional hours that might become available.

The BBC did not provide information on this point. We were told that "an extension of hours would be an opportunity for the BBC to find new programme forms - but only if we had the resources to develop them." Our attention was drawn to the fact that "in the past, when new hours have become available, the BBC has extended the range of television to use them to the best advantage. The 'Tonight' programme, in what was formerly the 'toddlers' truce' space, is only the most memorable example of this."

In oral evidence, the BBC representatives took the view that in the use of additional resources the BBC would be likely to give priority to the provision of 'area television' and on the further improvement of the existing general services by the allocation of adequate finance to major projects such as the 'Great War' series and the commissioning of films by film makers of the first rank.

The BBC also pointed out that they already provide programmes for minority groups and have undertaken commitments to Immigrant programmes, Farming and the Welsh language. The placing of these, as well as of school and adult education programmes, "at the best available times during the day and in the evenings adjacent to the general programme schedule (would mean that) without a change of policy ... the BBC would find itself unable to compete with ITV in programmes of general appeal for a number of hours in the week, of which many would be at times when an important audience could be attracted."

Without prejudging our discussion of the economic aspects we regard it as axiomatic that broadcasters, like everyone else, have to make choices. Given the high cost nature of the television industry, we cannot foresee a time when the need for the making of choices will disappear. We note that the provision of additional programmes is low on the list of the BBC's list of priorities at present. We consider that the BBC should be free to make this choice; it does not follow, however, that this choice, even if 'right' for the BBC, or for one of the BBC services is therefore 'right' for all other services.

In response to our question about the use of additional hours, the ITA listed seven minority groups of viewers for whom programmes in the daytime gaps might be provided:

1. housewives;
2. children of pre-school age and children of all ages during the holidays;
3. shift workers and night workers;
4. retired people;
5. the sick in hospital and at home;
6. people on holiday or having a day off;
7. those unemployed or between jobs.
The ITA expressed the opinion that, given the small audiences likely to be available during any additional broadcasting hours, "few of the programmes now normally shown in peak hours would receive first showings in additional daytime transmissions; first showings would be mainly confined to experimental programmes." The Authority would, however, expect repeats of evening programmes, "news bulletins, information and fiction programmes with some eye on the predominantly female audience, programmes of an instructional nature, and programmes for the younger child during the week and for older children at weekends. There might well be some use of feature films within the overall limits imposed by the Authority." At lunchtime there might, in addition, "be some items of light entertainment to suit the mood of those at home or viewing communal sets during the lunch break."

Here then we have two different sets of priorities. In the case of the ITA's evidence it is, of course, important to bear in mind the federal character of the system. This tends to find expression in programme terms more extensively during the off-peak programme hours, when regional companies transmit programmes related to the interests of their own audiences. It appears to us likely that individual programme companies would use any additional daytime hours in widely differing ways in so far as their financial resources permitted. We think they should be given the freedom to do so.

On balance, therefore, we would expect the availability of additional hours to provide opportunities for the broadcasters to enhance the quality of the television services as a whole.

The Protection of 'Parity' of Hours.

We now turn to the most difficult aspect of the social considerations which must be borne in mind in any discussion of the hours rules. This is the question whether, and if so to what extent, the Postmaster General should continue to intervene to ensure parity of transmission time between the broadcasting organisations.

The Pilkington Committee asserted that it "thought it right to consider restriction of hours from the standpoint that the need for control must be proved, rather than from the opposite standpoint that the need for relaxation of control must be proved." But having made this important point it did not, in fact, indicate what proofs led it to "recognise that, for television, competition in good broadcasting between the BBC and the ITA cannot exist unless there is someone to 'hold the ring' in the matter of hours. That person can only be the Postmaster General."

We have identified in paragraphs 13-16 four respects in which the conditions in which the two organisations compete have changed since 1961. Indeed it could be argued that the pendulum has swung too far the other way, and that the facilities for complementary scheduling created by the opening of the BBC-2 service and the striking use made of the Corporation's sound and vision services for cross-channel and cross-medium promotion of programmes gives it an inviolable advantage over the ITV service. These place the BBC and the ITA on a much more evenly balanced footing. In addition, the BBC has proved in the intervening years that it can at least hold its own in the general programme field and that there is no reason why a service financed from licence revenue should not share the audience equally with a service financed from advertising revenue.

In view of these developments we find it difficult to understand why the Corporation appears to cling to a protectionist policy which was created to meet quite different circumstances. We were told "that it is necessary for the BBC broadly to match, on at least one of its networks, the transmission patterns of the commercial companies ... Although there are some periods when transmissions are not totally matched ..., any substantial category of transmission on one network has its counterpart
on the other. If, therefore, commercial television is permitted to have and decides to put on breakfast time transmissions, afternoon repeats, women's programmes, programmes for shift workers or late shows, the BBC would feel compelled to match them. The principal reason for this is that the BBC has to be a complete service. The BBC's audience is entitled to the whole range of television available at any given time; their loyalty must not be undermined by the feeling that the BBC offers in any respect less than what is available from its competitors.

39. We appreciate that both organisations have, in view of their duty to provide balanced national services containing education, information and entertainment, a large area over which their programme patterns should be similar. In the words of the White Paper which we have already quoted, they have "a common objective of public service." The service of this objective must be the constant preoccupation of the governing bodies of the two organisations. But to argue from this that all programme categories on one service should be matched on the other seems to us to be fallacious, particularly when applied to the categories mentioned in the BBC's evidence. Such total matching is not the practice at present and we do not regard it as being in the viewers' interests that it should be. Within the broad limits of a general service, the more variety there is in the composition of the programmes, the greater the choice for the viewer.

40. We are disturbed, moreover, by the suggestion that viewer 'loyalty' to a particular channel should be protected as a matter of public policy. If there is social purpose in the provision of several television channels it is the provision of choice for the viewer, of enhanced opportunity for him to exercise his discrimination, and the chance to broaden his horizon. The competitive spirit of those in charge of different television channels very properly causes them to keep a close eye on the output of their competitors. But it is vital that they should at all times see their viewers as responsible people able to make their own choice rather than as captive audiences, which must at all costs be prevented from switching to another channel. Accordingly we reject this argument in favour of public protection of parity.

41. We believe that the broad principle of parity is now secured sufficiently by the common objectives set for the two organisations by Parliament. If nonetheless circumstances should arise which put in doubt the ability of the BBC to compete on equal terms with the independent service, we think the proper means of restoring a measure of equilibrium would be the fiscal regulator referred to in paragraph 15. We do not think that elaborate protection of general services is any longer required.

42. One possible exception to this is a major departure which might be made possible by an extension of hours: breakfast time news-magazine programmes. We were told by the TTA that there is no sign that any of the companies wish to introduce such programmes, since they would involve additional shiftworking arrangements. The BBC told us that they would feel bound to match the introduction of breakfast time programmes. Current affairs programmes in the earlier part of the day could, moreover, affect the impact and standing of similar programmes at main viewing times. If it were thought that the BBC should be protected from the eventuality of breakfast time current affairs programmes on television, it would be possible so to formulate a prescription as to preclude television broadcasting at that time. (It should, however, be noted that there is no such prescription at present). Any arrangement of this kind would have to ensure that the BBC would remain free, as at present, to begin school programmes at 9.15 a.m. on occasion.
43. The Postmaster General's most positive means of intervention in the content of the broadcasting services is the exemption of certain classes of broadcast from the limitation on broadcasting hours. The fact that these exceptions are couched in negative terms does not disguise the fact that, by then, successive governments have given positive encouragement to the promotion of certain types of programme. To this extent affirmations that "Both the BBC and the ITA are public corporations, wholly responsible for the content of their programmes and for the day-to-day conduct of their affairs" are at present of limited validity.

44. In the historical perspective this intervention by the Postmaster General in the pattern of programmes can be seen to have been justified, even though it has constituted a contradictory element in the attitude of government to the broadcasting organisations. It is arguable that without such positive help from the Postmaster General the organisations might not have identified the implications of their statutory responsibilities. There is no doubt that the existence of the exempted categories has relieved the governing bodies from the need to identify for themselves the implications of their public responsibilities in relation to the minority programme categories concerned. We were concerned to discover the extent to which, in oral evidence, the BBC representatives claimed to rely on the "closed period" as a protection against the claims of the programme controllers. We were told, for instance, that not even the governors themselves would be able to maintain the religious "slot" against such pressure if this were no longer protected by a government ruling, even without competition.

45. We cannot believe that this would or should be the case. If it were, it would constitute a serious indictment of the whole system of government of the broadcasting services by responsible boards of governors. We go further and argue that the governing bodies cannot be expected to be fully responsible in the sense required by the Charter of the BBC and the Television Act 1964 until they are given full responsibility for the whole range of the programme output without exception.

46. The Postmaster General's position in regard to the exempt categories is rendered doubly inconsistent by the fact that the committees advising on these categories of programme are accredited not to the Postmaster General but to the broadcasting organisations. In relation to religious programmes the organisations are advised by the Central Religious Advisory Council, appointed by the BBC, which advises both the Corporation and the ITA. In our enquiries on behalf of the Postmaster General we were unable to obtain the views of this Committee since its chairman, quite properly, took the view that it exists to advise the broadcasting organisations, not the Postmaster General. Similar considerations apply to the advice which the broadcasting organisations obtain on school and further education programmes and, on the Welsh language content of programmes, from the BBC's Broadcasting Council for Wales and the ITA's Welsh Committee. It cannot, in our view, make for good broadcasting for the Postmaster General to intervene in aspects of the programme output on which the broadcasting organisations obtain their advice from third parties.

Religious Programmes

47. The evidence provided for us by the broadcasters indicates that the creation and maintenance of a strong body of religious programmes raises a number of conflicting considerations. Understandably the churches appear to be anxious to maintain the present output which is quite substantial. The broadcasters themselves are divided. In the viewer's interest most programme controllers take the view that the concentration of the bulk of religious programming into a single
70 minute block is undesirable. The ITA told us that 40-50 minutes might, in terms of good religious programming, well be a better length at that time on Sunday. From the point of view of those producers responsible for securing adequate resources for religious programmes on the other hand a 70 minute period takes a larger claim for men and money than a shorter period. Fortunately the recent debate in the House of Lords provided an opportunity for the Bishop of Bristol, chairman of the Central Religious Advisory Committee, to disclose some of the grounds on which the Committee inclines to the view that the "closed period" defined in rule 3 of the Rules on Hours should be retained: "The production of adequate programmes in this or any other field depends upon competent producers being encouraged to develop their gifts with adequate resources of budget and adequate promise of broadcasting hours. So the provision of 70 minutes at a good time each Sunday has contributed substantially to ensuring that religious broadcasting attracts and retains trained and qualified producers."

Again, in the battle for the allocation of good transmission times for minority programmes, the BBC told us that the present fixed period was helpful. If this control were lifted they thought that competitive considerations would come into play and inevitably religion would be less well served than at present, and that "religious programmes could hardly hold their position if the restrictions were removed." The existence of the closed period has clearly induced an element of inertia which relieves programme controllers of the necessity of making decisions about this difficult area of broadcasting.

There are, of course, also religious programmes outside the closed period. Both BBC-1 and Independent Television transmit a religious service or a similar devotional programme on Sunday mornings. There are late evening religious programmes on all channels. The ITA told us that the Sunday service ought not to be affected even if Sunday mornings were to be used for general programmes. We hope this would be the case and that the Authority would stand by its duty in this matter.

We appreciate that it may be convenient for the broadcasters to use the Postmaster General as a shield, but we think that it is now appropriate for the broadcasting organisations to grapple with these issues themselves. A decision about the ways and means of securing adequate treatment of religious themes in the total programme pattern belongs firmly on the shoulders of the governing bodies of the broadcasting organisations. The Postmaster General would therefore be fully justified in transferring this responsibility to them, making it clear that the co-ordination of the policies of the two broadcasting organisations would be a proper subject matter for discussion at the meeting of chairmen to which reference is made in paragraph 5C of the December 1966 White Paper.

Educational Programmes

The place of school broadcasting on both BBC-1 and ITV is by now so well established that we do not think that their position would be endangered by a relaxation in the Hours Rules. The ITA told us that the contracts of the programme contractors impose on them an obligation to transmit in term time a minimum of 9 hours a week (including repeats) of school programmes. This obligation is enforceable by means of the Authority's statutory power to approve the programme schedules of individual companies. The BBC's school programmes are provided under the aegis of the School Broadcasting Council of the United Kingdom. This Council is unique among the Corporation's councils and committees in having control of general policy in this area and responsibility for determining the scope and purpose of each programme series. Having regard to these structural safeguards and noting that the use of school television programmes by
both primary and secondary schools has grown substantially in the last few years, we would not expect either broadcasting organisation to neglect its responsibilities in this field.

52. The position of further and adult education programmes is more complex, for three reasons. In the first place, few of these programmes are transmitted into clearly-defined classroom situations. They tend to be addressed to the viewer at home and their impact is accordingly more difficult to measure. Secondly, it is much harder in this category of programme to draw the border-line between programmes that are clearly educational and those of a more generally educative type. Lastly, there has to be considered the possible effect on this area of broadcasting of the contract recently entered into by the BBC with the Open University for the production and transmission of the University’s broadcast programmes. The Corporation’s commitment is for eight 25-minute programmes a week in 1971 working up to nearly 30 hours a week by 1975. Initially the bulk of these programmes will be transmitted on BBC-2. The BBC assures us that it intends to continue its separate service in the field of further education, though there would naturally be close liaison to avoid duplication.

53. The IIA recognises that there is an obligation on companies to provide adult education programmes, although the contracts do not stipulate a minimum time for these as for school programmes. The Authority takes the view that much of the existing adult education material would find its place in general programming if there were no restrictions. It recognises, however, that it might be necessary to prescribe the production of a certain number of programmes clearly conforming to the formula in rule 3 (vii) of the Rules on Hours. Here again we would expect social considerations to cause both governing bodies to give particular attention to the maintenance and development of this sector of their responsibilities.

Outside Broadcasts

54. Neither broadcasting organisation objects in principle to the aggregation of the allowance for outside broadcasts with the general programme allowance, assuming that the combined allowance were expressed in flexible terms. The BBC fears, however, that if this were done, it "would have the effect of opening the door to a wholesale readjustment of transmission times. Our competitors might think it profitable to broadcast more at times when most viewers were concentrated, for instance at weekends rather than on weekdays, and in the winter rather than in the summer months. If they did, the BBC might feel compelled, in order to maintain its own relationship with its viewers, also to adjust its transmission times." The IIA sees no such difficulty. We are told that the present system requires cumbersome machinery costing about £15,000 a year. More important, the distinction between OB’s and general programmes induces unnecessary rigidity into programme planning. The combination of the two allowances would permit greater flexibility, for example on Saturday afternoons, when the present system effectively limits transmissions to outside broadcasts.

Ministerial and Party Political Broadcasts

55. Ministerial and party political broadcasts are also exempted from the Hours Rules at present. We cannot conceive that the broadcasting organisations would neglect their duty to afford adequate air-time for such broadcasts if the present restrictions were relaxed. Clause 14(3) of the Licence and Agreement made between the Postmaster General and the BBC, moreover, gives the Government of this day adequate powers to secure the transmission of ministerial announcements. The Postmaster General has similar powers under the Television Act 1964.
Other Exempt Categories

56. There remain broadcasts in the Welsh language and one or two other minor categories of exempted broadcast. We would assume that the interest of viewers in Wales would be adequately represented to the broadcasting organisations by their Welsh representative bodies. There should be little difficulty in ensuring adequate air time for the other minor exempted groups of transmissions.

57. A general point may be made in conclusion. There appear to us to be strong arguments from the point of view of the professional broadcaster for giving the system greater flexibility in the allocation of their air times. There would be more scope for experimentation; we would expect enhanced opportunities for the provision of more local television broadcasting; and with this the opportunity for the wider use of available talent. It might also be possible for the broadcasting organisations gradually to encourage more participation and discussion by the audience. There is little doubt that the medium itself has not been used to examine its own problems as much as might have been expected.

D. ECONOMIC CONSIDERATIONS

58. We were also asked by the Postmaster General to take into account relevant economic considerations in the formulation of our advice on the modification of the hours rules. Here again the limitations placed on us have meant that we have had to rely on extant material, whether submitted to us by the General Post Office and the broadcasting organisations, or otherwise easily available. In particular we have had to 'take as read' the cost effectiveness of the operations of the broadcasting organisations. We have left out of account considerations of any internal improvement of procedure or economies of working which might free a portion of present resources although, clearly, these cannot be ignored.

59. In the case of the broadcasting organisations the use of any additional hours made available is conditional upon the necessary additional financial resources being available. We asked the ITA whether there was any scope for adding to the present hours of transmission without a commensurate increase in advertising income. We were told that "The Authority would not regard an extension of hours as calling for any change in the existing rules about advertising. If a change of the kind implied in the question were made a condition of grant of extra hours, the result would be that the programme companies were precluded from earning advertising revenue to meet the costs incurred in providing additional programmes." The BBC told us "We accept in principle that broadcasters should have the right to broadcast at times and for durations of their own choosing. The problems are those of present practicability and finance .... We then come up against the crucial fact that the BBC is not in a financial position to extend its transmissions. We have said that it is our intention to make the present licence fee last until well into the 1970's. On that basis our revenue is fully allocated to existing projects... Neither is it any solution that extra money might be forthcoming e.g. from intensified drives against licence fee evaders or even from an increased licence fee. There are other uses for any such revenue which can claim priority." We have commented on the relevance of this latter argument in paragraphs 28-30 above.
What additional hours are at issue?

60. In order to enable us to assess the financial disequilibrium which might result from the availability of additional hours, it is necessary to look more closely at the actual disposition of the hours at present available. We have quoted in paragraph 5 the information about the actual hours of transmission supplied to us by the BBC and the ITA. In Appendix A we show, for the week May 31st - June 6th the programme times as shown in the programme journals and the internal gaps, in each case for both BBC-1 (North) and ITV (North-West). The figures indicate that BBC-1 transmitted for over 60 hours during the week, i.e. five hours or so longer than the March week quoted by the BBC; ITV was on the air 78 hours, i.e. one hour longer than the figure for Central Scotland quoted by the ITA. The disparity in these figures appears to be due mainly to the high incidence of long outside broadcasts during the summer, for cricket, tennis and similar events. It serves to emphasise the importance in any proposed modification of the hours rules, of preserving the flexibility at present afforded by the expression of the outside broadcast allowance in terms of an annual figure.

61. Appendix A also demonstrates the variations in the transmission times of the two services. BBC-1 on weekdays in term time regularly opens about 1½ hours before those of ITV. BBC-1, again on weekdays, transmits between noon and 13.53, during most of which time ITV is off the air. ITV tends to be on the air slightly longer than BBC-1 in the late evening. There are more short breaks of between 5 and 12 minutes on BBC-1 than on ITV. If these gaps are included, the internal gaps in the BBC programme add up to 11.40 hours; those in the ITV schedule to 10.06 hours. Excluding the short gaps, the figures are much closer: 10.20 hours for the BBC compared with 9.54 hours for ITV.

62. Patterns are not sufficiently regular to make it possible to identify substantial internal gaps regularly, except the ITV close-down between noon and about 13.40. We would expect this space to be one of the first to be filled, if opportunity occurred. The BBC-1 gaps during the week in question were concentrated on Thursday and Friday. On each of these days there was a substantial gap between about 11.30 and 13.00 and between 14.25 and 16.20. If these gaps are averaged out over the week, it seems that something of the order of another 1½ hours per day might well enable both channels to do some worthwhile programming in addition to what is already done in the period between 13.00 - 16.30 hours. Such a figure, i.e., 10.30 hours weekly, corresponds in some measure to the more sizeable gaps added up in the preceding paragraph.

63. We know that such an addition constitutes only one half of the three daily additional hours which, the ITA told us, the programme companies might in the next 3-4 years want to use. It does, however, emerge that if restrictions are to be lifted the closing of obvious gaps would be the logical beginning.

The cost of additional hours

64. We asked the broadcasting organisations whether their capital equipment was likely to be adequate for the production of such additional programmes as they would like to produce. The ITA told us that they would not expect it to "be necessary to expand resources more than marginally, if at all. At present, Independent Television has a surplus of productive capacity. This is largely due to the changes in the contract pattern introduced last year, which have introduced a major centre of production in Leeds without a corresponding reduction in the previously existing studio centres. There is also
some surplus production capacity in the regional companies. The general surplus capacity is not confined to material resources; it comprises also creative resources." It is likely that, since this evidence was prepared, the surplus capacity has increased owing to the rationalisation plans undertaken by the programme companies as a result of the increase in the rate of levy. The BBC did not refer to this question in their replies. Whatever the situation may be at the London Television Centre, it is reasonable to suppose, however, that there is some spare capacity at some of the regional BBC television studios.

But even though there may be spare capacity, it costs money to use it. How much, we have not been able to find out in any detail. The only figures which were supplied to us were those quoted by the BBC for the cost of repeats. The Corporation's views on the use of repeats were pessimistic. "It is tempting to assume", so they told us, "that the solution would lie in repeats, but there are various complications. In the first place our programmes are not necessarily available for repeat because of, for example, Union restrictions. Secondly, while some repeat programmes are cheap, others can be expensive - for example, if we were to repeat the 26 'Forsyte Saga' programmes again, they would cost us £5,000 per episode, a total of £130,000 .... One hour a day of repeats which included a proportion of drama and entertainment would cost something like £500,000 to £750,000 a year."

The ITA was less pessimistic, although it recognised that "Repeats of drama involve very substantial additional payments under the present agreements with the writers' and artists' unions, and the companies would hope to be able to negotiate more favourable rates for day-time repeats. If this proves possible, perhaps one half of an additional daily three hours of programmes would consist of repeats." The exploration of the possibility of reduced rates for day-time repeats is one of the useful suggestions which has emerged from our enquiries. We think that the broadcasters might well be encouraged to pursue this since it would benefit not only them, but also the performers and the viewers.

Bearing in mind that, as the ITA told us, few of the present peak-time programmes (which tend to be especially expensive) would be likely to receive first showings during additional day-time hours, we think it reasonable to apply the range of figures quoted by the BBC for repeats not only to these but to the possible on-cost of day-time programmes generally. Taking an average on-cost of between £1500 and £2200 per hour, the annual cost of an hour a day would be around £650,000. We would therefore estimate an additional 1½ hours a day to require about £1 million a year, assuming that a reasonable balance were kept between high and low cost programmes.

An important point made to us by the ITA, which is relevant also to the BBC, is that additional hours would provide greater opportunity than exists at present to give a wider showing to programmes produced in the regions. The Welsh programmes at present shown on BBC-1 at lunchtime are a good example of what can be done; and it serves to point one of the inconsistent consequences of the present rules that a regional programme in Welsh can be shown in London because it is exempt from the restriction on hours whereas a programme from Scotland which happens to be in English cannot. Given the opportunity, we have little doubt that the broadcasting organisations would find much regional material of interest which could, at little extra cost, be given a second showing on the network.
The financial resources for additional hours

69. As indicated in paragraph 59, the BBC's income is not proportional to transmission time. This makes it difficult for the Corporation to welcome additional hours. It is generally assumed that Independent Television, on the other hand, would be happy to go all out to use all available additional hours because of the commensurate increase in revenue. But we have not found this to be the case. Among the smaller companies in particular, rising costs combined with the heavier incidence of the advertising levy, have recently caused policies which were already cautious to be reinforced. The ITV regions, as indicated by the example of Central Scotland in paragraph 5, have always tended to transmit less. The two shortest broadcasting weeks in ITV are those of Border (69 hours) and Channel (66 hours). Although we were informed by the Authority that, in general, the programme companies would expect to earn sufficient additional advertising revenue after the first year to cover the cost of three hours a day of additional programmes, these views are not shared by the smaller companies. A spot check with one of these suggests that this company would be unlikely to take advantage of any additional hours at the present time, since the cost involved might well not be recouped by advertising revenue.

70. The evidence on this point suggests that although the fiscal regulator has been applied, its effect may have been uneven in so far as it appears to have weakened the weak and yet left the stronger companies in a position where they can envisage expansion without qualms. However, the estimated increase of 8% in advertising expenditure during 1968,14) if confirmed, shows an appreciable increase over the previous three years:

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Advertising Expenditure £ million</th>
</tr>
</thead>
<tbody>
<tr>
<td>1961</td>
<td>340</td>
</tr>
<tr>
<td>1962</td>
<td>349</td>
</tr>
<tr>
<td>1963</td>
<td>370</td>
</tr>
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<td>1964</td>
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<tr>
<td>1965</td>
<td>429</td>
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<tr>
<td>1966</td>
<td>439</td>
</tr>
<tr>
<td>1967</td>
<td>447</td>
</tr>
<tr>
<td>1968 (est)</td>
<td>482</td>
</tr>
</tbody>
</table>

The share of these totals accounted for by television was £124 m. in 1967 and is estimated at £133 in 1968. This certainly does not suggest that ITV would not be able to sustain the financial burden of additional hours, even though the estimated growth rate shown for advertising as a whole in 1968 is thought, by the Advertising Association, to mask a slightly lower growth rate in television than in the press.

71. The BBC is in a more difficult position. Its revenue is, we are informed, fully allocated to existing and potential projects. We are assured that there is no room whatever for manoeuvre. It seems necessary to examine these assertions in greater detail, in so far as the material available to us permits.

72. The first factor to be borne in mind is the increase of £1 in the combined radio and television licence from 1st January last. This will bring in an additional £15 million or more each year. The increase in the colour licence from £10 to £11 will have a slower impact (see paragraph 75 below).
Other increases in income are likely to accrue to the BBC from at least four sources: the increase in the number of sound and of combined sound and television licences, the growth in the number of colour licences, the growth of income from publishing and other trading activities, and the reduction in the number of licence evaders.

We consider first the increase in the number of radio, and of combined radio and television licences. Since national coverage of television is virtually complete, the scope for an increase of income from this source is likely to contract. Population growth and the consequent increase in the number of homes, as well as the increase in the number of homes with 2 or more receivers, will however contribute to some continuing growth in the number of combined radio and television licences. In the last five years the actual growth rate was as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Increase in Number of Licences</th>
</tr>
</thead>
<tbody>
<tr>
<td>1963-4</td>
<td>442,525</td>
</tr>
<tr>
<td>1964-5</td>
<td>367,714</td>
</tr>
<tr>
<td>1965-6</td>
<td>314,045</td>
</tr>
<tr>
<td>1966-7</td>
<td>700,181</td>
</tr>
<tr>
<td>1967-8</td>
<td>800,808</td>
</tr>
</tbody>
</table>

It is assumed by the Post Office, however, that the 1966-7 and 1967-8 figures were inflated by the anti-evasion measures taken (see paragraph 77 below). This is borne out by the actual number of licences in force at the end of April, 1969, which had risen to only 15.4 million. After only four months of the operation of the increased licence fee it was difficult to apportion responsibility for the slackening of the growth rate between this factor, the lesser effectiveness of anti-evasion measures, and the saturation of the market. In any case, Post Office projections for the next five years are much more modest:

<table>
<thead>
<tr>
<th>Year</th>
<th>Expected Number of Licences</th>
</tr>
</thead>
<tbody>
<tr>
<td>1969-70</td>
<td>15.74</td>
</tr>
<tr>
<td>1970-1</td>
<td>15.84</td>
</tr>
<tr>
<td>1971-2</td>
<td>15.9</td>
</tr>
<tr>
<td>1972-3</td>
<td>15.95</td>
</tr>
<tr>
<td>1973-4</td>
<td>16.0</td>
</tr>
</tbody>
</table>

Since upwards of the 15 million homes which are at present estimated to have television receivers account for 92% of the population, the slowing down of the rate of growth is inevitable. Nonetheless it is to be expected that between 1968 and 1974 another £6 million or so will be added to the annual licence revenue, which can thus be expected to reach at least £96 million during this period.

The fall in the number of radio licences was in 1968 reversed for the first time since 1950: 2,529,750 licences were sold compared with 2,476,272 in 1967. This reversal may well be due to the growing popularity of car radios and transistor sets. The actual figure for car radios included in radio-only licences at the end of April 1969 had risen to 1,014,000 from 956,022 on 31st March 1968. Here again the substantial growth rates of 1967 and 1968 have not been sustained. But in view of a recorded rate of 5% or more per annum, the Post Office projection of 1% is perhaps unduly conservative.
The growth in the number of colour licences. Estimates vary widely. The latest Post Office estimates supplied to us envisage growth at the following rate:

<table>
<thead>
<tr>
<th>Revenue from Colour Licences</th>
<th>£000</th>
</tr>
</thead>
<tbody>
<tr>
<td>1968-9 (actual)</td>
<td>630</td>
</tr>
<tr>
<td>1969-70</td>
<td>1,000</td>
</tr>
<tr>
<td>1970-71</td>
<td>2,500</td>
</tr>
<tr>
<td>1971-72</td>
<td>4,500</td>
</tr>
</tbody>
</table>

We are informed by the Post Office that the BBC, in April 1968, estimated the cost of colour, distinct from that of duplication of the VHF services in U.K., over the six-year period from 1966-7 to be as follows:

<table>
<thead>
<tr>
<th>Cost of development of colour television (£ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
</tr>
<tr>
<td>1966-7</td>
</tr>
<tr>
<td>1967-8</td>
</tr>
<tr>
<td>1968-9</td>
</tr>
<tr>
<td>1969-70</td>
</tr>
<tr>
<td>1970-71</td>
</tr>
<tr>
<td>1971-72</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
</tr>
<tr>
<td>Capital</td>
</tr>
<tr>
<td>1966-7</td>
</tr>
<tr>
<td>1967-8</td>
</tr>
<tr>
<td>1968-9</td>
</tr>
<tr>
<td>1969-70</td>
</tr>
<tr>
<td>1970-71</td>
</tr>
<tr>
<td>1971-72</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

It is difficult at this stage to estimate when income will match expenditure, particularly since colour production costs will, presumably, become progressively assimilated to production costs generally. If present trends are simply extrapolated, so the Post Office tell us, colour licence revenue will match colour operating expenditure between 1972 and 1974; and total colour expenditure between 1973 and 1975. And although it will take some time, we think it important to bear in mind that, on the basis of 15 million television licences, there is in the expansion of colour television, a reservoir of £75 m. a year; a return on its investment which will accrue to the BBC more certainly than any return which investment in colour television may bring to TV.

We were told by the BBC that income from publications and other trading activities was negligible. We note that Television Enterprises reported a gross income from all activities at home and abroad during 1968 of £1.5 million. This may be small by comparison with much of the Corporation's other income, but we do not regard it as negligible. In the Income and Expenditure Account for the year ended 31.3.68 the surplus on trading activities is shown as £945,314 compared with £607,386 the year before. This increase of more than 50% in the trading surplus, deriving from an increase of more than 150% in the gross income of Television Enterprises, suggests that there is room for considerable development in income-earning capacity here. We understand that already TV Enterprises has become one of Britain's largest merchandising agents. Apart from handling licences based on BBC programmes it now deals with many for the U.S. and European series seen on BBC's two channels. That outstanding success 'The Magic Roundabout' attracted more than 100 different licences, while newcomers such as 'The Herbs', 'Basil Brush' and 'Hector's House' showed great potential for the future.

Revenue from publications at £1,592,783 was in 1968 about 50% higher than in 1967, but somewhat lower than in 1964 (£1,646,433). Here again is a source of income directly and properly related to the Corporation's broadcasting activities which, while not large, is by no means insignificant.
Under the terms of the Wireless Telegraphy Act (1967) television dealers are required to notify the Post Office every time a television set is sold. This has already had an effect in reducing the number of licence evaders. It is estimated, however, that 1.5 million evaders remain and that some £27.5 million of licence fees a year remain to be collected. Although it will not, presumably, be possible to achieve 100% success in view of the high degree of geographical mobility of the population and the progressive increase in the cost of collection, we think it reasonable for the BBC to expect the major portion of television licence revenue to become increasingly available. It should, moreover, be worthwhile pursuing a similar policy in relation to sound-only licences, particularly since it is estimated that among car radio users alone some 2 millions do not buy a licence at present.

In the light of these potential sources of additional income and of the estimated cost of additional transmissions, we find it difficult to accept the flat statement that "the BBC is not in a financial position to extend its transmissions". As we have pointed out before, the Corporation may well not want to do so and, like the ITV companies unwilling to extend transmissions, should have the freedom to decide its own priorities. These seem to us to be essentially decisions which should be made by the broadcasting organisations as long as the Postmaster General is content that the basis of competition is reasonably fair. From the evidence at our disposal we are inclined to think that, in economic terms, the scales are a good deal more evenly balanced than would at first sight appear to be the case.

Increase in Licence fee. Consumer Spending
and Public Sector Investment

We return briefly to the assumptions with which we began our investigation and which are set out in paragraph 4. The first of these was that there would be no increase in the licence fee in the foreseeable future. The evidence so far does not lead us to suppose that the BBC would be unable, if it wished to do so, to sustain some additional hours on BBC-1 without an increase in the licence fee.

We also proceeded on the assumption that the Government will, for some time to come, be anxious not to encourage consumer spending. We conclude from our study that an increase in encouragement to consumer spending would arise as a by-product of any additional broadcasting hours which may be granted and used. On the assumption of the use of 1.5 additional hours daily some 9 minutes a day at off-peak times would become available for sale to advertisers. We would regard this additional advertising space as being likely to have a good deal less effect on consumer spending than other decisions taken by the Government, such as the introduction of colour television, which is bound to have the effect of rendering prematurely obsolete very large numbers of television receivers and of encouraging the spending of 15,000,000 x £300, i.e. a sum of the order of £4,500 million in the next ten years. We note that Mr. Curran, in a recent speech, suggested that the present restrictions on hire purchase and set renting should be eased. This would encourage consumer spending on colour receivers.

The third of our assumptions was that the Government was anxious to avoid increases in expenditure on capital investment in the public sector of which the broadcasting organisations form part. We point out in paragraph 64 that there is spare production capacity in Independent Television, and that we believe there to be spare production capacity in the BBC, particularly in the Regions. Thus there is no need, as a consequence of the modification of the Rules on Hours, to envisage additional capital investment.
The Fourth Channel

We have proceeded on the assumption that a fourth television channel will not be opened in the near future. We are aware that the White Paper of December 1966 stated that "the Government have decided that no allocation of frequencies to a fourth channel will be authorised for the next three years at any rate,"21) This period expires in December next and the Government may well wish to reopen the matter. Whatever the decision may be, there seems no reason to defer action on the modification of the hours rules on this account. Even if an additional channel were to open, it would, like BBC-2, take some years to build up its volume of production. Its possible hours of transmission would be well within those of BBC-1 and IV. The major issue, that of parity between the two dominant services, would not therefore be affected.

Other Economic Considerations

We have so far been concerned to assess the BBC's opportunities of increasing its income during the next few years. It is appropriate to look briefly at the choices which are open to the BBC or to the Government by way of easing the Corporation's financial burden over the next few years.

We understand that the BBC's bill for Selective Employment Tax will be of the order of £2,250,000 a year and that the previous Director General undertook to absorb this sum within the normal budget. We have some sympathy with the newspaper article which has recently argued that "if the film industry is exempt from the tax on the grounds that it manufactures film, why can't the production of sound and vision tapes be regarded in the same way?"22) The remission of even part of S.E.T. would give the Corporation an element of elbow room.

The BBC's policy of paying for all capital investment out of revenue is another factor making for unnecessary difficulty at times of exceptional capital expenditure. The traditional argument that the Corporation's capital investment does not produce an increased return does not apply to the development of colour, as we have indicated in paragraph 76. The Corporation's substantial borrowing powers could properly, in our view, be used to spread the capital burden imposed by the introduction of colour at a time when the need to duplicate the VHF service and expand BBC-2 is also making heavy demands on the Corporation's resources.

Our terms of reference do not require us to extend our enquiries and recommendations beyond the television services. We do not comment, therefore, on the matters affecting the scale and content of the BBC's sound radio services which are currently under discussion. We merely record the obvious: that the financial condition of the Corporation is determined by the income/expenditure equation of both sound and vision services, and that these are interdependent.
E. STRUCTURAL CONSIDERATIONS

89. We were not specifically asked to take structural considerations into account in our study of the Rules on Hours. These considerations were, however, forced on our attention by the nature of some questions we had to ask ourselves: viz., What are the purposes of the various rules at present in force? Who is responsible (and accountable) for meeting these purposes? What are the means of relating policy decisions in protected programme areas to the needs of their audiences?

90. The Postmaster General is responsible to Parliament for the maintenance of a national broadcasting system outside the range of political influence and conducted in the public interest. Within this general responsibility the governing bodies of the broadcasting organisations have, to quote the current BBC Handbook, "undivided responsibility for the conduct of programmes; they are "wholly responsible for the content of programmes and for the day-to-day conduct of their affairs." There can be little doubt that the hours rules, as they at present stand, circumscribe administratively the power and the responsibility which Parliament intends the governing bodies to exercise.

91. This we believe to be unsound in principle and wasteful in practice. Nor does it appear to us to be arguable that those programme groups which are exempted under the current rules are so much more important than other groups, such as news, current affairs or children's programmes that for these the Postmaster General must take responsibility direct. If this were so, Parliament would have legislated differently and the powers and responsibilities of the governing bodies would not have been drawn as widely as is the case. We recall the relevant passages in the Pilkington Report: "the Governors' and Members' concern is to represent and secure the public interest. It is for them to judge what the public interest is and it is for this that they are answerable." Thus they are the guardians of the public interest in relation to their services. If the governing bodies do not secure the public interest, the fault lies with them. The Postmaster General's remedy is to call the governors to account, individually and corporately, for their stewardship, rather than to take over their duties and responsibilities.

92. But it may be, and indeed has been, argued that there is nothing wrong with the governors except that they cannot assert themselves over the officials. Here again the Pilkington Committee was quite clear (and, in this, it followed closely the line of argument taken by the Beveridge Committee). It said that the governing bodies must not judge the public interest "by assessing the balance of opinion on this or that element of programme content, and then adopting the majority view as their own; ... their task is ... to be thoroughly aware of public opinion in all its variety, to care about it and to take proper and full account of it. Having done so, they must then identify the public interest in broadcasting ... and secure it through control of the executive arm." We recognise that, in both organisations, control of the executive arm is no easy matter for part-time governors. Neither the BBC nor the ITA officials satisfied us that the evidence of their organisations on the possible modification of the hours rules had actually been considered and approved by the governing bodies. The BBC representatives told us that Mr. Curran's letter of 24th April to Mr. Wood 'had been seen by the chairman of the governors'. We have already quoted the opinion expressed by one official that even discounting competition, the governors (of the BBC) were unlikely to be able to maintain the 'closed period' if this were not protected by the Postmaster General.
If there is a weakness in the present system of control, it appears to us to be here. And if the hours rules merely serve to mask a deficiency in the ability of the governing bodies to ensure the service of the public interest, then there may be good reason for removing this prop and letting the deficiency be seen for what it is before the next enquiry into broadcasting policy takes place. Our own expectation is that, whatever the historical position may have been, the governing bodies will be found capable of fulfilling their trust in the areas at present covered by the hours rules, as in the other programme areas for which they already take full responsibility. This may make necessary some adjustment in the balance of power between the governors and the executive arm; but such an adjustment would constitute more than compliance with the relationship laid down in the Charter and Statute.

The officers of the Post Office, at our request, made a brief survey of the position in other countries. From the material which they collected it appears that, in most of these, the decisions about the hours of broadcasting are, within wide limits, made by the broadcasting organisations themselves. This is the case not only in countries without competing services, but also in countries like Germany and Japan where publicly financed services compete with services wholly or partly financed from advertising revenue.

Quite apart from the social and economic considerations, the governing bodies have more effective machinery for identifying the public interest than is at the disposal of the Postmaster General: their advisory councils and committees. If these and the other audience research facilities are insufficient, the governing bodies are free to improve them, and we would expect them to do so, possibly by the greater use of participative programmes.

Among the shibboleths which tend to be advanced against the general trend of our recommendations are the following:

i. that when it comes to a conflict between "good broadcasting" and effective competition, good broadcasting usually loses, whatever the statutory obligations of the broadcasting organisation;

ii. that, whatever the formal power structure, the permanent staff are bound to carry more weight in practice than the governing bodies;

iii. that, in Independent Television in particular, the Authority is unwilling to use its statutory powers to control the programme companies;

iv. that the only objective of all programme contractors is to maximise their profits;

v. that in the allocation of peak transmission times programme controllers invariably decide in favour of safe majority audience programmes.

vi. that competition inevitably forces the BBC to follow any and every trend in Independent Television.

We should be sorry if these assertions, all of which are half-truths and most of which are reinforced by the structural weakness to which we have drawn attention, were allowed to detract from the weight of our recommendations. As we indicate, it is not naiveté which has informed us; quite the contrary. We are aware that the seemingly minor and simple matter of the modification of the hours rules contains within it the major question of the actual point of
control in broadcasting in this country. It concerns the capacity and willingness of the broadcasting governors to maintain the public interest not only in their own organisations, but also in their relations with each other. Unless their authority can be assured, it may be best to admit the failure of the present system. We think that the system should be put to the test and that the present time, marking the half-way stage between one broadcasting review and another, is appropriate for such a test. It allows a reasonable period for the effects of devolution of control to become apparent and to be taken into account in whatever arrangements may be made for the review of broadcasting policy before 1976. We are confident that the modest relaxation proposed in this study will point the way to the entire devolution of control over television broadcasting hours to the governing bodies of the broadcasting organisations in due course.

F. CONCLUSIONS AND RECOMMENDATIONS

The demand for more television hours (paras. 19-25)

98. We have not, within the limits of our enquiry, found any strong demand for additional hours of television broadcasting. Such evidence as came to our notice suggests that quite small audiences might well take advantage of transmissions at lunchtime and in the early afternoon, and for a limited period in the late evening.

99. We have not become aware of any overt demand for television in the early morning.

100. We note, however, that demand is, to some extent, a function of supply and that demand might well increase if programmes of interest were provided at the times of day at present not covered.

I. We conclude that the absence of overt demand, coupled with the period of financial stringency into which both broadcasting organisations have moved, are likely to limit the actual use which the broadcasting organisations make of any additional hours which may be made available.

The willingness to supply more television hours (paras. 35-36 and 53-59)

101. The BBC has made it clear that it does not, within its present financial arrangements, wish to provide more television hours. The IIA informs us that it believes the programme contractors would be willing to use up to three additional hours per day within the next three to four years. Our own enquiries suggest that the smaller contractors at least are unlikely to make substantial use of any additional hours which may become available.

II. We conclude that neither broadcasting organisation is likely to make use of a major extension of television broadcasting hours in the next few years, and that it is therefore unnecessary to regulate the number of hours on the assumption that the whole allocation will inevitably be used.

The maintenance of parity of hours (paras. 35-36 and para. 80)

102. We note that there is not, at present, parity of actual hours of transmission. Depending on outside broadcasts and the use of the exempted categories, differences in effective broadcasting time between BBC-1 and ITV may be as large as 10 hours a week.
We note also that the relative financial positions of the broadcasting organisations have been brought much nearer by the increases in the fees for combined radio and television licences and for colour television licences on the one hand, and the fiscal measures reducing the net income of the ITV contractors on the other.

III. We conclude that it is no longer necessary to prescribe exact parity of general programme hours and outside broadcast hours. We think that variation of up to two hours a day can be sustained without detriment to the competitive character of either BBC-1 or ITV.

We recommend
A. that the Postmaster General should, however, continue to limit the scale of variation in the number of hours by setting an upper limit to the number of broadcasting hours;
B. that he should, further, contain competition by setting limits to the television broadcasting day in a manner similar to the limits for sound broadcasting.

The Quantity of Hours (paras. 5 and 60-63)

We note that the current BBC-1 transmission times were given to us as about 83 hours a week and ITV transmission times as varying between 74 and 77 hours a week (except for the smaller contractors whose transmission hours are less).

We note also that ITV contractors have a contractual obligation to provide not less than 7 hours of programmes per day.

We note that the hours of transmission for BBC-2 are well within those of BBC-1 and are for financial reasons likely to remain so for some time.

IV. We conclude
a. that some variation in the actual hours of broadcasting is compatible with the maintenance of a general level of parity between BBC-1 and ITV.

b. that, on grounds of flexibility of programming as well as on structural grounds, responsibility for the disposition of all broadcasting hours should now be taken over by the governing bodies of the broadcasting organisations.

c. that the availability of an average of up to 91 hours a week of television broadcasting would
   i. enable ITV to extend its actual broadcasting hours by up to two hours a day;
   ii. enable the BBC to extend its actual broadcasting hours by just over 1 hour a day;
   iii. enable some of the gaps in the present television broadcasting day to be filled;

iv. keep the financial implications of the modification of the hours rules within reasonable limits;

v. not create an undue imbalance between the two broadcasting organisations if only one of them should decide to use the additional broadcasting hours.
We recommend

C. that the present prescription of television broadcasting hours be amended to allow for an average of up to 51 hours of television broadcasting a week;

D. that this prescription should be expressed in terms of an annual total number of hours, including all types of television broadcasting;

E. that the present difference in permitted broadcasting hours between BBC-1 and ITV on the one hand and BBC-2 on the other be discontinued;

F. that the amended Rules on Hours of Television Broadcasting should read as follows:

"Permitted Hours of Broadcasting for the television services

<table>
<thead>
<tr>
<th>Service</th>
<th>Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>BBC-1</td>
<td>9.15 a.m. - 12.30 a.m. daily</td>
</tr>
<tr>
<td>ITV</td>
<td>9.15 a.m. - 12.30 a.m. daily</td>
</tr>
<tr>
<td>BBC-2</td>
<td>9.15 a.m. - 12.30 a.m. daily</td>
</tr>
</tbody>
</table>

provided that the total number of hours of transmission of any one of these programme services shall not exceed 4732 hours a year." 37)

Outside Broadcast Allowance (paragraph 54)

As implied in the previous paragraph, we recommend

G. that this allowance should be included in the general programme allowance proposed;

H. that the transmission of outside broadcasts outside the permitted daily times of broadcasting should require special permission. We draw attention to the fact that this constitutes a change in current practice.

The exempt categories (paras. 43-57)

We recommend

J. that programmes in the categories currently covered by Rule 2 of the present Rules on Hours for BBC-1 and ITV and by Rule 3 of the Rules for BBC-2 should fall within the allowance specified in recommendation F.

The 'closed period' (paras. 47-50)

We recommend

K. that the Postmaster General should delegate to the broadcasting organisations, acting jointly on the advice of their Central Religious Advisory Committee, responsibility for the decision about the use of the period between 6.15 p.m. and 7.25 p.m. on Sundays.
C. that the present prescription of television broadcasting hours be amended to allow for an average of up to 51 hours of television broadcasting a week;

D. that this prescription should be expressed in terms of an annual total number of hours, including all types of television broadcasting;

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<tbody>
<tr>
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<td>9.15 a.m. - 12.30 a.m. daily</td>
</tr>
<tr>
<td>ITV</td>
<td></td>
</tr>
<tr>
<td>BBC-2</td>
<td>provided that the total number of hours of transmission of any one of these programme services shall not exceed 4732 hours a year.&quot; 27</td>
</tr>
</tbody>
</table>

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Duration of the proposed prescription (para. 97)

In view of the substantial measure of devolution of responsibility to the broadcasting organisations which our recommendations contain,

We recommend

L. that the arrangements proposed in recommendation F should operate for four years in the first instance.

18th June, 1969

George Wedell

Brian Blake
## Appendix A

### BBC-1 and ITV Transmission Times

<table>
<thead>
<tr>
<th>Date</th>
<th>BBC-1 Times</th>
<th>Gaps</th>
<th>ITV Times</th>
<th>Gaps</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Saturday 31st May</strong></td>
<td>10.00 - 10.30</td>
<td>50</td>
<td>12.55 - 12.15</td>
<td></td>
</tr>
<tr>
<td></td>
<td>11.20 - 12.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Sunday 1st June</strong></td>
<td>9.00 - 10.30</td>
<td>30</td>
<td>11.00 - 12.15</td>
<td></td>
</tr>
<tr>
<td></td>
<td>11.00 - 1.00</td>
<td>25</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1.25 - 12.12</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Monday 2nd June</strong></td>
<td>9.30 - 11.55</td>
<td>5</td>
<td>11.03 - 12.00</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>12.00 - 1.53</td>
<td>12</td>
<td>1.40 - 3.00</td>
<td>71</td>
</tr>
<tr>
<td></td>
<td>2.05 - 4.15</td>
<td>25</td>
<td>4.11 - 12.00</td>
<td></td>
</tr>
<tr>
<td></td>
<td>4.40 - 11.30 appr.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Tuesday 3rd June</strong></td>
<td>9.15 - 12.25</td>
<td>12</td>
<td>11.00 - 12.00</td>
<td>105</td>
</tr>
<tr>
<td></td>
<td>12.25 - 1.53</td>
<td></td>
<td>1.45 - 2.45</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2.05 - 2.20</td>
<td>10</td>
<td>2.45 - 4.00</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3.00 - 11.30</td>
<td></td>
<td>4.10 - 11.45</td>
<td></td>
</tr>
<tr>
<td><strong>Wednesday 4th June</strong></td>
<td>9.30 - 12.25</td>
<td>5</td>
<td>11.00 - 12.00</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>12.25 - 12.50</td>
<td></td>
<td>1.40 - 12.15</td>
<td></td>
</tr>
<tr>
<td></td>
<td>12.55 - 1.25</td>
<td>5</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1.30 - 1.53</td>
<td>12</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2.05 - 3.45</td>
<td>35</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>4.20 - 11.40 appr.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Thursday 5th June</strong></td>
<td>9.35 - 11.15</td>
<td>105</td>
<td>11.00 - 11.55</td>
<td>105</td>
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References in the text

Note: Passages in quotation marks, for which no specific reference is
given, derive, for the TTA, from the document submitted with Sir
Robert Fraser's letter to Mr. Wood of 10/4/69; and in the case
of the BBC either from Mr. Curran's letter of 24/4/69 to Mr. Wood,
or Mr. Lamb's letter of 6/6/69 to Mr. Lawrence.

1. see Pilkington para. 926, p.251.
2. see Times report, 30/5/69.
6. Sir Harold Evans' letter of 30/4/64 to Mr. Lawrence.
7. The soundness of this judgment is borne out by, for instance, the
actual viewing figures for Sunday mornings during the years since
the TTA survey was made. Although at present Sunday mornings are
comfortably filled with transmissions on both channels, audiences
are very small indeed. This may well be due to some extent to the
fact that the programmes are exclusively religious and educational,
but the viewing figures for such programmes at more convenient times
suggest that this is by no means the only explanation.
8. see paras. 54-68.
9. At present this permits no more than 5 films a week; although
this rule is subject to change. The opportunity for frequent use
of feature films would be limited also by the length of the films.
10. para. 921, p.250.
15. from Advertising Expenditure 1960-67, in Advertising Quarterly No. 16,
summer 1968 (adapted).
17. op. cit. p.46.
18. op. cit. p.199.
20. op. cit. p.211.
22. The Observer, 1/6/69.


26. ibid.

27. If, in the case of the two I.T.V. contractors serving the London area, any dispute should arise over the division of the available hours, we would expect the I.T.A. to act as arbiter.
9th July, 1969.

CABINET

MINISTERIAL COMMITTEE ON BROADCASTING

LOCAL RADIO: THE CONSTITUTION

AND ORGANISATION OF A GENERAL SERVICE

Memorandum by the Postmaster General

1. Paragraph 41 of our White Paper on Broadcasting (Cmnd. 3169) reserves until the conclusion of the experiment the question how a permanent and general service should be constituted, organised and by whom provided; and adds:

"The decision that the BBC should conduct the experiment implies no commitment that the Corporation should provide a permanent service, if it were decided to authorise one".

2. As local radio, however provided and financed, would be a public service, it would be entrusted to one or more public authorities. For the foreseeable future, there would be scope for only a one-channel service (marginal overlapping ignored) per area served. Consequently, the choice lies between vesting authority either in local radio authorities, one for each separate area served, and each independent of the other; or in a single national authority.

3. The argument for local radio authorities is that the stations themselves would be local; and that control by a national authority might lead to programmes which did not sufficiently match the particular interests and characteristics of the places served. In our White Paper (paragraph 39) we attached great importance to the need to secure that the stations were local in character and not all moulded to a common pattern imposed from the centre. In the event, the experiment has shown that a service in the charge of a national authority can be genuinely local in character. That being so, the arguments against local radio authorities are, I believe, compelling. These are: first, that it would be much easier to coordinate frequency planning with, and ensure the efficient use of frequencies by, a few bodies of great technical competence than if a multiplicity of small authorities are established; and secondly, that the maintenance of high standards and in particular
of impartiality in the presentation of public controversy is more likely to be secured through a national authority. It was for these reasons that we opposed the GLC's Bill providing for the establishment by them of a local radio authority for the London area. I conclude that there should be no departure from the policy pursued by successive Governments, and that the provision of a service of local radio should, like the present broadcasting services, be entrusted to a public corporation at national level, answerable to Parliament and subject to certain reserve powers of Government.

The experimental service, the local broadcasting councils appointed by my predecessor have proved their value in providing the station manager with guidance and support in relation to programme policy and content; and in giving the community served by each station a direct say in its affairs while leaving editorial responsibility - and liability - with the BBC. A national authority should, I suggest, be required to work with similar local broadcasting councils.

Next, should a new public corporation be established to provide a local radio service; or should it be entrusted to one of the two existing corporations? As my colleagues will recognise, unless the service were to be financed by the sale of advertising time the choice would in fact lie between a new corporation and the BBC. The ITA could not reasonably be expected to provide a service, the success of which would tend to reduce the size of the audiences of its television services and thus their revenue, while earning no advertising revenue itself.* Also, the ITA is precluded by Section 2(5) of the Television Act 1964 from broadcasting in sound only, so that legislation would be necessary before the Authority could provide a service of local radio.

Legislation would also be necessary in order to incorporate and vest with rights and duties a new public corporation. Such legislation would be highly controversial; and we would, I suggest, need to be persuaded that a clear balance of advantage lay with this course before accepting the difficulty and delay that it would entail. The considerations are these:

(i) it would end the BBC's monopoly of sound broadcasting. Some would regard this as desirable on grounds of principle. On the other hand

(ii) competition between national and genuinely local services would not, as competition between unlikes, be very meaningful; and

(iii) the BBC's national services and recorded material would not be available as sustaining material to a competitor - a fact which would add greatly to the cost of the service;
(iv) the BBC's resources of technical know-how and skill would not be available to another organisation; nor would its editorial experience and expertise to station managers liable to local pressures of all kinds;

(v) a new authority would have to be funded from public revenue;

(vi) if the service is to be financed in any measure from licence revenue, the allocation of part of it to a public authority other than the BBC would add greatly to our difficulties. We should be taking money away from the BBC in order that a competitor could provide a service at greater cost than the BBC.

I conclude that, if a service is to be authorised, it should be provided by the BBC.

7. The Local Broadcasting Councils: for the purposes of the experiment the eight Councils of up to twenty members each were appointed by the Postmaster General in consultation with the BBC (Cmd. 3169, paragraph 39). But we have now to reckon with, ultimately, forty or more stations, and thus with some 800 appointments lasting for, say, three years. There are two ways in which these appointments might be made:

(i) by local authorities. Since the stations would broadcast across existing local boundaries, it would be necessary for the purpose of making appointments to group local authorities into joint boards which might co-opt other members from prominent local organisations. But this would weight the local broadcasting councils too heavily with representatives from local authorities who would have little time to listen to the programmes. There would be the danger that local political battles would be carried into the councils, possibly even to the point where the ruling party might seek to influence the editorial policy of the station. Outspoken criticism and comment about the Town Hall might be at risk. Also, it would be represented by the Mary Whitehouse faction as admitting, their case for setting up a separate watch-dog organisation to supervise broadcasting;

(ii) by the BBC. The criticism here would be that the local broadcasting councils would be the Corporation's creatures.

8. I conclude that the most satisfactory procedure would be for the Minister to appoint the members of the local broadcasting councils from nominations produced by the BBC after consultation with specified local government bodies and other local interests. The BBC should also draw up for my consideration a statement defining the role of the local broadcasting councils; and recording the principles under which they will operate.
9. Conclusion

I invite my colleagues to agree that, providing a satisfactory method of finance can be found, I should authorise the BBC to extend the service of local radio, and appoint local broadcasting councils, on the lines described above.

J.T.S.

General Post Office,
St. Martin's-le-Grand,
E.C.1.

9th July, 1969.
10th July, 1969.

CABINET
MINISTERIAL COMMITTEE ON BROADCASTING
LOCAL RADIO - THE BBC'S PROPOSALS
Memorandum by the Postmaster General

1. The BBC have put to me their own proposals for providing a general service of local radio in the future. The main features of them are:

   (i) location: for England, forty stations covering quite large areas are proposed. A lower priority would be given to Scotland, Wales and Northern Ireland;

   (ii) timetable: including existing stations, twenty would be in service by late 1970: thirty-three by 1974: the rest by 1975;

   (iii) frequencies: VHF would give night and day service, but by day there would be medium-wave back-up, if we agree to release medium waves;

   (iv) local programme output: about 6 hours a day;

   (v) local broadcasting councils: would continue, and would have a say in senior appointments;

   (vi) cost: capital costs would be £40,000–£65,000 per station, operating costs rising to £100,000–£120,000 a year per station.

I describe these features in more detail below.

LOCATION

2. England

   The BBC propose forty local stations. These would have a larger coverage area than most of the present local stations. Some would cover larger conurbations like the present station at
Merseyside; others would be based on a "county" town and cover the surrounding suburban and rural areas. The number of stations to serve London would depend partly on technical considerations which have yet to be examined in detail. Whether or not for programming reasons one local service would be right for the whole of London, for technical reasons it might be necessary to provide more than one transmitter. The BBC consider there might be one service initially, with possibly up to four later. The BBC estimate that the forty stations would provide 90% of the population of England with local radio by day and by night on VHF. Details of the BBC's plan are annexed.

3. The BBC prefer this pattern to the alternative of 150 or so "town radio" stations, each with a very limited range and serving a clearly defined urban community, on the model of, say, BBC Radio Brighton. The latter pattern would in due course lead to annual expenditure of between £12m and £15m which the BBC do not think would be feasible. I agree. Also, the BBC's plan is closer to Maud's conception.

4. Scotland, Wales, Northern Ireland - would, unlike England, retain their national radio programmes, and so would not command so high a priority in the development of local radio. There would probably be no need for local radio in Northern Ireland where the present service is based on the only large town, Belfast; but the BBC recognise that the largest conurbations in Scotland and Wales would be likely to want their own stations.

TIMETABLE

5. The BBC estimate that, given a decision before the recess, they could open twelve more stations in the major centres of population, including London, before the autumn of 1970.

FREQUENCIES

6. The BBC propose to provide the service on very high frequencies (VHF) and with a capacity for stereophony. (Although for financial reasons not very many local programmes would be in stereo, local radio is far the cheapest way of satisfying the demand for more stereo from a vocal minority of enthusiasts.) Only on VHF can a general service be provided both by day and night. However, as only just over a third of homes are equipped to receive VHF, the Corporation propose to back the VHF transmissions with a service on medium waves during daylight hours. After dark, a medium-wave service would be subject to interference. Medium-wave back-up, the BBC consider, would bring local radio to a larger audience immediately and by whetting their appetite for local radio, encourage them to buy VHF sets. In the long term, we shall need to make increasing use of VHF, so this is the right strategy. It would also inhibit the cession of medium wavelengths to commercial operators at a future date. It does mean, however, that at times
when the local station is relaying one of the BBC's national programmes, it might be available on four wave-lengths, two national and two local. For example, within the service area of a given local radio station, Radio 2, would, when used as the sustaining programme, be available on four frequencies: the long wave, the VHF national transmission, the VHF local transmission and the medium wave back-up of the local transmission. As things stand in the experimental service, Radio 2 could be available on the first three. Though the experimental arrangements, limited as they are, have not attracted criticism on this score, back-up on medium wave might be represented by the commercial lobby as an extravagant use of frequencies. In view of the line we have previously taken on the use of medium wavelengths for local radio, this duplication could be difficult to defend politically. But we could say that the circumstances have changed fundamentally since the BBC's proposals would release some medium wavelengths.

7. Essentially, the BBC's plan relies upon VHF transmission. The possibility of medium wave back-up is a frill; and depends on the acceptability of the proposals, made in the context of restructuring the national radio services, for releasing medium wavelengths. My advisers tell me that although the objective of providing twelve additional VHF stations in the right places within twelve months of so of our decision would not be without its difficulties - it would be a crash programme - it is capable of achievement. However, for the purposes of this programme, stereo would have to be forgone for the time being. But twenty VHF stations serving the major areas of population would be in operation by the end of 1970 (see Annex).

LOCAL PROGRAMME OUTPUT

8. The BBC propose to broadcast some five to six hours of locally produced material a day from each station. This might be increased if finance is forthcoming locally. It would be difficult to produce many local educational programmes without help in cash or kind from the local authorities; but the BBC believe they would get it, even in areas where the councils are strongly backing commercial radio.

LOCAL BROADCASTING COUNCILS

9. The BBC attach great importance to the role of a council of local people in guiding and assisting the station manager and suggest that the Chairman of the Council should attend the selection boards for senior station staff. I would expect them to comply with the proposals outlined in my memorandum B(69)8 paragraph 8.

COST

10. The BBC estimate the capital cost of the stations at £10,000-£65,000 each. The capital cost of the eight experimental stations was £35,000 each. I understand the BBC were able to buy the transmitters for the experimental stations very cheaply. The new stations would cost more both because the transmitters would have to cover a wider area and because more sophisticated transmitters will reduce maintenance costs. Moreover costs have risen in the last two years. In addition, with the larger area, each
station would need two radio cars. The present operating costs are £65,000-£70,000 a year. The BBC estimate that in future operating costs would be between £80,000 and £100,000 a year, rising to £100,000-£120,000 by the mid-70s. The present stations are run on the minimum of staff (18-21 including engineers and typists) who have worked exceptionally long hours to make the experiment a success. This cannot continue. Stations broadcasting to larger areas would need more staff, especially for local news coverage. In all, the BBC would need a total revenue of £15.5m over the next five years to expand local radio on the scale they envisage.

CONCLUSION

11. The main considerations which, I suggest, my colleagues will wish to weigh are:

(i) whether the proposed distribution of the stations is acceptable;

(ii) whether the timetable is acceptable. On this, my own view is that it provides an excellent chance of forestalling the plans of the commercial lobby;

(iii) whether the stations should be primarily on VHF but backed by medium waves. My own view is that we should accept VHF; but, while recognising its attractions, reserve for further consideration the medium-wave proposal;

(iv) whether the proposed amount of local programme output is sufficient.

It seems to me an acceptable compromise between supply of material and likely financial limitations.

Subject to finance, and to the other qualifications I have indicated above, my view is that the BBC's plan should be authorised.

J.T.S.

General Post Office,
St. Martin's-le-Grand,
E.C.1.

10th July, 1969.
List of proposed locations for local broadcasting stations under the BBC's forty station scheme

| ++ Birmingham | Luton |
| + Brighton | ++ Manchester |
| ++ Bristol | + Merseyside |
| Bournemouth | Northampton |
| Carlisle | Norwich |
| Channel Islands | + Nottingham |
| Chatham | ++ Oxford |
| ++ Chelmsford | Peterborough |
| ++ Derby | ++ Plymouth |
| Dover | Preston |
| Exeter | Reading |
| Gloucester | + Sheffield |
| ++ Humberside (Hull) | Shrewsbury |
| Ipswich | ++ Southampton |
| ++ Lancaster | + Stoke-on-Trent |
| + Leeds | Swindon |
| + Leicester | + Teeside (vice Radio Durham) |
| Lincoln | ++ Tyneside |
| ++ London | York |

+ existing stations
++ priorities for new stations

Possibilities for further stations

Cambridge
Salisbury
Taunton
10th July, 1969.

CABINET

MINISTERIAL COMMITTEE ON BROADCASTING

FINANCING A BBC LOCAL RADIO SERVICE

Memorandum by the Postmaster General

1. B(69)8 records my belief that, if a satisfactory means of finance could be found, the BBC should be authorised to undertake a general service of local radio. If so authorised, the Corporation would intend to bring forty stations into service by 1975, thirty-three of them by March 1974. The total aggregate expenditure, including capital, would by March 1974 amount to £15.5m. The purpose of the present memorandum is to consider methods of finding this money.

2. My colleagues will want to set it in the more general context. Apart from the savings (which I do not think we would wish to challenge) consequent on McKinsey's, the biggest single economy proposed by the BBC is the reduction in orchestras. On present trends, BBC radio, excluding local radio, will go into the red by £6.5 million by March 1974. Annual costs are rising at 5 per cent. Since virtually every household receives the broadcasting services, the number of licences can only be expected to rise to the extent that the number of households increases and, additionally, to the extent that evasion is cut back. We have to make a choice. Either the BBC must be put in sufficient funds or they must economise.

3. To return to local radio, advertising having been rejected as recently as last July (FB(68)1st meeting), we are left with:

   (i) the licence fee;
   (ii) a mandatory rate;
   (iii) direct Government subvention;
   (iv) voluntary local contributions;
   (v) limited sponsorship

Or, of course, a combination of two or more of these methods.
4. The BBC to finance local radio from present licence revenue

The BBC tell me that this would require them to cut national radio to three networks by day and perhaps two in the evening, freeing many wavelengths for possible future exploitation by commercial interests. Cuts on such a scale - far more drastic than the economies they already envisage for national radio - would, they believe, be totally unacceptable to the listener. I agree.

5. An increase in the present fee

A straight 5s. Od. increase in the combined, and radio only, licence fees from 1st April 1970 would provide about an estimated £19m. additional revenue over the period ending March 1974. This would be enough to pay for local radio and if the BBC's proposed economies in patronage are all proceeded with, keep radio in the black for a few months after March 1974. A six shilling increase would remove the financial need for the cuts in orchestras as well. But there are difficulties in a licence fee increase to pay for local radio:

(i) The fee is regressive. On the other hand five shillings extra a year - just over a penny a week - is very little; and though it will provoke a temporary storm, at £6. 5. Od. the combined television and radio licence fee would still compare favourably with that of almost any country in Western Europe; while the radio-only fee, at 30s. Od. would be only 10s. Od. more than it was in 1946. In real terms it would be about the same, if not less;

(ii) Some people in remoter areas would have to pay the extra licence fee for local radio but would never be able to receive it. So ideally, as we said in the 1966 White Paper, a local station's income should "derive so far as is possible for local sources and not from a general licence fee" (Cmd. 3169, paragraph 41). But we did not take an absolute view; and the argument loses most of its force against the BBC plan to bring local radio within five years to almost ninety per cent of the population, and not necessarily stopping there. This is noticeably better than Radio 1's coverage, especially at night (33 per cent now and even on the BBC's plan for improving its reception no more than 45 per cent); and every licence-payer pays for Radio 1. There being this essential change in the facts, we would have no difficulty in rebutting a charge that we had departed from our 1966 White Paper.

6. A simplification of the present system

There is much to be said for simplification of the licence system. Separate licences for sound radio only could be abolished, and a few shillings extra added to the combined licence fees. The main considerations are:
(i) the cost of the 2½ million least remunerative transactions would go;

(ii) the licensing of sound radio receivers is in large measure unenforceable. Even if manpower could be found for much more intensive effort against radio only licence evasion, there are severe cost-efficiency limits on the amount of money it is worth spending to make people take out licences costing only twenty-five to thirty shillings. A small modern transistor set is easily concealed; in particular.

(iii) the requirement for separate licences for car radios is anomalous. A licence holder can have any number of sets, including portables which he can use anywhere whether in his car or not without an extra licence. An extra licence is required only if the set, when in the car, is powered by the car battery. This distinction offends commonsense. Moreover, the requirement is hardly enforceable at all; the extra licence is virtually a voluntary payment. It is no matter for surprise that evasion has reached a scandalous level;

(iv) but there would be a temporary loss of revenue. Between the time we announced the new system, and the time (which for operational reasons would have to be at least three months later) we introduced it, sales of radio only licences would plummet;

(v) not having the yardstick of the radio-only licence fee, the BBC would have themselves to apportion licence revenue between radio and television. However the BBC already have to choose for themselves how much money to allow to individual radio networks;

(vi) the cost of abolishing radio licence fees would fall on viewers of whom there must be some who never listen to radio. But among those who have radio only are presumably many of the poorest people of all. They would be relieved entirely;

(vii) five shillings extra on the £6 television licence fee would not be nearly enough (with the 25s. Od. comprised in it) to pay for national and local radio. Ten shillings extra would be more than enough. There is no convenient stopping place in between. However, a ten shilling increase would allow the BBC to carry on well beyond the mid-nineteen seventies before requiring a further increase. Alternatively, they could keep their orchestras and still last a few months beyond March 1974. If we are going to have a licence fee increase, the temporary storm would be much the same for ten as for five shillings. Presentationally, the simplification could help.

On balance, the simplification is, I think well worth accepting.
7. Local licence fees

Ideally, local radio stations might be financed by local licence fees, payable only by those within range of the stations. But this would not work. Reception of radio signals varies according to the quality of the listener's receiver; the time of year; the time of day; from street to street within a town; and according to personal tolerance of interference. Definition would be impossible, enforcement a nightmare.

8. A mandatory rate

One of the problem revealed by the local radio experiment has been that, while some local authorities have met a fair share of the cost, other, often for party political reasons, have not. Manchester backed out of local radio when control of the Council changed. This problem could be overcome by making contributions mandatory. I rule out the idea that all the cost of local radio should fall on local government, not least because that would prompt pressure to give local authorities editorial control over programme content (which would be particularly objectionable, since in many places the one local newspaper supports the majority party in the authority.)

9. But we ought not to leave unconsidered the possibility of putting part of the cost on local authorities. Perhaps part of the cost could be borne from the licence fee, part could come from a mandatory rate. All local authorities would be required to pay this rate which would go into some form of regional pool. Since rateable values vary so much from region to region, an inter-regional equalisation might be needed. Money would be paid from each Region's pool to the local broadcasting station or stations within the Region. If there were within the Region any local authorities whose area was out of range of the broadcasting station, then they might perhaps be excused the mandatory rate. The amount of the rate which would be needed would depend on the proportion to be financed by the rate and on the number of broadcasting stations. Forty stations in England paid for as to one third in this way would, assuming that costs of local stations are likely to double within five years, require rather less than a lid. rate.

10. If a mandatory rate were imposed, legislation would be required so that it might take a year before it could be introduced. So, if we were to pursue this idea we would at this stage merely announce our intention of introducing such legislation and would have to find interim arrangements for financing local radio until this legislation was enacted, e.g. finance from licence fees or borrowing.

11. The idea of mandatory rates would, I understand, be unpopular with the local authority associations. But because of Maud the finance of local government will have to be looked at again, and if rapid progress were made (though, I gather, this is unlikely) in finding an extra way, more buoyant and equitable than rating, for financing local government, the mandatory charge might perhaps fall on that.
12. Direct Government subvention

We commented on direct Government subvention in the 1966 White Paper that it "would be liable to expose the Corporation to financial control in such detail as would prove incompatible with the BBC's independence. The money would, of course, have to be found from general taxation", (Cmnd. 3169, paragraph 9). These comments are obviously just as valid today. Although in the present financial climate I recognise that proposals for direct Government subvention are unlikely to make much headway, four particular proposals need to be mentioned.

13. The first two of these have been floated by Lord Hill; that the BBC should be totally exempt from SET, and that the Government should make up to the BBC the loss resulting from licence evasion. Both these ideas seem to me non-starters. Both would prompt budgetary problems. That apart, it would cut across the whole principle of SET to exempt from it organisations which provide a service, especially on the grounds that they were short of money. There is no way of estimating the amount of licence evasion with anything like enough accuracy to justify imposing a charge on the taxpayer.

14. The third proposal is that the broadcast licence management costs (costs of collection and enforcement and running the interference investigation service) should no longer be a first charge against the licence revenue. This proposal has the advantage that the expenditure is already subject to financial control by the Treasury and Parliament; and if it were no longer a charge on the licence revenue there would be even greater incentives to ensure that the work was done effectively and economically. Also, the amount of money involved (£5m. a year) is very close to the estimated annual cost of running forty local radio stations. But here too there would be a budgetary problem.

15. The fourth proposal is to give the BBC the proceeds of a special purchase tax on radio sets. This proposal was considered and rejected by the Ministerial Committee on BBC Finance last October (FB(68)2; FB(68)2nd meeting, Item 2). The arguments against it were, we judged at the time, overwhelming; and there is no new reason to depart from the decision.

16. Voluntary contributions

We have already noted that the experiment has shown that voluntary contributions are unsatisfactory as the main means of support for local radio. American experience bears this out. Despite the inducement of an advertising-free service, the survival of subscription stations is uncertain there. The only real contributors would be local authorities. There are two main reasons why local contributions will not work:
Their uncertainty. A change in a local authority's political complexion could at any time close the local station down.

Some areas are richer than others. A £d. rate in Brighton produces six times as much as a £d. rate in Stoke-on-Trent. But the less prosperous areas may need local radio as much or more.

17. However, I have been told by representatives of the experimental areas that all would be willing to continue some contribution. One or two of them talked in terms of £5,000 a year.

18. It seems reasonable that the BBC should provide an ample basic local radio service, but that local communities should be left to choose whether to pay for optional extras. But, if local radio is not to become a football in local politics, the line should, I suggest, be drawn there.

19. **Limited sponsorship**

Clause 13 of my Licence and Agreement with the BBC (Cmd. 2236) forbids the BBC to transmit sponsored programmes. It could be changed if the BBC and I, with Treasury approval, agreed to change it.

20. I share entirely the BBC's view that their services should not be supported by commercial sponsorship advertising the general run of consumer goods. At first sight there are not the same arguments of principle against a much more limited sponsorship e.g. by Government Departments, local authorities, nationalised industries, the churches and voluntary organisations and possibly also private sector industry for some activities other than sale of goods to the public, e.g. recruitment advertising. These activities get a great deal of free support from the BBC. The question is whether they should be paid for.

21. Objections are:

(i) Diversion of even a small amount of advertising revenue could jeopardise some local newspapers. On whether it would, opinions among journalists differ.

(ii) Limited sponsorship could be the thin end of the wedge leading in time to a commercial BBC.

(iii) Although the proposal itself does not, of course, mean sponsored programmes in the American sense, in time it might be twisted to include them. My colleagues will recall that, when the 1954 Television Act was before Parliament, the possibility of allowing sponsored programmes was firmly rejected by all parties.
(iv) There is probably little money in it.

22. I recognise that there is something in each of these objections, but I think the idea needs exploring more before it can be dismissed entirely. On the other hand it is unlikely to be more than a marginal source of additional revenue for local radio but it might be useful. If my colleagues agree, I propose to discuss it further with the local authority associations, the National Union of Journalists, the Newspaper Society, and the BBC. But there is no reason why we should delay meanwhile our decision on the main question of finance.

Conclusion

23. Ideally, the method of financing broadcasting services should be:

(i) consistent with the social objectives, direct and indirect, to which this scarce medium, at public disposal, should be applied;

(ii) enough, but no more than enough income, to secure these objectives over a period of, say four or five years into the future;

(iii) such as would not lead to undue discrimination as between one part and another of the country in the services provided;

(iv) assured;

(v) acceptable to public opinion;

(vi) as economically collected as possible;

For local radio with the population coverage now envisaged I would add:

(vii) that it would be desirable, though it should not in view of (iii) and (iv) be made a sine qua non, that there should be some specifically local provision.

Of the methods discussed in this paper, none is perfect; but a standard licence fee, simplified on the lines of paragraph 6 above and covering both the national and local services, most nearly satisfies the ideal. Some measure of local financial support for local radio is desirable. If it cannot be secured by mandatory rate, it has to be left on a voluntary footing, I invite my colleagues to agree:
- that I should make an early announcement of a decision to simplify the licence and to increase the fee from £6 to £6. 10s.

- that I should announce a decision to authorise the BBC to establish a general service of local radio, financed from licence revenue but free to seek additional financial support locally.

J.T.S.

General Post Office,
St. Martin's-le-Grand,
E.C.1.

10th July, 1969.
CABINET

THE TIMING AND METHOD OF RELEASE OF THE RECORDS OF THE 1939-45 WAR

Note by the Secretary of the Cabinet

By direction of the Prime Minister, I am circulating a memorandum, for discussion at Cabinet next week, making proposals for the release of selected records of the 1939-45 war.

(Signed) BURKE TREND

Cabinet Office, S.W.1.

25th July, 1969
THE TIMING AND METHOD OF RELEASE OF THE
RECORDS OF THE 1939-45 WAR

The Problem

Under the 30-year Rule established by the Public Records Act, 1967, the first of the official records of the 1939-45 war will become due for release on 1st January, 1970. Thereafter, under the normal operation of the Rule the remainder of the war records would for the most part be released in annual batches over a period of six years, ending on 1st January, 1976. Some papers, however, would be caught by the "assembly rule" of Section 10 (2) of the Public Records Act, 1958, which provides that, in relation to a file or other assembly of papers, the date for the release of papers is that of the last paper in the file or assembly. An element of chance would thus govern the dates on which any particular papers might be released. This, together with the necessity of having to wait for papers to emerge piecemeal over the six years from 1970 to 1976, would be frustrating to historians wishing to study topics covering the war as a whole. Such historians will inevitably be moved to inquire between now and next January whether so straightforward, but for them so unsatisfactory, a method of operating the 30-year Rule is in fact intended in respect of the wartime papers; and, if they are left in doubt about the Government's intentions, strong pressure for an alternative arrangement seems bound to build up.

2. In the case of the 1914-18 war, where the records were due to unfold under the then 50-year Rule, we reached the conclusion that a system of annual release would not be acceptable to public opinion. With the concurrence of the Opposition Leaders the Prime Minister therefore announced in the House of Commons on 10th February, 1966, the decision to open up in a single operation the records up to the end of 1922, the year in which the Coalition Government fell; and an Instrument issued by the Lord Chancellor under Section 5 (1) of the Public Records Act, 1958, brought this decision into immediate effect. The public reaction showed that this was the right decision; and in the light of this and of the pressure which otherwise seems likely to build up it may be prudent to adopt a similar procedure in dealing with the 1939-45 papers.

Proposed Solution

3. Recent interdepartmental discussion has shown that -

(i) It would be out of the question to release all the records in a single operation on 1st January, 1970. The records likely to qualify for preservation are expected to occupy some 36,000 feet (nearly seven miles) of shelving; they are at many different stages of the procedure for the processing of public records; and they will for the most part require to be carefully scrutinised before they are released.
(ii) It would be equally impossible - without a disproportionate increase in staff and in public expenditure - to release all the records at some arbitrary mid-point in the six-year period - e.g. 1st January, 1972 or 1973.

(iii) It would, however, be possible to release at such a mid-way point the "cream" of the papers, i.e. those most likely to attract public interest and attention. Although this would involve certain staffing problems for the Foreign and Commonwealth Office and the Ministry of Defence (see 8 below), all other Departments (including the Public Record Office) would expect to be able to plan for the opening of the "cream" of their wartime papers early in 1972 without any increase in existing resources. They are in fact now preparing to do so.

(iv) All the papers for 1939 can be released on the one date - 1st January, 1970; some of the "cream" papers for 1940 can be released in January, 1971, without delaying the release of the rest; and some Departments which have little or no "cream" will be able to complete the release of all their wartime records early in 1972.

4. Thus, we should be able to advance the release of those "cream" papers which in the normal application of the 30-year Rule would wait until 1973 or later at the cost of having to delay some, but by no means all, of the less important papers which would otherwise be released during the first half of the decade.

5. The Public Records Office, judging from the range of interest shown in the papers of the immediate pre-war period which are now open to inspection under the 30-year Rule, are of the opinion that the material which might be released as "cream" would meet the needs of about 90 per cent of the readers likely to be interested in the main military, political and administrative aspects of the 1939-45 war. They estimate that the "cream" would cover about half of the wartime papers qualifying for permanent preservation - nearly 18,000 feet in all, consisting of about 10,000 feet of the records of the Service Departments, nearly 3,000 feet for the Overseas Departments, about 1,000 feet for the Cabinet Office and Treasury and 4,000 feet for the other Departments.

6. Amongst a number of other classes, the "cream" would cover the main political files of the Foreign Office, some 130 classes of general correspondence of the Colonial and Dominions Offices, up to 95 per cent of the wartime Army records, 70 per cent of the Air Force records, about 50 per cent of the Navy records, the bulk of the Chancellor of the Exchequer files in the Treasury archives and the records of the Ministry of Home Security. What would be left for separate release (as and when the "creaming" exercise permitted) would be the less important administrative material - e.g. the Mission archives and the papers of the functional departments of the Foreign Office, the outstation material of the domestic Departments; the records of emergency bodies such as the War
Agricultural Executive Committees; and the records of the Privy Council, Crown Agents, Forestry Commission and other bodies whose archives may be expected to lie outside the mainstream of historical research.

7. There would inevitably be some delay in the processing and transfer to the Public Record Office of non-selected classes of papers, including those of the early war years which, under the normal operation of the 30-year Rule, might have unfolded by 1972. There might also be delay in the processing of post-war papers, on which some Departments have been planning to make a start before 1972. The Master of the Rolls, as Chairman of the Advisory Council on Public Records, has been informed in confidence both of the proposal and of this possibility of delay, with a view to securing the Council's support if there is any criticism from the minority of historians who may have an interest in the non-selected records. He has in turn informed the Council in confidence; and the response has indicated that the proposal would have the Council's support and also its understanding in the event of the release of the less important records being delayed.

Manpower

8. The Public Record Office, having increased their establishment in April, 1968, in order to meet the extra demands imposed upon them by the 30-year Rule, would require no further manpower in order to carry out the present proposal. Nor would they expect the proposal to impose undue strain upon the facilities which they are now able to provide for the public.

9. The only two Departments which quite clearly cannot have the "cream" of their 1939-45 records ready for release early in 1972 (or even at some corresponding point in 1973) without extra staff are the Foreign and Commonwealth Office and the Ministry of Defence. For them the problem is in part the sheer bulk of the records but also the fact that their files contain a large number of papers which are likely to affect the security of the State or to cause embarrassment on political or personal grounds. The Ministry of Defence expect that most of the six extra staff required can be found within their present manpower ceiling. The Foreign and Commonwealth Office also expect to require six extra, some of whom might be found within the present ceiling; and they would require another five for the India Office records. But, whatever the temporary need for extra staff may be in these Departments, it may be assumed that the final cost will remain roughly the same, since the work of preparing the records for public release has to be undertaken whether the release is on an annual basis or by the method now proposed.
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Shared papers

10. As a substantial number of the 1939-45 records likely to qualify as "cream" will relate to wartime activities in which Commonwealth and foreign Governments were also involved, it is necessary to consider to what extent it would be necessary, in any proposal to release such papers in 1972, to consult or inform those Governments. Many of the records of the wartime conferences are in the nature of "shared" records; and the Foreign and Commonwealth Office, the Ministry of Defence and the United Kingdom Atomic Energy Authority also have amongst their 1939-45 papers other documents which reflect the wartime collaboration and consultation between the Allies. In respect of such papers the Foreign and Commonwealth Office would propose to follow the procedure adopted in 1966 of informing "friendly" foreign governments, which would in practice be those with whom they normally clear documentary publications. In addition, they would need "old" Commonwealth (Australian, Canadian and New Zealand) clearance in respect of the definitely "shared" records, such as those of the Commonwealth Prime Ministers' Conference of May, 1944, and, possibly, the Commonwealth Telecommunications Conference of 1945.

11. Such consultation with foreign and Commonwealth Governments should not give rise to serious difficulty. It was the Americans who took the initiative in proposing the release in 1970 of the wartime papers of the Combined Chiefs of Staff; and to this we have agreed, with the concurrence of the Opposition, on the basis that the papers will first be submitted to screening. Moreover, the Americans, in the publication of their documents in the Foreign Relations of the United States series (to which the opening up of their diplomatic papers is also related), are "On the Commonwealth side, the Canadians have recently introduced a 30-year Rule and the New Zealanders have for some time had a 30-year Rule in respect of "local" records and of those which they share with this country."

Next steps

12. Members of the Cabinet and other Ministers in charge of Departments are invited to consider carefully the above proposal for the release of the "cream" of the 1939-45 records in one operation early in 1972. If the Cabinet endorse the proposal, which could be brought into
Shared papers

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Next step

12. Members of the Cabinet and other Ministers in charge of Departments are invited to consider carefully the above proposal for the release of the "cream" of the 1939-45 records in one operation early in 1972. If the Cabinet endorse the proposal, which could be brought into
effect at the appropriate time by an Instrument issued by the Lord Chancellor under the authority granted him by Section 5(1) of the Public Records Act, 1958, the next step would be to discuss it with the Opposition Leaders and to seek The Queen’s approval in relation to the Cabinet records. Thereafter, we could proceed to a public announcement, which might follow in its broad form the Parliamentary statement made in connection with the First World War records in February, 1966.
CABINET

BROADCASTING

Memorandum by the Lord President of the Council

The purpose of this memorandum is to report to my colleagues on the discussions which have taken place in the Ministerial Committee on Broadcasting and the conclusions which we have reached. The papers considered by the Committee have been circulated to the Cabinet under cover of C(69) 101.

2. The matters which we have considered are -

(i) The future of the national radio services.

(ii) Local sound radio.

(iii) Hours of television broadcasting.

(iv) Finance.

The point on which a decision is most urgently required is (ii); if real progress is to be made in building up a local sound radio service before the Election, every month is vital. But the issues are all inter-related and must to some extent be considered together; the problem of finance dominates the whole field. We have not merely to decide what we want but also to show how it is to be paid for.

3. The BBC's plan "Broadcasting in the Seventies" was published on 10th July and debated in the House of Commons last Tuesday. We have taken the Corporation's proposals as the starting point for our consideration of (i) and (ii) above.

(i) National radio services

4. The main features of the BBC's plan are -

(a) Programme networks would specialise in different types of programme, with Radio 1 concentrating on pop music, Radio 2 on light music and Radio 3 on serious music with some drama of minority appeal, while Radio 4 would become a wholly speech programme. The new
pattern could only be introduced gradually and might involve restricting Radio 3 to VHF and transmitting Radio 4 on medium wave only during the day while educational programmes were being broadcast on VHF.

(b) The three present English regions would be replaced by eight smaller new-style regions, producing daily news features and weekly general programmes.

(c) The Corporation propose to discontinue the Scottish Symphony Orchestra, the Northern Dance Orchestra, the London Studio Players and the Training Orchestra and say that they cannot fully support the Concert Orchestra, the Welsh Orchestra and the Northern Ireland Orchestra, the future of which is being discussed with the Arts Councils. There would also be economies in other programmes expensive to produce.

5. The BBC put forward their plan as designed primarily to meet a changing world with changing tastes and needs. But they also face the problem of living within an income which is not rising as fast as costs. They estimate that by 1974 national sound radio will be running at an annual loss of £4½ million, with a cumulative deficit of £12 million without taking account of local radio. They expect productivity improvements to yield over £5 million in the four years to 1974 and the rearrangement of networks and regional changes, about £1 million. But of the remaining savings the great part - £5 million - would come from disbandment of the orchestras.

6. The Postmaster General has no formal control over the programme structure of the BBC and the Ministerial Committee have reached no conclusion on this aspect of the proposals. But there was general agreement that a reduction in the number of orchestras was undesirable. This however leaves the problem of where to find the £5 million which the BBC expected this cut to produce. The Postmaster General's memorandum (C(69) 99) shows that there is no prospect of further major administrative economies and to find the money from programme cuts elsewhere might be even more damaging.

(ii) Local sound radio

7. The BBC propose to provide a local radio service with 40 stations in England (covering 90 per cent of the population), 20 of which would be in service by late 1970; Scotland, Wales and Northern Ireland would receive a lower priority. They would operate on VHF, with some medium wave back-up. Each station would have associated with it a local broadcasting council to guide and assist the station manager. The running cost of the service when in full operation would be over £5 million a year, which the BBC are in no position to find.
The basis of the proposals is, of course, the limited experiment announced in paragraphs 32-42 of the White Paper on Broadcasting published in December, 1966 (Cmnd. 3169). The BBC have made an assessment of the experiment, based on extensive enquiries into the impact of local broadcasting, including sample surveys by interview with about a thousand persons in each of the eight areas covered. They conclude that the stations are attracting a substantial local audience and enriching local life and regard the experiment as an undoubted success. The Postmaster General has made his own evaluation and reached similar conclusions. The Ministerial Committee generally are of opinion that the evidence available suggests that the experiment has been a success and that there is a strong case for giving it permanent form. In particular it was felt that local radio could make an important contribution to revitalising local democracy.

If it is accepted that there should be a permanent sound radio service, on what basis should it be provided? If one rejects the concept of commercial companies financed by advertising, there seems no alternative to a national corporation of some sort, since existing local authorities could not be used as a basis for local radio authorities. It would be possible to set up a new national corporation to function alongside the BBC, but the balance of advantage is against doing so; it would involve difficult legislation and would be likely to prove more expensive, since the BBC's technical and editorial expertise and resources of recorded material would not be available to it. The experiment has shown that the appointment of local broadcasting councils is effective in maintaining the local character of the stations.

The Ministerial Committee therefore endorsed the Postmaster General's proposal to approve the BBC's scheme, subject to three of the 40 stations being located in Scotland and three in Wales. They also agreed that he should appoint the members of local broadcasting councils, though they thought that he would be unwise to restrict himself (as he proposed) to names put forward by the BBC after consulting specified local government bodies and local interests, given the degree of nationalist penetration of the Scottish and Welsh regions of the BBC. But some members of the Committee expressed doubts as to whether this was the best way of spending £5 million a year, assuming such a sum to be available; an alternative might be to improve the coverage of BBC 2.

(iii) Hours of television broadcasting

The question is whether the Government should relax or remove present restrictions on the hours of television broadcasting. At present BBC 1 and stations of the ITA are limited to 53 1/2 hours a week and 8 1/2 hours a day - for BBC 2 the weekly limit is 32 hours - but certain types of broadcast do not count against the limits. These include religious programmes, Ministerial and Party political broadcasts, outside broadcasts (within limits), school broadcasts and repeats thereof, some adult education broadcasts and broadcasts in Welsh. In effect these form a protected group.
12. In the 1966 White Paper we said (paragraph 47) -

"In the Government's view, the amount of broadcasting time will remain a matter of sufficient social importance to require that the Postmaster General should continue to hold and exercise his present powers of control. Nor do the Government consider that any general increase in broadcasting hours will be justified for the present. They do not, however, rule out the possibility of more time for educational programmes".

Nevertheless a majority of the Committee agrees with the Postmaster General that some relaxation of present restrictions is desirable; this would enable programmes, including repeats of peak hour programmes, to be transmitted for the benefit of those at home during the daytime (who are estimated to number more than 30 per cent of the adult population, including housewives, shift-workers and the retired). The Postmaster General would prefer to abolish the restrictions altogether, as being outmoded and inconsistent with the general principle that the broadcasting authorities are responsible for the day-to-day conduct of their affairs. The majority of the Committee, however, thought that there should be a ban on transmission from say 12.30 a.m. to 9.15 a.m., though an exception might be made for news transmissions, and an annual maximum of 4,732 hours.

13. The cost to the BBC of this limited extension of hours is put by the Postmaster General at about £1 million per annum, though a great deal must depend on the use made of the increased time available.

(iv) Finance

14. This is the element common to all the proposals and the head under which we can best assess our priorities.

15. The BBC has an income at present of around £95 million a year, there are about 2½ million holders of sound radio licences paying 25s. Od. a year and about 15½ million holders of combined television and radio licences paying £6 a year (of whom 105,000 pay an extra £5 for colour television). The BBC receives the product of the licences less the cost of collection and certain other services. An increase of 5s. Od. in the combined licence fee would produce almost £4 million a year and an increase of 10s. Od. twice that.

16. It will be seen that the sound radio licence is unimportant as a source of revenue. It is proportionately very expensive to collect and evasion is impossible to combat effectively; transistor sets are almost undetectable and it is estimated that two-thirds of car radios are not licensed.
17. As I have already mentioned, the BBC estimate that by 1974 sound radio, even without local radio, will be running an annual deficit of £4½ million, with an accumulated deficit of nearly £12 million; this gap they propose to close in the main by productivity improvements and by economies on orchestras. If we wish to save the orchestras we have to indicate an alternative source of income. And if we want to go ahead with local sound broadcasting on the lines proposed we have to find about £15½ million for the four years to 1974, to which must be added about £6 million for a limited extension of television hours.

18. In theory no doubt we could seek to pay for local radio by a local licence fee, but this would have to be limited to those within effective reception radius and would be a nightmare to collect. A mandatory rate contribution seems out of the question while the present local authority structure lasts and voluntary contributions have proved of little value. Effectively the choice here, as in the case of the BBC’s finances generally, lies between accepting advertising in some form and increasing the licence fee. If we dismiss both these courses we must either let the orchestras go and do without a BBC system of local sound radio, or find compensating economies elsewhere, which I would judge an impossible task.

19. In this situation the majority of the Ministerial Committee agree with the Postmaster General that the best course would be to increase the combined licence by 10s. Od. from the beginning of next year (i.e., to £6 10s. Od.). At the same time, the sound radio licence would be abolished, thus saving about £1½ million in administration costs and relieving the poorest section of the population, and an intensified campaign would be launched against evasion among owners of television sets. This would provide the BBC with sufficient extra resources to make it unnecessary for them to disband the orchestras.

20. One or two members of the Ministerial Committee think that before deciding to increase the licence fee we should give more thought to possibility of accepting advertisements, at least on BBC 1. But most of us think that this would be fatal to the concept of broadcasting as a public service.

Conclusions

21. The points on which an early decision is needed concern the BBC’s proposals for a local sound radio service and the means of financing it. I invite my colleagues to endorse the recommendations of the Committee that:

(i) There should be a local sound radio service provided by the BBC on the lines discussed in paragraphs 7-10.

(ii) That the sound radio licence be abolished and the combined licence fee be increased by 10s. 0d, a year to pay for this, reprieve the orchestras and provide for a limited increase in the hours of television transmission.
22. If this is agreed, I recommend that the Postmaster General be authorised to inform the BBC in confidence of our decision on these two points in advance of any public announcement, so that the planning of the local radio service may go ahead. Given the line taken in the supply debate the announcement should be left until later in the summer, if not until Parliament reassembles.

T.F.P.

Privy Council Office, S.W.1.

28th July, 1969
CABINET

PUBLIC EXPENDITURE: 1970-71

Note by the Chancellor of the Exchequer

The position reached in the discussions of the Cabinet on 24th July is summarised in the attached table.

R.H.J.

Treasury Chambers, S.W.1.

28th July, 1969
PUBLIC EXPENDITURE: 1970-71

SUMMARY OF RESULTS OF DISCUSSIONS

£ million at 1969 Survey prices

(C.C.(69)34th Conclusions, Minute 2
C.C.(69)36th Conclusions, Minute 4
C.C.(69)37th Conclusions, Minute 2)

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<th>Reductions in expenditure</th>
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<td>and Forestry (c)</td>
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<td><strong>TOTAL</strong></td>
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Note: An airport passenger tax is being further considered.
NOTES

(a) The reduction in the Defence Budget is subject to confirm­ation by the Secretary of State for Defence of the practi­cability of achieving a small part of the reduction.

(b) £5 million of the £12 million reduction for England relates to local authority current expenditure on roads which is not subject to direct central Government control. While therefore it may not be possible to ensure that this reduction is secured, it is included in the total reduction for roads, as agreed, on the understanding that every possible pressure will be applied to persuade local authorities to make it.

(c) The Secretary of State for Scotland has authority to change, in agreement with the Chancellor of the Exchequer, the distribution between these various programmes of the total reductions agreed for Scotland.

(d) The Secretary of State for Wales has authority to change, in agreement with the Chancellor of the Exchequer, the distribution between these various programmes of the total reductions agreed for Wales.

(e) Within the total reductions of £23.6 million net in health and welfare expenditure, £10.5 million is attributed to charges for hospital treatment in all car accident cases; this is open to further consideration if desired.

(f) A saving of about £0.5 million would be secured if school meal charges were raised to 2s, and a saving of about £0.3 million if a school transport charge were introduced.

(g) The range shown is due to the decision that savings in the investment programmes for 1970-71 of the Air Corporations and the British Airports Authority should be between £2.55 million and £3.3 million.

(h) The Cabinet have invited the Minister of Power, with other Ministers concerned, to consider whether this reduction might be made without deferring the start of a power station in 1970.
28th July, 1969

CABINET

PASSENGER SERVICE CHARGES AT
UNITED KINGDOM AIRPORTS

Memorandum by the President of the Board of Trade

There has never been a tax as such on airport passengers in the United Kingdom. The owners of airports can, however, make such charges in aid of their own resources. This was the case at Government owned airports (including those now vested in the British Airports Authority (BAA)) before 1st November, 1964 and is still the case at some municipal airports, e.g. Glasgow and Manchester.

2. I have assumed that there is no intention of introducing legislation to levy a tax, accruing direct to the Exchequer, on all passengers leaving United Kingdom airports on international services.

3. The issue is, therefore, whether a means should be found of increasing the revenues of the BAA alone in order, for example, to reduce the amount of money borrowed in aid of their expansion programme.

4. The simplest and cheapest way would be to require BAA to increase its landing charges for international services in order to produce whatever additional sum is required, whether by way of a flat percentage increase or by way of an additional element of cost relating to the number of passengers carried. Prima facie the powers to do so appear to exist. The airlines would thus pay the BAA direct.

5. The second method would be for the BAA to devise a method of making a charge direct on passengers travelling on international services (presumably outbound for ease of collection). Our existing powers do not appear to enable us to insist that such a charge must be made but it may be assumed that the Authority would voluntarily respond to a public request by the Government.

6. Assuming that an additional revenue of £5 million were to be aimed at, either method would lead to the real rate of return of BAA approaching 20 per cent on net asset value. Such a return would probably be unique for any nationalised industry which has not had its burden of interest reduced in one way or another, and would certainly
be unique among international airports. It would conflict with the following International Civil Aviation Organisation recommendation, from which the United Kingdom has not dissented because of our desire to avoid our airlines having to pay excessive charges elsewhere:

"(v) that it should be recognised that, under favourable circumstances, airports may produce sufficient revenues to exceed, by a reasonable margin, all direct and indirect costs (including general administration, etc.) and so provide for retirement of debt and reserves for future capital improvements;"

The post-devaluation increase of charges at Heathrow was strongly criticised as infringing this recommendation and we came very close to a trial of strength in that at one time the airlines were publicly refusing to pay.

7. Moreover, the BAA though it is a rapidly expanding enterprise already has a good record as regards its percentage of self-financing - and is the subject of continuing criticism by international airlines, who argue, inter alia, that we encourage other States to make excessive charges:

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1966-67</td>
<td>100%</td>
</tr>
<tr>
<td>1967-68</td>
<td>65%</td>
</tr>
<tr>
<td>1968-69</td>
<td>71%</td>
</tr>
<tr>
<td>1969-70</td>
<td>75%</td>
</tr>
<tr>
<td>1970-71</td>
<td>70%</td>
</tr>
<tr>
<td>1971-72</td>
<td>Estimated</td>
</tr>
</tbody>
</table>

8. A charge direct on passengers may be slightly less objectionable to airlines than extra revenue derived from landing charges. But it would pre-empt their own fare increases and their present and prospective fortunes are markedly inferior to those of the BAA. The cost per departing international passenger would have to be in excess of 15s. to produce a revenue of £5 million and this is substantial in relation to short and medium haul international fares which represent the bulk of the traffic.

9. The second method would also lead to serious administrative problems. While it might, in theory, be possible to contemplate the selling of "BAA tickets" at the time when the airline ticket is sold, it is almost certain that airlines would refuse to co-operate. This would be especially true of foreign airlines and roughly half international tickets are sold overseas. The British Overseas Aircraft Corporation and British European Airways might grudgingly permit BAA Kiosks to be set up at their Town Terminals, but more than one half the passengers report direct to Heathrow.
10. All checking must be done at the airport and this, together with more than half the selling being done there, would lead to earlier reporting times, add to congestion and passenger irritation and bring forward the date on which new terminal capacity would be needed. It is these latter considerations that have prompted many other international airports, e.g. German and Scandinavian, to follow the United Kingdom lead in 1964 in abolishing this charge at all the airports then under direct Government ownership, and is especially relevant in the jumbo jet era.

11. I, therefore, conclude that it is not expedient, and probably impracticable, to attempt to exploit the monopoly situation at BAA airports, especially Heathrow, any further.

C, A, P, C.

Board of Trade, S.W.1.

28th July, 1969
28th July, 1969

CABINET

HOUSING PROSPECTS

Memorandum by the Minister for Planning and Land,
Ministry of Housing and Local Government

I am circulating this paper about housing prospects for consideration by the Cabinet in discharge of the remit given at the last meeting of the Cabinet on Thursday, 24th July (CC(69) 37th Conclusions, Minute 2).

2. The forecasts made last month by officials of the housing prospects for 1969 and 1970 in Great Britain, compared with the actual performances in 1968, were:

<table>
<thead>
<tr>
<th></th>
<th>Public</th>
<th>Private</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Great Britain</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Housing Starts</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1968 (actual)</td>
<td>194,000</td>
<td>200,000</td>
<td>394,000</td>
</tr>
<tr>
<td>1969 (forecast)</td>
<td>185,000</td>
<td>180,000</td>
<td>365,000</td>
</tr>
<tr>
<td>1970 (forecast)</td>
<td>*210,000</td>
<td>195,000</td>
<td>405,000</td>
</tr>
<tr>
<td>Housing Completions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1968 (actual)</td>
<td>192,000</td>
<td>222,000</td>
<td>414,000</td>
</tr>
<tr>
<td>1969 (forecast)</td>
<td>192,000</td>
<td>193,000</td>
<td>385,000</td>
</tr>
<tr>
<td>1970 (forecast)</td>
<td>185,000</td>
<td>195,000</td>
<td>300,000</td>
</tr>
</tbody>
</table>

* Information now becoming available about the take-up of approvals suggests that this figure is too high; it may be under 200,000.

3. The main feature of the public sector forecasts is the dip in starts forecast for 1969 with a recovery in 1970. This accounts for the expected drop in completions in 1970 compared with 1969. The forecast is based on results in the first six months of 1969, when the level of starts and the take-up of approvals of new schemes have been below the normal levels, and from a consideration of trends in local authority programmes.
4. Very bad weather in the early months have contributed to this year's poor performance. But more significant factors have been the effects of the Ronan Point accident, and the reassessment of their programmes by some major housebuilding authorities.

5. Ronan Point not only held up work in progress; it also led to the suspension of work on the design of a substantial number of large schemes to be built in precast panel construction while the necessary modifications of the systems were being devised and applied. These schemes will now be moving forward again over the coming months.

6. While most of the major housebuilding authorities have been pressing on with realistic programmes, a comparatively small number have decided on large reductions for a variety of reasons. Some claim to be deterred by the high cost of borrowing (the subsidy provides no help towards financing construction, as it is paid only on completed houses); or by the cumulative effect of a high building programme on the Housing Revenue Account, or on the contribution required from rates. Some have reduced programmes following the rejection by the Minister of rent increase proposals. Others say they have reassessed their needs and decided that a smaller programme would suffice. Some Conservative Councils have, of course, used arguments of this kind to clothe political decisions. Examples of Conservative and Labour Councils which have reduced their programmes are given in the Annex.

7. Over and above these particular cases of substantial changes of local policy there has recently been some shift in the general distribution of the housing programme. The large programmes of new building which we have stimulated in the priority areas, which have added very substantially to the available stock, is beginning in a growing number of areas to have a marked effect in relieving housing pressures and is leading to some moderation in the level of those programmes. This has enabled us to allow some increased building by certain other authorities, whose urgent needs, especially for slum clearance and for housing old people, have hitherto had to take second place to the priority areas.

8. The forecasts of performance in the public sector will accommodate the reductions in the public expenditure forecast for 1970-71 in England proposed by the Chancellor of the Exchequer. I would propose that the programme should be managed in such a way as to secure as nearly as may be the forecast level of investment in the public sector in 1970-71 and 1971-72. We should however take all measures open to us to stimulate a high level of private housebuilding. The recent decision to increase local authority mortgage lending in 1969-70 is a modest move in this direction.
Private sector

9. Performance is never easy to predict. Demand in most areas remains high and the supply of mortgage finance is still the limiting factor. While the supply of funds to building societies showed a marked increase following the raising of interest rates in April, current trends, on which the forecast is based, suggest that they will fall somewhat short of the level needed to maintain the housing market, and new private housebuilding, at a satisfactory level of activity.

K. R.

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

28th July, 1969
Examples of authorities which have reduced programmes

The following authorities are marshalled according to the broad reasons given by them for reducing their programmes. Gateshead and Macclesfield have Labour Councils. All the others now have Conservative Councils (but the decision in Chesterfield was taken by the former Labour Council).

<table>
<thead>
<tr>
<th>Reassessment of needs</th>
<th>Extent of reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sunderland</td>
<td>934 to 100</td>
</tr>
<tr>
<td>Darlington</td>
<td>600 to 280</td>
</tr>
<tr>
<td>Southampton</td>
<td>934 to 100</td>
</tr>
</tbody>
</table>

Financial reasons

| Gateshead                    | 968 to 333          |
| Macclesfield                 | 252 to nil          |
| Coventry (rent proposals rejected) | 811 to 200 |
| Waltham Forest               | 960 to nil          |
| Chesterfield                 | 502 to 81           |

Other reasons

| Ealing (no clear reason given) | 966 to 30          |
| Bradford (relying on housing associations) | (1,264(1966), 429(1967), 4(1968)) (147(1962)) |
The memorandum by the Home Secretary (C(69) 108) refers to two matters, the possible use of helicopters by the Royal Ulster Constabulary (RUC) and the question whether or not the additional infantry battalion at present in Northern Ireland and due for relief in mid-August should be replaced by another, on which I should like to seek the views of the Cabinet.

Use of helicopters

2. Northern Ireland officials have raised informally with the Home Office the possibility of using the flight of RAF Wessex helicopters at present stationed in Northern Ireland for the emergency transport of members of the RUC in conditions where the rapid movement of, say, 30 men to a trouble spot is essential in the interests of keeping the peace. It has also been suggested that Army Sioux helicopters be used to observe and report to the police on crowd movement.

3. Taking surveillance first, it can be argued that in certain circumstances, the use of helicopters could make a significant contribution to the effectiveness of the RUC in controlling a crowd or a march, and that it might indeed avert the need to call in troops explicitly for riot control. In the case of direct overhead surveillance of a crowd, however, the involvement of British military personnel would be so direct, and the risk of inflaming an already tense situation would be so great, that I consider this clearly unacceptable. In the case of area surveillance designed to collect and transmit to the police warning information of movements or likely clashes, the involvement would be less direct, but I nevertheless regard the risk of inflaming the situation as being great enough to rule out this course also.

4. The use of Wessex helicopters for emergency transport of RUC riot squads would be less obviously provocative as they would not be flying over the scene of actual or potential riot, and they could be restricted to taking off and landing at military stations or other suitable places. Their use could provide an additional means of regulating the process of escalation,
in the sense that if there were a risk of the police losing control of the situation in one area, police reinforcements could be transported more quickly, and with less risk of obstruction than by road, and might thus be able to control the situation in circumstances where otherwise troops could need to be called in. This relatively small and indirect employment of British units in support of the RUC would be intended to reduce, and if possible eliminate, the likelihood of the direct involvement of troops.

5. These arguments have considerable weight, and I have considered them very carefully. I am sure, however, that the political implications of even this relatively limited involvement of the military, in circumstances where the situation was still within the control of the police, are very different from those of committing the military to assist the civil power in circumstances so violent as clearly to have passed out of the control of the civil power. On balance, therefore, I recommend that Northern Ireland officials should be told informally that a request for the use of helicopters in this way would not be granted.

Replacement of the additional battalion

6. The 1st Battalion the Price of Wales’s Own Regiment of Yorkshire (1 PWO) was sent to Northern Ireland in April this year as an addition to the normal garrison (two infantry battalions and an armoured car squadron) to assist in guarding vulnerable points against sabotage. It is planned that all vulnerable points should be handed back to the RUC by 2nd August, and the battalion understands that they will return to Great Britain not later than 18th-22nd August, in accordance with the assurances given them that their posting to Northern Ireland would be for not more than four months. The military transport vessel which will move them (and which would be used for the transport of a replacement battalion) is due to sail from Great Britain on 16th August.

7. It is not easy to judge now whether the battalion should be replaced by another. If, as the Home Secretary suggests is quite possible, there are serious disorders on 12th August, and it is clear on 13th or 14th August that the situation has significantly worsened (and particularly if troops have been called in), Ministers would probably have little difficulty in deciding that a replacement battalion should be sent. Of course it is unlikely that the situation will be as clear cut as this, and on past experience the immediate future following 12th August is likely to be at least as obscure as it has appeared at almost any time over the last few months. Even if the immediate prospect appeared to justify withdrawal of 1 PWO without relief, we should find ourselves in a very embarrassing position politically if as might well be the case we had reduced the garrison to its normal level and within a matter of weeks found ourselves obliged to send another reinforcement battalion. My recommendation is, therefore, that we should decide now to relieve 1 PWO in mid-August, that the replacement battalion should be told now that it will be going to Northern Ireland for a period of not more than four months, and that during that
period we should consider carefully, in the light of the developing situation, whether two or three battalions would appear to be the appropriate level of infantry for the permanent Northern Ireland Garrison. Among other things we may by that time have a clearer picture of the success of the Northern Ireland Government’s reform programme in calming the political situation.

8. I therefore invite the Cabinet to agree:

(a) that British military helicopters should not be used either for surveillance of crowd movement or for the transport of members of the RUC;

(b) that 1 PWO should be relieved by another battalion in mid-August; that the relieving battalion should be told now that it is going to Northern Ireland for a period of not more than about four months, and that further consideration should be given to the level of the permanent garrison in Northern Ireland,

R.H.

Ministry of Defence, S.W.1.

28th July, 1969
CABINET

NORTHERN IRELAND

Memorandum by the Secretary of State for the Home Department

The purpose of this memorandum is to take stock, before the recess, of the situation in Northern Ireland. Following the meeting of the Cabinet on 7th May (CC(69) 21st Conclusions, Minute 2) when the situation was last comprehensively considered, I arranged for regular summaries to be issued of the main political events in Northern Ireland. The Prime Minister and I met Major Chichester-Clark and other Northern Ireland Ministers in London on 21st May and I reported the discussions to the Cabinet on 22nd May (CC(69) 24th Conclusions, Minute 2). The developments in the situation since Major Chichester-Clark took office are outlined in the Annex.

2. There is serious concern among a number of people in Northern Ireland over what may happen in Londonderry on 12th August, when the Apprentice Boys of Londonderry hold their annual parade to commemorate the relief of the City in 1689. Mr. John Hume, an Independent Member of the Northern Ireland House of Commons, has expressed to the Minister of State at the Home Office the gravest apprehension over the prospects for 12th August. He spoke of the loss by the Roman Catholic inhabitants of the city of respect for law and order in general and for the Royal Ulster Constabulary (RUC) and the Special Constabulary in particular. His opinion is echoed by Miss Bernadette Devlin, MP, who came to see the Minister of State on the same day. It is as yet too soon for the Northern Ireland Government to make an authoritative appreciation of what is likely to happen on 12th August (or at other Protestant and Civil Rights demonstrations expected to follow); but if Mr. Hume's fears for 12th August are realised, and rioting does break out again in Londonderry and becomes more serious than before, there is a danger that the police will lose control of the situation, and that the Northern Ireland Government will then have to ask for military assistance to restore order.

*The Apprentice Boys are a Protestant Order similar to the Orange Order. They are named after the thirteen apprentice boys who locked the gates of Londonderry against the Earl of Antrim in 1688 and so began the siege. Several thousand members of the Order gather for the parade every year.*
3. On the other hand, despite the setbacks on 12th-15th July, there are some signs which are encouraging. The issues are no longer generally seen as the legitimate political grievances of a minority against an unheeding, repressive government. The Northern Ireland Government is now for the first time firmly committed to the removal of the main grievances and is taking steps to do so. This fact is recognised by opinion on all sides, and leaders of all groups are showing an increasing readiness to join together in preventing the kind of violence which Londonderry and other towns have just experienced. Whether the more extreme factions will also co-operate remains to be seen, and neither the People's Democracy nor Mr. Paisley have so far committed themselves. Both have shown signs of militancy during recent weeks, but there are grounds for hope that, if they do resort to organised violence in the present climate, they will become increasingly isolated and that the ordinary forces of law and order will more easily be able to contain them. It is possible therefore that the danger of organised violence on a large scale has to some extent receded, and that the greatest risk at the present time is of further outbreaks of hooliganism, which will be widely accepted as such. It is to be hoped that the police will be able to control such outbreaks, but the danger that they will not, and that the Northern Ireland Government will have to ask for military assistance, must not be underestimated.

4. A Parliamentary Motion put down by Mr. Paul Rose and a number of other Members on the Government side calls among other things for "Home Office" observers in Northern Ireland, and for the withdrawal of the Ulster Special Constabulary from Londonderry and its environs. These suggestions derive from discussions between Mr. Hume and Mr. Rose and his colleagues following Mr. Hume's visit to the Minister of State at the Home Office on 22nd July, when he made a number of proposals designed to reduce the temperature in Londonderry. Among other things, he thought that a visit to the City by the Prime Minister or myself before 12th August would have a calming effect. He suggested that United Nations observers might be stationed in Londonderry or, alternatively, that a small contingent of Metropolitan Police might be sent as observers to advise the RUC in methods of crowd control. Miss Devlin suggested to the Minister of State that English police officers should be brought over to take charge of the RUC and that the Ulster Special Constabulary should be disbanded, a suggestion made also by Mr. Hume. For the reasons given when the Cabinet discussed these matters on 7th May I do not recommend these courses.

Matters for decision

5. Replacement of the 1st Battalion, the Prince of Wales's Own. In addition to the service units normally stationed in Northern Ireland, the 1st Battalion, the Prince of Wales's Own was sent to the province in April to assist in guarding vulnerable points against sabotage. The military were originally responsible for guarding about 40 such points. The number has now been reduced to five, and these will be handed over to the civil authorities on 2nd August. I understand that the extra battalion must be withdrawn in August and the question arises whether it should be replaced. This question is dealt with in a separate memorandum by the Minister of Defence for Administration.
Use of helicopters by the RUC

6. The Northern Ireland Government has raised informally with the Home Office the possibility of using the Ministry of Defence flight of Wessex helicopters at present stationed in Northern Ireland for the emergency transport of members of the RUC in conditions where the rapid movement of, say, 30 men to a trouble spot is essential in the interests of keeping the peace. It has also been suggested that helicopters could be used to observe and report on crowd movements to the police. These suggestions are also dealt with in the paper by the Minister of Defence for Administration.

7. I invite my colleagues to agree:

(a) that the present is not the right moment for the Prime Minister or me to visit Northern Ireland, and that Home Office or other observers should not be sent to Northern Ireland;

(b) that the Prime Minister, the Defence Secretary and I should have authority to decide any questions on which urgent decisions are required when it is not practicable to call a meeting of Ministers.

L. J. C.

Home Office, S.W.1.

28th July, 1969
ANNEX

Review of the Situation in Northern Ireland since Major Chichester-Clark took office

After Major Chichester-Clark took office there were no further riots in Northern Ireland until 12th July, and in many ways the situation seemed promising. Fears that any successor to Captain O'Neill would lead a repressive administration were not realised and the new Government has continued Captain O'Neill's programme of reform. The model scheme for the allocation of local authority houses has been completed and was sent to local authorities on 12th June. Housing authorities have been asked to adopt the scheme, or a satisfactory modification of it, as soon as possible and to report to the Northern Ireland Government what they have done. The Act to establish a Parliamentary Commissioner for Administration has been passed and Sir Edmund Compton took up his duties on 1st July. The White Paper on the reorganisation of local government was published on 2nd July, although originally it was not expected until the Autumn. Bills to provide for universal adult suffrage in local authority elections, to establish an independent commission on wards and electoral divisions within the new local authorities, and to provide new machinery for investigating complaints against local authorities, are all being prepared and are due to be introduced in the Northern Ireland Parliament before the end of the year. There is no reason to doubt this timetable. Northern Ireland Ministers have repeated the pledge to review the Special Powers Acts as soon as circumstances permit.

2. In general the Ulster Unionist Party appears to be united behind Major Chichester-Clark and its divisions, if not healed, are for the most part covered. The proposed scheme for allocating local authority houses had a favourable reception, and the more controversial proposals for the reorganisation of local government were accepted in the Parliamentary party by 30 votes to eight. Mr. Faulkner has given Major Chichester-Clark his full co-operation. The former Minister of Home Affairs, Mr. Craig, has attacked both the White Paper on the reorganisation of local government and the administration as a whole, but there is so far no evidence that he has any wide-spread support.

3. Opposition Members at Stormont have continued their attacks on the Public Order Bill (which was passed by the House of Commons on 3rd July) but have accepted, with some qualifications, that the Government's timetable for reform is reasonable. They have given cautious support to the scheme for allocating local authority houses, but so far little comment on the reorganisation of local government.
The Civil Rights Association decided in May that it would suspend its programme of demonstrations for six weeks in order to allow Major Chichester-Clark's administration time to prove itself. Demonstrations were resumed on 28th June on the grounds that the Government had not promised a satisfactory timetable for reform (the agreement of Opposition Members that the timetable was reasonable has been attacked by the more extreme members of the Association); since they coincided with the preparations of the Orange Order for its celebration on 12th July the Royal Ulster Constabulary foresaw a difficult period between 28th June and 12th July, but that period passed without serious incident. Two civil rights rallies in Strabane and Newry were entirely peaceful; a march in Armagh led to scuffles but no serious violence. A number of Orange processions were more or less unmolested. There were high hopes that serious violence would be avoided on 12th July itself.

It is disappointing that the progress and comparative harmony of the previous weeks should have been set back by the outbreaks of violence on 12th-15th July. The main centres of violence were Londonderry and Dungiven, but incidents also took place in Belfast, Lurgan and Limavady. The riots appear to have been largely acts of hooliganism and to have arisen spontaneously as a result of the tensions caused by the Orange processions on 12th July. There is little or no evidence that they were deliberately organised or stimulated. In some places they followed the traditional pattern, with Nationalist and Unionist mobs facing each other and being kept apart by the police. In all, 154 policemen were injured, 116 of them in Londonderry; 54 civilians were injured, 45 of them in Londonderry; and there will be 90 prosecutions, 55 of them in Londonderry. In Londonderry the cost of the damage is estimated to have been greater than the cost of damage caused in all the previous demonstrations since the present campaign started in October 1968. To what extent it will have an effect on the tourist trade and on industrial investment in Northern Ireland cannot be measured.
6. A march from Newtownbutler to Enniskillen was organised by the People's Democracy for Saturday, 26th July, but was banned by the Northern Ireland Government. Meetings were staged in protest against the ban and 52 arrests were made. There was evidence of public hostility and some scuffles took place, but there was no serious violence.

7. The recent violence in Londonderry was unequivocally denounced by priests of the Roman Catholic Church and by the Derry Citizens' Action Committee (the leading civil rights organisation in Londonderry), and civil rights workers played a valuable part in restraining the opposing crowds. There is growing recognition in Northern Ireland that the ultimate cause is the chronic unemployment and poor housing in Londonderry, and the bitterness and frustration to which they lead. Traditional sectarian and political differences are recognised as relevant, but mainly as providing a natural and almost instinctive outlet for feeling. The situation is particularly disturbing because no complete or permanent solution is likely to be found until unemployment has been relieved and housing improved: this will take a number of years, and further violence must be expected to break out periodically in the meantime. I referred to these aspects of the Northern Ireland Government's policies when I reported on the talks with the Prime Minister of Northern Ireland and his colleagues on 22nd May (CC(69/24th Conclusions item)2). I am having prepared a detailed study of the economic and housing policies, which will be circulated in the HONIP Series.
28th July, 1969

CABINET

PAY OF GRADES REPRESENTED BY THE POST OFFICE
ENGINEERING UNION

Memorandum by the Postmaster General

The Post Office is faced with a claim by the Post Office Engineering Union (POEU) for a 10 per cent increase effective from 1st July, 1969, in the pay of its members employed in the engineering, motor transport, supplies, factories and cableship divisions of the Post Office.

2. This claim is based in part on wage movements in outside industry and in part on productivity savings. The union are also claiming an improvement of the pay of its women members in relation to that of men, a revision of incremental scales and improved annual leave for two grades.

3. The total number of staff involved is about 109,000. If the claims were met in full, wages would rise by about £19-£20 million a year.

4. The Post Office has negotiated three settlements with the union in recent years. An increase of 5 per cent from 1st January, 1966, increases averaging 10½ per cent from 1st July, 1967, following a pay research survey, and 6 per cent from 1st July, 1968. Linked with these settlements were agreements involving changes in working practices and procedures and other measures designed to improve productivity which have led to savings over the period covered by the settlements equivalent to over 23,000 men.

5. Of the 6 per cent increase which the PCEU received last year, 3 per cent was judged to be for outside wage movements (the same as the Central Pay Increase for that year) and 3 per cent represented 40 per cent of the net savings to be achieved from productivity measures agreed with the union. Treatment of the current claim on a similar basis this year would have justified a further increase of 6 per cent from 1st July, 1969, and I sought the agreement of my colleagues to offer the union this amount last May.
6. In proposing this response to the claim I recognised the difficulties of reconciling with the incomes policy a combination of comparability and productivity elements in a single offer. But the element included for comparability was no more than the 3\% per cent central pay increase awarded to many other civil servants from 1st July, 1969, and only about half of the movement in the Department of Employment and Productivity (DEP) Wages Index for all manual workers during 1969; and I proposed to limit the element for productivity to a 40 per cent share of the net savings, as in the previous year. This would I believe have minimised the danger of double counting and at the same time have maintained a clear financial incentive to the staff to achieve further productivity savings.

7. My colleagues, however, found an offer of 6 per cent on this basis irreconcilable with incomes policy and after an abortive proposal to the union that the case should be referred to the National Board for Prices and Incomes (NBPI), I was authorised to offer, without prejudice, a maximum of 5 per cent based solely on productivity. The offer was on the understanding that the union would co-operate in achieving a reduction in overtime of one hour per man per week as a part of the means of securing the savings envisaged. The offer was equivalent to almost the whole of the net productivity savings foreseeable in the current financial year.

8. I made an offer within the terms of the authority given to me just before the union's annual conference in the third week of June. The conference completely rejected it, even as a basis for discussion, and pending a settlement on the basis of a 10 per cent increase and steps to be taken to end alleged discrimination in the pay of women, resolved to discontinue productivity co-operation and to support the union's executive in further measures to prosecute this claim. A strike took place on 14th July and secured virtually 100 per cent support. There is no doubt that our refusal to concede a combination of comparability and productivity elements, as we had done before, is a dominant factor in the union's reaction.

9. Both I and my officials have held several meetings with the union since their conference and at the First Secretary's suggestion representatives of the DEP have been associated with these. With the agreement of my colleagues I offered to increase pay by 7 per cent and to drop the specific provision about a reduction in overtime if in return the union would enter into a three-year productivity agreement with us along the broad lines suggested by the DEP (see Annex). The union told me however that this proposal did not provide a basis for a settlement. They objected both to the amount offered and to the idea of a three-year productivity agreement. In a further endeavour to resolve the dispute I was authorised to go up to 8\% per cent without a long-term pay agreement so long as there was a clear understanding with the union about co-operation on productivity.
10. At the most recent meeting with the union, on 17th July, they told us that the continuance of productivity bargaining and union co-operation in productivity improvement is entirely dependent upon Post Office acceptance of the following propositions.

(i) Take positive steps to reduce discrimination in certain women's pay scales.

(ii) Review arrangements for implementing productivity claims.

(iii) Agree to a general pay increase of 10 per cent from 1st July, 1969.

(iv) Make an agreement (taking account of productivity and of recent agreements on Treasury technical classes and certain other Civil Service grades) providing for phased increases totalling about 30 per cent over a short period - the first instalment to be 8-10 per cent on 1st July, 1969.

At the same time, emphasising the gravity of the situation, the union indicated that the 14th July strike was only a beginning. The executive had had great difficulty in persuading members to strike for only one day. Branch committees were being asked to make plans for selective strikes at short notice and to be prepared for a levy to provide a fund to compensate strikers.

11. I think it should be possible to work out concessions on (i) above acceptable both to ourselves and to the union. Nor is there any real difficulty about (ii). However, in face of the hardening of the union's position on the main part of their claim, I suggested to my colleagues that it might help a solution if I were given some further flexibility in my negotiating position before acting on my authority to go to 8\(\frac{1}{2}\) per cent. It had been understood - indeed formally recognised in the draft heads of the long-term agreement which I put to the union - that the grades concerned would have a comprehensive pay review in 1970 with an operative date of 1st January. I have little doubt that the review will lead to a further increase in pay for POEU grades and, as a means of easing the union's position, I suggested I might offer up to 8\(\frac{1}{2}\) per cent from 1st July and the balance of 10 per cent from 1st January, 1970, pending the outcome of the pay review. My colleagues have, however, felt unable to accept this suggestion.

12. The following possible courses are open to us and I also set out the likely consequences in each case.

(a) To maintain the offer of 7 per cent as from 1st July, 1969.

Consequences: Further strikes by the union with effects as set out in my paper C(69) 110.
(b) To offer 7 per cent from 1st July, 1969, with a further 3 per cent on 1st January, 1970.

**Consequences:** A less than even chance of being accepted by the union. If this offer is rejected the strike action which ensues would be less widely supported but still serious in its effects.

(c) To offer 8½ per cent from 1st July, 1969 (as approved by PI(69) 16th Meeting).

**Consequences:** The union is more likely to accept this offer but acceptance cannot be guaranteed as the union annual conference 'bound' the negotiators to obtain 10 per cent as from 1st July, 1969.

(d) To offer 10 per cent.

**Consequences:** Acceptance by the union and continuance of productivity measures but serious repercussive effects on attitudes of other Post Office grades (particularly Union of Post Office Workers) and the rest of the Civil Service leading to expensive wage claims.

(e) To drop productivity bargaining altogether, offer an increase based on comparability only and allow this offer, almost certain to be rejected initially by the union, to go to Civil Service arbitration.

**Consequences:** Severe loss of efficiency in the Post Office followed by revision of tariffs and/or financial objectives.

(f) To call in an independent arbitrator on the union's 10 per cent comparability plus productivity claim associated with an agreement to make the pay research comparability study as soon as possible - this year rather than in 1970.

**Consequences:** The union would not accept reference to the NBPI but might accept a mutually approved arbitrator. Strike action would be averted but the eventual cost in wage movement is unknown.

J. T. S.


28th July, 1969
Annex

Enabling Agreement between the Post Office and the POEU covering POEU Engineering, Motor Transport, Supplies, Factories and Cableship Grades.

Provisions to be incorporated in the Agreement

The precise details of the Agreement will be subject to negotiation as soon as possible but it is understood by both the Post Office and the POEU that it will include provision for the following:

1. Recognition of the Post Office's responsibility to use its resources, including manpower, in the best interests of the individual user and the nation.

2. Acknowledgement that the responsibilities of the Post Office can most effectively be discharged with the continued co-operation and support of members of the Union.

3. A comprehensive review of current rates of pay and consequential adjustments if any to be completed during the first half of 1970.


5. The joint review of performance against the agreed achievable savings in 1970/71 and 1971/72. Performance data to be provided to the Union by the Post Office.

6. The distribution of an agreed share of the savings achieved in 1970/71 and 1971/72 in the form of improved pay and/or other benefits. The method and amount of the share to be agreed by negotiation in April of each of those years. It would be open to the negotiations to take account of any other relevant factors indicating that rates of pay were falling significantly behind levels in force for other comparable jobs.

7. A guaranteed minimum annual wage increase in each of the years 1970/71 and 1971/72 on condition that there has been no breach of the terms of the Enabling Agreement. Any dispute as to what constitutes a breach of the agreement to be settled by an independent arbitrator appointed by the Department of Employment and Productivity.

8. Agreed procedures for improving joint consultation over the implementation of measures to improve efficiency, especially at local level.

9. Full use of modern work measurement techniques, any new equipment designed to increase efficiency and any new technique or method which the Post Office consider will promote increased productivity and the better use of manpower.

10. A review of performance against standards for work in normal hours with the object of achieving a targeted reduction in overtime working.

EFFECTS OF INDUSTRIAL ACTION BY POST OFFICE ENGINEERING UNION

Memorandum by the Postmaster General

In considering the issues presented in C(69) 109 my colleagues will wish to be aware of the consequences of further industrial action by the Post Office Engineering Union (POEU).

2. The effects of the one-day national strike on 14th July were briefly:

**Inland telephone service.** About 25 per cent of trunk routes were put out of service and acute congestion and delays resulted on many routes. In local exchanges there were difficulties with power plant and in a few cases it was necessary to withdraw service from certain subscribers in order to safeguard essential services.

**International telephone service.** Radio routes to overseas countries were seriously impaired. Out of 47 telephone routes, 42 were out of service and five had only restricted service.

**Telegraph services** were similarly affected.

**Television.** There was no transmission from the Independent Television Authority in London during the period of the strike.

**Mails.** There was some delay because of mechanical failure in mail handling plant and the non-operation of the London Post Office railway.

**Transport.** Some vehicles were stranded.

**Post Office Tower** was closed to the public because of possible lift failures.
3. As regards future industrial action, the Union will probably proceed by selective stoppages at key points for indefinite periods. Their power to maintain such action will be increased by the strike levy which the Union have now introduced. The effects of prolonged stoppages would include:

**Telephone trunk service** would be reduced to chaos in three to four days.

**Telephone local service** would have to be withdrawn from substantial numbers of customers in order to maintain essential services. Many exchanges might have to be shut down except for emergency and essential lines as POEU members curtail power supplies.

**Telegraph services** would be similarly affected.

**International communications** by radio would cease to operate.

**Mails and Transport** would progressively deteriorate.

**Television** would be subject to the same hazard as during the one-day strike but for lengthier periods and over wider areas.

**Post Office Tower** would have to be closed to the public.

Should selective stoppages be followed by work to rule or refusal of overtime it would be impossible to recover from the effects of the action until some time after the return to normality.

J. T. S.

General Post Office, E. C. l.
28th July, 1969
CABINET

POST OFFICE ENGINEERING UNION PAY CLAIM

Memorandum by the Lord Privy Seal

At a meeting of the Ministerial Committee on Prices and Incomes on 25th July I was invited, in consultation with the First Secretary, to advise on the consequences that may be expected to follow in the public and private sectors from a settlement of the Post Office Engineering Union (POEU) claim for a pay increase of 10 per cent from 1st July, 1969 to cover productivity improvements up to 31st March, 1970 and movements in the outside wage rates up to 1st July, 1969 on any of three bases, viz: 7 per cent, 8½ per cent or 7 per cent now and 3 per cent on 1st January, 1970.

Implications of possible offers

2. The net productivity savings are sufficient in total to cover an increase of 5½ per cent. Any offer which exceeds the productivity savings is bound to imply either that it includes also something on account of other wage movements or that it results from militant action, or both. The offer of 7 per cent already made has had the repercussions I foresaw for the industrial Civil Service. An offer of 3½ per cent with a reference to the National Board for Prices and Incomes (NBPI) to determine the basis for future pay improvement might have been accepted by industrial civil servants, albeit reluctantly, before 7 per cent was offered to POU. It has been rejected by the more lowly paid industrial Civil Service largely because of the better offer to POU and there have been indications of industrial action in the Royal Dockyards and Royal Ordnance Factories, immediately threatening the Polaris programme and important export orders. I have had to seek the agreement of my colleagues to an offer of 7 per cent, including 2 per cent for compression of pay scales, with a reference to NBPI.

3. The majority of civil servants (655,000) had interim central pay increases in July. Those who, like the POU, had had no increase since July, 1968 had 3½ per cent, those who had waited longer 5 per cent. The agreement made with the Staff Side collectively will not be repudiated, but a settlement with the militant POU at twice the annual ceiling, which is
not based on productivity alone, will result in pressures on the more responsible Civil Service unions to mount a new claim in a few months' time. In the Post Office itself the already militant Union of Post Office Workers (UPW) will be in serious difficulty in relation to the postmen (120,000) and others, totalling 209,000 who received only the 3\(^\frac{1}{2}\) per cent central pay increase.

4. To go as far as 8\(^\frac{1}{2}\) per cent would increase pressures beyond the point at which they could be contained by the moderate leadership of the Civil Service trade unions. My proposed offer of 7 per cent to industrial civil servants may lead to a settlement, but if subsequently, the offer made to the POEU is 8\(^\frac{1}{2}\) per cent this could well lead to charges of bad faith. Militancy in the Civil Service would be encouraged and the whole atmosphere of staff relations would be worsened.

5. The Civil Service pay system rests on periodical reviews based on fair comparison following pay research, with modest interim increases, at present within the incomes ceiling to prevent pay falling too far behind. A very sore point at present is that the pay research increases have to be staged in abrogation of the Civil Service Pay Agreement so that any increase above the annual ceiling is paid a year later. The Postmaster General has already had to reserve his position, as I have mine, in relation to the timing of Stage II of the increases recently awarded to professional engineers. Even a 7 per cent increase for the POEU grades would almost certainly force the Postmaster General to seek to introduce Stage II immediately instead of on 1st January, 1970. The cost in the Civil Service of shortening staging by five months will be about £2.8 million in the current financial year.

6. 7 per cent now and 3 per cent later could be represented by the POEU as meeting their demand for 10 per cent, and would prove that militancy pays. The immediate effect on the Civil Service might be marginally less than an offer of 8\(^{\frac{1}{2}}\) per cent with a pay review in 1970, particularly in relation to the industrial Civil Service. Outside the Civil Service however the capitulation of the Government as employer to militant demands would be very harmful.

7. The British Railways Board will very shortly commence negotiations with the unions for what they describe as "Pay and Efficiency Stage II". Their estimate of the global figure within which they hope to reach a settlement is awaited; we know that they have in mind a figure considerably less than 10 per cent or even 8\(^{\frac{1}{2}}\) per cent. Approval by the Government of a POEU settlement of up to 8\(^{\frac{1}{2}}\) per cent or 7 per cent plus 3 per cent, would inevitably have repercussions on these negotiations. It could also have repercussions on negotiations for Gas staffs which are about to start this week.
Equal pay

8. The Postmaster General has already suggested that the pay of some 1,400 Post Office women should be increased, though for the great majority of them there are no corresponding male grades. As I understand it, the First Secretary intends to initiate, in the near future, a general discussion on equal pay policy, following her consultations with the Confederation of British Industry and the Trades Union Congress. In further discussions on Monday, 28th July, the Postmaster General has, I understand, half committed the Post Office to an additional improvement in the pay of these women. Though the cost to the Post Office of a move in this direction would be small, about £100,000 a year, a similar move in the industrial Civil Service could cost around £1 million a year. But, much wider than this, it would be difficult to resist an early move outside the Civil Service if the Government accepted the Postmaster General's proposal for these Post Office grades. It is not possible to estimate what the cost of this would be, but it would be very much greater.

Conclusion

9. There can be little doubt that a settlement beyond the 7 per cent, which has already had the effects I foresaw, would greatly increase pressures on pay negotiations, not only within the Civil Service, but throughout the whole of the public and the private sector. It seems to me, therefore, that the choice is between standing on 7 per cent coupled, as we are proposing in relation to the industrial Civil Service, with reference to the Prices and Incomes Board, or a surrender in the face of the threat of industrial action to what the POEU has claimed.

S.

House of Lords, S.W.1.

29th July, 1959
20th August, 1969

CABINET

NORTHERN IRELAND

Note by the Secretary of the Cabinet

By direction of the Prime Minister I circulate the texts of the Communique and Declaration issued yesterday evening after the discussion between United Kingdom Ministers and Ministers of the Northern Ireland Government.

(Signed) BURKE TREND

Cabinet Office, S.W.1.

20th August, 1969
COMMUNIQUE

A meeting was held at No. 10 Downing Street this evening between the Prime Minister, Mr. Harold Wilson, the Foreign and Commonwealth Secretary, Mr. Michael Stewart, the Home Secretary, Mr. James Callaghan, the Secretary of State for Defence, Mr. Denis Healey, and the Minister of State at the Home Office, Lord Stonham, and the Prime Minister of Northern Ireland, Major Chichester-Clark, the Deputy Prime Minister, Mr. J. L. O. Andrews, the Minister of Home Affairs, Mr. R. W. Porter, and the Minister of Development, Mr. Brian Faulkner.

In a six-hour discussion the whole situation in Northern Ireland was reviewed. It was agreed that the GOC Northern Ireland will with immediate effect assume overall responsibility for security operations. He will continue to be responsible directly to the Ministry of Defence but will work in the closest co-operation with the Northern Ireland Government and the Inspector-General of the Royal Ulster Constabulary. For all security operations the GOC will have full control of the deployment and tasks of the Royal Ulster Constabulary. For normal police duties outside the field of security the Royal Ulster Constabulary will remain answerable to the Inspector-General who will be responsible to the Northern Ireland Government.

The GOC will assume full command and control of the Ulster Special Constabulary for all purposes including their organisation, deployment, tasks and arms. Their employment by the Northern Ireland Government in riot and crowd control was always envisaged as a purely temporary measure. With the increased deployment of the Army and the assumption by the GOC of operational control of all the security forces, it will be possible for the Special Constabulary to be progressively and rapidly relieved of these temporary duties at his discretion, starting in the cities. The question of the custody of Special Constabulary arms will similarly be within his discretion. Consideration will be given to the problem of country areas and the defence of vital public service installations.

The Northern Ireland Ministers agreed that an appeal should be made to all members of the public to hand in unauthorised weapons under an amnesty.

In order that British troops can be withdrawn from the internal security role at the earliest possible moment the two Governments will discuss as a matter of urgency the future of the civilian security services of Northern Ireland which will take over when the troops withdraw.
Major Chichester-Clark said that it was the intention of the Northern Ireland Government to set up forthwith an impartial investigation into the recent grave public disorders. Further details will be announced very shortly by the Northern Ireland Minister of Home Affairs.

The United Kingdom Ministers proposed and the Northern Ireland Ministers readily agreed that two senior civil servants from London should be temporarily stationed with the Northern Ireland Government in Belfast to represent the increased concern which the United Kingdom Government had necessarily acquired in Northern Ireland affairs through the commitment of the Armed Forces in the present conditions.

The question of detainees was discussed.

The two Governments agreed to a joint Declaration on the principles which should govern their future actions.

The Ministers agreed to meet again early in September.

10 Downing Street, S. W.1.

19th August, 1969
DECLARATION

1. The United Kingdom Government reaffirm that nothing which has happened in recent weeks in Northern Ireland derogates from the clear pledges made by successive United Kingdom Governments that Northern Ireland should not cease to be a part of the United Kingdom without the consent of the people of Northern Ireland or from the provision in Section I of the Ireland Act, 1949, that in no event will Northern Ireland or any part thereof cease to be part of the United Kingdom without the consent of the Parliament of Northern Ireland. The border is not an issue.

2. The United Kingdom Government again affirm that responsibility for affairs in Northern Ireland is entirely a matter of domestic jurisdiction. The United Kingdom Government will take full responsibility for asserting this principle in all international relationships.

3. The United Kingdom Government have ultimate responsibility for the protection of those who live in Northern Ireland when, as in the past week, a breakdown of law and order has occurred. In this spirit, the United Kingdom Government responded to the requests of the Northern Ireland Government for military assistance in Londonderry and Belfast in order to restore law and order. They emphasise again that troops will be withdrawn when law and order has been restored.

4. The Northern Ireland Government have been informed that troops have been provided on a temporary basis in accordance with the United Kingdom's ultimate responsibility. In the context of the commitment of these troops, the Northern Ireland Government have reaffirmed their intention to take into the fullest account at all times the views of Her Majesty's Government in the United Kingdom, especially in relation to matters affecting the status of citizens of that part of the United Kingdom and their equal rights and protection under the law.

5. The United Kingdom Government have welcomed the decisions of the Northern Ireland Government relating to local government franchise, the revision of local government areas, the allocation of houses, the creation of a Parliamentary Commissioner for Administration in Northern Ireland and machinery to consider citizens' grievances against other public authorities which the Prime Minister reported to the House of Commons at Westminster following his meeting with Northern Ireland Ministers on 21st May as demonstrating the determination of the Northern Ireland Government that there shall be full equality of treatment for all citizens. Both Governments have agreed that it is vital that the momentum of internal reform should be maintained.
6. The two Governments at their meeting at 10 Downing Street today have reaffirmed that in all legislation and executive decisions of Government every citizen of Northern Ireland is entitled to the same equality of treatment and freedom from discrimination as obtains in the rest of the United Kingdom, irrespective of political views or religion. In their further meetings the two Governments will be guided by these mutually accepted principles.

7. Finally, both Governments are determined to take all possible steps to restore normality to the Northern Ireland community so that economic development can proceed at the faster rate which is vital for social stability.

10 Downing Street, S.W.1.

19th August, 1969
28th August, 1969

CABINET

EQUAL PAY

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

At the end of July the Management Committee discussed at my request the question of equal pay for women. It was agreed that when he addressed the Trades Union Congress (TUC) on 1st September, the Prime Minister should indicate that I would be entering forthwith into discussions with the Confederation of British Industry (CBI) and TUC on this subject. We would then have to decide in the light of these discussions what should be said about equal pay at the Labour Party Conference and, in particular, whether legislation should be promised in The Queen's Speech. Meanwhile I was asked to arrange for an urgent study to be made of the probable economic and social consequences of introducing equal pay in preparation for a Cabinet discussion at the beginning of September. This study has now been completed and a report by officials is attached to this memorandum.

The background

2. We included the right to equal pay for equal work in the chapter of rights for all workers in the 1964 Election Manifesto. Of the seven items there listed, equal pay is almost the only one on which we have made no move. In the 1966 Manifesto, we said that we had started negotiations with the CBI and TUC. In June, 1968, I told the House of Commons that I would be entering into discussions with the CBI and TUC with a view to agreeing a timetable for phasing in the implementation of equal pay over an appropriate period.

3. As a result of these discussions we embarked on a survey of the cost of equal pay in a number of major industries. The results of that survey have now been analysed and discussed at official level with the CBI and TUC. They have also formed an important part of the raw material for the annexed study by officials.
4. At Conference last year the TUC carried a resolution in favour of implementing equal pay for work of equal value in a period of two years; the resolution further called on affiliated unions to support those that take industrial action in support of the principle of equal pay. There are resolutions on equal pay down for this year's Conference by the National Union of Tailors and Garment Workers and Transport and General Workers Union. The General Council's Report says that it is anticipated that I will have held meetings with the TUC (and CBI) before the Conference to discuss the report of the industrial survey mentioned above and 'what legislative action will be required to implement equal pay'. I have, in fact, had some difficulty in deferring a meeting with the TUC until after the Conference.

5. The CBI are not opposed to the principle of equal pay, but they argue that it will add to industrial costs, that its implementation should be delayed until the economy is stronger, and that it should be phased in over a long period. They are doubtful in any case whether the introduction of equal pay is a matter for Government action. They too are waiting to resume discussions with me in the light of the industrial survey and, like the TUC, will expect me to say what our intentions are.

6. Finally, I should mention that moves towards equal pay are assuming increasing importance in the course of normal pay negotiations. We have received a number of examples through the wage vetting machinery of greater percentage increases, or similar and sometimes greater cash increases, for women than for men. They extend over a variety of firms and industries and in some cases the improvements have been secured after industrial action.

The definition of equal pay

7. The two main definitions of equal pay are "equal pay for the same work" which has been adopted by the European Economic Commission and is favoured by the CBI; and "equal pay for work of equal value" which is enshrined in International Labour Organisation (ILO) Convention No. 100, and is favoured by the TUC.

8. Equal pay for work of equal value does not apply now between one man and another and it is not clear why it should apply as between women and men who are doing basically different jobs. It has no obvious and precise meaning; its interpretation in particular cases could be widely disputed; and its implementation would probably call for elaborate job evaluation exercises in firms and industries. The cost could, and in the short run certainly would, be a good deal higher than a more precise definition.
9. Equal pay for the same work does not have the same drawbacks. It is more limited, more readily definable; and less costly to implement. This is not to say that it would be without difficulty. It could not be restricted simply to cases where men and women are engaged on precisely the same work in the same factory or office. It would be necessary to provide that where women were carrying out work broadly similar in character to that of men, the pay should be the same. Moreover, employers have made it clear in the recent industrial survey that where the pay of a substantial proportion of women in a factory or office moved into equality with men in accordance with a legal requirement, the other women not directly covered would inevitably seek some upward adjustment in their pay too. Thus, if a large number of women secure improvements in direct consequence of the introduction of equal pay, this must be expected to pull up the general level of women's pay throughout the economy.

The costs of introducing equal pay

10. The annexed report by officials analyses the main economic and social implications of introducing equal pay over the period 1970-75. It draws on experience in this country and abroad as well as the industrial survey carried out in co-operation with the CBI and TUC. The definition adopted is that of equal pay for same work, but full allowance has been made for the indirect effects described in the previous paragraph. I must emphasise that the study has been carried out very quickly; much of the information on which it is based is inadequate; and precision in the estimates of the effects on costs, prices and the balance of payments is impossible.

11. Subject to these qualifications, the main conclusions, all of which are based on the most conservative (i.e. highest cost) interpretation of the evidence, are as follows:

(i) The upper limit of the increase in the country's total wage and salary bill, allowing for indirect effects, would be 5 per cent over the period, representing an average increase in women's earnings of about 25 per cent. In practice the increase may well prove smaller than this.

(ii) It is not certain whether women could expect to get this increase plus the normal growth in earnings that would be expected over the period. Similarly, it is not certain whether men would attempt to maintain, or at any rate succeed in maintaining, existing differentials between men's and women's occupations.
(iii) Women manual workers in manufacturing would receive larger percentage increases in pay than women office workers who are, however, better paid at present; women office workers would do at least as well and possibly better than women in service industries; and the probability is that the lowest paid women, many of whom are in the service industries, would benefit least.

(iv) The impact of equal pay on total costs (not just labour costs) would vary as between industries and, particularly, firms. Manufacturing costs would probably increase by about the same amount as those of the economy as a whole (i.e., an upper limit of 4 per cent) but some sectors such as clothing and pottery would be particularly affected. Retail distribution would be worse affected than wholesaling or transport. In practice the spread of costs would tend to even itself out more than the preliminary estimates suggest, but there is little doubt that some firms, for example in clothing, pottery and electronics, would be faced with major problems of adaptation during the period of implementation.

(v) Prices would increase on average by a maximum of 4 per cent.

(vi) Latest estimates suggest that the cost to the balance of payments in 1975 might be some £350 million if the total wage and salary bill increased by 5 per cent. The report stresses, however, that this is the upper limit: if, as may well be, the increase in the wage and salary bill is less than this, and allowance is made e.g., for time lags and the response of employers to equal pay, the cost to the balance of payments could be significantly less.

(vii) The effects on employment seem unlikely to be significant for the economy as a whole; overall there is likely to be an increase in the number of women available for employment and a decrease in the growth of job opportunities. No special problems are envisaged in the development areas.

(viii) The effects on social security benefits, and on public expenditure generally would be small. So would the effects on industrial costs caused by higher employers' contributions to the National Insurance Fund and for Selective Employment Tax.

(ix) The rise in purchasing power of households with male workers only would be slightly less (4 per cent) than without equal pay; so would that of households with no workers, but the majority of these could expect to receive enhanced social security payments to compensate for the increase in prices.
12. I recognise that any additional increase in the national wage bill and, therefore, in our costs of production could have detrimental economic effects. I also recognise that the implementation of equal pay could have awkward implications for incomes policy. I do not think it would be possible to insist, given the voluntary nature of the next phase of incomes policy, that progress towards equal pay should be accommodated within the norm of 3\(\frac{1}{2}\) per cent which is likely to be recommended to Cabinet. A possible compromise might be to accept increases on equal pay grounds as exceptions above the norm but, for presentational purposes, to reduce the norm to, say, 3 per cent; but this would make little practical difference. Finally, I recognise that a phased programme for equal pay, backed by legislation and incorporated as part of incomes policy, may be opposed by the CBI.

13. On the other hand, I must stress that officials have quite deliberately taken a pessimistic view about the likely costs of implementing equal pay. There are sound reasons for suggesting that the effects on labour costs and total costs may be a good deal less than those quoted in paragraph 11. This, of course, would have significant implications for prices and, particularly, the balance of payments.

14. I am sure that it would be quite wrong for us to imagine that in the absence of a Government sponsored phased programme nothing will happen on equal pay. Quite the contrary. If we have a five-year programme, employers will certainly argue, probably successfully, that increases should be phased over this period. Without such a programme, employers will be under continuous pressure to make what may be sharp adjustments in women's pay to eliminate discrimination. There is already evidence of this. The industries best able to meet the cost will give way; and others will then be forced to follow suit.

15. I think, therefore, that it would be wrong to assume that in the next two or three years the cost of a five-year phased programme would be much greater than allowing equal pay to be implemented, without any guidelines, in industrial negotiations. There would, almost certainly, be delays in negotiating the start of phased industry programmes; and the indirect effects would make themselves felt more towards the end of the period than at the beginning.

16. Finally, the TUC and individual trade unions intend to put a lot of pressure now behind equal pay. Their attitude to the subject in the past has been equivocal if not hypocritical, but there is now a marked change. If we decide against a Government sponsored programme, we will, without doubt, come under severe criticism from the trade union movement and, for that matter, from the Party.
17. My own view is that the evidence produced by officials and the balance of economic and political argument are in favour of introducing legislation in the next Session. I am confident that the TUC can be persuaded that equal pay for the same or broadly similar work is as much as we can sensibly accomplish. This would be in line with the European Economic Commission and would, I believe, be sufficient to enable us to ratify the appropriate ILO conventions.

The timing and content of legislation

18. I said in the House of Commons that I could see no reason why a phased programme for equal pay should take longer than seven years. That was in 1968. I think, therefore, that we ought to set 31st December, 1975, as the date by which equal pay should be in force. If an announcement to this effect were made this autumn, and legislation passed in the next Session, we should have a five-year programme for implementation (end-1970 to end-1975). And industry would have been given six years' notice in which to sort out its problems.

19. Both the TUC and the CBI have emphasised the desirability of allowing industries and particular firms to make their own arrangements for moving to equal pay in accordance with their own circumstances. I agree with this. What is needed is a legal framework within which these industrial negotiations can take place, and which will also deal ultimately with employers - particularly in weakly organised industries - who do not take action voluntarily.

20. I suggest that the best course would be as follows. We should legislate in the next Session to provide that on and after 31st December, 1975, it should be an offence for an employer to discriminate in pay and other conditions of employment between men and women where they are engaged on the same or broadly similar work. In order to ensure that the elimination of discrimination was not left until the last minute, particularly where workers are weakly organised, the legislation should also provide that women should not be paid less than 90 per cent of the rate paid to men for the same or broadly similar work after 31st December, 1973.

21. It would follow from the "no discrimination" clause that it would be illegal to conclude a collective agreement in which women's rates were specified separately from men's rates (as is customary at present). All rates in collective agreements would have to apply to specific classes of workers or specific occupations regardless of whether they were carried out by men or women. A tribunal would be established to which individual workers or their unions could take cases where they asserted that discrimination was being practised.
22. Some legislation, in particular the Factories Act 1961, imposes restrictions on the hours of employment of women but not upon men doing the same work. It will probably be desirable to take the opportunity afforded by legislation on equal pay to put women on the same footing as men in this respect.

Conclusion

23. The time has come when, in my view, we must take a decision as to whether we are going to embark on a Government sponsored programme leading to equal pay for women. It is no longer possible to stall. Expectations have been raised: we must either fulfil them or say publicly and firmly that we cannot go ahead because of our present economic difficulties.

24. I recommend that we should proceed. It would be a clear and direct proof of our intention to move towards the social objectives which we set ourselves for this period of office. It will also probably become an inescapable commitment if we succeed in entering the European Economic Community. I do not believe the cost is unmanageable, and it will build up relatively slowly under a phased programme of the kind I have suggested. By refusing to proceed we will not prevent the impetus towards equal pay from gaining momentum in the normal course of pay negotiations; we may also be storing up industrial trouble for ourselves.

25. Whatever our decision, the TUC, the CBI and the Party Conference must now be told. Personally I hope my colleagues will agree that the balance of arguments is in favour of going forward.

B.A.C.

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

27th August, 1969
Note by the Interdepartmental Group on Equal Pay

1. We were set up:

"To examine the implications for the Government's financial, economic and social policies of enacting, in the 1969-70 Session, legislation requiring employers to give full effect to the principle of equal pay by the end of 1975; and to report in time to enable the Cabinet to consider the question in the first week of September."

2. This note draws on experience in this country and abroad; and makes use of material collected recently from a sample of 230 firms which were asked what they would expect the impact of equal pay to be. The note deals with the following points:

   A. The increase in the national wage and salary bill likely to arise directly or indirectly from equal pay and the impact on different occupational groups.
   B. The impact on the total costs of different groups of industries.
   C. The effect on price structures and Government expenditure.
   D. The effect of changes in industrial costs on the balance of payments.
   E. The effects on employment and unemployment (both of women and men).
   F. Special effects in the Development Areas.
   G. Effects on the social security system.
   H. Effects on the distribution of income between families with different combinations of working members.
   I. Effects on Incomes Policy.

The meaning of "Equal Pay"

3. For the purposes of this note it is assumed that the legislation would require discrimination in pay on grounds of sex to be abolished both within each establishment of any individual employer and in collective wage or salary agreements. Discrimination would be defined as different rates of pay (or other conditions of employment) for the same job or for a job which was essentially the same as a job done by men, i.e. where the differences were only slight.
4. There are some 8.5 million female employees of whom some 1.5 million already get equal pay. It is extremely difficult to say with certainty how many of the remaining 7 million would be directly affected by the legal requirement described. What can be said with certainty is that the effect on women's pay will not be confined to those directly affected. Employers are clear that where (say) half the women in an establishment get an increase in pay because of the legal requirement it will be inevitable for upward adjustments to be made in the pay of other women in the establishment. Similarly, if the clerks in an office get an increase, it will be difficult to resist some increase in the pay of typists, or machine operators, or telephone switchboard operators, even though they are not directly affected by equal pay, and their rates of pay are not tied directly to the clerks' rates.

5. Moreover, increases in women's pay in certain establishments where men and women are working on the same jobs will tend to influence women's pay in other establishments in the same area even if no direct effects of equal pay occur. In short, if a large number of women get higher pay this must tend to pull up the general level of women's pay throughout the economy.

6. In this note therefore the effects of equal pay are examined in the light of the probable total effect on women's pay, and not merely the immediate and direct effects flowing from the statutory requirement.
7. We can start from the fact that in national agreements a woman's rate of pay is usually about 80 per cent of the man's rate for similar classes of work. If the minimum rates were equalised (and women getting more than the minimum received a corresponding increase) and if related rates, e.g. for overtime, were also equalised, this would suggest an increase of 25 per cent in the earnings of the women concerned. If we assume that all women and not only the women directly affected by the legislation get an increase on average of 25 per cent, this would raise the national wage and salary bill by 5 per cent. It is unlikely that the indirect effects would be so extensive, bearing in mind particularly that 1½ million women already get equal pay. So 5 per cent may be taken to be the extreme upper limit of a possible range of costs.

8. The validity of this figure may be checked against the experience of industries in the U.K. where equal pay has already been introduced and against the experience of other countries. The available data shows how women's earnings expressed as a proportion of men's earnings have been affected by the introduction of equal pay. At present women's hourly earnings in the U.K. are 60 per cent of men's. Increases of 16 per cent, 25 per cent and 33 per cent in women's earnings would affect this figure as follows:

<table>
<thead>
<tr>
<th>Addition to women's earnings</th>
<th>Increase in women's earnings as proportion of men's earnings</th>
<th>Addition to national wage and salary bill</th>
</tr>
</thead>
<tbody>
<tr>
<td>16%</td>
<td>from 60% to 70%</td>
<td>3%</td>
</tr>
<tr>
<td>25%</td>
<td>&quot; 60% to 75%</td>
<td>5%</td>
</tr>
<tr>
<td>33%</td>
<td>&quot; 60% to 80%</td>
<td>7%</td>
</tr>
</tbody>
</table>

9. The hourly earnings of women clerical officers in the non-industrial Civil Service, who get equal pay, is 80 per cent of the pay of men. It is usual for women's earnings, even following the introduction of equal pay, to be less than men's. In this case the reason was probably that women were at lower points on the incremental scale than men. In other cases, women may work shorter hours than men or, where the figures apply to groups of occupations, the women may be in occupations of lower grade, on average, than men. Another example from the U.K. is the gas and electricity industries where, following the introduction of equal pay for non-manual workers, women's hourly earnings went up to 75 per cent of men's. For local authority clerks and bus conductors, where equal pay also applies, women's hourly earnings are 75 and 95 per cent respectively of men's.  

/10. Abroad,
10. Abroad, we can draw on experience in the Common Market countries since the introduction of equal pay there. The figures are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Female hourly earnings expressed as a percentage of male hourly earnings in all industries excluding agriculture</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>France</td>
</tr>
<tr>
<td>1953</td>
<td>85.2</td>
</tr>
<tr>
<td>1955</td>
<td>87.5</td>
</tr>
<tr>
<td>1957</td>
<td>85.4</td>
</tr>
<tr>
<td>1959</td>
<td>84.7</td>
</tr>
<tr>
<td>1961</td>
<td>84.7</td>
</tr>
<tr>
<td>1963</td>
<td>83.9</td>
</tr>
<tr>
<td>1965</td>
<td>83.1</td>
</tr>
<tr>
<td>1967</td>
<td>83.5</td>
</tr>
</tbody>
</table>

Source: I.L.O. Yearbook.

Thus, in Germany, where the introduction of equal pay depends on the post-war Constitution and a number of court decisions, the ratio increased from 60 per cent (about the same as the present ratio in Britain) in 1955 to almost 70 per cent in 1967. In France equal pay legislation was introduced after the war. The high ratio in France, which may be affected by the social security system there did not increase between 1953 and 1967. The following figures are available for other countries:

<table>
<thead>
<tr>
<th></th>
<th>Women's earnings in manufacturing industries as proportion of men's earnings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1964</td>
</tr>
<tr>
<td>Italy</td>
<td>69.8</td>
</tr>
<tr>
<td>Netherlands</td>
<td>56.2</td>
</tr>
<tr>
<td>Belgium</td>
<td>65.3</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>45.3</td>
</tr>
</tbody>
</table>


The effects of equal pay had almost certainly not worked themselves through completely in these countries by 1967.

11. The German figures are the most instructive. If German experience were to be repeated in the U.K., it would imply an average increase in women's earnings of 16 per cent and an addition to the national wage and salary bill of 3 per cent. This probably sets a lower limit to the estimates of the cost of introducing equal pay in the U.K. The figure of 3 per cent is in line with the estimates made by the Governments in E.E.C. of the cost of equal pay. It is also in line
with the cost of introducing equal pay in the non-industrial Civil Service - 3.6 per cent.

12. The evidence quoted so far suggests, therefore, that the total cost of introducing equal pay may be anything from 3 per cent to 5 per cent of the national wage and salary bill. There are, however, other considerations. While it would not be easy for men doing the same jobs as women to seek to restore their differentials following the introduction of equal pay (though ways might be found), it is perhaps more likely that there will be pressure from men to maintain existing differentials between occupations which are predominantly men's and those which are predominantly women's. Even more probably the pay of occupations predominantly carried out by women may not in fact improve as much as one tends to assume from the present differential between men and women in these occupations. Over the period 1970 to 1975 money earnings would be expected to rise by perhaps \( \frac{1}{2} \) in total. It is by no means certain that in all occupations where the present differential between men and women's earnings is of the order of 25 per cent that the women on introduction of equal pay will get both this 25 per cent and the 33 per cent increase in money earnings which would be expected. The pay of some of these occupations where women predominate may in fact increase more slowly than it otherwise would over the period. For example, it has often argued that pay in teaching has been held down by the existence of equal pay; and that in the absence of equal pay male teachers would be getting more than they do now.

13. Similarly there will undoubtedly be a tendency after the introduction of the equal pay programme to classify jobs in a way which will leave those wholly or primarily carried out by women at a low rate of pay. Men will then tend to drop out of these occupations; or will have to accept a rather low level of pay in them. In this way the differentials between the major groups of men and women may be eroded less than might be expected from the rather high figures for the increase in women's earnings which are often predicted.

14. An alternative approach to the making of an estimate of the cost of equal pay is to try and build up a total cost from assumptions about the probable effects in individual occupations and industries. This is attempted below (paragraphs 17 to 21). The basis of these estimates is partly the information drawn from the sample Cost Enquiry. This is used as a basis for the estimates for manufacturing industry, for retail distribution, for catering and to some extent for office workers. The assumptions about indirect costs are more speculative and do not pretend to be any more than reasonable judgments about the probable
the probable outcome. The total cost built up from these estimates is an increase in average total earnings of women of about 10 per cent on direct effects and a further 7 per cent for indirect effects. These would represent additions of 2 per cent and 1½ per cent respectively to the national wage and salary bill. In other words, they lead to a figure for total cost of some 3½ per cent compared with the upper limit of 5 per cent mentioned earlier. These are estimates of the cost of the increase in women's earnings. They do not in general take much account of the points raised in paragraphs 12 and 13 which on balance would tend to pull down the cost.

15. We are therefore left with the following position.

(i) An average increase of 25 per cent in women's earnings representing an addition of about 5 per cent to the national wage and salary bill is the upper limit of the probable cost.

(ii) A build up of the cost from individual occupations and industries suggests an average increase in women's earnings amounting to some 3½ per cent of the total wage and salary bill.

(iii) A similar or slightly lower figure is suggested by experience in Germany; which also suggests that the effects operate over a rather lengthy period.

16. In order to avoid any risk of understating the possible cost, the upper figure of 5 per cent is used in calculations in subsequent sections except those derived directly from the occupational calculations or calculations for individual industries. It should be stressed that this is a fairly extreme assumption and that a lower figure is far more likely.

A (ii) The impact of equal pay in different occupational groups

17. Estimates of the direct and indirect effects of introducing equal pay on the main occupational groups in which women work are set out in Tables 1 and 2 (annexed). The estimates do not purport to be more than a general indication of what is likely to happen. The main source of information is the sample enquiry into the cost of equal pay carried out among 230 firms earlier this year. This enquiry suggested that in manufacturing industry about 60 per cent of the women employed in manual jobs would benefit directly from equal pay and that their pay would, on average, rise by perhaps 30 per cent. The office workers in manufacturing industry were expected to benefit to a lesser extent both in numbers and in the percentage rise in earnings. On the other hand, it was assumed that all women in retail distribution would benefit but only a small proportion of those in catering.
18. The assumptions made by the various employers were not necessarily uniform and may in some cases have been mutually inconsistent. Certainly there were very large variations in the proportion of women who were expected to benefit directly. However, this is the best information we have as to what people in industry actually believe would happen.

19. As regards indirect effects, it has been assumed that about half the office staff would get increases indirectly in the period with which we are concerned. And that there would be repercussions on the general level of women's pay both in occupations like cleaners and in some groups which already have equal pay such as nurses. On the other hand, it is not assumed that the increase in these groups would be as large as the increases secured by those directly benefiting from equal pay.

20. If these assumptions are anything like correct, the following broad conclusions can be drawn.

(a) that manual workers in manufacturing industries will have a larger per cent increase in pay than office workers
(b) that office workers will get as large an increase and perhaps larger than a great many of the women employed in service industries
(c) that women employed in the service industries which include many of the lowest paid groups, are not going to improve their position relative to other women; although their position will still be improved in relation to the general level of male workers.

The last conclusion - that many of the lowest paid women are going to benefit least from equal pay - is important.

21. The estimates made in this section are used in order to calculate the additional costs industry by industry in the following section.
### Table: Occupational Distribution

<table>
<thead>
<tr>
<th>Occupational group</th>
<th>Approx. Numbers (000s)</th>
<th>Assumed to be affected by introduction of equal pay</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Adults 16 and over</td>
<td>Girls</td>
<td>Directly</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>Full time</td>
<td>Part time</td>
</tr>
<tr>
<td>Professional, Technical and Administrative</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nurses and School teachers</td>
<td>750</td>
<td>600</td>
<td>150</td>
</tr>
<tr>
<td>Others</td>
<td>450</td>
<td>325</td>
<td>125</td>
</tr>
<tr>
<td>Office Staff</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Clerks</td>
<td>1,300</td>
<td>1,100</td>
<td>200</td>
</tr>
<tr>
<td>Typists and machine operators</td>
<td>850</td>
<td>725</td>
<td>125</td>
</tr>
<tr>
<td>Others</td>
<td>250</td>
<td>200</td>
<td>50</td>
</tr>
<tr>
<td>Sales staff</td>
<td>800</td>
<td>500</td>
<td>300</td>
</tr>
<tr>
<td>Service &amp; misc. workers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Catering workers</td>
<td>275</td>
<td>175</td>
<td>100</td>
</tr>
<tr>
<td>Cleaners etc.</td>
<td>700</td>
<td>150</td>
<td>550</td>
</tr>
<tr>
<td>Others</td>
<td>600</td>
<td>350</td>
<td>250</td>
</tr>
<tr>
<td>Other Manual workers (mainly in manufacturing)</td>
<td>2,000</td>
<td>1,500</td>
<td>500</td>
</tr>
<tr>
<td>Total</td>
<td>7,900</td>
<td>5,600</td>
<td>2,300</td>
</tr>
</tbody>
</table>

Total about 6½ million
<table>
<thead>
<tr>
<th>Occupational group</th>
<th>Average Gross Earnings (£) of females</th>
<th>Number (000s)</th>
<th>Annual Wage &amp; Salary Bill (£m)</th>
<th>Direct Increase</th>
<th>Indirect increase</th>
<th>Total increase</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Weekly Annual</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Professional, Technical &amp; Administrative</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nurses and School Teachers</td>
<td>17.7 925</td>
<td>760</td>
<td>700</td>
<td>-</td>
<td>10</td>
<td>70</td>
</tr>
<tr>
<td>Others</td>
<td>15.5 800</td>
<td>465</td>
<td>370</td>
<td>6½</td>
<td>2½</td>
<td>23</td>
</tr>
<tr>
<td>Office Staff</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Clerks</td>
<td>12.3 640</td>
<td>1,450</td>
<td>925</td>
<td>12½</td>
<td>6½</td>
<td>55</td>
</tr>
<tr>
<td>Typists and machine operators</td>
<td>13.0 675</td>
<td>925</td>
<td>625</td>
<td>-</td>
<td>7½</td>
<td>47</td>
</tr>
<tr>
<td>Others</td>
<td>13.0 675</td>
<td>275</td>
<td>185</td>
<td>-</td>
<td>7½</td>
<td>14</td>
</tr>
<tr>
<td>Sales Staff</td>
<td>8.4 440</td>
<td>900</td>
<td>390</td>
<td>25</td>
<td>-</td>
<td>25</td>
</tr>
<tr>
<td>Service and misc. workers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Catering Workers</td>
<td>7.4 385</td>
<td>285</td>
<td>110</td>
<td>5</td>
<td>7½</td>
<td>8</td>
</tr>
<tr>
<td>Cleaners etc.</td>
<td>5.9 305</td>
<td>700</td>
<td>210</td>
<td>-</td>
<td>7½</td>
<td>17</td>
</tr>
<tr>
<td>Others</td>
<td>8.9 465</td>
<td>625</td>
<td>290</td>
<td>5</td>
<td>7½</td>
<td>22</td>
</tr>
<tr>
<td>Other manual (mainly in manufacturing)</td>
<td>10.2 530</td>
<td>2,200</td>
<td>1,150</td>
<td>18</td>
<td>-</td>
<td>26</td>
</tr>
<tr>
<td>TOTAL</td>
<td>11.0 575</td>
<td>8,500</td>
<td>4,900</td>
<td>9½</td>
<td>4½</td>
<td>16½</td>
</tr>
</tbody>
</table>

About 2 per cent of total wage and salary bill
About 1½ per cent of total wage and salary bill
About 3½ per cent of total wage and salary bill
22. This section examines the probable effects of equal pay on total costs in different industries and services. Not all parts will be equally affected. Some already have equal pay. Some employ a small proportion of women, some a large proportion. In some, labour costs form a much larger proportion of total costs than in others.

23. In addition to the increases in their own labour costs, industries will of course be faced with increases in the prices of bought materials and components from other industries with increases in costs as the result of equal pay; and increased charges for many services. Only a complete "input-output" calculation could produce an analysis of the detailed repercussions through the economy. This would be a considerable task and it is unlikely that existing data would enable it to be carried out satisfactorily. The following figures do not allow for repercussions from one sector to another.

24. The following are estimates of the effects on total costs, sector by sector, flowing from the direct effects of introducing equal pay, i.e. the costs of equalising pay for the same or essentially the same jobs:

**Table 3**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Increases in wage and salary bill</th>
<th>Effects on total costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>Negligible</td>
<td>Negligible</td>
</tr>
<tr>
<td>Fuel (coal, gas, electricity &amp; water)</td>
<td>Negligible</td>
<td>Negligible</td>
</tr>
<tr>
<td>Construction</td>
<td>Negligible 1/4</td>
<td>1/4</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>Negligible 3</td>
<td>1 1/2</td>
</tr>
<tr>
<td>Engineering</td>
<td>Negligible 2</td>
<td>1</td>
</tr>
<tr>
<td>Chemicals</td>
<td>Negligible</td>
<td>Negligible</td>
</tr>
<tr>
<td>Textiles</td>
<td>Negligible 10</td>
<td>5 1/2</td>
</tr>
<tr>
<td>Clothing</td>
<td>Negligible 20</td>
<td>7 1/4</td>
</tr>
<tr>
<td>Food and drink</td>
<td>Negligible 7</td>
<td>1 1/4</td>
</tr>
<tr>
<td>Distributive trades</td>
<td>Negligible 10</td>
<td>5 1/2</td>
</tr>
<tr>
<td>Transport</td>
<td>Negligible</td>
<td>Negligible</td>
</tr>
<tr>
<td>Financial, professional &amp; scientific services</td>
<td>2 1/2</td>
<td>2 1/2</td>
</tr>
<tr>
<td>Other services</td>
<td>Negligible</td>
<td>3 1/4</td>
</tr>
<tr>
<td>Public Administration *</td>
<td>Negligible</td>
<td>Negligible</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2</td>
<td>1 1/2</td>
</tr>
</tbody>
</table>

* See top of following page

This
This is Public Administration as defined in the Standard Industrial Classification. Workers employed in national and local government are classified to Public Administration only if they cannot be classified to another industrial group. Thus, for example, building workers employed by a government department or local authority are classified to the construction industry. Most workers classified to Public Administration are non-manuals who already get equal pay. Manual workers employed in national and local government, who are generally classified to other industrial groups, do not get equal pay. H.M. Forces do not get equal pay or are not included in the Table.

25. The following table gives estimates of the increase in total costs flowing from both the direct and indirect effects of equal pay. This table also includes an allowance for increased employers' contributions to the National Insurance Fund. From 1972 these contributions will take the form of a payroll tax, say, 7 per cent. Thus, if the wage bill increases by 5 per cent, contributions will increase by 7 per cent of 5 per cent equals 0.35 per cent. Assuming that SET takes the same percentage of the wage and salary bills of non-exempt employers as at present (11%), equal pay will also have the effect of increasing tax payments by affected employers by about 43 million or about 0.2% of the national wage and salary bill. The figures are as follows:-

Table 4

Direct and indirect effects of equal pay on total costs
(not allowing for inter-sector repercussions but including an allowance for increased National Insurance contributions and SET)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Number of Women</th>
<th>Increases in Women's Pay £m</th>
<th>Increases in Labour Costs (% of N.I. costs &amp; SET)</th>
<th>Effects on Total Costs %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>75</td>
<td>6</td>
<td>1\frac{3}{4}</td>
<td>1\frac{1}{2}</td>
</tr>
<tr>
<td>Fuel (coal, gas, electricity and water)</td>
<td>75</td>
<td>Negligible</td>
<td>Negligible</td>
<td>Negligible</td>
</tr>
<tr>
<td>Construction</td>
<td>90</td>
<td>12</td>
<td>3</td>
<td>1\frac{1}{2}</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>2700</td>
<td>400</td>
<td>5\frac{3}{4}</td>
<td>3</td>
</tr>
<tr>
<td>Distributive trades</td>
<td>1540</td>
<td>200</td>
<td>11\frac{1}{2}</td>
<td>6\frac{1}{2}</td>
</tr>
<tr>
<td>Transport</td>
<td>270</td>
<td>Negligible</td>
<td>Negligible</td>
<td>Negligible</td>
</tr>
<tr>
<td>Financial, professional &amp; scientific services</td>
<td>2125</td>
<td>90</td>
<td>4\frac{3}{4}</td>
<td>4\frac{3}{4}</td>
</tr>
<tr>
<td>Other services</td>
<td>1180</td>
<td>75</td>
<td>3</td>
<td>1\frac{3}{4}</td>
</tr>
<tr>
<td>Public administration</td>
<td>435</td>
<td>Negligible</td>
<td>Negligible</td>
<td>Negligible</td>
</tr>
<tr>
<td>Total</td>
<td>8500</td>
<td>say 800</td>
<td>4 *</td>
<td>3</td>
</tr>
</tbody>
</table>

*This is made up of 3\frac{3}{4}% due to increased pay, 4\frac{3}{4}% per cent due to increased N.I. contributions and 1\frac{1}{2} per cent due to increased S.E.T.
26. Within these sectors there would be a fair amount of variation from one industry to another, largely depending on:

(a) the proportion of women employed
(b) the extent of equal pay already (a total of about 1½ million workers get equal pay already)
(c) the extent to which groups already receiving equal pay get increases springing from increases in other industries
and (d) the importance of labour costs in total costs.

27. The enquiry into the cost of equal pay among a sample of firms shows that industries such as clothing manufacture, pottery and (to a lesser extent) food manufacturing, would be particularly affected. They might have an increase in total costs 1½ - 2 times greater than the average for manufacturing industry. (They are also industries which foresaw the greatest need to change practices in female employment.)

28. In the distribution sector, retail distribution would be worse affected than wholesaling and transport. And some service industries such as laundries would be worse affected than others (again twice the average for the sector).

29. On the other hand, the fuel sector would hardly be affected at all. Agriculture and construction would be very little affected (except from the rise in costs of bought in goods and services). And public administration and public sector professions such as nurses and teachers would only be affected by the consequences of rises in women's pay in industries competing for the same labour.

30. Within industries individual firms would be affected to a varying degree. The range shown in the sample survey for the increase in labour costs from raising all women's pay except those already enjoying men's rates were typically as follows:

- Potteries: 4 - 26%
- Food: 2 - 43%
- Engineering: 1 - 23%
- Laundries: 10 - 16%

However, the extreme variations may conceal some differences in the basis of calculation as well as lack of coherence in the industrial group. Laundries which are both a coherent group and carried out their calculations on a common basis show a limited range of variation.
31. After taking account of the spread of costs through the economy (due to repercussions from sector to sector) there will remain variations in the effects of equal pay on total costs but they will not be so great as the figures in Table 4 suggest.
C. The effect of price structures and Government expenditure

32. Taking the economy as a whole, an increase of 5.5 per cent in labour costs (made up of an increase of 5.0 per cent in pay and 0.5 per cent in N.I. contributions and S.E.T.) would give rise to an increase of 4.0 per cent in total costs. If it can be assumed that profits increase broadly in proportion to the increase in total costs, the general price level will also rise by 4.0 per cent. The relationship between increasing labour costs and rising prices suggested by these figures is normal, the difference being largely accounted for by import prices which would not, of course, be affected by the introduction of equal pay.

33. The estimated increase in total costs of 4.0 per cent assumes that the introduction of equal pay will not have any substantial effect on the level of output per head from the female labour force. This is a doubtful assumption. There is little doubt that at present, in some employments, female labour is used extremely wastefully because of the extreme cheapness with which much of it can be obtained. A sharp increase in women's rates of pay is, almost certainly, likely to lead to employers generally seeking to get more effective work from them. The abolition of pay differentials between men and women should make it easier to use female labour with less regard to current demarcation lines. In areas such as retail distribution and catering there will be an intensification of the present attempts to economise in the use of labour. The introduction of equal pay will in this respect further intensify the pressure on the service industries. It would be reasonable to assume therefore that in practice the output per head of the female labour force will improve and that this will offset some of the additional costs involved. It is quite impossible to put any estimate on this in advance. The further material in this Note therefore takes the figure of 4 per cent as representing the effect on price levels. However, this is a maximum figure and in all probability 3 per cent would be a more reasonable figure to take.

34. The increases will, of course, not be spread evenly over the whole economy. The sector by sector analysis of the increase in total costs in Table 4 (though it does not allow for inter-sector repercussions) suggests the following:

(i) The increase in costs in manufacturing industry is likely to be pretty average, taking the sector as a whole. There will, however, be certain industries such as clothing manufacture and to a lesser extent food manufacture where the increase will be substantially greater than the average.

/(ii)
Because there are proportionately more women employed and costs will rise more in retail distribution than in the rest of distribution, the sales prices of goods in the shops might rise by a little more than prices generally. On the other hand, the pressure of competition at the retail level may cause economies to be made to offset the cost of equal pay and bring the rise in retail prices more into line with the general rise in prices, i.e. 4 per cent. And, of course, the retail prices of imported goods will be affected only by the increased cost of distribution in the U.K.

Food stuffs (excluding manufactured food stuffs of certain kinds) will be less affected. Home farming is not much affected and what effect there is will be as much on the farm subsidy bill as on retail prices. Imported food will be affected only by the increase in distribution costs.

The fuel sector of the economy, including coal, gas and electricity, will be affected very little.

Transport will not be significantly affected since there will be a negligible increase in direct labour costs and fuel used by the transport industry will not be significantly affected either.

The public sector will be affected less than others because of the extent to which equal pay has already been introduced in this area. It is, however, difficult to predict the extent to which the increase in women's earnings generally may affect the pay of those groups in the public sector already enjoying equal pay. However, the total impact on public expenditure seems likely to be less than that on the economy as a whole.

The estimates in Table 4 do not cover H.M. Forces where the introduction of equal pay would cost £1½-2 million.

Even within the various sectors there will, however, be very large differences in impact from one firm to another. This is because some firms at present employ a much larger proportion of women than others. One result of equal pay may well be that women will be distributed rather more evenly over the economy than in the past. At present there is undoubtedly a tendency for some firms to make use of low paid but also low productivity women workers. It is by no means certain that costs are necessarily reduced by this process. If women's earnings are relatively higher, these firms will be persuaded to try and make more use of male labour or increase the efficiency with which they use their female labour.
36. Nevertheless, there will undoubtedly be some firms where the cost of introducing equal pay does make their position particularly difficult. This is obviously the case in some of the clothing firms where, according to the sample enquiry, increases in total labour costs in excess of \( \frac{3}{4} \) seem quite possible. A similar position was said to exist in some of the electronics firms using large numbers of women for assembly work and where labour costs bulk high in the total. However, many of the estimates assume that one moves directly to a position of equal pay over a short period thus allowing little time for adaptation. It is to be expected that many firms in this position would take steps to change the situation over a period of five or six years.

37. In general the differences in relative costs and prices throughout the economy caused by the introduction of equal pay, to the extent they derive from the sample enquiry, are almost certainly overstated in the estimates in Table 3. In the end the effect is likely to be much more uniform than might be expected from the estimates which can be made at present, both between firms and as between various sectors of industry.
D. Effect on the balance of payments

38. We have not taken into account in the following paragraphs any repercussions on the balance of payments position which might follow directly from the mere announcement that equal pay was to be introduced.

39. The effect on the balance of payments from a rise in costs takes the form of reducing the demand for exports and increasing the demand for imports. The effect is subject to about two years' time lag and tends to be progressive as time goes on. The latest estimate suggests that the cost to the balance of payments in 1975 might be some £350 million if total earnings rise between 1970 and 1975 by 5 per cent following equal pay and £200 million if they rise by only 3 per cent. This would not, however, be the final effect - which could be as much as £650 million by 1977 (or £350 million in the lower case).

40. The distribution of the increased costs through the economy could vary this estimate. In so far as costs in manufacturing rise less than the average, the effect on the balance of payments would be smaller. But, on our present information, it looks as if the average increase in costs in manufacturing may be fairly close to the average for the whole economy.

41. There is also the question how far the main individual exporting industries would be affected to varying degrees. This only matters if the industries most affected have a high price-elasticity of demand for their products overseas. On balance it seems doubtful if the point would much affect the inevitably rough estimates.

42. On the import side, costs of clothing manufacture would increase sharply. It might be argued there will be a substantial increase in cheap clothing imports. However costs of manufacture are a low proportion of sales prices.

43. Otherwise it is difficult to see any major effects on import/export of particular industries.

44. The estimates given in paragraph 39 for the effect on the balance of payments of the introduction of equal pay and particularly the figures for an increase in labour costs of 5 per cent, are so large that it is perhaps worth re-emphasizing the nature of the assumptions which have been used at various points earlier in this paper.

(i) The estimate of 5 per cent assumes that on average all women in the country receive an increase of 25 per cent in their pay. Both experience on the Continent and the detailed estimate for probable increases in the main occupational groups would produce significantly lower figures than 25 per cent.
(ii) It is assumed that equal pay will involve a steady rise in total earnings at the rate of 1 per cent a year for 5 years. If the increase was to be less than 1 per cent in the early part of the period the effect on the balance of payments by 1975 would be lower than the figures in paragraph 39. It is very probable that the increase in earnings would be less in the early part of the period since employers and unions would take time to negotiate agreed phased programmes and indirect costs would come later rather than earlier. All the estimates assume that the full indirect costs of equal pay in its effects on women workers who are not themselves entitled to equal pay will have worked their way into the economy by 1975. There must be a strong presumption that there would be a time lag before this in fact happened and this is strongly suggested by the Continental experience. Up to 1 per cent of the increase in labour costs could occur after 1975.

(iii) The estimates assume that employers do not react to the increase in women's pay by seeking to re-organise their activities so that output per woman worker rises to offset the higher pay. This is most implausible particularly in sectors where large numbers of women are employed. If the average output per head of women workers rose by 5 per cent over the next 6 years this would offset 1/5 of the additional labour costs to employers.

(iv) The estimates assume that the increase in costs in the export industries, which are largely manufacturing industries, will be the same as the increase in costs in manufacturing as a whole and, therefore, as it happens, about the same as the increase in costs in the economy as a whole. A more detailed analysis industry by industry might show that the increase in costs in the export industries was below that for the economy as a whole. The data are not available to make such an analysis, but the direct effects alone of equal pay on costs are lower in engineering, chemicals and textiles - all important export industries - than in the economy as a whole.

45. The consequences of equal pay for the balance of payments based on a 5 per cent figure are affected by all the four assumptions listed above. The figures based on an increase in labour costs of 3 per cent relax the first assumption but the other three remain unaltered. If the lower figure of 3 per cent for the final cost of equal pay were taken and allowances made for the time lag, for employers responses, and for a possibly lower than average figure for export industries, the lower figure of £200 million in paragraph 39 for the effect on the balance of payments in 1975 would be significantly reduced.
46. A factor working in the opposite direction is the assumption that the increase in men's pay over the period to 1975 is unaffected by the increase in women's pay. This is, of course, uncertain. It is possible that some unions would press for larger increases in men's pay to maintain differentials. It is also possible that employers faced with the cost of equal pay would be tougher in general negotiations. No figure can be put on this uncertain element in the calculations.

47. There is one other consideration. The estimates in paragraph 39 of the effects of equal pay on the balance of payments are made on the assumption of higher average earnings at a constant pressure of demand. On this assumption any benefit to the balance of payments arising because of an increase in the output per head of women workers (see paragraph 44 (iii)) would be offset to a significant but unquantifiable extent by the rise in production (and therefore imports) which would ensue. If this assumption of a constant pressure of demand is relaxed, then to the extent that price increases lag behind the earnings increases associated with equal pay, the deterioration in the balance of payments will be larger than is indicated in paragraph 39.
E. Effects on employment and unemployment

48. Since the relation between women's and men's earnings has remained extremely stable over decades it might be thought that an increase of perhaps 25 per cent over 5 years in women's earnings in relation to men's would lead to substantial changes in the patterns of employment, with possible implications for the level of industrial efficiency. The introduction of S.E.T. in 1966 which raised relative labour costs in services by considerably less than 25 per cent immediately reversed the continuing upward trend in employment in the taxed sectors. Although the introduction of equal pay would be spread over a longer period, it would be unwise not to expect some check in the growth of employment opportunities for women. The extent of such a check is a matter of conjecture but there are grounds for thinking that it would not lead to a substantial increase in unemployment.

49. In principle one would expect employers to react to the higher rates of pay for women in two ways:

(a) by being more ready to employ men in jobs which are now carried out largely by women
(b) by raising the output of female labour and, in particular, by substituting capital for women's labour especially in labour intensive jobs, e.g. introducing new packing machinery in factories, or speeding up the change to self-service in retail distribution.

50. The first reaction - replacing women by men - would be significant if, generally speaking, female workers were less productive than male workers and the present differences in pay were a reflection of this fact. Then, the equalisation of pay might be expected to result in an increase in men's employment and a decrease in women's employment. The evidence from industries in this country which have introduced equal pay and from experience in Western Europe does not suggest that this will in fact happen to any important extent. In other words, women's pay in the great majority of cases is held artificially low by conventional factors in the process of pay settlements.

51. It is about the second reaction that there is most uncertainty. It seems likely that the rise in women's pay would make profitable some mechanisation which at present is not quite worth undertaking and some firms in the sample enquiry said this would happen. While this would mean some loss of resources only a small proportion of any labour so released would register as unemployed.
52. In general the increase in labour costs should not be so large as to drive many firms out of business. There may be a few exceptions to this. (A few clothing firms may face increases in total labour costs of 30 per cent.)

53. Inquiries made in Western Europe in 1966 indicated that the countries concerned had not observed any significant effects on employment or unemployment of women during the introduction of equal pay, though progress towards the full implementation of equal pay in most of these countries seems to have been slower than we are envisaging in the United Kingdom.

54. A rise in women's pay might be expected to result in an increase in the number of women seeking employment. Here again there is no observable information one way or the other. Some employers believe that married women have a "target" for their earnings and are likely to seek to reduce their hours of work if they can reach it more easily as a result of equal pay. On the other hand, it can be argued that higher earnings will make it more worthwhile for married women to incur the costs involved in work (travelling costs, domestic assistance, etc.), or will increase the reluctance of married women to leave employment because of the larger drop in family income which would follow.

55. On balance the probable effects on employment seem unlikely to be significant in the economy as a whole, though the overall effect is likely to be an increase in the number of women available for employment and decrease in the growth of job opportunities.
56. Although the previous section suggests that in general the effects of equal pay on the employment of women are unlikely to be significant it is necessary to consider whether there are likely to be special problems in the Development Areas. It is in these Areas if anywhere that the classical response to a rise in the cost of labour is likely to be seen.

57. Since unemployment levels are significant in these Areas the possibility of substituting male for female workers is more real than in other parts of the country. Moreover, any woman displaced would be less likely to find another job, particularly since opportunities for female labour are generally less and the activity rate for women in some of these Areas is below the national average of 40 per cent (Wales 30 per cent, Northern 35 per cent). And if firms go out of business altogether the workers - both men and women - would be less likely to find new jobs.

58. The Department of Economic Affairs has therefore examined whether there are industries in the Development Areas whose costs are likely to be particularly seriously affected by the introduction of equal pay. These seem likely to be industries which employ in the Development Areas an above average proportion of the female labour force and which are also likely to find a particularly substantial effect on their costs arising from equal pay. In the Northern Region, clothing manufacture, retail distribution and hotels and catering come within this group. Although it is perhaps unlikely that many firms even in these industries would actually be forced out of business by the higher costs associated with equal pay there could well be some shedding of female labour from these industries. In Wales and Scotland there is also an above average proportion of women employed in distribution. Here again moves to self service and other economies in labour could be speeded up.

59. There is no special reason to think that firms in Development Areas are on balance less profitable or less efficient than those elsewhere. Nor do they seem more likely to be forced out of business, nor to drastic labour economies than firms in other parts of the country. The D.E.A. therefore do not consider that there is likely to be any greatly disproportionate effect upon employment in Development Areas from the introduction of equal pay. If, however, firms do reduce the number of women employed it is possible that they will find it more difficult to obtain other jobs in Development Areas.
than elsewhere. However, even this could be offset by the fact that there are likely to be increased opportunities for the employment of women in Development Areas over the next few years. The number of jobs available to women is expected to increase by over 5 per cent in Development Areas between 1966 and 1975 whereas in other parts of the country the increase is negligible.

60. There has been no suggestion from enquiries made in western Europe that the introduction of equal pay has been accompanied by any special problems in female employment in areas corresponding to the Development Areas in this country.

61. On the whole, the effect of equal pay on employment in the Development Areas is unlikely to be significantly different from the effect elsewhere in the country.

G. Effects on social security system
The introduction of equal pay will have certain direct effects on the social security system; and may have indirect effects. For practical purposes it has been judged best to assess these effects on the situation as it will be after the new earnings-related pensions and social insurance schemes planned for 1972 have been introduced.

Under the new schemes all women including all married women in employment will be paying about 6\(\frac{2}{3}\) per cent of their earnings in contributions. And their employers will be paying a contribution (including Redundancy Fund payments) of about 6\(\frac{2}{3}\) per cent of their total pay roll.

If women's earnings increase by 25 per cent following equal pay and their employer's total labour costs by 5 per cent, there will therefore be an additional increase in total wage and salary costs due to increased employers' contributions to the National Insurance Fund of \(\frac{3}{4}\) per cent.

The total amount of earnings-related benefits drawn by women from the Fund will be increased. However, in the short-run at any rate, the D.H.S.S. would expect increased contributions (by women and their employers) to offset the increase in payments.

The rise in prices following from the cost of equal pay will require some additional increases in the rate of benefits to maintain their purchasing power (an extra 4 per cent over 5 years). The changes would not in themselves be so large as to lead to a real risk that benefits would have to be raised more frequently than at two-yearly intervals.

A possible effect of equal pay would be pressure for an increase in family allowances (and/or children's tax allowances) to improve the household incomes of married men with children who will be relatively worse off as a result of equal pay. There are other possible consequences, but so far as can be foreseen they are of a minor nature.
### Effects on the distribution of income between families

68. An increase in the earnings of women relative to men means that a larger proportion of the increase in national income will accrue to those families with women workers, and a smaller proportion to families with only a male breadwinner.

69. Since equal pay will be introduced over a five year period during which the level of earned incomes will probably rise by 15% in real terms, there is no reason why any sections of the community in receipt of earned incomes should actually be worse off. But some will be less well off than they otherwise would be.

70. An attempt to assess the magnitude of the possible switch involved has been made on the following assumptions:

- (a) that earnings of women rise on average by 25%
- (b) that the total wage bill rises by 5%
- (c) that this leads to a price rise of 4%

Rough estimates of the numbers of households with various combinations of wage-earners have been made on the basis of a small sample from the Family Expenditure Survey. The following table shows the changes to be expected as compared with the position without equal pay. The position of households with female workers will differ according to whether they have already got equal pay or not. Ones with equal pay will be in the same position as households with only male workers.

<table>
<thead>
<tr>
<th>Number of Households</th>
<th>Increase in Income</th>
<th>Reduction in Purchasing Power due to Price Increases</th>
<th>Net Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Households with male workers only</td>
<td>6.9</td>
<td>Nil</td>
<td>4%</td>
</tr>
<tr>
<td>Households with 1 male and 1 female worker *</td>
<td>4.9</td>
<td>Average 8% (range nil to 12%)</td>
<td>4%</td>
</tr>
<tr>
<td>Households with female workers only</td>
<td>1.6</td>
<td>Average 25% (range nil to 35%)</td>
<td>4%</td>
</tr>
<tr>
<td>No workers</td>
<td>3.1</td>
<td>Nil</td>
<td>4%</td>
</tr>
</tbody>
</table>

* There are also 1.7 million households with male and female workers in proportions other than 1:1. They will be affected by equal pay to varying degrees depending upon the proportion of male to female workers.
71. More households will be worse off than will be better off. However, households with male workers only will not actually be worse off in 1975. They will, in fact, be about 11% better off than in 1970. But the rise in their standard of living will be only about 2 per cent a year instead of 3 per cent a year.

72. The households with no workers are mainly old age pensioners, widows and the unemployed. Perhaps 85 per cent of them will be largely dependent on social security payments; and these would presumably be raised to cover the increase in the cost of living. They would not therefore be worse off in practice. However, the increase in benefits would have to come out of the incomes of other groups and would reduce other household incomes by $\frac{5}{3}$ per cent over this period. Households with no workers, which are mainly dependent on occupational pensions, would suffer the full impact of the 4% general rise in prices.

73. Many forms of financial assistance from national and local government are means-tested, e.g. rent and rate rebates and school meals. Eligibility for these is, of course, affected by increases in earnings arising from all sources. But an increase in women's earnings would particularly affect households where women were the sole earners.
I. Effects on incomes policy

74. The next incomes policy White Paper will have to take into account any immediate national programme to implement equal pay. The main question which arises is whether equal pay increases should be kept within the norm of 3½% or allowed to be superimposed on it. If the introduction of equal pay were phased over a five-year period, the increase in the annual wage and salary bill would be equivalent to an increase of 1½% in each of the five years on this account alone. This is an amount which could be expected to fully offset the estimated dampening effects on earnings of incomes policy, at any rate as it has operated in the past.

75. In order to avoid the inflationary effects of equal pay, it would be necessary to reduce other increases to men and women allowed under the incomes policy below what they might otherwise have been. Three possible alternatives would be:

(i) to reduce the norm to 2½ per cent in which case increases on equal pay grounds could be allowed on top of the norm, i.e. equal pay would be a criterion justifying above norm increases.

(ii) to retain a norm of 3½ per cent but to insist that equal pay increases must come out of the norm, i.e. the increases granted by an employer to his men and women employees must not in total, in the normal case, exceed 3½ per cent. There would be no criterion justifying above norm increases on equal pay grounds. This is open to the obvious objection that it would not provide for the position of industries and firms where the introduction of equal pay is going to add more than 5 per cent to their total wage and salary bill.

(iii) to compromise and reduce the norm to 3 per cent, equal pay increases providing justification for above norm increases.

From the point of view of the incomes policy as such even a norm of 3½ per cent will not be easy to hold and obviously the difficulty would be enhanced with a norm of 3 per cent.

None of these possibilities seem to be practical; the introduction of a norm of 2½ or 3 per cent for men, whether implicit or explicit, is probably out of the question in the current incomes policy climate. The T.U.C. have already made it clear that they reject any abatement in increases for men on account of equal pay. In the 1969 T.U.C. Economic Review (p.43) there is the following passage on one of the factors which would make a settlement above the normal level suggested by the T.U.C. acceptable:

//n(d)
"(d) where substantial progress is sought towards the establishment of equal pay: the General Council will expect this item to be distinguished from other parts of the claim and will treat each part on its own merits."

Moreover, some groups of workers may reject equal pay outright, and any imposed abatement of increases for men in these cases might lead to industrial disruptions. The balance of probabilities is, therefore, that the inflationary consequences of equal pay will in practice have to be accepted in full.

76. The introduction of equal pay would have other possible implications for the incomes policy:

(i) an announcement that a phased programme for implementing equal pay was to be introduced might add to the impression of a weakening of the incomes policy in the next phase and make it that much more difficult to ensure that increases in incomes generally were subject to restraint.

(ii) to the extent that men seek to maintain their differentials as women's pay is increased, settlements will be that much larger than they might otherwise have been. If a few important settlements were to be affected in this way, they could set the tone for a rather higher level of increase across the whole economy.
CABINET

NORTHERN IRELAND

Note by the Secretary of the Cabinet

By direction of the Prime Minister I circulate the text of the Communique issued after the discussions on 27th and 29th August between the Home Secretary and Ministers of the Northern Ireland Government.

(Signed) BURKE TREND

Cabinet Office, S.W.1.

2nd September, 1969
COMMUNIQUE

During his visit to Belfast, the Home Secretary, Mr. James Callaghan, was invited to attend two meetings with the Northern Ireland Cabinet, on 27th and 29th August; at the second meeting the Home Secretary was accompanied by the Minister of State, Home Office, Lord Stonham.

2. Her Majesty's Government in the United Kingdom have reaffirmed the pledges previously given that Northern Ireland will remain a part of the United Kingdom as long as its Parliament and people so wish, and have assured the Northern Ireland Government that this position is unaffected by recent events.

3. The Home Secretary noted two measures already taken as being of particular importance in the restoration of confidence: the establishment in pursuance of Resolutions by the Northern Ireland Parliament of a tribunal of inquiry under the chairmanship of Mr. Justice Scarman to enquire into the recent grave disorders; and by the Northern Ireland Government of an Advisory Board, under the chairmanship of Lord Hunt, to examine the recruitment, organisation, structure and composition of the Royal Ulster Constabulary and Ulster Special Constabulary and their respective functions; and to recommend, as necessary, what changes are required to provide for the efficient enforcement of law and order in Northern Ireland. The necessity for an early report was emphasised on both sides.

4. The Northern Ireland Ministers reported to the Home Secretary on the progress being made with the reforms already announced. They informed him that in addition to legislation already passed to establish a Parliamentary Commissioner in Northern Ireland, they intend to introduce legislation to establish machinery for the investigation of citizens' grievances against local authorities or other public authorities. This legislation would embody, as an ultimate sanction, provision for remedies in the courts. They explained that the points scheme for the allocation of local authority houses was now in operation in all local authority areas pending consideration by the Minister of Development of the comments of particular authorities on the application of such schemes in their areas. Thereafter the Minister would approve permanent schemes only if they were based on this principle.

Attention was drawn to the Northern Ireland Government's White Paper on Reshaping of Local Government Reform published in July which embodied firm proposals for the designation by an independent body of the electoral divisions within the new local government areas. The latter proposal will be implemented by legislation this Session.

-1-
The Home Secretary also noted the Northern Ireland Government's decision to introduce legislation to set up a Community Relations Board to promote good relations between all sections of the community. Half the members of the Board would be Protestant and half Roman Catholic.

5. Recognising as they do the need to maintain the momentum of reform, Northern Ireland Ministers intend to consider the accelerated recall of Parliament to press on with measures which are now being prepared, with a view to their early enactment.

6. The Northern Ireland Ministers informed the Home Secretary that apart from four persons who were being charged with criminal offences all detainees had been released.

The Home Secretary informed the Northern Ireland Cabinet that the United Kingdom Government had agreed to make a grant of £250,000 in order to relieve the present distress in Northern Ireland. It will be used:

(a) To relieve the immediate distress of individuals by providing clothing, food, medical care and essential furniture (e.g., beds, bedding and cooking utensils).

(b) To spread the money as far as possible to satisfy the most urgent needs.

(c) To provide a small cash grant where provision in kind is not appropriate.

The grant will take the form of a contribution to the Ulster Innocent Victims Appeal Fund.

7. In their discussions Ministers had very much in mind the affirmation in paragraph 6 of the joint Declaration made at Downing Street on 19th August, of the entitlement of every citizen of Northern Ireland to the same equality of treatment and freedom from discrimination as obtains in the rest of the United Kingdom, irrespective of political views or religion.

8. It has been agreed that effective action in the following fields is fundamental to the creation of confidence:

(i) Equality of opportunity for all in public employment, without regard to religious or political considerations.

(ii) Protection against the incitement of hatred against any citizen on the grounds of religious belief.
(iii) Guaranteed fairness in the allocation of public authority housing, with need, assessed by objective criteria, as the only relevant yardstick.

(iv) Effective means not only for the investigation of grievances against public bodies, but for their ultimate redress if conciliation and other procedures are ineffective.

(v) Proper representation of minorities, to be assured at the elected levels of government by completely fair electoral laws, practices and boundaries, and at nominated or appointed levels by a recognition that such minorities have a right to an effective voice in affairs.

9. The Government of Northern Ireland have accordingly sought the co-operation of the Home Secretary in setting up joint working parties of officials of the two Governments to examine the extent to which the Government of Northern Ireland's present practice or pledged commitments adequately ensure

(i) the fair allocation of houses by public authorities;

(ii) the avoidance of any discrimination in any form of public employment; and

(iii) the promotion of good community relations by methods including the prohibition of incitement to religious hatred

and to report to the Government of Northern Ireland within a matter of weeks.

10. To mark the great importance he attaches to the promotion of good community relations the Prime Minister of Northern Ireland has intimated his intention to designate a Minister with special responsibility for that subject.

11. At the request of the Northern Ireland Government a mission of representatives from United Kingdom Departments concerned with economic and social affairs (including the Ministry of Technology, the Board of Trade and the Department of Economic Affairs) will visit Northern Ireland at a very early date to assess the economic and industrial prospects in the light of recent events.

12. The Home Secretary assured Northern Ireland Ministers of the readiness of himself and his colleagues to help in any way possible in any steps that would lead to a better life for the whole community in Northern Ireland, and to an elimination of the root causes of many of the grievances which have been expressed.
13. The Home Secretary joined with the Northern Ireland Cabinet in appealing to all citizens of Northern Ireland to use their influence to restore harmony between all sections of the community in the interests of the well-being and prosperity of the Province. The Home Secretary said that speedy implementation of the reforms already announced and action following the further studies would go far to reduce tension and restore confidence and deserved a co-operative response from all sections of the community in Northern Ireland.

14. The Home Secretary readily accepted the invitation of the Northern Ireland Cabinet to pay another visit to Belfast in mid-October for discussion of the conclusions reached by the working parties and of the action to be taken as a result of the report of the Advisory Board on the police.

29th August, 1969
C(69) 115

3rd September, 1969

CABINET

NATIONAL NEWSPAPER PRICE INCREASES

Memorandum by the President of the Board of Trade

Under the Early Warning arrangements, the Board of Trade have received notifications of proposed increases in the prices of The Times, the Sunday Express, the Daily Express, the People, the Sunday Mirror and the Daily Mirror.

2. The details of the proposals, the background to them and our assessment of them are set out in the Annex to this memorandum.

3. Three possible courses of action are set out in paragraph 11 of the Annex. I consider the effective choice lies between course (a) and course (c). Course (b) would not be reasonable in relation to The Times; indeed, if we took it I think we could be criticised for penalising past price restraint.

4. The balance of the arguments lead me to support course (a). I will explain more fully why I have come to this conclusion at the Cabinet meeting on Thursday, 4th September.

C.A.R.C.

Board of Trade, S.W.1.

2nd September, 1969
The Board of Trade have received Early Warning notifications from three national newspaper publishers:

(a) **Times Newspapers:** The Times from 6d. to 8d. in September 1969 and to 9d. early in 1970.

(b) **Beaverbrooke Newspapers:** The Sunday Express from 7d. to 8d. on 7th September 1969 and the Daily Express from 5d. to 6d. on 1st January 1970.

(c) **I.P.C. Newspapers:** The People and the Sunday Mirror each from 7d. to 8d. as soon as possible and the Daily Mirror from 5d. to 6d. after 1st March 1970.

2. The reasons for these proposed increases are as follows:

(a) **The Times** is running at a loss. Its present price of 6d. was established in November 1964. Since then, costs have risen greatly and the paper itself has been changed and expanded. Management has concentrated on expanding circulation (which has risen from 256,000 in 1964 to 437,000 in the first half of 1969). An increase to 7d. was notified in the general round of newspaper price increases that followed devaluation and we said we would raise no objection; in the event, Times Newspapers did not implement the increase. The Times is currently running at an annual deficit of about £2m. and further increases in costs are imminent (for labour from September 1969 and for newsprint from January 1970). The annual increase in revenue of The Times from increasing the price to 8d. would be £624,000 and to 9d. about £900,000. There will still be a large deficit and management do not expect to get out of the red before 1972. Meanwhile, circulation is still rising steadily and management presumably judge that they can charge a more realistic cover price without reversing this trend which has been their priority target.

(b) **Beaverbrooke Newspapers:** The trend of profits in relation to turnover has been declining and a further sharp decrease is foreseen because of further rises in costs. For the year ended 30th June 1969, on a gross income of £48,258,000, profit was £1,725,000 before tax and £863,000 after tax. The company have reviewed their forecasts for the year 1969/70 and, against gross income of £51m., it seems profit before tax may not exceed £1m. Cost increases of £1.6m. include £0.5m. and £0.39m. for the wage awards effective in September 1968 and 1969. The gross revenue to Beaverbrook (in a full year) from the proposed increases would be about £400,000 from the Sunday Express and about £2.5m. from the Daily Express. The current average circulations are Sunday Express 4,235,326 and Daily Express 3,731,673. These are both fairly static; over the past couple of
years, the Sunday has gained a little and the Daily has lost slightly more.

(c) I.P.C. Newspapers: This notification refers to price rises designed to yield an annual increase in income of £4m. of which approximately £1m. is earmarked for increases in the cost of newsprint, national insurance rates, etc., and £1.2m. for losses in the first year of the Daily Mirror colour magazine (which is being introduced in September 1969). In addition to noting the provision for these specific items, I.P.C. refer to the financial implications of their policy of becoming less dependent on advertising revenue and the need for adequate profitability to maintain and continue their research and development on new printing methods. The notification also refers to early capital costs of £1m. in respect of the People (and Sporting Life) consequential on the closure of the Sun. The current average circulations are the People 5,455,372; the Sunday Mirror 5,008,731 and the Daily Mirror 4,924,157. These are all large circulations; as expected, they went down a little when prices were increased in 1968. I.P.C. also say that, short of some material change, they would not expect to apply for further price increases before the summer of 1971.

The national newspaper industry

3. The position and problems of the national newspaper industry are well known and have been the subject of many investigations. There have been two Royal Commissions since the war, the Survey by the Economist Intelligence Unit in 1966 (initiated by the industry itself) and a Report by the N.B.P.I. in 1967 (Cmd. 3435). Although the inefficiency of the industry (particularly in the under-use and overpayment of labour) has been repeatedly highlighted, attempts to improve the position have not achieved much. At the same time, there is widespread concern over the maintenance of an adequate range of national newspapers; many devices, involving intervention by Government in various ways, have been canvassed but the conclusion so far has always been that these devices would cause more problems than they would cure. There has been considerable support for the proposition that the national newspapers would be less vulnerable if their selling prices were higher, so that they were less dependent on advertising revenue which is liable to fluctuate with the economy.

The proposed price increases

4. The notifications we have now received need to be considered on their own merits and in relation to the industry generally. The proposed increase in the price of The Times does not seem really open to criticism on grounds of prices and incomes policy. If the newspaper industry generally could be more successful in containing labour costs, this would - in time - do something to reduce the costs of The Times. But any such saving would be small compared with the deficit at which The Times is currently running. This deficit is a result primarily not of excessive production costs but of management's deliberate
marketing policy of selling a greatly improved product at an old price, in order to increase the foothold in the market. Management believes that it has now reached a point where it can raise the price to a level which, while still incurring a loss, will be rather more realistic. The important judgment for them is that they believe they can do this without impairing the growth of circulation. (The experience of increases by other quality newspapers - The Financial Times' 2d. in 1967 and The Guardian's 1d. in 1968 - would appear to support their judgment.) If it is decided not to object to an increase in the price of The Times to 8d., one corollary should be noted. The Guardian, which also sells at 6d. and runs at a loss, might decide to follow suit; there would presumably be no grounds for objection - and, indeed, the increase might materially strengthen The Guardian's situation.

5. The case of Beaverbrook Newspapers is not so clear-cut. The information they have submitted shows their need for additional revenue; the scope for economies from increased efficiency is relatively greater - but it is unrealistic to think these could be achieved in the short term, which is where Beaverbrook now need some relief. There is a gap of over three months between the dates of their two proposed price increases. Unless we are prepared to try to hold up Beaverbrook's altogether, we could consider dealing with the two notifications separately.

6. The case of I.P.C. is more difficult. Their purpose is not to reduce a deficit (as with The Times) or to try to get quick relief (as with Beaverbrook). In their financial year ending February 1969 profitability in the I.P.C. Newspaper Division was substantially greater than before. Because of increased costs, the current year's profit was expected to show a reduction of about £1m. We are seeking further information but on the face of it this notification suggests that the increases in price are designed to raise profitability above last year's high level. Three points stand out:

(i) Although, in the short term, the relief from closure of the Sun will be counterbalanced by redundancy payments, reorganisation costs, etc., no mention is made of the long term relief to I.P.C.

(ii) The 1967 N.B.P.I. Report ruled against a price increase in the Daily Mirror because of the scope for cost containment; I.P.C. do not mention current efforts to this end.

(iii) The hint of further price increases in the summer of 1971 is not encouraging.

7. The questions for decision are whether these price increases should be allowed or whether there should be a reference to the N.B.P.I. Three things are clear. First, the lack of room for manoeuvre when one is dealing with price increases as small as one penny. Secondly, the difficulty of raising no objection to increases by some but trying to restrain others. I.P.C. certainly have room for further cost containment but so have
others. If we were to restrain I.P.C., because they are more profitable, and the prices of I.P.C.'s populars were not raised, it is doubtful whether Beaverbrook and others could in practice raise the prices of their populars, at least without risking circulation. Thirdly, if all the current notifications go through, it would not be reasonable to worry about others. In practice, of the popular Sundays only the News of the World would remain; and of the dailies only the Daily Mail and the Daily Sketch - and the Daily Telegraph. (If the Sun is reborn, its new management will presumably be free to decide on a starting price.)

8. If there is a reference, various alternatives are possible. The Times could be allowed to go up to 8d. with the further 1d. depending on the N.B.P.I.'s Report. Beaverbrook and I.P.C. could be allowed to put up their Sundays, with the dailies depending on the N.B.P.I.'s Report. If this were done, the increases which the applicants consider it commercially necessary to introduce quickly would go through, leaving the 1970 price increases (and indeed the overall positions of the newspaper groups) for study in depth by the N.B.P.I. before a decision need be taken on these later increases.

9. The arguments for making a Reference are:

(a) A Reference would provide another opportunity for highlighting the continuing failure of the national newspaper industry to contain increased costs and to take effective steps to reduce its own notorious inefficiency. In making the Reference, the Government would demonstrate that they were not conniving in this deplorable situation. If the Report came down against all or any of the price increases, their implementation could be deferred; eleven months from the Reference - i.e. until July 1970 - is the longest deferment we could impose under our Statutory Powers. (Since the Daily Mirror increase is in any case not proposed to be made before 1st March 1970, we could at best delay it only for a few months.)

(b) A Reference would keep up the pressure to improve efficiency in the industry. Perhaps a more effective opportunity was missed when it was in the end decided not to make a Reference on the wage agreements which are now having their effect; but the Reference could be framed so as to direct the N.B.P.I.'s attention to the question of whether these agreements were reaping commensurate increases in increased productivity.

(c) The publishers' cases are not, at any rate so far, clear-cut. The information so far submitted by I.P.C. is incomplete; as it stands, it does not demonstrate that the whole of the proposed increases are necessary, in terms of the prices and incomes criteria, to meet unabsorbable increases in costs and to finance future development. Beaverbrook clearly need some increased revenue to improve liquidity and finance development. (The case of The Times is unusual and it would be very difficult to object to it.)
10. The arguments against making a Reference are:

(a) There is nothing new that the N.B.P.I. could say, after all the reports there have been about this industry. There is no real reason to think that any more notice would be taken if the N.B.P.I. said it again, particularly by the Unions who show no real intention to abandon their entrenched positions of overmanning and high earnings. (We understand the recent efforts of the D.E.P.'s Manpower Productivity Service to stimulate greater efficiency following the 1967 pay and productivity agreements have been able to achieve little.)

(b) There are some risks that the N.B.P.I.'s Report could be positively embarrassing to us. Their 1967 Report laid emphasis on newspapers getting their costs down before putting their prices up. This is of course the priority we would all prefer. But, in paragraph 57 of their Report, the N.B.P.I. added the recommendation that, if the industry did start to come to grips with the problem, the Government should contribute by special contributions towards the costs of redundancy payments and retraining. This proposal to single out an industry for extra financial assistance on grounds of its exceptional inefficiency was unacceptable, and would obviously have raised problems in relation to other, more efficient, industries. We were able to side-step the recommendation because the whole situation was overtaken by devaluation, when increases in newsprint costs made higher newspaper prices unavoidable. But it would be awkward if the N.B.P.I. reverted to this recommendation. Further, there are the various other devices which have been canvassed involving Government intervention in the national newspaper industry (some with financial implications). We - and the majority of vocal opinion - have come down against these devices. The N.B.P.I. have already shown some interest in these (see paragraphs 58 and 59 of their Report) and it would not be helpful if they now embraced one or other of them; and, if they did, attention would be diverted from the inescapable need for the industry to put its own house in order.

(c) There has been some pressure on the Government - renewed since I.P.C. decided to drop the Sun - to intervene in the national newspaper situation or at least to set up a Royal Commission or other Inquiry. We have said there is nothing new to enquire into. If we make a Reference on price increases, it could be said that, having declined to intervene positively, we were now obstructing the industry in taking one course open to it to strengthen its financial basis, i.e. by working towards a position of greater dependence on circulation revenue and less dependence on advertising revenue, which is liable to fluctuate with the economy.
11. There are three possible courses:

(a) To inform Times Newspapers, Beaverbrook and I.P.C. that we would raise no objection to their proposals. (A corollary would be that we would let other applicants through.)

(b) To make a further Reference to the N.B.P.I. on costs and revenue of national newspapers and to ask Times Newspapers, Beaverbrook and I.P.C. to withhold their proposed increases pending the Report. We would presumably use our Statutory Powers to freeze prices if this request was not met voluntarily.

(c) To make such a general Reference but not to delay dealing with individual notifications on their merits where these are clear. The Times would be allowed to increase its price to 8d. but would be asked not to go up to 9d. pending the N.B.P.I.'s Report. (The Guardian, if it applied, would similarly be allowed to go up to 7d. or 8d.) Beaverbrook and I.P.C. might be allowed to increase the prices of their Sundays. The Reference would be given substance by asking Beaverbrook and I.P.C. to await the Report before increasing the prices of their dailies. Since these increases are scheduled for January and March 1970, we could hope this request would be met voluntarily.
9th September, 1969

CABINET

ARRANGEMENTS FOR PARTIAL CONTRACTING OUT OF THE
NEW EARNINGS-RELATED PENSION SCHEME

Memorandum by the Secretary of State for Social Services

The attached joint paper by officials of my Department and the Treasury gives the factual background to two very important issues concerning the arrangements for partial contracting out ("abatement") to be made in the new earnings-related scheme: the level of abatement of the employee's State pension; and the terms of abatement - that is, the corresponding reduction in his and his employer's percentage contributions. To keep to our timetable for the Bill, on which depends the target date of April, 1972, for the start of the scheme, we need firm decisions on these two points by the end of September. Between now and then, I have promised a final series of meetings with the pension interests and other main organisations concerned. In view of this tight timetable I have to ask the Cabinet now for authority to settle the main abatement figures to be included in the Bill.

2. In our White Paper (Cmnd. 3883) we promised "partnership" with occupational schemes. The abatement arrangements are crucial here. Many employers with occupational schemes will have to choose between contracting out and seriously cutting back, or in some cases winding up, their own scheme. The abatement provisions must enable a sufficient proportion of them to contract out at a worthwhile level, with a reasonable assurance that they will not lose thereby. If this were not done, the insurance companies and others would be able to mount an effective attack by accusing us of deliberately wrecking occupational schemes and damaging an important source of the nation's savings; and both our own credit and the viability of the new scheme could be severely weakened. The Opposition have indicated that their attitude to the whole scheme will be determined primarily by the abatement provisions.

3. As the officials' paper shows (paragraph 6), a pension abatement for men of 1 per cent of earnings a year should satisfy most of the main pension interests, though some would like more. It is on the terms for the corresponding contribution abatement that the main problem arises. Although the margins may appear small, a great deal is at stake.
consultative document issued to the interests in June, we proposed terms which, when applied to 1 per cent pension abatement, would give a contribution abatement in the region of 1.25 per cent a side. These terms have met with violent and almost universal protest, not merely from the life offices and the pension funds' representatives but also from, among others, the Confederation of British Industry, the nationalised industries, the local authority associations, the National Federation of Professional Workers and the National Association of Local Government Officers. The abatement proposals were also strongly criticised by speakers at last week's Trades Union Congress.

4. It would be inviting serious trouble to make no improvement whatever on the figure of 1.25 per cent a side contribution abatement. The life offices and others have asked for 1.5 per cent a side for 1 per cent pension abatement; but this is clearly too generous. I believe the objectively right contribution abatement for this level of pension abatement to be 1.3 per cent a side. This is slightly higher than the figure of 1.25 per cent a side which the Government Actuary, from his knowledge of the life assurance market, has advised would be appropriate with any "inducement factor" (paragraphs 13-15 of the officials' paper); and we should be able to quote that fact in support of our claim to be implementing the promise of partnership. Further support comes from the Government Actuary's rough estimates, quoted under "Case B" in the table in paragraph 16 of the officials' paper, which suggest that with 1.3 per cent a side we can expect the number of employees contracted out to be somewhat higher than under the present scheme; whereas with 1.25 per cent a side it would probably be lower. I should make it clear that neither I nor the Government Actuary regard as realistic the figures given under "Case A" in that table, since these are based on how the Treasury think the life assurance market ought to behave, rather than on the Government Actuary's assessment of how it will actually behave.

5. I must however warn my colleagues that the discussions with the representatives of the occupational pension interests will be delicate and difficult, and it is impossible to be certain in advance that the ideal settlement will be attainable. The "inducement factor" needed to make the terms acceptable to a sufficiently large proportion of the schemes clustered near the average (see paragraphs 13-15 of the officials' paper) is obviously a matter on which the Life Offices' Association and the National Association of Pensions Funds will claim to speak with expert knowledge and with authority. It may be that nothing below 1.4 per cent a side will secure even the acquiescence of the pension interests; and although terms as generous as this could be attacked as likely to result in excessive profits to many of those concerned with the more favourably placed occupational pension schemes, at the expense of the contributors in general, this risk may have to be weighed against the strength of the attack to which an abatement of no more than 1.3 per cent a side will be subjected.
6. There is an alternative approach which has attractions and which some at least of the pension interests might prefer. Many of the complaints about the consultative document's proposals have been directed to the smallness of the contribution abatement envisaged, on the ground that it would result in many employees either suffering an excessive total (occupational plus State) deduction from their wage packet or else having their occupational scheme seriously cut back. It would help to meet these complaints if we were to choose a level of pension abatement which enabled us to concede the full 1.5 per cent contribution abatement asked for by the life offices and others. At this higher abatement level I should not propose to include any "inducement factor" in the terms, both because the resulting amount of contracting out could be expected to put the National Superannuation Fund in difficulties and because it would swell the already considerable total profit which occupational schemes, or employers, would stand to make, at the expense of contributors generally. The terms would therefore be limited to those recommended by the Government Actuary, which at this higher level would produce 1.2 per cent pension abatement for 1.5 per cent a side contribution abatement. With these figures, the Government Actuary's Department have advised that, on the basis used for the "Case B" estimates in the table in paragraph 16 of the officials' paper, the estimated number of contracted out would be 5.7 million and the period of growth of the Fund (that is, the period before it would run into deficit) 5.7 years. (Like the other figures in the final column of the table, this figure is subject to possible downward revision when revised costings of the new scheme are complete). The latter is virtually the same as the period for 1 per cent pension abatement and 1.3 per cent a side contribution abatement.

7. I therefore seek the Cabinet's approval to discuss the abatement arrangements in confidence with the pension interests and other main organisations on the basis of a choice between:

(a) 1 per cent pension abatement and 1.3 per cent a side contribution abatement;

or

(b) 1.2 per cent pension abatement and 1.5 per cent a side contribution abatement.

8. I very much hope that if one of these two arrangements is put forward as the conclusion the Government has reached after considering the response to the consultative documents, and in the light of the advice of the Government Actuary, the opposition will not be strong enough to prevent us going forward confidently with the Bill. But, for the reasons explained in paragraph 5, I cannot exclude the possibility that the discussions will be even more difficult than I anticipate. If this
is so I may have to give my colleagues a further assessment of the position, particularly as to the arguments which will be used to demonstrate that the terms are too stringent, and the political damage which may result bearing in mind the stress which the pension interests will put on the social and economic value of occupational schemes.

R. H. S. C. 

Department of Health and Social Security, S. E. 1,

8th September, 1969
Memorandum by officials of Department of Health
and Social Security and Treasury
Arrangements for partial contracting out of the new
earnings-related scheme

Introduction

Chapter 5 of the White Paper on the new earnings-related scheme
(Par. 3883) outlined the proposed system of partial contracting out.
Paragraph 138 explained it as follows:

"The national superannuation contribution paid by contracted-out
employees, and that part of the employer's contribution
on earnings up to the employees' 'ceiling' ....would be at a lower
percentage than would be payable for employees in general. As
counterpart, there would be a deduction from the personal
retirement pension which the contracted-out employee would
receive under the State scheme. The occupational scheme would
be required to guarantee him a pension of at least the amount
deducted from his State pension."

The White Paper also proposed that there should be only one system of
contracting out, that contracting out should be restricted to part
of the employee's personal retirement pension (paragraph 133) and that
occupational schemes should not be required to match the State
scheme's weighted pension formula or twenty-year maturity (paragraph 132).
Detailed proposals for a single system of contracting out on this
basis were subsequently put to interested organisations in two
consultative documents; most of the principal interests have now
given their reactions. With the exception noted in the next
paragraph, the main framework of the proposed system has not been
seriously challenged.

The White Paper (paragraphs 140-141) left open the question
of who should provide the dynamic element on that part of the State
pension for which the occupational scheme took over responsibility.
Because many occupational schemes could not undertake the
open-ended commitment which index-linking would involve,
the consultative documents proposed that the abatement of State
pension and the pension to be guaranteed by the occupational scheme should be fixed in money terms, i.e. should not be subject to revaluation either before or after award. The improvements resulting from revaluation of earnings before award and any increases made after award would both be the responsibility of the State scheme. D.H.S.S. are in no doubt that a single contracting out system on this basis is the only practicable one. There was pressure from the Confederation of British Industries (C.B.I.) and the nationalised industries to allow suitable occupational schemes (i.e. those with pensions linked to final salary) to carry at least some of the pre-award improvements themselves, thus enabling them to take over responsibility for a larger part of State pension than would otherwise be possible; but after the practical difficulties of such a course had been explained, the C.B.I. indicated that they were prepared to continue discussions on the basis of a single undynamised system.

3. The main outstanding issues, discussed below, are -

(1) The level of abatement - that is, the amount of pension for which the occupational scheme will take over responsibility from the State scheme; and

(2) The terms of abatement - that is, the relation between the pension abatement and the consequential reduction in the employer's and employee's contributions.

These two matters are of vital importance. Together, they will determine not only how deeply occupational schemes are allowed to substitute for the State scheme but also the attractiveness or otherwise of the abatement arrangements to individual employers - and hence the number of employees who are contracted out.

4. There are particular difficulties in settling the abatement arrangements at the present time. The terms are very sensitive to the rate of interest to be assumed. The present historically high level of interest
rates results from a movement which has now lasted for over 20 years, and it is impossible to forecast with any precision what will happen between now and 1972 (the target date for the introduction of the new scheme). Partly for this reason, it is extremely difficult to guess what the effect of any particular level and terms of abatement would be, since the number of employees contracted out will depend on the individual decisions of many thousands of employers with occupational schemes and so will not be known until the new scheme begins. The higher the level of abatement allowed, the greater will be the loss of contribution income to the new scheme for a given number of employees contracted out; and the more generous the terms, the higher the number likely to be contracted out. A combination of a high level of abatement and generous terms could lead to a much larger number of employees being contracted out than the present 5½ million under the existing graduated pension scheme (out of a total of over 12 million members of occupational schemes). If contracting out of the new scheme took place on a very large scale the resulting loss of contribution income could even put the National Superannuation Fund into deficit from the outset of the new scheme, unless the contribution rates were increased beyond those proposed in the White Paper.

3. The figures for the pension and contribution abatements are needed for inclusion in the Bill, which is due to be introduced at the beginning of the coming Parliamentary session. On this timetable they must in fact be settled by the end of September, so that the Government Actuary can take them into account (on whatever assumption is to be made about the numbers who will then be contracted out) in preparing his financial memorandum on the Bill. The figures are also needed by employers with occupational schemes, before they can begin to make a proper assessment of the implications of contracting out. Many of them, in both the private and public sectors, will have an extremely difficult task, in
the time remaining before the new scheme begins, in working out and implementing their best way of adjusting to it. If they are to be ready by April 1972 they must very soon be given a firm basis on which to plan. For this reason alone, any suggestion of trying to make stringent terms more acceptable by undertaking to review them before the new scheme begins must be rejected. The Department of Health and Social Security are clear that the promise of such a review would carry no weight with the occupational scheme representatives, whose need is rather for firmness and stability, which some (though not all) of them would even rate as more important than the precise terms themselves.

**The level of abatement**

6. The consultative documents suggested that the level of pension abatement for men should not be set at more than about .8 per cent of earnings a year: that is, an employee's personal State pension (expressed as an annual amount) would be abated by at most about .8 per cent of his reckonable earnings in each year in contracted out employment. Although this figure was originally supported by both the Life Offices' Association (L.O.A.) representing insured occupational schemes, and the National Association of Pension Funds (N.A.P.F.), representing mainly self-administered schemes, subsequently they, and others including the Institute of Actuaries, the C.B.I. and the main pension brokers' organisation, have criticised it as too low to avoid substantial cut-back of occupational schemes, or too low even to make contracting out worth while at all to many employers. The L.O.A., the C.B.I. and the pension brokers have now all asked for 1 per cent pension abatement. The N.A.P.F. have asked for "the maximum practicable level", with a majority of their members wanting something higher than .8 per cent. The Association of Consulting Actuaries (whose members advise self-administered schemes, which include many of the larger schemes) have said that 1 per cent would be the minimum worth having, and they would like to see something like 1.5 per cent.
The nationalised industries have suggested that the figure might be as high as 1.8 per cent. The T.U.C. have not yet commented, but unofficially it is understood that they would welcome 1 per cent.

The arguments supporting .8 per cent as the maximum were more theoretical than practical (being concerned with the presentational problems of the pension expectation for younger employees in certain hypothetical circumstances). A higher figure would be of greater help to many occupational schemes in adjusting to the new State scheme and should help to gain acceptance for terms of abatement somewhat more stringent than the pension interests would like.

Moreover, on the sort of terms envisaged (see paragraphs 8 to 19) a pension abatement of .8 per cent would lead to a contribution reduction of little, if any, more than 1 per cent a side; and the smallness of this could not unreasonably be represented as a failure by the Government to carry out its pledge of partnership with occupational schemes through a worthwhile system of contracting out. There seems no good reason for stopping short of the L.O.A's. and C.B.I's. desired 1 percent, with which the N.A.P.F. are also likely to be broadly satisfied. The remainder of this memorandum is accordingly written on the assumption that the figure of pension abatement for contracted out men will be fixed at 1 per cent of reckonable earnings. (The corresponding figure for women will need separate consideration. Views on this subject differ among those who have commented on the consultative documents. An important factor will be the likely position of the National Superannuation Fund in the initial years, in the light of whatever decisions are reached on the abatement provisions for men.)

The terms of abatement

8. The White Paper said (paragraph 139) that the terms of abatement would be fixed so that "the total amount by which contributions were reduced - for employer and employee together - represented, on average, the commercial cost of providing the pension for which the occupational scheme was taking over responsibility from the State".
9. The problem of how to measure "average commercial cost". On this, the second consultative document said:

"It might be thought that the average commercial cost of providing a given amount of pension could be derived simply from the market rates available to those running pension schemes. The difficulty here is that the effective rates for the commonly used with-profits contracts are of their nature indeterminate. Non-profit deferred annuity contracts are a closer analogy to what is required, but they are mainly used by some of the smaller insured schemes and so represent no more than a small part of the total field. (Self-administered schemes work on something akin to a "with-profits" basis.) It follows that, while some regard can reasonably be paid to the market rates available, they do not provide a satisfactory basis for fixing the terms of abatement for contracting out as a whole. A special calculation, taking into account the accumulation of interest of an invested fund, mortality, and the age distribution and earnings of contracted-out employees is therefore needed to arrive at a representative figure for the cost of providing an amount of pension equivalent to a given abatement of the State pension."

10. The second consultative document said that, taking into account the intention that the terms of abatement should be reviewed every four years (or, where necessary, at the mid-point of any four-year cycle), the Government had concluded that, on a balance of the factors involved, a fair contribution abatement at the outset of the new scheme for a pension abatement of .8 per cent of earnings would be likely to lie in the region of 1 per cent a side. The corresponding figure for a pension abatement of 1 per cent of earnings (paragraph 7) would be a contribution abatement in the region of 1.25 per cent a side. The Treasury would regard this as adequate. D.H.S.S., on the other hand, regard 1.3 per cent a side as the lowest figure acceptable to them. The figure asked for by the L.O.A., the C.B.I. and the pension brokers is 1.5 per cent a side, which both the Treasury and D.H.S.S. agree is too high. The nationalised industries have however asked for even more favourable terms, which for 1 per cent pension abatement would produce a contribution abatement of nearly 1.7 per cent a side.
11. Although the range may appear narrow, a great deal is at stake. In 1968 money terms, each .1 per cent a side difference in the figure would mean about £15 million loss of contribution income to the State scheme, if the number of contracted out employees remained at the present 5½ million (though around 3 million of these are in public sector schemes, which would therefore share in any financial advantage). But the actual difference might be still greater, since the more generous the terms the larger the numbers of employees likely to be contracted out.

12. There can be no single right answer from the point of view of occupational schemes themselves, because of the wide variation in their size of membership, age distribution and profitability. About 50,000 of the total of 65,000 or so occupational schemes have less than 50 members, the great majority of these being insured schemes. Such schemes are likely to be more influenced by the precise terms, and their expected profitability or unprofitability, than are most of the larger self-administered schemes. Terms which were tolerable for the large self-administered schemes could be unduly stringent for most of the smaller schemes, taking into account their higher proportionate overheads and the need for some profit margin for the Life Offices which insure them. On the other hand, terms which made it worthwhile for most of the smaller insured schemes to contract out would inevitably be quite profitable for the large self-administered schemes. Wherever the terms are set, there will be some point along the spectrum beyond which a fair number of employers with schemes judge it better not to contract out, either because the particular age distribution of their employees would make it unprofitable (the older the employee, the more costly his occupational pension) or because they prefer not to incur the administrative complications. (Unfavourable age distributions will be particularly prevalent among smaller employers, because the age distribution of a small number of employees is more likely to depart markedly from the average than is that of a large number of employees.)
Two factors need to be distinguished -

(1) Terms suitable for "average" schemes, i.e. terms such that schemes with an average age distribution would be likely to find them just sufficiently attractive if looked at from a strictly commercial viewpoint.

(2) What may be called an "inducement factor". The purpose of this, bearing in mind the promise of partnership with occupational schemes, would be to weight the terms so as to make them sufficiently attractive for a proportion of schemes with a higher than average ratio of older members, and so as to offset the discouragement to contracting out caused to some employers by the administrative complications and expense.

On paragraph 13(1), the crucial factor is the rate of interest to be assumed on the investment of income from occupational scheme contributions. Not surprisingly, therefore, the occupational pension interests originally argued in favour of a very conservative assumption about the level of long-term interest rates. D.H.S.S., the Government Actuary and the Treasury are all agreed that the Life Office proposals were unrealistic, especially in view of the proposed frequent reviews of the terms in the light of changes in interest rates and other factors (paragraph 10). The question is what would represent a realistic rate. The current rate on long-term Government stock is now over 9 per cent, and in the Treasury's view the best assumption that can be made about the near future is that rates will continue at about this level (though it would be not too easy to say this in public). In the longer term, given continuing expectation of inflation and the likelihood that investors will continue to look for a real rate of at least 3 per cent, an interest rate of 6 per cent looks to the Treasury about the minimum. Making some allowance therefore for the possibility of a drop in rates over the next few years, a
case can be argued for basing the terms on 8 per cent in the short term and 6 per cent in the long term (case A). On the basis of these assumptions the Government Actuary has calculated that a contribution abatement of 1.15 per cent a side would be fair for the "average" scheme. Alternatively, assuming that the occupational pension interests might take a more cautious view of future interest rates, the terms might be based on a short-term rate of 7½ per cent and a long-term rate of 5½ per cent. (case B). On this basis the Government Actuary has calculated that a contribution abatement of 1.25 per cent a side would be fair for the "average" scheme. As between these two possibilities the Treasury consider that Case A is the more realistic assessment of probable future rates, while the Government Actuary considers that Case B is more likely to reflect the actual behaviour of the life assurance market. The Treasury and the Government Actuary agree that no lower assessment of future interest rates would be realistic.

15. The figures of 1.15 or 1.25 per cent a side are both before the addition of any inducement factor under paragraph 13(ii). The Government Actuary has advised that, because of the intensive clustering of occupational schemes within a small area on either side of the "average" scheme, a comparatively small inducement factor may have a substantial effect on the numbers contracted out (see the table in the next paragraph); and in his view an inducement factor of .05 per cent should be sufficient to bring in marginal schemes containing substantial numbers of employees. Adding .05 to the abatement derived from Case A would produce a contribution abatement of 1.2 per cent a side; in case B the abatement would amount to 1.3 per cent a side. The Treasury regard the former figure as adequate. D.H.S.S. however, regard the latter figure as the minimum. The Government Actuary would regard 1.25 per cent a side as fair terms for the "average" scheme without making any allowance for an inducement factor; and the Treasury would be prepared to agree to this figure as a compromise.
The Government Actuary has attempted rough estimates of the total number of employees who would be contracted out and the effect of the resulting loss of income on the National Superannuation Fund's period of growth, i.e. the period before the initial National Superannuation contribution rates (4½ per cent by employee; 4½ per cent, without an earnings ceiling, by the employer) will need to be raised. These are shown in the table below (which assumes that the contribution abatement will be the same for women as for men). The figures for the numbers contracted out are subject to a considerable margin of error, and those for the period of growth of the Fund, based on the costings in Cmnd. 3883, are subject to possible downward revision when revised costing are complete. With these qualifications, the table gives a broad idea of the estimated comparative effect of different contribution abatements, on alternative assumptions as to how the occupational pension world will assess the effect of the abatement terms: either that it will take a similar view to that of the Treasury as to future interest rates (case A in paragraph 14); or that the assumptions it makes on this subject will be as expected by the Government Actuary (case B in paragraph 14). For comparison, the number contracted out of the existing graduated pension scheme is currently about 5½ million, and can be expected to increase to perhaps 6 million by 1972.

Something between a further 2 per cent and 2½ per cent will be needed for social insurance benefits and national health service contribution - with an additional ½ per cent, by the employer only, for the redundancy payments scheme.

The extent of any such revision cannot be forecast at present, but the net effect of changes already known would probably be to reduce the period of growth of the Fund by rather more than a year.
Comparison of effect of different contribution abatements, assuming a pension abatement for men of 1 per cent of earnings a year

<table>
<thead>
<tr>
<th>Contribution abatement (a side)</th>
<th>Estimated numbers contracted out (millions)</th>
<th>Estimated years of growth of National Superannuation Fund (subject to possible downward revision)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Case A</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.25%</td>
<td>7.0</td>
<td>5.5</td>
</tr>
<tr>
<td>1.3%</td>
<td>7.4</td>
<td>4.6</td>
</tr>
<tr>
<td><strong>Case B</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.25%</td>
<td>5.3</td>
<td>7.8</td>
</tr>
<tr>
<td>1.3%</td>
<td>6.4</td>
<td>5.9</td>
</tr>
</tbody>
</table>

17. In support of their view that the contribution abatement should be not less than 1.3 per cent a side, D.H.S.S. maintain that -

(1) Employers who contract out will be taking on a definite and inescapable commitment to provide occupational pensions on certain terms, and they cannot be expected to do this unless there is a sufficient margin to encourage them to take the risk of loss. Once the decision to contract out has been taken an employer will not want the upheaval of unscrambling it because later events have made the terms less favourable than he expected. Provision for reviews of the terms can be no more than a partial answer to this.
The terms proposed in the second consultative document have met with violent opposition from the pension interests and other organisations, including the C.B.I., the nationalised industries, the local government associations, the National Federation of Professional Workers and the National Association of Local Government Officers (N.A.L.G.O.). Due allowance must of course be made for their desire to get the most favourable terms possible, by exerting whatever pressure they can; and this pressure must be expected to continue after the Government's decision has been announced. But to make no concession whatever on the terms, as would be the case with a contribution abatement of 1.25 per cent a side for 1 per cent pension abatement (the same ratio as the consultative document's figures of 1 per cent and .8 per cent respectively), would be likely to cause not only disappointment but genuine hostility.

It would hardly be possible, even if it were desirable, to avoid making public the Government Actuary's advice that 1.25 per cent a side would represent fair terms for the "average" scheme from an actuarial point of view, without any inducement factor. An improvement on that figure would therefore enable the Government to claim some credit for implementing the promise of partnership with occupational schemes. But with no improvement on it the Government would either have to admit that no inducement factor whatever was being added, which would expose it to a charge of breach of faith about partnership; or else it would have to say that the terms were based on assumptions which differed from the Government Actuary's advice on how the life assurance market could be expected to behave. That market customarily bases its calculations on a prudent view of long-term interest rates, a fact which cannot be disregarded in settling terms which the Government have undertaken will be "commercial". Whether rightly or wrongly,
the market may have different expectations from those of the Treasury, and cannot be expected to alter those expectations - which determine the premium rates for the whole of their business, and not merely for the slice required for contracting out - in order to make the abatement terms look attractive to employers. Further, as paragraph 14 makes clear, it could well be embarrassing if, in order to defend stringent terms, the Government were forced to give publicly the Treasury's expectations on future interest rates.

(4) On the basis of the figures under Case B in the table in paragraph 16, 1.25 per cent a side would lead to fewer employees being contracted out than under the present scheme. If these figures were to become public they would, again, either expose the Government to a charge of breach of faith or else have to be rejected by them.

18. The Treasury, on the other hand, maintain that -

(1) Given the proposed frequent reviews of terms, the market need not take an over-cautious view of long-term interest rates. On this basis a contribution abatement of 1.25 per cent a side would contain a sufficient inducement factor to enable marginal schemes to contract out, and should be quite adequate to ensure that contracting out remained on about the same scale as at present.

(2) Anything more than 1.25 per cent a side would be over-generous to the occupational scheme interests, or employers, at the expense of the generality of contributors who were not contracted out. These would be mostly lower paid workers, and the terms would thus be open to attack as amounting to redistribution in favour of the better off.

(3) The Government would not obtain any credit from conceding terms more favourable than those recommended by the Government Actuary. This could only prompt questions about the reasons for such a concession, and about who would benefit from it at the expense of contributors (or taxpayers) generally.
(4) In the event, the pension world will, in its own interests, wish to make the best of the terms offered, even though less generous than they may have hoped: so long as the terms offer any margin of profit to occupational schemes, or employers, they will be encouraged to contract out.

In settling the abatement terms, Ministers will need to decide how far they accept the views of D.H.S.S., or alternatively those of the Treasury.

Points for decision

Ministerial decisions are needed on the following points -

1. Whether the level of pension abatement for men should be 1 per cent of reckonable earnings a year. (Paragraph 7).

2. What should be the corresponding level of contribution abatement. (Paragraphs 8 to 19).
12th September, 1969

CABINET

PUBLIC EXPENDITURE: 1971-72 to 1973-74

Note by the Chancellor of the Exchequer

The Cabinet, at its meeting on 29th July (CC(69) 38th Conclusions, conclusion (17)), invited me to arrange for officials to prepare a report on Public Expenditure for 1971-72.

I accordingly attach their report which is circulated for information.

R.H.J.

Treasury Chambers, S.W.1.

11th September, 1969
Ministers have instructed us to carry forward work on public expenditure in 1971-72, revising the figures to take account of the reductions and increases agreed for 1970-71, so that decisions on 1971-72 may be taken in September (C.C.(69)38th Meeting, Conclusion (19)).

2. This Report is submitted to Ministers accordingly. It is set out in three stages:

(i) the expenditure (1) programmes as they now stand;
(ii) the economic objectives;
(iii) methods of eliminating the imbalance.

3. The report is primarily concerned with 1971-72, for which firm decisions are needed in the current Survey. It also looks forward to the last two years of the Survey period, 1972-73 and 1973-74, for which Ministers are asked to give broad guidance for planning purposes. As agreed by Ministers, and proposed in the April Green Paper on Public Expenditure (2), figures for all five years of the Survey period, with the two later years suitably differentiated, will be published in the first of the new White Papers on Public Expenditure before the end of the calendar year.

The Programmes as they now stand

4. Table 1 below gives the latest estimates for public expenditure in 1970-71 to 1973-74, and compares these with the estimates originally reported for the 1969 Public Expenditure Survey (SEP (69)64). The latest estimates for 1970-71 reflect the reductions in programmes which Ministers have already approved for that year (C.C.(69)38th Conclusions), together with some further (relatively small) changes reported by Departments since the Survey Report was completed. Similarly the estimates for 1971-72 and later years take in the consequential effects of Ministers' decisions on 1970-71, so far as these have yet been established (3), together with the other changes.

(1) This Report is throughout concerned with public expenditure, excluding debt interest.

(2) "The Government now propose that there should be published towards the end of each calendar year a White Paper, which will present to Parliament the results of the Government's consideration of the prospect for public expenditure." (Cmd. 4017, paragraph 5)

(3) For details see Table A.
**TABLE 1: PUBLIC EXPENDITURE 1970-71 TO 1973-74**

£ million at 1969 Survey prices

<table>
<thead>
<tr>
<th></th>
<th>1970-71 (as agreed)</th>
<th>1971-72 (the &quot;focus year&quot; for decision)</th>
<th>1972-73</th>
<th>1973-74</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CIVIL AND DEFENCE PROGRAMMES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) As returned in the 1969 Survey</td>
<td>16,934</td>
<td>17,546</td>
<td>18,025</td>
<td>18,692</td>
</tr>
<tr>
<td>Percentage increases:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual</td>
<td>(4.4)</td>
<td>(3.6)</td>
<td>(2.7)</td>
<td>(3.7)</td>
</tr>
<tr>
<td>Cumulative</td>
<td>(4.4)</td>
<td>(8.2)</td>
<td>(11.2)</td>
<td>(15.3)</td>
</tr>
<tr>
<td>(b) Changes since the 1969 Survey Report</td>
<td>-242</td>
<td>-79</td>
<td>-64*</td>
<td>-60*</td>
</tr>
<tr>
<td>(c) Latest estimates following Ministers' decisions on 1970-71</td>
<td>16,692</td>
<td>17,467</td>
<td>17,961*</td>
<td>18,632*</td>
</tr>
<tr>
<td>Percentage increases:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual</td>
<td>(3.0)</td>
<td>(4.6)</td>
<td>(2.8)</td>
<td>(3.7)</td>
</tr>
<tr>
<td>Cumulative</td>
<td>(3.0)</td>
<td>(7.8)</td>
<td>(10.8)</td>
<td>(14.9)</td>
</tr>
<tr>
<td><strong>NATIONALISED INDUSTRIES, ETC.</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) As returned in the 1969 Survey</td>
<td>1,552</td>
<td>1,565</td>
<td>1,638</td>
<td>1,737</td>
</tr>
<tr>
<td>Percentage increases:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual</td>
<td>(1.9)</td>
<td>(0.8)</td>
<td>(4.7)</td>
<td>(6.0)</td>
</tr>
<tr>
<td>Cumulative</td>
<td>(1.9)</td>
<td>(2.8)</td>
<td>(7.6)</td>
<td>(14.1)</td>
</tr>
<tr>
<td>(b) Changes since the 1969 Survey Report</td>
<td>-73</td>
<td>-103</td>
<td>+100</td>
<td>+100</td>
</tr>
<tr>
<td>(c) Latest estimates following Ministers' decisions on 1970-71</td>
<td>1,479</td>
<td>1,462</td>
<td>1,738</td>
<td>1,837</td>
</tr>
<tr>
<td>Percentage increases:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual</td>
<td>(-3.0)</td>
<td>(-1.1)</td>
<td>(18.9)</td>
<td>(5.7)</td>
</tr>
<tr>
<td>Cumulative</td>
<td>(-3.0)</td>
<td>(-4.1)</td>
<td>(14.0)</td>
<td>(20.5)</td>
</tr>
<tr>
<td><strong>TOTAL EXPENDITURE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) As returned in the 1969 Survey</td>
<td>18,486</td>
<td>19,111</td>
<td>19,663</td>
<td>20,429</td>
</tr>
<tr>
<td>(b) Changes since the 1969 Survey Report</td>
<td>-315</td>
<td>-182</td>
<td>36</td>
<td>40</td>
</tr>
<tr>
<td>(c) Latest estimates following Ministers' decisions on 1970-71</td>
<td>18,171</td>
<td>18,929</td>
<td>19,699</td>
<td>20,469</td>
</tr>
</tbody>
</table>

(4) These are intended to be projections of the cost of present policies. Broad guidance will be needed from Ministers for planning purposes.

* These figures reflect a provisional assessment of the consequential effects of the reductions agreed for 1970-71.

† These figures do not include any allowance for the possible consequential effects of the reductions agreed for 1970-71.
The Economic Objectives

5. The Report on the medium-term economic outlook (S.E.P. (69) 66) showed a prospective imbalance in the economy in 1971-72 amounting to between £250 million (in its Basic Case I) and £450 million (in its Basic Case II). That Report suggested that it would be appropriate for Ministers to base their consideration of the public expenditure programmes on Basic Case II. The present Report suggests that it would be consistent with the decisions which Ministers have meanwhile taken in respect of 1970-71, and with the latest view of the medium-term economic prospect, if Ministers were to take a middle line between the two Cases, for the purpose of deciding the public expenditure programmes for 1971-72. This Report therefore proceeds on the assumption that Ministers will wish to reduce expenditure by £350 million in demand terms.

6. In expenditure terms this implies reductions of between £400 and £500 million, the precise point within this range depending on the demand content of the particular reductions which Ministers eventually select. For practical purposes, in considering the reductions required in individual programmes, this Report takes a middle figure of £450 million.

7. Reductions of expenditure of this order would serve to moderate the rate of increase in the total of Civil and Defence programmes between 1970-71 and 1971-72, from the present estimate of 4.6% to a figure in the region of 3%. This is the total of expenditure in respect of which the Government has stated, as its planning assumption, that the rate of growth should be broadly in line with the growth of resources as a whole. Bringing in the nationalised industries, whose capital expenditure would fall slightly between the two years, overall public expenditure would show an increase between 1970-71 and 1971-72 of 2.7%.

Methods of eliminating the prospective imbalance

8. In planning for a reduction of £450 million in public expenditure, as compared with the programmes reported for the 1969 Survey, the following main aspects fall to be considered:

(a) the carry-through from the 1970-71 decisions (paragraph 9 below);
(b) an overall squeeze on expenditure (paragraphs 10 to 17);
(c) the Rate Support Grant negotiations (paragraph 11);
(d) the costed options identified for 1971-72 in the 1969 Survey Report (paragraphs 18 and 19);
(e) Social security (paragraph 19).

9. The carry-through from 1970-71: The effect of Ministers' decisions on 1970-71, together with the other minor changes reported since the 1969 Survey Report, has been to reduce the expenditure projections by £182 million - £79 million for Civil Programmes and £103 million for the nationalised industries.

10. Overall squeeze on expenditure: One method of approach, which Ministers may wish to consider, is an overall squeeze on expenditure of the kind which they have already applied to 1970-71. There should indeed
be greater scope for savings of this kind in 1971-72, than for the preceding year. Since 1971-72 - the "focus year" of the 1969 Survey - is further ahead, a smaller percentage of both current and capital expenditure is committed, than was the case for 1970-71.

11. In particular, it is open to Ministers to determine, for the purposes of the rate support grant negotiations in the autumn of 1970, the rate of growth in local authority current expenditure that they will assume in fixing grant. (This contrasts with the position in respect of 1970-71 for which year the rate of increase has already been determined and announced in the course of the rate support grant negotiations in the autumn of 1968). The scope for savings in public expenditure in 1971-72 by comparison with the present forecasts is examined in detail in Annex I. The relevant local authority programmes in 1971-72 are at present projected by departments to increase by 5.2% over the levels already approved by Ministers in the rate support grant negotiations for 1970-71. It is suggested that this increase should be limited to 4% overall. On the assumption that local authorities restrain their actual expenditure to this level, this would yield savings of £35 million.

12. For the purposes of illustration, officials have drawn up in Tables B and C at the end of the report an indication of how a total expenditure reduction of £450 million might be secured by an overall squeeze of this kind. In these illustrative examples it has been assumed that:

(i) savings of £200 million would be possible in the capital expenditure of the nationalised industries and in the Defence Budget, taken together. This includes the reduction of £103 million in nationalised industries' expenditure which has already been secured as a result of the 1970-71 decisions. A study of the possibility of further reductions in this investment is being made. In addition to the substantial savings on the defence budget which would be required to meet the defence share of the £200 million, some £25 million will have to be found to provide for the introduction of the military salary. Allowing for this, the total reduction in defence expenditure which is being assumed is about three times as large as the average percentage cut required in civil programmes. The extent to which this assumed reduction will prove possible without yet another Defence Review is being examined.

(ii) The remaining £250 million for the civil programmes has been apportioned on two alternative bases. The scheme set out in Table B at the end of this report assumes that these reductions might be distributed on the same pattern as for 1970-71. Table C assumes a flat rate percentage cut in the civil programmes of some 1 1/2%.

13. The scheme, set out in Table B, by its nature, carries forward into 1971-72 the preferential treatment for the Social Service programmes, which Ministers agreed for 1970-71. In particular it points to relatively small cuts for Education and no reduction in Social Security. As a consequence, relatively large reductions emerge for the Economic and Environmental programmes, notably Housing.
III. Table B also shows how much of the reduction indicated for each functional programme has already been secured as a result of the carry-through from the 1970-71 decisions. Taking credit for this carry-through, the total reductions remaining to be found are £171 million. The apportionment of this total between the individual functional programmes is shown in column (6) of Table B. It will be seen that most of the relatively small reduction indicated for Education is secured by the carry-through from 1970-71. By contrast most of the relatively large reduction indicated for Housing still remains to be found; this is largely because the reduction which Ministers agreed for Housing in 1970-71 included a significant element from slippage in the investment programme for that year, which is not at present expected to occur in 1971-72.

15. The alternative scheme of reductions in Table C again assumes that savings of £200 million will be possible in the nationalised industries and defence, taken together. But it then goes on to apportion the remaining £250 million between civil programmes, on the basis of a flat rate percentage cut of just under 1½%. By contrast with the scheme set out in Table B it would require much larger reductions in Social Security and Education, but much smaller cuts in Housing, Roads, Transport and Assistance to Industry.

16. It is emphasised that the schemes in both Tables B and C are intended solely to illustrate, on arbitrary but neutral assumptions, two schemes which could be made to yield the total indicated savings of £450 million. In considering the scope for reductions in 1971-72, Ministers will no doubt wish to form their own judgement, taking into account the options which are now available for 1971-72, and the extent to which these differ from those available for 1970-71, - for example, in the scope to operate on current as well as capital expenditure through the Rate Support Grant negotiations.

17. To assist Ministers in this consideration, Departments have set out in Annex II some brief notes of the implications for the major functional programmes of the illustrative schemes of reductions contained in Tables B and C.

18. Costed Options: In considering an overall squeeze on expenditure, Ministers will have available, to help implement the patterns of reductions illustrated in Tables B and C, the "costed options" for 1971-72 which were identified in the 1969 Public Expenditure Survey - to the extent that these have not, either been subsumed in the carry-through from 1970-71 decisions, or explicitly rejected in the course of the Ministerial discussions on that year. Typically, these costed options represent a reduction of 3 per cent in the expenditure programmes concerned.

19. In one particular instance - social security - exercise of the 1969 Survey costed options would represent a partial alternative to the overall squeeze on expenditure illustrated in Tables B and C. Ministers agreed not to reduce the outlay on social security benefits in 1970-71. But the timing of the next biennial uprating in 1971 provides greater scope for including social security with the other public expenditure programmes in the search for possible reductions. A postponement of the October 1971 uprating until April 1972 would save £150 million in expenditure terms (worth about £45 million in demand terms). It would however increase expenditure by about £80 million in 1972-73 and £40 million in 1973-74.
20. Summary of the position for 1971-72. Table 2 below summarises the possibilities for consideration by Ministers in achieving a reduction of £50m. in the expenditure programme for 1971-72.

**TABLE 2: POSSIBILITIES FOR CONSIDERATION BY MINISTERS**

£ million at 1969 Survey prices

(a) Total to be sought 450

(b) Towards which:

<table>
<thead>
<tr>
<th>Savings assumed on</th>
<th>200</th>
</tr>
</thead>
<tbody>
<tr>
<td>Defence Budget and Nationalised Industries</td>
<td></td>
</tr>
<tr>
<td>Carry through from 1970-71 for civil programmes, and other changes</td>
<td></td>
</tr>
</tbody>
</table>

(c) Other savings required in Civil Programmes:

| (of which Local Authorities' current expenditure, incorporated in section (d) below, in particular lines 1, 6, 8 and 9: £35m.) |
|---|---|
| 171 |

(d) Towards which the main new savings on functional programme, as listed in:

<table>
<thead>
<tr>
<th>Functional Programme</th>
<th>Table B (col(6))</th>
<th>Table C (col(6))</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Roads and public lighting</td>
<td>10</td>
<td>-</td>
</tr>
<tr>
<td>2. Transport</td>
<td>11</td>
<td>1</td>
</tr>
<tr>
<td>3. Technological services</td>
<td>5</td>
<td>-</td>
</tr>
<tr>
<td>4. Other assistance to employment and industry</td>
<td>32</td>
<td>9</td>
</tr>
<tr>
<td>5. Agriculture</td>
<td>3</td>
<td>7</td>
</tr>
<tr>
<td>6. Housing and local environmental services</td>
<td>80</td>
<td>29</td>
</tr>
<tr>
<td>7. Law and order</td>
<td>9</td>
<td>10</td>
</tr>
<tr>
<td>8. Education and local libraries</td>
<td>4</td>
<td>31</td>
</tr>
<tr>
<td>9. Health and welfare</td>
<td>19</td>
<td>23</td>
</tr>
<tr>
<td>10. Social Security</td>
<td>-</td>
<td>63</td>
</tr>
</tbody>
</table>

(e) As addition (or partial alternative) to the savings on functional programmes summarised in (d) above and listed in Tables B and C: Social Security 150

(a) For details see Table A at the end of this Report.
21. Table D at the end of this Report shows how the main functional programmes are planned to increase

(a) between 1969-70 and 1970-71, as a consequence of Ministers' decisions on 1970-71

(b) between 1970-71 and 1971-72, if the programme for 1971-72 were reduced in the ways illustrated in Tables B and C

Relative Price Effect

22. The annual percentage rates of increase shown in paragraphs 4 and 7 and in Table D are all derived from projections at a conventional constant price basis, and as such are consistent with the form in which the Government have hitherto expressed their expenditure targets. But, as explained in the Green Paper "Public Expenditure: A New Presentation" (5), projections on a constant price basis will understate the share of national resources which existing policies will pre-empt at current prices, since, on balance, prices rise faster in the public sector than in the private sector. As the 1969 Survey showed (6), when adjusted for this "relative price effect", the annual rates of increase in Civil and Defence Programmes are some ½ per cent higher than on the unadjusted constant price basis (7).

23. Effect of reductions in 1970-71 and 1971-72. If the expenditure programmes were reduced, in the way illustrated in Tables B and C, the expenditure totals and percentage rates of increase in aggregate expenditure in 1970-71 and 1971-72 would become as follows:

TABLE 3: PUBLIC EXPENDITURE PROGRAMMES AFTER REDUCTIONS SHOWN IN TABLES B AND C

<table>
<thead>
<tr>
<th></th>
<th>1970-71</th>
<th>1971-72</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Expenditure (including the capital expenditure of the Nationalised Industries)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>£ million at 1969 Survey prices</td>
<td>18,171</td>
<td>18,661</td>
</tr>
<tr>
<td>Percentage increases</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unadjusted:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual</td>
<td>2.5</td>
<td>2.7</td>
</tr>
<tr>
<td>(of which: Civil and Defence Programmes)</td>
<td>(3)</td>
<td>(3)</td>
</tr>
<tr>
<td>(Nationalised Industries)</td>
<td>(-3)</td>
<td>(-1)</td>
</tr>
<tr>
<td>Cumulative</td>
<td>2.5</td>
<td>5.2</td>
</tr>
<tr>
<td>Adjusted for Relative Price Effect</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual</td>
<td>3.3</td>
<td>3.5</td>
</tr>
<tr>
<td>(of which: Civil and Defence Programmes)</td>
<td>(3½)</td>
<td>(3½)</td>
</tr>
<tr>
<td>(Nationalised Industries)</td>
<td>(-3)</td>
<td>(-1)</td>
</tr>
<tr>
<td>Cumulative</td>
<td>3.3</td>
<td>6.8</td>
</tr>
</tbody>
</table>

(5) Cmdn. 4017
(6) SEP(69)64
(7) However no significant Relative Price Effect has been found in the capital expenditure of the nationalised industries.
24. Thus, even after the expenditure programmes have been cut, so as to remove the prospective imbalance in the economy, overall public expenditure is still projected to grow rather faster than the economy as a whole; and the public sector is projected to continue to increase its share of the total national product. Thus, even though the prospective imbalance may be removed without increasing the rates of central government taxation, the projections imply an increase in the real burden of taxation in 1970-71 and 1971-72, effecting a relative switch of resources, from private to public investment and consumption. This follows inevitably from the impact of constant rates of tax (and tax allowances) on increasing wages and prices.

1972-73 and 1973-74

25. If the programmes for 1972-73 and 1973-74 were to be allowed to stand unchanged from their present levels, while those for 1971-72 were reduced as shown in Tables B and C, the run of figures shown in paragraph 23 would continue as follows:-

<table>
<thead>
<tr>
<th>TABLE 4: PUBLIC EXPENDITURE IN 1972-73 AND 1973-74</th>
</tr>
</thead>
<tbody>
<tr>
<td>1972-73</td>
</tr>
<tr>
<td>Public Expenditure (including nationalised industries' investment)</td>
</tr>
<tr>
<td>19,699</td>
</tr>
<tr>
<td>Percentage increase</td>
</tr>
<tr>
<td>Unadjusted</td>
</tr>
<tr>
<td>Annual</td>
</tr>
<tr>
<td>(of which: Civil and Defence Programmes)</td>
</tr>
<tr>
<td>Nationalised Industries)</td>
</tr>
<tr>
<td>Cumulative</td>
</tr>
<tr>
<td>Adjusted for Relative Price Effect</td>
</tr>
<tr>
<td>Annual</td>
</tr>
<tr>
<td>(of which: Civil and Defence Programmes)</td>
</tr>
<tr>
<td>Nationalised Industries)</td>
</tr>
<tr>
<td>Cumulative</td>
</tr>
</tbody>
</table>

26. Thus, the programmes in 1972-73 and 1973-74 could increase very much more rapidly than in any of the immediately preceding years (Table 3, para. 23). Increases in expenditure of this order in 1972-73 and 1973-74 would be a good deal larger than anything which the economy seems likely to be able to support at existing rates of taxation. Ministers will therefore wish to consider the public expenditure programmes concerned. Firm decisions are not needed in respect of those two years. But broad guidelines will be needed for planning purposes and so that officials may prepare the "projections of the cost of present policies" (8) in 1972-73 and 1973-74, for inclusion in the autumn White Paper. For this purpose Ministers

(8) Cmnd. 4017, para. 28. SEGRE
may wish to indicate whether the expenditure reductions, on which they have already decided for 1970-71, and which they are now to consider for 1971-72, should be carried through into the two later years, so that expenditure as a whole continues to grow broadly in line with the growth of resources as a whole.
<table>
<thead>
<tr>
<th>Item</th>
<th>1970-71 Cuts</th>
<th>Consequentials from 1970-71</th>
<th>End-Aug Running Tally</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ice Budget</td>
<td>75.0</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Military defence</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Defence</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Overseas aid</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Overseas services</td>
<td>2.0</td>
<td>1.0</td>
<td>-</td>
<td>1.0</td>
</tr>
<tr>
<td>Sport</td>
<td>14.0</td>
<td>13.0</td>
<td>-</td>
<td>13.0</td>
</tr>
<tr>
<td>Ecological services</td>
<td>9.3</td>
<td>3.0</td>
<td>-</td>
<td>3.0</td>
</tr>
<tr>
<td>Assistance to employment and industry</td>
<td>7.0</td>
<td>6.0</td>
<td>-</td>
<td>6.0</td>
</tr>
<tr>
<td>Environment, fisheries and forestry</td>
<td>16.9</td>
<td>5.7</td>
<td>-0.6</td>
<td>5.1</td>
</tr>
<tr>
<td>Housing</td>
<td>1.0</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Environmental services</td>
<td>2.0</td>
<td>0.5(a)</td>
<td>-</td>
<td>0.5</td>
</tr>
<tr>
<td>Health</td>
<td>55.1</td>
<td>2.6</td>
<td>2.5</td>
<td>5.1</td>
</tr>
<tr>
<td>Public order</td>
<td>6.4</td>
<td>1.7</td>
<td>-0.5</td>
<td>1.2</td>
</tr>
<tr>
<td>Education, and local libraries</td>
<td>9.2</td>
<td>11.0</td>
<td>0.1</td>
<td>11.1</td>
</tr>
<tr>
<td>Health and welfare</td>
<td>19.0</td>
<td>10.5</td>
<td>-</td>
<td>10.5</td>
</tr>
<tr>
<td>Law and security</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Social administration</td>
<td>0.5</td>
<td>-</td>
<td>3.4</td>
<td>3.4</td>
</tr>
<tr>
<td>Public services</td>
<td>2.7</td>
<td>-0.2</td>
<td>-0.2</td>
<td>-0.2</td>
</tr>
<tr>
<td>Miscellaneous services</td>
<td>-1.8</td>
<td>-2.3</td>
<td>0.7</td>
<td>-1.6</td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>5.2</td>
<td>7.0</td>
<td>0.5</td>
<td>7.5</td>
</tr>
<tr>
<td>Total (excluding capital expenditure by nationalised industries etc.)</td>
<td>224.8</td>
<td>60.4</td>
<td>18.2</td>
<td>78.6</td>
</tr>
<tr>
<td>Nationalised industries' etc.</td>
<td>73.1</td>
<td>103.0</td>
<td>-</td>
<td>103.0</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>297.9</td>
<td>163.4</td>
<td>18.2</td>
<td>181.6</td>
</tr>
</tbody>
</table>

- = Increase

At Manchester and Edinburgh markets are started in 1971-72
### Table B

**POSSIBLE SCHEME OF REDUCTIONS ANALYSED BY FUNCTION FOR 1971-72**

(Excluding capital expenditure of nationalised industries, etc., and defence budget)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Other Military Defence</td>
<td>-</td>
<td>-</td>
<td>19.0</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Civil Defence</td>
<td>-</td>
<td>-</td>
<td>8.2</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Overseas Aid</td>
<td>-</td>
<td>-</td>
<td>231.9</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other Overseas Services</td>
<td>-</td>
<td>2.0</td>
<td>125.8</td>
<td>3.1</td>
<td>1.0</td>
<td>2.1</td>
</tr>
<tr>
<td>Roads and Public Lighting</td>
<td>-1.0</td>
<td>15.0</td>
<td>775.3</td>
<td>23.2</td>
<td>13.0</td>
<td>10.2</td>
</tr>
<tr>
<td>Transport</td>
<td>-</td>
<td>9.3</td>
<td>255.9</td>
<td>14.4</td>
<td>3.0</td>
<td>14.4</td>
</tr>
<tr>
<td>Technological Services</td>
<td>-</td>
<td>7.0</td>
<td>205.8</td>
<td>10.8</td>
<td>6.0</td>
<td>4.8</td>
</tr>
<tr>
<td>Other Assistance to Employment and Industry</td>
<td>-7.1</td>
<td>24.0</td>
<td>835.2</td>
<td>37.1</td>
<td>5.1</td>
<td>32.0</td>
</tr>
<tr>
<td>Research Councils, Etc.</td>
<td>-</td>
<td>1.0</td>
<td>111.7</td>
<td>1.5</td>
<td>-</td>
<td>1.5</td>
</tr>
<tr>
<td>Agriculture, Fisheries and Forestry</td>
<td>-2.0</td>
<td>2.0</td>
<td>443.8</td>
<td>3.1</td>
<td>0.5(b)</td>
<td>2.6</td>
</tr>
<tr>
<td>Housing</td>
<td>-55.1</td>
<td>2044.4</td>
<td>85.1</td>
<td>5.1</td>
<td>-</td>
<td>80.0</td>
</tr>
<tr>
<td>Local Environmental Services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Law and Order</td>
<td>-</td>
<td>64.6</td>
<td>677.9</td>
<td>9.9</td>
<td>1.2</td>
<td>8.7</td>
</tr>
<tr>
<td>Arts</td>
<td>-</td>
<td>-</td>
<td>21.9</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Education and Local Libraries</td>
<td>-0.6</td>
<td>9.8</td>
<td>2515.9</td>
<td>15.1</td>
<td>11.1</td>
<td>4.0</td>
</tr>
<tr>
<td>Health and Welfare</td>
<td>-</td>
<td>19.0</td>
<td>2005.6</td>
<td>29.4</td>
<td>10.5</td>
<td>18.9</td>
</tr>
<tr>
<td>Social Security</td>
<td>-</td>
<td>-</td>
<td>3804.3</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Financial Administration</td>
<td>-</td>
<td>0.9</td>
<td>230.1</td>
<td>0.8</td>
<td>3.4</td>
<td>-</td>
</tr>
<tr>
<td>Common Services</td>
<td>-</td>
<td>2.7</td>
<td>223.3</td>
<td>4.2</td>
<td>-0.2</td>
<td>4.4</td>
</tr>
<tr>
<td>Miscellaneous Services</td>
<td>-2.4</td>
<td>0.6</td>
<td>85.3</td>
<td>0.9</td>
<td>-1.6</td>
<td>2.5</td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>-</td>
<td>6.2</td>
<td>453.9</td>
<td>7.6(c)</td>
<td>7.5</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>-2.6</td>
<td>2.9</td>
<td>-</td>
<td>4.4</td>
<td>13.0</td>
<td>-11.7</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>-13.7</strong></td>
<td><strong>163.5</strong></td>
<td><strong>15074.2</strong></td>
<td><strong>230.0</strong></td>
<td><strong>78.6</strong></td>
<td><strong>174.1</strong></td>
</tr>
</tbody>
</table>

- = Increase

**Notes**

(a) See paragraphs 12 to 17 of the text.

(b) If Manchester and Edinburgh markets are started in 1971-72.

(c) That element of the reductions shown for Northern Ireland in 1970-71, which represents a statistical adjustment to the original Survey figures, has not been taken into account when calculating Northern Ireland's share of the Table B cuts for 1971-72.
### Table C

Possible Alternative Scheme of Reductions, Analysed by Function, for 1971-72 (a)

(Excluding nationalised industries' etc. capital expenditure, and defence budget)

<table>
<thead>
<tr>
<th></th>
<th>1970-71 Increases (1)</th>
<th>1970-71 Guts (2)</th>
<th>1971-72 As in Survey (3)</th>
<th>Flat Rate Reduction of 12% (4)</th>
<th>of Which: Consequential from 1970-71 and Other Changes</th>
<th>Leaving (6)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other Military Defence</td>
<td>-</td>
<td>-</td>
<td>19.0</td>
<td>0.3</td>
<td>-</td>
<td>0.3</td>
</tr>
<tr>
<td>Civil Defence</td>
<td>-</td>
<td>-</td>
<td>3.2</td>
<td>0.2</td>
<td>-</td>
<td>0.2</td>
</tr>
<tr>
<td>Overseas Aid</td>
<td>-</td>
<td>-</td>
<td>231.9</td>
<td>3.8</td>
<td>-</td>
<td>3.8</td>
</tr>
<tr>
<td>Other Overseas Services</td>
<td>-</td>
<td>-</td>
<td>125.8</td>
<td>2.0</td>
<td>1.0</td>
<td>1.0</td>
</tr>
<tr>
<td>Roads and Public Lighting</td>
<td>-1.0</td>
<td>15.0</td>
<td>776.3</td>
<td>13.0</td>
<td>13.0</td>
<td>-</td>
</tr>
<tr>
<td>Transport</td>
<td>-</td>
<td>9.3</td>
<td>253.9</td>
<td>4.2</td>
<td>3.0</td>
<td>1.2</td>
</tr>
<tr>
<td>Technological Services</td>
<td>-</td>
<td>7.0</td>
<td>205.8</td>
<td>3.6</td>
<td>6.0</td>
<td>-</td>
</tr>
<tr>
<td>Other Assistance to Employment and Industry</td>
<td>-7.1</td>
<td>24.0</td>
<td>835.2</td>
<td>13.8</td>
<td>5.1</td>
<td>8.7</td>
</tr>
<tr>
<td>Research Councils etc.</td>
<td>-</td>
<td>1.0</td>
<td>111.7</td>
<td>1.8</td>
<td>-</td>
<td>1.8</td>
</tr>
<tr>
<td>Agriculture, Fisheries and Forestry</td>
<td>-</td>
<td>2.0</td>
<td>443.8</td>
<td>7.2</td>
<td>0.5(b)</td>
<td>6.7</td>
</tr>
<tr>
<td>Housing Local Environmental Services</td>
<td>-</td>
<td>55.4</td>
<td>2044.4</td>
<td>34.0</td>
<td>5.1</td>
<td>28.9</td>
</tr>
<tr>
<td>Law and Order</td>
<td>-</td>
<td>6.4</td>
<td>677.9</td>
<td>11.3</td>
<td>1.2</td>
<td>10.1</td>
</tr>
<tr>
<td>Arts</td>
<td>-</td>
<td>-</td>
<td>21.9</td>
<td>0.4</td>
<td>-</td>
<td>0.4</td>
</tr>
<tr>
<td>Education and Local Libraries</td>
<td>-0.6</td>
<td>9.8</td>
<td>2515.9</td>
<td>41.7</td>
<td>13.1</td>
<td>30.6</td>
</tr>
<tr>
<td>Health and Welfare</td>
<td>-</td>
<td>19.0</td>
<td>2005.6</td>
<td>33.2</td>
<td>10.5</td>
<td>22.7</td>
</tr>
<tr>
<td>Social Security</td>
<td>-</td>
<td>-</td>
<td>3804.3</td>
<td>63.0</td>
<td>-</td>
<td>63.0</td>
</tr>
<tr>
<td>Financial Administration</td>
<td>-</td>
<td>0.5</td>
<td>230.1</td>
<td>3.6</td>
<td>3.4</td>
<td>0.4</td>
</tr>
<tr>
<td>Common Services</td>
<td>-</td>
<td>2.7</td>
<td>223.3</td>
<td>3.8</td>
<td>-0.2</td>
<td>4.0</td>
</tr>
<tr>
<td>Miscellaneous Services</td>
<td>-2.4</td>
<td>0.6</td>
<td>85.3</td>
<td>1.5</td>
<td>-1.6</td>
<td>3.1</td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>-2.6</td>
<td>6.2</td>
<td>453.9</td>
<td>7.5</td>
<td>7.5</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>-2.6</td>
<td>2.9</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-15.5</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>-13.7</strong></td>
<td><strong>163.5</strong></td>
<td><strong>15074.2</strong></td>
<td><strong>250.0</strong></td>
<td><strong>78.6</strong></td>
<td><strong>171.4</strong></td>
</tr>
</tbody>
</table>

- = Increase

**Notes**

(a) See paragraphs 12 to 17 of the text.

(b) If Manchester and Edinburgh markets are started in 1971-72.
## TABLE D

### RATES OF INCREASE IN INDIVIDUAL PROGRAMMES

(Excluding nationalised industries etc., capital expenditure, and Defence Budget)

<table>
<thead>
<tr>
<th>Percentage Increases at Constant Prices</th>
<th>1970-71 on 1969-70</th>
<th>As in Table E</th>
<th>As in Table D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overseas Aid (c)</td>
<td>3.2</td>
<td>4.4</td>
<td>-0.9</td>
</tr>
<tr>
<td>Other Overseas Services</td>
<td>3.0</td>
<td>-2.1</td>
<td>-0.8</td>
</tr>
<tr>
<td>Roads and Public Lighting</td>
<td>5.7</td>
<td>10.1</td>
<td>9.1</td>
</tr>
<tr>
<td>Transport</td>
<td>4.7</td>
<td>-0.2</td>
<td>-1.8</td>
</tr>
<tr>
<td>Technological Services</td>
<td>17.1</td>
<td>-2.8</td>
<td>-8.5</td>
</tr>
<tr>
<td>Other Assistance to Employment and Industry</td>
<td>16.3</td>
<td>-0.5</td>
<td>-3.5</td>
</tr>
<tr>
<td>Research Councils, etc.</td>
<td>11.7</td>
<td>7.4</td>
<td>5.2</td>
</tr>
<tr>
<td>Agriculture, Fisheries and Forestry</td>
<td>3.7</td>
<td>2.8</td>
<td>1.9</td>
</tr>
<tr>
<td>Housing</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local Environmental Services</td>
<td>3.0</td>
<td>5.2</td>
<td>2.6</td>
</tr>
<tr>
<td>Law and Order</td>
<td>6.3</td>
<td>6.7</td>
<td>5.4</td>
</tr>
<tr>
<td>Arts</td>
<td>7.4</td>
<td>12.4</td>
<td>8.1</td>
</tr>
<tr>
<td>Education and Local Libraries</td>
<td>4.6</td>
<td>3.5</td>
<td>5.1</td>
</tr>
<tr>
<td>Health and Welfare</td>
<td>4.1</td>
<td>3.0</td>
<td>3.7</td>
</tr>
<tr>
<td>Social Security</td>
<td>7.2</td>
<td>3.3</td>
<td>3.8</td>
</tr>
<tr>
<td>Financial Administration</td>
<td>5.7</td>
<td>-1.9</td>
<td>2.0</td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>9.3</td>
<td>4.5</td>
<td>3.3</td>
</tr>
<tr>
<td>Other Services</td>
<td>10.3</td>
<td>-4.3</td>
<td>-4.0</td>
</tr>
</tbody>
</table>

(a) After Running Tally Changes for 1969-70

(b) After cuts agreed by Ministers and other changes in 1970-71.

(c) This programme is in cash terms, and the percentage increases shown for it are calculated on this basis.

(d) Excluding S.E.T. Additional Payments, R.E.P. and Investment Grants

(e) Including S.E.T. Additional Payments, R.E.P. and Investment Grants
LOCAL AUTHORITY CURRENT EXPENDITURE - 1971-72

1. Every other year the Government agrees with the local authorities the total of their relevant expenditure which will attract Rate Support Grant for the next two years, and makes an order prescribing the amounts of grant that will be paid in respect of that expenditure. These figures cannot then be varied except to take account of cost increases. The next main order will be in the autumn of 1970 and will deal with the two years 1971-72 and 1972-73.

2. There is a local authority element both current and capital, in a number of functional blocks in the public expenditure survey. The sum of these current elements (1) (plus some other items, mainly loan charges, which do not appear in any functional block) should correspond to the total revenue expenditure in the Rate Support Grant Order, though the eventual breakdown of the total among the different services is in the hands of the local authorities and may differ to some extent from the functional breakdown in the survey. It is therefore necessary to relate the decisions which are now to be taken on these items of expenditure in 1971-72 to the rate of increase which can be envisaged for local authority revenue expenditure as a whole.

3. The relevant total figures which emerge from the existing forecasts in the survey are as follows:

<table>
<thead>
<tr>
<th></th>
<th>£ million (at 1969 Survey prices)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>England &amp; Wales</td>
</tr>
<tr>
<td>Total of local authority current expenditure in functional blocks for 1971-72</td>
<td>2797.2</td>
</tr>
<tr>
<td>% increase over 1970-71</td>
<td>5.1%</td>
</tr>
<tr>
<td>Total adjusted to revenue expenditure basis (including loan charges and other adjustments)</td>
<td>3298.4</td>
</tr>
<tr>
<td>% increase over 1970-71</td>
<td>5.4%</td>
</tr>
</tbody>
</table>

(1) Other than rate fund contributions to housing subsidies. These do not attract rate support grant and are excluded from all the figures in this note.
4. These rates of growth are significantly higher than those for public expenditure as a whole or the growth in the economy. As regards individual services, the percentage increase forecast for education, which accounts for over half the total, is 4.1% in England and Wales; in other cases the figures range from 3.4% for local environmental services to 1.4% for roads. For Scottish services some of the percentage increases are higher, others lower.

5. It is proposed that local authorities should be given at an appropriate stage an indication of the rate of growth on which they should plan. If local authorities respond fully to a request to restrict the growth for their total revenue expenditure (loan charges excluded) to 4% in real terms above that approved for Rate Support Grant in 1970-71, this would, on a G.B. basis, produce a saving in 1971-72 of £34.4 million as compared with the survey figure, and a revised total of £3,047.2 million. The saving would have to be broken down as between the functional blocks for the purpose of the public expenditure survey.

6. The corresponding increase for 1972-73 forecast in the public expenditure survey is 4.4%. If an increase of 4% were decided upon for 1971-72, the same rate of growth could be envisaged for 1972-73, which would give a saving of about £50 million on the survey figure.

7. On this approach the increase in loan charges arising from the levels of capital expenditure approved would be accepted in full on top of the 4% increase in other relevant expenditure, and to the extent that loan charges increased at a higher rate, the increase on an R.S.G. basis would be somewhat above 4%.

8. We will not know the actual out-turn of local authority revenue expenditure in 1968-69 until later this year. This may enable us to form a better idea of the extent to which out-turn in 1969-70 and 1970-71 will correspond to the forecasts which are included in the survey and to which rate support grant for these two years is related, but it will be impossible to rule out an excess of out-turn over these forecasts. If such an excess occurred then expenditure could be kept within the total of £3,047 million (see paragraph 5 above) in 1971-72 only if local authorities could be persuaded to restrict the growth of their expenditure over 1970-71 to less than 4%.

9. Generally the Departments concerned are agreed that, if the Government wish to influence local authorities to keep their revenue expenditure over the next few years within acceptable limits, it will be important to give them guidance in this matter well in advance of the next rate support grant negotiations. They recommend that the Public Expenditure White Paper should include a statement on the rate of growth in this expenditure which will be regarded as consistent with the Government's strategy for public expenditure as a whole and that further work should proceed with this in view.
which work was originally planned to start in 1971-72 would be deferred to later years.

7. While the Ministry agree that local authority current expenditure ought to be reduced, the reductions imposed on the road element of this in 1969-70 and 1970-71 were very heavy, cutting this expenditure well below that for 1968-69, and justifying an apparently fast rate of growth in 1971-72, if proper standards of maintenance are to be preserved.

Transport

8. A saving as listed in Table C would be acceptable without too serious consequences. The larger cut in Table B would, however, mean a heavy cut back in Infrastructure Expenditure - expenditure on new public transport facilities, especially in the largest towns and cities. It would mean that this programme of expenditure, for which under the Transport Act 1968 grants become payable, would be brought virtually to a standstill in 1971-72, no new schemes being started in that year, and thus would be bound to cast doubts on the Government's commitment to the policy.

Technological Services

9. The reduction in expenditure on Technological Services between 1969-70 and 1971-72 is already greater than in any functional group except other military defence. A further reduction of £4.8m. as illustrated in Table B would make the total reduction on the 1969 Survey figure for 1971-72 £10.8m. The figure would then be 11% less than the 1969-70 Estimate. In the Ministry's view measures to improve productivity and help the balance of payments would be limited and the probability of claims on the central contingency reserve for unprogrammable projects would be increased.

Other Assistance to Employment and Industry

10. If the savings required in 1971-72 were apportioned on the same pattern as for 1970-71 the Board of Trade would be required to find about £21.3m. from its share of the expenditure on 'Other Assistance to Employment and Industry'. A saving of this size would have to be found mainly from expenditure on investment grants. On the basis of a flat percentage cut the required saving would be reduced to £5.9m.; and the same would apply unless Ministers preferred to cut expenditure on the promotion of local employment or on 'other services' by taking up some of the costed options mentioned in the Report.

11. The D.E.P. share of the expenditure on 'Other assistance to Employment and Industry' is about 25 per cent (including R.E.P. and Redundancy Fund payments). A change in either of these would require legislation and neither seems to be a practical proposition; Redundancy Fund expenditure is already more than covered by employers' contributions. With the discontinuance of S.E.P. additional payments, which provided
the bulk of the 1970-71 cuts under this heading, any further saving would have to fall entirely on the Employment Services, estimated to cost £74.3m. in 1971-72. The proportional share of a reduction of £32.0m. (Table B) or of £8.7m. (Table C) could not be achieved without an extremely severe cut-back of the D.E.P. Services (including Industrial Training) which have already provided a saving of £1m. in 1970-71.

Research Councils Etc.

12. The proposals amount to an allocation for 1971-72 of either £103m. or £102.7m. Even the higher of these is £6m. less than C.S.P. have recommended and £3.9m. less than the Department's submission for P.E.S.C. The Department is not in a position to say precisely what the effect would be on Research Council programmes but our assessment is that even if every new capital project listed for 1971-72 were omitted and there were no increase in research grant expenditure above the level assumed for 1970-71, the Research Councils could still not keep within even the higher figure of £103m. without a cutback on research grants to universities, or their own staff or on postgraduate awards. Such a situation would be extremely serious.

Agriculture, Fisheries and Forestry

13. As is apparent from the 1969 Public Expenditure Report, about three quarters of the expenditure shown in the Agriculture, Fisheries and Forestry group is in respect of agricultural support. The figures for this are based on the 1969-70 Estimates plus the full Exchequer cost of the 1969 Review. Because of changes in the level of supplies and in market prices it is not possible to project the level of support with any greater accuracy. The policies and prices relating to most of this expenditure are reviewed annually by Ministers at the time of the Farm Price Reviews and judgments are made according to prevailing circumstances. Two such Reviews, set in the context of the Selective Expansion Programme for Agriculture, must take place before the year 1971-72 is reached and it is invidious to try to determine now what the circumstances prevailing at the time of these Reviews might be and what actions Ministers might decide on to meet them. The bulk of the remaining quarter of the expenditure in the group also consists of items which are open-ended or fully committed. For these reasons the reduction of £7.2m. listed in Table C over all the programmes in this group is not attainable.

Housing and Local Environmental Services

14. The scheme of reductions in Table B bears much more heavily on housing than on any other service. In addition to continuing the ban on new investment by local authorities on sport and the arts and restrictions on other local environmental services, especially new towns, it would imply a cut of the order of 10,000 in England and 2,000 in Scotland in the housing approvals in 1970. The savings required by Table C on the other hand, while still involving the ban on spending on sport and the arts, can probably be made by
rephasing the housing programme without an actual cut in the number of approvals; the Scottish approvals would have to be cut by up to 1,000.

**Law and Order**

15. Nearly all expenditure on law and order services is subject to factors outside the Government's control and depends upon the level of crime, the number of prisoners committed by the courts, the incidence of fires, and so on. The basic staff requirements for these services cannot be reduced and growth is inevitable to reflect increasing workloads arising from these factors.

16. It would be impracticable to find additional savings amounting to £9m. to £10m. on Home Office services without contemplating decisions which seem politically unacceptable — for example, seeking to prevent virtually any growth in the police and fire services, making severe cuts in prison building at a time when the prison population is expected to increase, reducing the scale of the criminal injuries compensation scheme or of legal aid, or reversing Ministerial decisions to spend more on child care.

**The Arts**

17. Expenditure on the national museums and galleries provides only for a modest growth in staff administrative costs; and work on the National Theatre will start shortly. It follows that, on the second assumption about the distribution of savings in 1971-72, a cut of £0.4m. in the arts block would fall wholly on grants to the Arts Council and the British Film Institute, and would almost halve the annual rate of growth of 10 per cent approved by Ministers earlier in the year.

**Education and Local Libraries**

18. On the alternative assumptions about the distribution of savings in 1971-72 the sums required from the education block, in addition to the savings of £11.0m. resulting from decisions on 1970-71, are £4.0m. and £30.6m. respectively. The first would mean, for example, a standstill in local authority current expenditure on the youth service and public libraries in England and Wales instead of an increase of 5 per cent (£3.6m.) and a reduction in the rate of growth in schools current expenditure in Scotland (£0.7m.). The second could be achieved by adding other items drawn from the original costed options — the introduction of charges for borrowing from public libraries (£11m., G.B.); a further increase to 2/- from April 1971 in the charge for school meals (£9.5m., G.B.); a reduction in the rate of increase in current expenditure per pupil and student in schools and colleges (£5.3m.; England and Wales); and a reduction in the growth of teaching costs in colleges of education (£0.2m., Scotland), as well as a further reduction in the rate of growth in schools current expenditure (£0.1m.).
Health and Welfare

19. In the view of the Health Departments neither of the possible alternative schemes of reduction adequately recognises the special needs of the health and welfare services. Savings of the order suggested could not be achieved without major, and unacceptable, cuts in the hospital building programme which would have to be publicly announced.

20. The Health Departments say that their proposal for an additional £28.0 million in 1971-72 (paragraphs 18 and 19 of Section 17 of the Appendix to the Main P.E.S.C. Report) was intended to help meet what they regard as inescapable commitments. In present circumstances they are prepared to do without this addition but that would mean they would have to find compensating savings within the health and welfare block. They therefore believe that it would be unreasonable to expect them to make any additional contribution to 1971-72 savings, beyond the £10.5 million consequential on their 1970-71 reductions and £3.6 million arising from the proposed reduction in local authority current expenditure.

Social Security

21. To achieve a social security saving of £63 million in 1971-72 (Table G) would mean postponing the October 1972 uprating by about three months, until the middle of the winter. Pensioners then would have had to wait nearly two and a quarter years for any compensation for the movement in prices, and over 4 years for any real improvement in their living standards (the 1969 uprating will not give any such improvement). All this would be contrasted with the new scheme legislation which would then have been enacted, providing for pension increases every other autumn. The delay in the uprating would mean that it would have to be larger in cash terms, so that there would be an increase of expenditure amounting to £40 million in 1972-73 and £20 million in 1973-74 (these figures would be larger if the uprating had to be postponed by somewhat more than three months because of difficulties in mounting it over the Christmas period).

Common Services

22. The savings listed amount to £2.3 million in Table B, and to £2.1 million in Table C. In addition it would be necessary to absorb £0.2 million extra expenditure resulting from the cuts made in 1970-71, a further increase of £0.3 million resulting from increased costs of schemes and slippage in the existing building programme and a net shortfall of receipts of £0.1 million arising from a number of changes in these forecasts. These additions total £0.6 million, which may be offset by a saving of the same order as a consequence of a proposed cut in the 1970-71 and 1971-72 GTC programmes. A decision on this is awaited.

23. M.P.B.W. could offer a further saving of about £0.3 million but any further reductions on the scale indicated (£1.8 million to £2.0 million at least) would be impracticable.
There is no scope for cutting current expenditure - (as the 1969 Survey Report stated, the M.P.B.W. view is that this provision is already too low). On capital expenditure, setting aside the office building programme, which, in the light of the 4th Report of the Estimates Committee in 1967-68 is under review by an inter-departmental committee chaired by the Treasury, the total expenditure on proposed new construction starts is not quite £1.6 million. This sum covers only projects of the highest priority to the client departments concerned: indeed nearly half is for the Royal Mint and the residue of the GTC/IRU programme.
CABINET

PUBLIC EXPENDITURE: 1971-72

Memorandum by the Chancellor of the Exchequer

If we were to accept the public sector expenditure programmes for 1971-72 as they are set out in the 1969 Survey, the total of expenditure, including the capital investment of the nationalised industries, would be planned to rise, on a constant price basis, from the figure of £18,171 million which we agreed for 1970-71 to £19,111 million in 1971-72; that is, by £940 million, or 5.2 per cent. Bringing in the relative price effect (the "Relative Price Effect" is the term used in the Green Paper "Public Expenditure: A New Presentation" to refer to the allowance that needs to be made for the fact that projections on a constant price basis will understate the share of national resources which existing policies will pre-empt, since, on balance, prices rise faster in the public sector than in the private sector), the increase would be nearly 6 per cent, at constant prices.

2. I am sure that we cannot present this sort of increase. The report on the medium-term outlook (SEF(69) 56) has estimated that it would mean facing an imbalance in the economy in 1971-72 of something between £250 million and £450 million, assuming present rates of central Government taxation; and that report advised us to be guided in our decisions on public expenditure by the higher end of this bracket.

3. More work has been done by officials on 1971-72, on the remit which we gave them before the Recess, and the results are in their report C(69) 117. This works out the arithmetic of reducing the public sector programmes by enough to eliminate an imbalance of £350 million. My judgment is that at this stage we should be justified, by the progress that we can already show towards putting the economy right, in taking a slightly easier target for 1971-72 than officials have used. I would trim the public sector programmes in 1971-72 so as to reduce demand by £300 million.
4. What this would mean in terms of reductions of expenditure would depend on the demand content of the particular reductions which we select. If we could only find reductions with a relatively small demand content, we might need reductions in expenditure of well over £400 million. But if we can repeat for 1971-72 the success we had in finding for 1970-71 reductions with a large demand content, we could probably achieve our objective with reductions of only £350 million. This is what I suggest we should seek to do.

5. In terms of targets for public expenditure in the form in which we have expressed them up to now, this will leave us with as large an increase as we can risk announcing. The target for the current year stands, as the Prime Minister originally announced it, at 1 per cent above last year's. (This related to public expenditure, taking no account of the capital investment of the nationalised industries nor of the relative price effect, which adds about 3½ per cent to each year's increase). For 1970-71, as we have now decided the programmes, the corresponding figure is 2½ per cent. For 1971-72 what I am suggesting implies an increase of 3½-3¾ per cent. This would give a reasonable progression of annual increases in the three years. But it will not be easy for me to present it in relation to what we have already said in the Green Paper "The Task Ahead" (Chapter 5, paragraph 7) that "... beyond 1970-71... the Government's planning assumption is that the growth of public expenditure would be broadly in line with the growth of resources as a whole".

6. Turning to the question of finding the reductions, C(69) 117 shows that in expenditure terms there are some £180 million of reductions in 1971-72 flowing from the decisions which we have already taken on 1970-71. The demand content of these reductions is high - 80-85 per cent, or about £150 million. So the problem is how to find reductions to produce the remaining £150 million in demand terms.

7. The broad approach which I favour for solving this problem is summarised in the following table. Line A shows the objectives, in demand and expenditure terms, the latter depending on the demand content of the reductions which we eventually select. Line B shows what we already have towards the objectives. Line C suggests a broad apportionment of the rest to be found.
| A. Total reductions to be sought | £300 | About 350, if reductions with a high enough demand content can be found |
| B. Towards which, already available from decisions on 1970-71, etc. | | |
| Nationalised industries | c. 90 | 103 |
| Civil programmes | c. 60 | 79 |
| C. Leaving to be found | | |
| Nationalised industries | say, 70 | 30 |
| Defence | | |
| Civil programmes | 85 | possible |

8. I suggest that we should instruct officials to work out specific proposals in accordance with this broad scheme, for our approval at an early Cabinet meeting next month. In doing so, they should consider particularly how much could be achieved by restraint of local government current expenditure: for 1970-71 we were unable to touch this field because the Rate Support Grants for that year were covered in last year's biennial settlement, but the Annex to the officials' report in C(69) 117 suggests that it might well be possible to find from this source a substantial part of the amount which under my scheme would remain to be sought from the civil programmes in 1971-72.

9. Summing up, my plan is -

(a) To trim the rate of increase in public sector programmes in 1971-72 to reduce demand by £300 million.

(b) To try to do this with reductions of about £350 million in expenditure terms.

(c) To apportion the reductions broadly as shown in the table in paragraph 7.

(d) To commission detailed proposals from officials on this basis, taking local government current expenditure into account.

R.H.J.

Treasury Chambers, S.W.1.
11th September, 1969
CABINET
NORTHERN IRELAND

Note by the Secretary of State
for the Home Department

The Cabinet may like to see the attached Press notice about the influential Roman Catholic deputation from Belfast which I received yesterday. I mentioned this deputation at yesterday morning's Cabinet.

L.J.C.

Home Office, S.W.1.

12th September 1969
PRESS NOTICE

The Home Secretary today met Mr. Gerard Fitt, M.P. and representatives of Roman Catholic organisations in Belfast. Mr. Fitt was accompanied by The Rev. Fr. Padraig Murphy, Administrator St. Peter's Pro-Cathedral, Mr. Patrick Devlin, M.P. (Falls), Mr. Tom Conaty, Mr. J. D. McSparran, Q.C.

2. The Home Secretary said that he had kept in continuous touch with the situation in Belfast since his visit to Northern Ireland a fortnight ago. He fully understood the fears of those who erected barricades but drew attention to the growing strength of the military forces available to assure protection against violence and intimidation. There were now six full-strength battalions for the City of Belfast alone and he informed the deputation that the G.O.C.'s request for the addition of one more battalion to the Army forces in Northern Ireland had been met by the Secretary of State for Defence, and would be announced immediately.

3. General Freeland had assured him that by means of the peace line and in other ways the Army would afford all reasonable protection for whatever period it was necessary.

4. The deputation expressed their satisfaction with the results of the meeting and with the details of the additional military protection which would be made available. It was accepted that the continued existence of barricades constituted an interference with the normal commercial and social life of the community. All parties agreed that they should be removed at the earliest possible moment.

5. The steps preliminary to the removal of the barricades would be:-

(1) The army local commander should discuss the situation with the representatives of the people behind each barricade;

(2) together they should assess the requirements of those people for military protection and the army commander should decide how that could best be produced;

(3) on agreement as to the proposals for protection between the local people and the army, the barricades to be removed by the local people alone, or by the joint efforts of the army and the local people or, in the last resort, by the army alone if they were satisfied that the requirements for protection were met.

6. The members of the deputation emphasized the wish of the people whom they represented to work towards peace and justice for all in the community, and expressed their willingness to use their best endeavours to bring about an early removal of the barricades.
7. The Home Secretary said that he welcomed the establishment of the Public Protection Authority as a means of dealing with intimidation by securing speedy protection through the Army and the Royal Ulster Constabulary. He urged people who are intimidated not to hesitate to call for the help of the authorities.

8. The Home Secretary said that the action programme initiated by the Northern Ireland Government would go far to redress the grievances identified in the Cameron Report that would be published tomorrow. The Working Parties would carry this task still further, as would the work of the Committee on the Police headed by Lord Hunt whose report to the Northern Ireland Government was expected within the next four weeks. The momentum of the work that had been set in hand must be maintained.
22nd September, 1969

CABINET

EQUAL PAY

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

The Cabinet agreed (CC(69) 42nd Conclusions, Minute 3) that legislation on equal pay should be introduced in the next Session on the broad lines indicated in my memorandum C(69) 113. I was asked to elicit views of the Trades Union Congress (TUC) and Confederation of British Industry (CBI) on the need for legislation and the form it might take without revealing the Cabinet's decision on legislation; and to report the outcome to Cabinet in time for them to take decisions about the timing and form of legislation before the Labour Party Conference.

2. I have now had meetings with both the TUC and CBI. Neither party consider that a joint discussion would be helpful at the present time and I did not therefore press them to have a joint meeting with me. Both the TUC and CBI made it pretty clear that they could not take a discussion of the subject much further without some indication of what the Government thought should be done.

TUC views

3. The TUC put before me a four point programme:

(i) A Declaration of Intent by the Government to the TUC and the CBI on the establishment of equal pay;

(ii) Action by the Government to establish equal pay in the industrial Civil Service;

(iii) Enabling legislation which would give the Government power to bring into line employers who decline to co-operate in achieving equal pay voluntarily;

4. In discussion, the TUC admitted that they saw little prospect of any joint declaration of intent with the CBI unless the Government took a firm lead and indicated a firm date by which equal pay would have to be established. They accepted that their points about equal pay in the industrial Civil Service and ratification of the ILO Convention would flow automatically from any legislation (though I am clear that they will re-open the question of equal pay in the industrial Civil Service even if we announced that there would be no early legislation: they do not accept that this could not be done on its own).

5. As regards the nature of the legislation, they assume it would fix a date by which equal pay would have to be established and would provide machinery for requiring individual employers to give equal pay. As far as possible, they would want to see the actual arrangements in individual industries and firms settled by ordinary negotiations with trade unions within the time scale of the legislation.

6. On timing, the Congress Resolution refers to implementation in a period of two years. They know very well that this is unrealistic. In private conversation Mr. Feather said that they would regard a three or perhaps four year period as reasonable.

7. The TUC are strongly opposed to the introduction of equal pay being handled under the incomes policy in such a way that equal pay results in a reduction in the general rate of increase in pay that would otherwise be allowed.

**Views of the CBI**

8. The CBI took the general line that while equal pay would have to be introduced in time it would be wrong to start on introduction until the economic situation had been consolidated in (say) two years' time. Implementation should then be phased over seven years, and even so, there should be provision for still further extensions for individual firms which would face particularly large wage increases in their wage bills. Under the incomes policy the cost of introducing equal pay should be taken fully into account in deciding the general rate of increase in pay which was permissible.

9. The CBI assumed that there would be legislation fixing a date by which discrimination in pay on grounds of sex would have to cease. They want to have detailed discussions with us on precisely what would be involved in the concept of 'discrimination' but my impression is that their views are not significantly different from the ideas I set out below. They would certainly not be taking a stand on a very narrow definition of equal pay for identical work.
10. The CBI are also very concerned that the nature of the legislation should not cut across the negotiation of equal pay arrangements in individual industries and firms; and that there should be a large measure of flexibility left for ordinary negotiations.

Timing and form of legislation

31. In the light of the reactions of the TUC and CBI - which were pretty much as might have been expected - I have reviewed the proposals on timing and form of legislation set out in my memorandum C(69) 113.

(i) General form of legislation

Both the TUC and CBI are expecting that the legislation would basically take the form of fixing a date by which discrimination in pay on grounds of sex would have to cease; and to establish machinery by which individual employers could be required to give equal pay to their women workers. I am also quite clear that this legislation needs to be introduced at the beginning of the programme and not just left as a statement that in due course such legislation would be passed at a later date.

(ii) Timing of programme

In my previous memorandum, I suggested that legislation should provide for equal pay by the end of 1975 - in effect providing a 5-year period after the passing of the legislation. I still think this is the right timing. The TUC will say it is too long and the CBI too short. But I think this is a period which would be practicable both economically and politically.

(iii) Meaning of equal pay

The legislation would be concerned basically with removing discrimination in pay on grounds of sex and in general it would be left to independent Tribunals to decide whether in any particular case the facts revealed such discrimination. However, it would be desirable to make it clear what kind of situations would clearly be regarded as involving discrimination. I think the main cases are as follows:

(a) In a collective pay agreement, the existence of separate rates for men and women for any class or description of work would be treated as discrimination. One could not for example simply have one minimum rate for 'unskilled men' and a lower rate for 'unskilled women'.

(b) In any particular establishment different rates for men and women workers doing the same or broadly similar work would be discrimination. In general, it would not be possible to draw comparisons between one establishment and another unless they were governed by an identical pay structure.
(c) Where rates of pay have been determined on the basis of a job evaluation exercise, there could be no discrimination on grounds of sex in the pay given for jobs which had been established as being of equal value in terms of skill, effort, responsibility and so forth. (But the independent Tribunal would not itself set out to do job evaluation exercises where they had not been used as the basis of a pay structure by the employers).

Working out the details of this approach will require full discussions with the TUC, CBI and other major interests. This will only be possible when the Government has announced its general decision.

(iv) ILO Convention

Legislation on the lines I have suggested would enable us to ratify ILO Convention 100 and we should do so when the legislation was passed. The introduction of equal pay on these lines would bring us into line with the developing practice in the European Economic Community countries.

(v) Incomes policy

The TUC and CBI hold diametrically opposed views on the handling of equal pay under the incomes policy. I have told them both that I would discuss this matter with them as part of the consultation I would be having with them shortly on the draft of the next White Paper on Incomes Policy.

Nature and timing of the announcement

12. In the announcement of the Government's intentions, I would propose to say that we would introduce legislation next Session requiring discrimination in pay on grounds of sex to end by 31st December, 1975; that we were considering whether there should be an intermediate phase; and that discussions would start immediately with CBI, TUC and other interested parties on details of the legislation.

13. As regards timing of the announcement, it was agreed in Cabinet that there would be great advantage in announcing it at the Labour Party Conference but that a decision on this would have to be taken in the light of the international monetary situation at the time. I hope that my colleagues will agree to this in principle while leaving me to clear the exact date with the Chancellor.

14. It is most desirable on practical grounds that the announcement should be made as soon as possible. It is clear that no effective discussions about the details of the legislation can take place with industry and trade unions until the announcement is made. We must give both sides reasonable time to discuss the details with us before the legislation is introduced.
Conclusion

15. I therefore ask the Cabinet to agree:

(i) That I should make an early announcement that the Government intends to introduce legislation next Session providing for full implementation of equal pay by the end of 1975.

(ii) That I should embark immediately thereafter on discussions with both sides of industry about the details of legislation.

B. A. C.

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

22nd September, 1969
23rd September, 1969

CABINET

PARLIAMENT (No. 7) BILL

Memorandum by the Lord Chancellor

At their meeting on 10th July the Cabinet invited me to arrange for the Ministerial Committee on the House of Lords to consider the desirability of introducing a Bill to limit the House of Lords' powers and to report to the Cabinet in September (CC(59) 32nd Conclusions, Minute 1). Subsequently I was invited by the group of Ministers considering the House of Commons (Redistribution of Seats) Bill to arrange for the preparation of a Bill to curtail the powers of the House of Lords in case the Cabinet should decide to introduce such a Bill. I attach a copy of the draft Bill which has been prepared by Parliamentary Counsel for this purpose and which was considered by the Ministerial Committee on the House of Lords on the 30th July.

2. The substantive provisions of the Bill are virtually identical with clauses 8-15 of the Parliament (No. 2) Bill except that three calendar months has been substituted for six calendar months as the period of delay in clause 2(2) of the draft Bill. The only other changes between the draft Bill and the earlier clauses are that the opportunity has been taken to leave out subsection (2) of clause 11 (which would have enabled either House during the period of delay to propose to the other House amendments with which they would agree to a Bill) and that clause 6 of the draft Bill now includes a reference to Special Procedure Orders which ought to have been included in clause 14 of the earlier Bill. Clause 11(2) of that Bill was included in pursuance of the understanding reached in the talks which preceded the introduction of the Bill, but I think a provision of this kind is quite likely to lead to trouble in the future and it seems better to leave it out.

3. It seems desirable that the draft Bill should follow as closely as possible the provisions relating to powers which were contained in the earlier Bill, because those provisions were very carefully considered at the time and no defects were disclosed by the amendments tabled during
the proceedings on the Bill in the House of Commons. Moreover, from
the point of view of tactics, I think there is a good deal to be said for the
new Bill's being in a form which is recognisably the same on powers, so
far as possible, as the earlier Bill.

4. A decision at this juncture to introduce legislation to curtail the
powers of the House of Lords would not, of course, affect the date on
which the House of Commons (Redistribution of Seats) Bill could become
law under the existing Parliament Acts. The procedure under those Acts
requires that the Bill shall have been passed by the House of Commons in
two successive Sessions, with a minimum interval of one year between
Second Reading in the first Session and the date of its passing in the
second Session; and to have been sent up to the House of Lords at least
one month before the end of each Session. The earliest date on which
the House of Commons (Redistribution of Seats) Bill could become law on
this basis would be 2nd August, 1970.

5. Assuming a new Parliament Bill to be introduced as soon as
Parliament reassembles, the earliest date on which it could receive a
Second Reading would be 15th October so that it could not become law
before 15th November, 1970 at the earliest. Moreover even with a
timetable motion for all stages the Bill could hardly be sent to the Lords
before 20th October, which would mean that the 1968-69 Session would
have to be extended at least until 21st November. The consequences for
the 1969-70 Session would also be serious. On the most favourable
assumptions the Session would have to continue until 16th November; and
if the Lords, instead of rejecting the Bill outright, chose to send it back
with unacceptable amendments, it might be necessary to prorogue then
and start a new Session in order to meet the requirements of the
Parliament Acts. The Annex to this memorandum deals in more detail
with the difficulties inherent in relying on the Parliament Act procedure
in present circumstances.

6. We have also to consider the legislative consequences of
introducing a Parliament Bill in the autumn. The spirit of co-operation
in the House of Lords on which a Labour Government is bound to rely to
get its business through will disappear completely and we shall be faced
with prolonged and determined obstruction. There will be nothing to
prevent the Conservatives from seeking to amend the Parliament Bill
by including all the clauses about composition which were in the earlier
Bill and this will lead to time-consuming debates which will seriously
interfere with the progress of other and urgently needed Bills. There is
little doubt that the remainder of our business would be seriously interfered
with both this Session and next and, given the stage in the life of this
Parliament which will have been reached before the Parliament Bill can
become law, it is very doubtful whether we should stand to gain any
compensating benefits.
7. We did not think that the Lords would at first reject the No. 7 Bill, but that they would amend it by introducing the previous clauses on the composition of the Lords so that, while the Commons would send up the Parliament (No. 7) Bill, what they would get back would be the Parliament (No. 2) Bill. And what would the Government do then?

8. The whole question was carefully considered by the Ministerial Committee on the 30th July and we were unanimously of the opinion that no reference to such a Bill should be included in The Queen's Speech and that no such Bill should be introduced either this Session or next.

G.

House of Lords, S.W.1.

19th September, 1969
Difficulties of the Parliament Act

The legal effect of the provisions of the Parliament Act, 1911 is by no means free from difficulty. Section 2(1) of that Act, as amended in 1949, requires a Public Bill (other than a Money Bill or a Bill extending the maximum duration of Parliament) to have been passed by the House of Commons in two successive Sessions and, having been sent up to the House of Lords at least one month before the end of the Session, to have been rejected by that House in each of those Sessions. Then the Bill is to be presented for Royal Assent under the Parliament Act provided that one year has elapsed between Second Reading in the House of Commons in the first Session and the date of the Bill's passing the House of Commons in the second Session. This appears to contemplate that the Bill should have passed the House of Commons in only two Sessions and that it may be presented for Royal Assent in the second Session provided the necessary conditions have been satisfied. But some doubt has been thrown on this by the fact that section 2(3) of the Act of 1911 provides that a Bill is deemed to be rejected by the House of Lords if it is not passed by that House either without amendment or with such amendments only as may be agreed by both Houses.

2. This plainly poses the question of when the disagreement of the House of Lords is to be assumed if the Lords do not reject the Bill outright. Can it be said that the Lords have failed to agree to a Bill until the Session is finally brought to an end by Prorogation? If this is indeed the effect of section 2(3), then the Bill would have to be reintroduced and passed by the House of Commons in a third Session. Viscount Ullswater, who was the Speaker of the House of Commons in 1911, suggested in his memoirs ("A Speaker's Commentaries", volume 2, page 112) that this was the correct view and claimed to be supported by the opinion of the Master of the Rolls whom he had consulted privately at the time. In the event, this point has never been put to the test in the case of the three Bills which have so far become law under the Parliament Act procedure, each Bill having been returned to the House of Commons in time to enable the Speaker to give his certificate. I am myself disposed to think that Lord Ullswater was wrong, but I cannot conceal that a difficult situation might arise if the matter were ever put to the test and the House of Lords placed difficulties in the way of a Bill's being returned to the House of Commons in time.

3. Moreover section 2(2) provides that when the Bill is presented for Royal Assent "there shall be endorsed on the Bill the certificate of the Speaker of the House of Commons signed by him that the provisions of this section have been complied with". How does he certify it on the Bill if the Bill is still in the House of Lords? Viscount Ullswater says that in his case this difficulty did not arise because the Bill "was returned to the Commons (how or why this came to pass I have never been able to discover)".
DRAFT
OF A
BILL

Amend the law regulating the legislative functions of the House of Lords in respect of Bills other than money Bills; and to restrict the powers of that House relating to subordinate legislation.

BE IT ENACTED by the Queen's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:—

Legislative powers

1.-(1) The next three sections of this Act shall apply to any New public Bill which, after the commencement of this Act, is passed by the House of Commons and sent up to the House of Lords, not being a money Bill within the meaning of section 1 of the Parliament Act 1911 or a Bill containing any provision to extend the maximum duration of Parliament.

(2) In this section "public Bill" does not include a Bill to confirm a provisional order, but includes a Bill presented under section 6 of the Statutory Orders (Special Procedure) Act 1945.

(3) Section 2 of the Parliament Act 1911 shall cease to have effect.

2.-(1) If a Bill to which this section applies is disagreed to in the House of Lords, the House of Commons may, subject after delay to the provisions of this section, resolve that the Bill be presented to Her Majesty for Her Royal Assent under this Act; and on the Royal Assent being signified the Bill shall become an Act of Parliament accordingly notwithstanding that the House of Lords have not consented to it.
(2) A resolution under this section for the presentation of a Bill for Royal Assent shall not be moved in the House of Commons until after the following period of delay, namely [three] calendar months from the day on which the Bill was disagreed to by the House of Lords or, if it was so disagreed to more than sixty parliamentary days after being sent to that House, from the last of these days.

(3) A resolution for the presentation of a Bill for Royal Assent under this section may be passed, and the Royal Assent may be signified accordingly, notwithstanding any prorogation or dissolution of Parliament during the period of delay; but in any such case the resolution shall not take effect unless passed within thirty parliamentary days after the end of the period of delay.

Disagreement to Bill.

3.—(1) For the purposes of this Act a Bill shall be treated as disagreed to by the House of Lords in the following circumstances (and not otherwise) namely—

(a) if a motion for the rejection of the Bill is carried, or the motion that the Bill be read at any stage or passed is rejected or amended, by that House;

(b) if that House insist on any amendment of the Bill not agreed to by the House of Commons, or, having disagreed to an amendment made by the House of Commons on consideration of Lords' amendments, insist on their disagreement;

(c) if, at any time after the end of the period of sixty parliamentary days from the day on which the Bill was sent up to the House of Lords and within the Session in which it was so sent—

(i) any motion relevant to the progress of the Bill, made in that House by the peer in charge of the Bill and expressed to be made pursuant to this section, is rejected by that House; or

(ii) the House of Commons resolve, on a motion of which at least ten parliamentary days' notice has been given, that the Bill be treated for the purposes of this Act as disagreed to by the House of Lords.

(2) The date on which a Bill is disagreed to by the House of Lords within the meaning of this section shall be endorsed on the Bill by the Clerk of the Parliaments or, if the Bill is then in the possession of the House of Commons, by the Clerk of that House; and on the expiration of the period of delay, the Bill shall, unless it is then in the possession of the House of Commons, be returned to that House.
(3) Nothing in this Act shall prevent the taking, in the case of a Bill which is disagreed to within the meaning of this section, of any proceeding which could otherwise lawfully be taken in either House, or the enactment otherwise than under section 2 of this Act of a Bill as agreed to by both Houses.

4.—(i) The Bill to be presented to Her Majesty for Her Content and Royal Assent pursuant to a resolution of the House of Commons as enacted under section 2 of this Act shall be the Bill as sent up to the House of Lords with the following amendments and no others, namely—

(a) any amendments made by the House of Lords and agreed to by the House of Commons;

(b) any amendments made by the House of Commons on consideration of Lords' amendments and agreed to by the House of Lords;

(c) such other amendments (if any) made by either House as may be specified in the resolution under the said section 2.

(2) When a Bill is presented to Her Majesty for Her Royal Assent pursuant to such a resolution, there shall be endorsed on the Bill the certificate of the Speaker of the House of Commons, signed by him, that the provisions of this Act have been duly complied with, and any such certificate shall be conclusive for all purposes and shall not be called in question in any court of law.

(3) In every Bill so presented to Her Majesty, the words of enactment shall be as follows:—

"Be it enacted by the Queen's Most Excellent Majesty in Parliament, pursuant to section 2 of the Parliament Act 1969, as follows"

and the alteration of the words of enactment to give effect to this subsection shall not be deemed to be an amendment of the Bill.

Subordinate legislation

5. The provisions of the next two sections of this Act shall have effect for securing that in cases where each House of Parliament has power, by passing or rejecting the appropriate resolution or motion, to control the making, coming into operation or continuance in force of an instrument laid or laid in draft before it, a decision of the House of Lords may be over-ruled by the House of Commons.
6.—(1) This section applies to the following enactments, providing for the annulment or disapproval by either House of instruments or draft instruments laid before Parliament, that is to say,—

(a) sections 5 and 6 of the Statutory Instruments Act 1946 (instruments and draft instruments subject to annulment or disapproval by resolution of either House within forty days);

(b) subsection (1) of section 4 of the Statutory Orders (Special Procedure) Act 1945 (annulment of special procedure orders by resolution of either House within twenty-one days);

(c) any other enactment not operating through section 5 or section 6 of the Statutory Instruments Act 1946 (including any future enactment), whereby the making, coming into operation or continuance in force of any instrument laid or laid in draft before Parliament may be prevented by resolution passed by either House within a specified period.

(2) A resolution for the annulment or disapproval of an instrument or draft passed by the House of Lords pursuant to any enactment to which this section applies shall be of no effect until the end of whichever of the following periods expires later, namely—

(a) the period prescribed by that enactment for the passing of such a resolution;

(b) the period of twenty parliamentary days from the date of the resolution:

and if during the period for which that resolution is suspended by virtue of this subsection a corresponding motion in respect of the instrument is rejected by the House of Commons, or that House resolves that the resolution of the House of Lords be of no effect, that resolution shall be void for all purposes.

(3) Where a resolution for the annulment of a special procedure order passed by the House of Lords pursuant to subsection (1) of section 4 of the Statutory Orders (Special Procedure) Act 1945 becomes void under this section, the proviso to subsection (2) of the said section 4 (under which a petition of general objection is withheld from the Joint Committee if either House has so resolved) shall not apply to the order.

(4) Where a resolution passed by the House of Lords pursuant to any enactment is suspended by virtue of this section beyond the period mentioned in paragraph (a) of subsection (2), that period shall for all purposes of that enactment be treated as extended until the end of the period for which the resolution is so suspended or any earlier date on which it becomes void under this section.
7.—(1) This section applies to any enactment, including any Affirmative future enactment, which provides (by whatever form of words) that an Order in Council, order or other instrument of any description—

(a) may be made only after approval in draft by resolutions of each House of Parliament;
(b) shall not come into force unless or until approved by such resolutions; or
(c) shall cease to have effect at the end of a specified period unless so approved within that period.

(2) For the purposes of any enactment to which this section applies, an instrument or draft shall be treated as approved by resolution of each House of Parliament, notwithstanding that a motion for such approval is rejected by the House of Lords, if the instrument or draft had previously been approved by resolution of the House of Commons and that resolution is subsequently confirmed by that House.

(3) If in the case of an instrument falling within paragraph (c) of subsection (1) of this section a motion for approval is rejected by the House of Lords less than ten parliamentary days before the end of the period specified in the relevant enactment, that period shall be extended by virtue of this section until ten parliamentary days after the rejection.

(4) For the purposes of this section a motion for the approval of an instrument or draft shall be treated as rejected by the House of Lords if it is not passed within ten parliamentary days after the day on which it is moved and, in the case of an instrument falling within paragraph (c) of subsection (1) of this section, within the period referred to in that paragraph.

Supplemental

8.—(1) In this Act the following expressions have the meanings hereby assigned to them, that is to say—

"Enactment" includes an enactment of the Parliament of Northern Ireland;

"Instrument" does not include a Church Assembly Measure;

"Parliamentary days" means—

(a) days on which either House meets (but disregarding any meeting of the House of Lords for judicial business only), and
(b) days comprised in any period when both Houses are adjourned if the number of days so comprised does not exceed four, and periods of parliamentary days shall be calculated accordingly.
(2) In calculating for the purposes of this Act any period from or after a specified day or event, that day, or the day on which that event occurs, shall be excluded.

(3) Any reference in this Act to the annulment, disapproval or approval of an instrument or draft includes a reference to the presentation to Her Majesty of an address to the like effect in relation thereto, and references to a resolution or motion for annulment, disapproval or approval shall be construed accordingly.

9. This Act shall come into force at the end of the Session of Parliament in which it is passed.

10.-(1) This Act may be cited as the Parliament Act 1969.

(2) Sections 2 and 5 of the Parliament Act 1911, and the whole of the Parliament Act 1949, are hereby repealed.
ARRANGEMENT OF CLAUSES

Legislative powers

Clause
1. New provisions to replace Parliament Act 1911 s. 2.
2. Enactment after delay of Bill disagreed to by Lords.
3. Disagreement to Bill.
4. Content and form of Bill as enacted.

Subordinate legislation

5. General provisions as to subordinate legislation.
7. Affirmative resolutions.

Supplemental

8. Interpretation.
9. Commencement.
10. Short title and repeal.
CABINET

INDUSTRIAL COMMISSION

Note by the Secretary of the Cabinet

By direction of the Prime Minister I circulate herewith a report by officials on the scope and functions of a possible Industrial Commission.

(Signed) BURKE TREND

Cabinet Office, S.W.1.

22nd September, 1969
INDUSTRIAL COMMISSION

Report by the Official Working Party on Industrial Policy and the Monopolies Commission

PART I - INTRODUCTION

Following discussion in the Ministerial Steering Committee on Economic Policy on 31st July, we were asked to define the scope, nature and functions of an Industrial Commission if one were created - without prejudice to the question whether or not it should be created.

2. The Commission would replace the Monopolies Commission and the National Board for Prices and Incomes (NBPI) but it would not just be a matter of spatchcocking them together under a new name. Policy requirements in the partially overlapping area covered by the two existing bodies are not static and in considering the functions of a possible new Commission we have looked at what seems likely to be needed in the next few years and not simply at the situation as it is today.

3. This has meant that we have had to make some working assumptions about the development of policy in areas where Ministers have not yet taken decisions - for example, prices and incomes. These are of course intended to prejudge such decisions nor do they commit Departments in any way. Their sole purpose is to enable us to put forward as a basis for discussion a reasonably firm picture of what the Commission might look like, not blurred by too many qualifications.

4. On this basis we give in Part II of this note an outline of a possible Industrial Commission* and of its legislative framework. We have made this as precise and detailed as we could but further consideration would obviously have to be given to many points if it were decided to go ahead. Part II takes account of the need to make the Commission broadly acceptable to industry and incorporates the following assumptions -

(i) In their different ways the Monopolies Commission and the NBPI each provide a means through which external pressure for greater efficiency may be exerted in the national interest on companies which for one reason or another are not subject to the pressures of a fully competitive market. Part II assumes that sheer size may insulate a company from these pressures as effectively as a dominant share of the market for a particular product (paragraph 5).

*This title might need to be reconsidered in the light of any decisions about its functions.
(ii) Part II assumes that the Government's power to refer incomes questions to the Commission would extend to all forms of employment, including the nationalised industries, local authorities, the health service and the Civil Service. This is without prejudice to the question whether the powers would be used in any given case. (Paragraph 11).

(iii) Part II envisages that power would be taken to make standing references covering the pay of particular groups in the public sector. This would enable the Commission to take over the NBPI's current references or the pay of the forces and university teachers. In form the legislation would enable references to be made to the Commission covering the salaries of doctors, higher civil servants, judges and other politically sensitive groups, though it is for consideration whether, in view of the other functions proposed for it, the Commission would be an appropriate body for this purpose. (Paragraph 11).

(iv) Under existing legislation the Government have power, in certain circumstances, to control the prices of goods which have been the subject of an enquiry by the Monopolies Commission. Part II assumes that this power would be retained; its scope would be widened to match the broader range of the Industrial Commission's enquiries but it might be desirable to provide that its application in any given case would be of limited - and not as now indefinite - duration. (Paragraph 15).

(v) Part II assumes that the existing power to hold up mergers pending enquiry and report by the Commission would be retained. It makes no assumption about whether or not there would be analogous standstill powers in relation to proposed increases in wages or prices. (Paragraphs 15 and 16).

(vi) The setting up of an Industrial Commission would have an important bearing on the activities of the Industrial Reorganisation Corporation and the Commission for Industrial Relations. But Part II assumes that they are retained as separate institutions.

(vii) There are several references in Part II to "the Minister". It is assumed that a single Minister would be responsible for the Commission, though other Ministers directly concerned would be associated with individual references made to it.
PART II - THE COMMISSION

FUNCTIONS

Individual companies

5. The Minister would be able to make references to the Commission in respect of Companies which either held a monopoly position as defined in the existing monopolies legislation (essentially those with a one-third share of the market for a particular product) or exceeded a certain size (which might be defined in terms of capital employed, turnover or number of employees). This provision would cover associated and subsidiary companies effectively under the same control.

6. The Commission could be asked to report on the implications for the public interest of the company's policies and operations as a whole or of specified aspects of them. It would be made clear that the public interest comprised such nationally important economic requirements as the need to contain costs (including wage costs) and to relate prices properly to them, to promote exports and compete effectively with imports and to sustain the rate of investment and innovation necessary for this. In order to reassure industry it might be desirable for the tests by which the Commission should interpret the public interest to be spelled out reasonably fully either in the statute itself or in a document scheduled to it, rather as the White Papers on prices and incomes are now. While individual references could be drawn widely enough to enable the Commission to examine a company's total efficiency, they would normally be asked to report on particular aspects of its policy. They might, for instance, be asked to report on the effect on productivity, costs and prices of the level or structure of wages or of a specific wage settlement; on a firm's general pricing policy or a specific price increase; or on the use made, in relation to customers or suppliers, of market power in a particular product. The Commission would be free to examine the company's policies and operations as widely as they thought necessary to throw light on the immediate subject of enquiry.

7. The Minister could also ask the Commission to examine the results of past mergers which had at the time qualified for examination under the existing merger provisions or those now proposed (see paragraph 9 below).

**The number of industrial firms which would be brought within the Commission's scope would vary, on a criterion of capital employed, as shown below. In each case, a number of additional undertakings in the fields of finance, commerce and services would also be covered.**

- £10 million 400 firms
- £15 million 300 firms
- £20 million 250 firms
- £50 million 100 firms
- £100 million 60 firms
"Parallelism"

8. There would also, as at present, be provision for enquiries into the activities of a group of firms which conducted their affairs in such a way as to restrict competition (e.g. by charging parallel prices where there was no specific agreement such as would fall within the scope of the Restrictive Practices Court). While the more important price leaders would be covered by the size and market share criteria, this power would be relevant in circumstances such as those of the recent reference on electric lamps, where it is the parallel behaviour of a small group of firms which is the real restriction on competition.

Mergers

9. The Commission would take over the existing functions of the Monopolies Commission in respect of mergers, including the special provisions for newspaper mergers. It might be appropriate to increase the lower limit for enquiry into British mergers from £5 million assets taken over, perhaps with a reduced figure for enquiries into foreign takeovers (see also paragraph 17 below).

Nationalised industries

10. The legislation would provide for references on major price increases and associated examinations of costs. There would also be provision for inviting the Commission to carry out efficiency audits of the nationalised industries on lines recently started by the NBPI (though it is not envisaged that the Commission would be the only agency for such work).

National wage agreements

11. The legislation would provide for the reference to the Commission of nationally negotiated wage and salary proposals, settlements or structures of significance to the economy. While wage and salary agreements and structures in large or monopolistic firms would be referable under the general powers of enquiry described in paragraph 6 above, it might be necessary to provide also for certain key settlements in smaller firms to be referred where they are likely to set the pattern for a number of settlements in individual firms together affecting a substantial number of employees. These provisions would extend to all forms of employment in both the public and private sectors. There would also be provision for making standing references of the pay of particular groups.

Collective price agreements

12. Where the Restrictive Practices Court has permitted the continuance of a collective price-fixing agreement (e.g. cement), the level and structure of prices would be open to review by the Commission.
General functions

13. It would also be open to the Minister to ask the Commission to report on the implications for the public interest of specific policies and practices in a particular industry or sector. Such enquiries might, for example, cover ground similar to that covered in the enquiries by the NBPI into selected distributive margins and by the Monopolies Commission into estate agents' fees.

14. The Minister could also invite the Commission to report on general problems and practices such as those covered by the NBPI reports on job evaluation and productivity agreements or by the Monopolies Commission reports on conglomerate mergers and recommended resale prices. The Commission would also have a duty to keep under review developments in the field of incomes, cost and prices and of industrial structure and competition (particularly the tendency towards concentration) and their implications for efficiency, reporting from time to time. They would have to submit an annual report (which would be published) on their activities as a whole.

15. While substantial reliance would be placed on the act of enquiry itself and the publicity attendant on any report to induce a company to modify its policies, certain powers would be provided which might be used both directly and to encourage voluntary agreement. The Minister would have available broadly the present powers of the Board of Trade in respect of reports by the Monopolies Commission,* The principal powers would be:

   (a) power to control prices. This is at present unlimited but it might now be appropriate to restrict its application to a period of two years following the Commission's report;

   (b) power to declare unlawful certain monopoly and discriminatory practices (as at present), and to ban recommended resale prices on particular products where the Commission had found them contrary to the public interest (a policy change for which this Bill provides a suitable opportunity);

   (c) power to prohibit or restrict future acquisitions or require a company to divest itself of certain assets or subsidiaries;

   (d) power to hold up mergers pending enquiry (normally for not more than six months).

* The NEDC also has certain functions in this field.

* As set out in Section 3 of the Monopolies and Mergers Act, 1965.
These powers (apart from the temporary standstill on mergers) would be exercisable by the Minister only where the Commission had found that the policies or operations of a particular company were in certain respects contrary to the public interest, and that use of a particular power would be an appropriate remedy.

16. Except to the extent that the existence of price control powers might influence the attitude of management in major wage negotiations, these powers would not bite on wage settlements in individual companies. Nor would they be relevant to nationally negotiated wage settlements or enable increases in wages or prices to be delayed pending enquiry. If Ministers were to decide that such powers should be available, they would have to be taken specifically in the legislation.

17. The new legislation would provide a suitable opportunity to take specific powers to stop foreign takeovers above a certain size (see paragraph 9 above) whether or not they had been referred for enquiry, instead of relying largely on the exchange control powers.

MACHINERY

The Commission

18. The Commission would be a statutory body consisting of a full-time Chairman, a nucleus of full-time members and up to 20 other members, all appointed by the Minister.

Procedure, etc.

19. The machinery provisions would be substantially the same as those in the existing prices and incomes legislation. They would include the power to compel the attendance of witnesses and production of evidence.

20. In appropriate cases the Commission would be required to report on a particular reference within a specified time limit (normally between three and twelve months), but except in the case of merger references the appropriate limit would not be laid down in the legislation. In conducting enquiries the Commission would be free to seek information in any way they considered appropriate, including the use of consultants, direct discussions with those concerned, and formal written and oral evidence.

21. With the exception of the review function referred to in paragraph 14 above, the Commission would undertake enquiries only on references from the Minister.

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The NBPI is limited to between 9-15 members and currently has 15. The Monopolies Commission is limited to 4-25, and has 18. There is considerable overlap in the type of appointee, though the balance of composition is rather different.
Staff and cost

22. The Monopolies Commission has a total staff of 55 and running costs for 1968-69 are estimated at approximately £175,000. The NBPI has a staff of some 280 and total costs are estimated at some £1.25 million for 1968-69 and £1.4 million for 1969-70. While it is not possible to make any firm estimate of the staff and cost of the new Commission, some economy should be possible in comparison with the two existing bodies.

LEGISLATION

23. There would be a comprehensive Bill covering the setting up of the Commission, its functions, and the functions and powers of the Minister in the field covered by the Commission. This would draw on and replace -

The Monopolies and Restrictive Practices (Inquiry and Control) Act, 1948

Part III of the Restrictive Trade Practices Act, 1956

The Monopolies and Mergers Act, 1965


These would be repealed in toto.
23rd September, 1969

CABINET

INDUSTRIAL POLICY

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

In the next two months, we have to move forward into the next phase of our developing prices and incomes policy with a new White Paper setting fresh guidelines for the relationship between pay, prices and profits. This phase of the policy will have to be based - for we certainly cannot now draw back - on an Order in Council activating Part II of the 1966 Prices and Incomes Act with its provision for three months statutory standstills on pay settlements and prices and legal penalties for those who break them. Some of the large unions in the Trades Union Congress (TUC) together with a good many small ones have now carried through Congress a demand for complete repeal of all Prices and Incomes legislation. We are therefore going to have serious trouble over the Order (which will be opposed by the Opposition).

2. We must also consider the content of any Industrial Relations Bill which we introduce next Session. This is discussed in detail in Part II below. No balanced Bill is however likely to be wholly acceptable to the TUC.

3. We ought to consider our policies in these fields in the light of a general approach to industrial policy, both for the private and public sectors.

SECTION I. INDUSTRIAL POLICY

A. Public Accountability

4. I feel strongly that we should at this time seek to relate the various strands of our industrial policy to a general objective: to bring a greater degree of public accountability into the private sector of industry, and to demonstrate that the same principles are applied in the public sector. Far more than the Conservatives, we have shown by our actions that we believe that Government has a duty to help private industry to increase its efficiency.
This is a positive role reflected in the restructuring activities of the Industrial Reorganisation Corporation and other Government agencies; the introduction of investment grants; the various schemes for advice and assistance to management. But the Government also has the right to establish a framework for the investigation of the actual behaviour of private industry. We cannot in a modern industrial state rely wholly on the working of competitive forces to ensure that industry is fully efficient or that market power (which is steadily increasing) is not abused. We need machinery which can study the relation between changes in incomes, prices and profits in individual firms and industries; and the relationship of these factors to the level of efficiency. And in all this we need to adopt a basically constructive approach rather than a limited range of prohibitions.

5. Investigation is needed not only in areas at present covered by the Restrictive Practices Act and the monopolies legislation. There are areas of the economy in which the sheer size of major industrial firms can result in inefficient use of major blocks of national resources. There are many other cases where the existence of several firms apparently competing vigorously does not in practice offer full safeguards for consumers or ensure full efficiency.

6. The trade unions too must be brought to face up to their responsibilities in these matters. At present individual unions can and do connive at the abuse of market power by individual firms or industries where this brings sectional advantages to their members. Equally they can and do connive at inefficiency springing from wages systems no longer relevant to present day conditions, from reluctance to link pay settlements to changes in working methods, and from leap-frogging inflationary pay settlements.

B. The framework for investigation

7. Prime responsibility for keeping in touch with the behaviour of private industry must rest, in my view, with the Government Departments responsible (i.e., the Production Departments and the Department of Employment and Productivity) just as the prime responsibility for the nationalised sector lies with the responsible Departments. I know that my colleagues have been establishing far better contacts with the major industrial firms than we have had in the past; and this gives us the right basis for our policy.

8. The Monopolies Commission has been doing increasingly valuable work on mergers and in the examination of the behaviour of some of our major monopolies. The President of the Board of Trade earlier this year called attention however to some of the limitations of the work of the Commission. And I think it would be generally agreed that there are many areas where market power is abused (often in effect by a combination of management and workers) but which cannot be effectively investigated under this legislation.
9. The National Board for Prices and Incomes (NBPI) has in the past four years moved from a narrow remit of considering the justification for specific pay settlements and price increases towards wider examination of the relationships between pay structures, labour utilisation, pay levels, prices and profits in the firms and industries referred to it. Its work too however has often been restricted by the nature of its remit. It has also begun to develop techniques of efficiency audit for the nationalised industries which can both help the Boards concerned to focus attention on underlying problems, assist Government Departments in handling the problems, and at the same time show to the public that there is economic as well as financial accountability for the operation of these major industries. It has also played a part in stimulating productivity bargaining and a better relationship between pay and performance from the pay of the Boards themselves downwards.

10. I feel strongly that we should now move forward to the establishment of a single statutory body which would be concerned with the whole range of problems involved in the public accountability for economic performance of private industry and the public sector. The Report by the Official Working Party on Industrial Policy and the Monopolies Commission (C(69)122) sets out the general scope of the work of such a Commission and I believe we ought to go ahead immediately with establishing such a body.

11. It will, of course, in no way replace the work of the Government Departments who deal with private industry and the public sector. But we need in addition an independent institution reporting to the community as a whole on some of the issues which arise. The new body would effectively take over and in some ways expand the role of both the Monopolies Commission and the NBPI. It would therefore avoid the growing difficulties inherent in having two bodies each of which has a responsibility for examining the economic behaviour of private industry. But the establishment of a new Commission with broader terms of reference is not desirable just to improve our institutional arrangements. It would, I believe, be a focus for a clearer and fuller statement of our industrial objectives and help us to create a new context for the development of our prices and incomes philosophy.

C. Pay and labour problems

12. I am convinced that this new body must take over the responsibilities of the NBPI in relation to incomes, pay structures, and labour utilisation both in the private and public sectors. The main lesson of our experience with the prices and incomes policy is the need to consider pay structure and labour utilisation in relation to the operation of the enterprises concerned as a whole.
13. Moreover, the principles which apply in private industry and in the nationalised sector must also be shown to be applied in the public services. The need to see that pay and performance are linked together is just as critical in the public services as outside them, even though it is generally reflected not in market prices but in holding down the cost to central and local Government of providing the services involved.

14. The Report by the Official Working Party on Industrial Policy and the Monopolies Commission refers in paragraph 4(iii) to the methods of settling pay of doctors, higher civil servants, judges and other politically sensitive groups. These matters are under separate examination. But in my view the new Commission would be the best body to deal with these matters - perhaps through a separate Panel headed by the Chairman of the Commission. I think it would be a mistake to set up a completely separate body for these purposes.

15. The range of responsibilities suggested for the new Commission is certainly wide, but it is all linked to the central core of public accountability for the efficient use of resources.

16. It might be suggested that the Commission on Industrial Relations (CIR) ought also to be brought within the new framework. However, at this stage I am clear that this is not a practical proposition for various reasons. I believe that we can at this stage frame a programme of work on specific issues for the CIR which will not overlap with the functions of the new Commission.

D. Prices and incomes policy

17. I believe that within the framework of public accountability which I have described above, it will be possible to build on the achievements of the prices and incomes policy while removing its present hated framework and overtones. For the past three years we have, because of our economic difficulties, had to lay too much stress on simple restraint over pay settlements and price increases as a tool of short term economic management. It has become clear that we were placing more strain on the prices and incomes policy than it would bear or than was publicly acceptable. It was for that reason that we announced earlier this year that we should not be maintaining the drastic powers contained in the 1968 Act after the end of the year.

18. We shall have therefore in any case in the next phase of the policy to place less emphasis on arithmetical limitation on pay settlements and the whole range of price increases (which we shall in any case be unable to enforce); and more on stressing the relationship between pay settlements and efficiency, and on limiting the abuse of market power by employers and unions for sectional purposes. If we proceed to establish the new Commission I think we should clearly state the new approach.
19. Basically the Commission would be asked to look at the costs (particularly labour costs—profits—efficiency of an undertaking). In commercial undertakings prices would be an indicator of the situation—and in the last resort a power to control the price behaviour of firms would be the natural final sanction (as it is under the monopolies legislation).

20. In logic, it might be argued that the Government should take powers in the next legislation to prevent the implementation of pay settlements which are flagrantly against the general public interest as revealed by a Commission Report. I am quite clear, however, that this is something which would only be practicable if it were generally accepted as right and reasonable. And at the moment it is not so accepted by the trade unions or our own supporters.

21. The Report by the Official Working Party on Industrial Policy and the Monopolies Commission points out that it has made no assumption one way or the other as to whether under the new set-up a power should be retained to delay the implementation of pay settlements while the Commission investigates them as under Part II of the 1966 Prices and Incomes Act. I have, somewhat reluctantly, come to the conclusion that in the new context this would simply not be worthwhile. In the first place, if we are going to have such powers at all, they will have to be more effective than the present ones. Under the present legislation, once a settlement has been implemented, it cannot be frozen while the NBPI reports. This is therefore a standing temptation to trade unions to insist on immediate implementation of a settlement before a reference can be made. In any case there is no bar to back-payment of the whole increase at the end of three months. Moreover, the present powers can only be exercised for one year at a time. We really cannot contemplate having a row every year over an Order continuing the powers. If, therefore, we are to retain a three months standstill in the new legislation, it will have to go considerably beyond the present powers which are in themselves involving us in a substantial clash with the TUC.

22. Three months standstill on price increases during Commission investigation is on the whole really unnecessary. Firms would be very reluctant to increase prices in such a period for fear of the Commission’s Report. And in any case three months is usually inadequate for a proper examination of a price increase in its full context.

23. I think, therefore, the conclusion must be that in the new legislation it is not worthwhile re-enacting the three months standstill powers on either pay or price increases but to rely instead on references designed both positively to increase efficiency and, where necessary, to expose anti-consumer behaviour by all those involved in an industry. In such a role the Commission should be backed, as the Monopolies Commission is, by powers over prices and these should be on the lines of the Report by the Official Working Party on Industrial Policy and the Monopolies Commission.
E. Conclusion

24. If my colleagues agree with the general approach set out in this paper, then I consider that the arguments point strongly to immediate action on these lines. In the first place, it is only within such a framework that we can present a clear and effective industrial policy to the country. Secondly, if we announce our intentions of establishing the new Commission but without legislating next Session, we shall cause immense trouble amongst both the members and staff of the Monopolies Commission and the NBPI and seriously cripple the effectiveness of both bodies (nor should we get an effective replacement for the Chairman of the PTB next spring). Thirdly, we shall be able to deal with the introduction of the next phase of the prices and incomes policy more satisfactorily if it can be presented as a bridging operation to the new and more constructive policy. In particular, the argument about Part II powers could be largely by-passed.

F. Recommendation

25. I would therefore urge my colleagues to proceed in the following ways:

(i) We should introduce the Order activating Part II of the 1965 Prices and Incomes Act and publish a new White Paper on Prices and Incomes in mid-November.

(ii) We should announce in The Queen's Speech our intention to establish a Public Accountability Commission on the lines of the Report by the Official Working Party on Industrial Policy and the Monopolies Commission and publish a White Paper and introduce the necessary legislation in the New Year.
26. When the Cabinet last considered the Government's legislative proposals for the reform of industrial relations, it endorsed (CC(69) 29th Conclusions, Minute 1) the agreement which the Prime Minister and I had reached with the TUC General Council concerning measures for limiting the number of serious unconstitutional strikes and inter-union disputes. As a result of that agreement, the Government dropped its proposals for imposing sanctions on strikers or trade unions involved in such disputes. The Prime Minister subsequently told the House, in his statement on 19th June, that consultations about the legislation to be introduced in the next Session of Parliament would continue with the TUC and the Confederation of British Industry. (For convenience, the Appendix of the White Paper "In Place of Strife" summarising the original legislative proposals is attached as an annex to this memorandum. The starred items are those which the Government has undertaken to drop, explicitly or implicitly, following the agreement with the TUC.)

27. During the course of informal consultations I have had with TUC leaders during the past two months, they have made it clear to me that the General Council regard the Government's undertaking about "penal clauses" as excluding any legislative proposals which could result in the application of statutory sanctions against unions or strikers. In particular, they maintain that the Government's undertaking applies not only in relation to unconstitutional and inter-union strikes but also to two important proposals which were not discussed at Downing Street. These are the proposals, first, to require trade unions and employers' associations to register and to have rules on certain subjects (e.g. admission, discipline, disputes between the union and its members, elections, and the appointment and functions of shop stewards); and secondly, to establish an independent body to hear complaints by individuals of unfair or arbitrary action by trade unions. Whilst I cannot accept the TUC's interpretation of the 18th June undertaking by the Government, it is nonetheless clear that we can pursue these proposals only at the risk of a
further serious confrontation with the TUC. In these circumstances, my colleagues will wish to consider what strategy we should adopt, and what shape the promised industrial relations legislation should take. This paper summarises the main alternatives which seem to me to be open to the Government.

28. The main choice would seem to lie between the following courses of action -

(i) to introduce a Bill giving effect broadly to all those proposals in the White Paper not clearly ruled out by the 18th June agreement with the TUC (including the proposal for compulsory registration and an independent review body);

(ii) to introduce a Bill which excluded these two proposals to which the TUC is known to be strongly opposed, but which would cover all other items in the White Paper;

(iii) to introduce a more selective Bill which would be limited to extending the protection of the individual employee in his relationship with his employer and his trade union, but which would omit proposals designed to strengthen trade union rights and bargaining powers (e.g. on trade union recognition and on the disclosure of information to trade unions by management);

(iv) to have no Bill at all.

29. The main advantages of the first course is that it would be in line with our promises that the Government would introduce a major and comprehensive piece of legislation dealing with all the problems identified by the Donovan Commission. Anything less than this would be seen by the Press and public as a failure to face up to our responsibilities - or to the trade unions. But in my informal discussions with the TUC leaders their implacable and emotional opposition to any financial sanction to secure compulsory registration and the revision of rules was quickly apparent. I therefore asked them whether they thought the TUC could accept a provision which in effect would merely bring up-to-date the position under the 1871 Act: registration would be - as now - on a voluntary basis but would be limited to those unions which had an acceptable set of rules in line with the Donovan recommendations. The major
benefit of registration would continue to be tax exemption on income applied to provident benefits. The response was hostile. I was told the TUC would not accept public control over rules even if this were limited to attaching more stringent conditions to registration. They would fiercely oppose any provision of this kind in an industrial relations bill. They had begun to issue guidance to trade unions on the reform of their rule books and believe it was for the trade union movement to put its house in order without public supervision. Thus if we include rules and registration in the bill this will lead us into another head-on clash with the TUC. On balance, I think we cannot risk this and should therefore not seek to legislate on this subject.

30. If this conclusion is accepted, it will be all the more difficult to persuade the uncommitted public - let alone the employers - that the remaining proposals in the White Paper represent a reasonable balance between the interests of employers and employees. We should be open to the charge that we had failed to take any of the measures unpopular with the trade unions whilst introducing all those which conferred advantages or privileges on unions or individual employees. For that reason, I am inclined to think that course (ii) above could not be defended.

31. Should we then introduce a more restricted measure concerned with the protection of the individual rather than the strengthening of the unions? The following items might be included -

(i) safeguards for employees against unfair dismissals;
(ii) the statutory right to belong to a trade union;
(iii) amendments to the Contracts of Employment Act;
(iv) extension of the jurisdiction of Industrial Tribunals to deal with disputes arising on individual contracts.

32. Even with a limited and selective measure of this kind, it will still be argued that excessive emphasis is placed on the employee's contractual relationship with his employer, and that in the present climate the employee needs equally to be safeguarded against the arbitrary or unfair actions of his trade union. I think this would be a valid criticism, particularly if - as I expect - closed shop agreements of one kind or another become more
numerous and, as a result, a man's employment in a particular job frequently depends on his membership of a particular union. Moreover, if we concede the TUC's case on trade union rules and registration it will become all the more important to ensure that the individual member has an effective right of appeal if the rules are administered in a high-handed, unreasonable or arbitrary way, or if he is denied "natural justice". Unless, therefore, the TUC itself establishes a body of sufficient power which incorporates an independent element to take the place of a Government-sponsored tribunal, which is unlikely, I believe a selective Bill should include a provision for the establishment of an independent review body as the Donovan Commission recommended. If we rule out provision for an independent review body, I think the best course would be to defer any legislation until the next Parliament - a course I would not otherwise favour or recommend, and which would almost certainly embarrass us greatly at election time.

33. As I pointed out in paragraph 27, the TUC will be hostile to this proposal too but they would be on weaker ground in resisting it than in opposing the supervision of rule books. Union members already have a limited right of appeal to the courts - for example, if a trade union official breaks the union rules and thereby harms a member. What the White Paper - and the Donovan Commission - propose is simply intended to make that right more extensive and its exercise less costly.

34. Politically, there are three main drawbacks in introducing a limited Bill on these lines. First, the Government has promised comprehensive legislation. Secondly, the TUC expects it. Thirdly, a bill of limited scope may be open to amendments from both sides at Committee stage designed to extend its provisions to cover matters we hope to exclude. I am taking advice on this point and shall report orally to my colleagues.

35. It is very difficult to assess the political disadvantages of a limited Bill. As regards public opinion generally, I think we would find it more difficult to defend a comprehensive bill which does not cover supervision of union rules and an independent review body than the introduction of a limited measure. As for the TUC reaction, I believe they would express great indignation.
if we dropped comprehensive legislation. For example, they attach considerable importance to legislation on trade union recognition which would entail unilateral arbitration in particular situations. Nevertheless, it is my assessment that the degree of indignation would not be comparable to the fundamental opposition with which they would respond to any proposals to supervise union rules. I also believe that they are particularly keen to have legislation against unfair dismissal and this would help reconcile them to a limited Bill.

**RECOMMENDATION**

36. It is clear that there are serious drawbacks to each of the four courses of action set out in paragraph 28. On balance, and subject to further advice on the parliamentary point in paragraph 34, I recommend the introduction of legislation which would—

(i) safeguard employees against unfair dismissal;
(ii) establish the statutory right to belong to a trade union;
(iii) establish an independent tribunal to hear complaints by trade unionists against the actions of their trade unions;
(iv) make certain amendments to the Contracts of Employment Act; and
(v) extend the jurisdiction of Industrial Tribunals to deal with disputes arising on individual contracts.

B.A.C.

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

23rd September 1969.
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.
2. To require employers to register certain collective agreements and arrangements with the Department of Employment and Productivity.
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.
4. To give trade unions the right to have certain sorts of information from employers, subject to safeguards for confidential commercial information.
5. If necessary, to facilitate the appointment of workers' representatives to boards of undertakings.
6. To establish the principle that no employer has the right to prevent or obstruct an employee from belonging to a trade union.
7. To stop Friendly Societies from having rules debarring trade unionists from membership.
8. To empower the Commission on Industrial Relations to look into recognition disputes, and to arrange a secret ballot if it thinks desirable.
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;
   (b) to make an Order giving the union a similar right against an employer who is refusing negotiating rights; 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.

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

(11) To amend the law relating to Wages Councils and section 8 of the Terms and Conditions of Employment Act 1959.

(12) To provide for the Commission on Industrial Relations to make grants and loans for trade union development.

* (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.

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

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

(16) To introduce safeguards against unfair dismissal.

(17) To amend the Contracts of Employment Act.

(18) To extend the jurisdiction of Industrial Tribunals.

(19) To require trade unions and employers' associations to have rules on certain subjects and to register.

(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.

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

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

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

(24) To make any necessary amendment to the definition of a trade dispute.

(25) To enable the Industrial Board to hear complaints by individuals of unfair or arbitrary action by trade unions.
SUPPLY OF WASP HELICOPTERS TO SOUTH AFRICA

Note by the President of the Board of Trade

The attached note relates to a request by the South African Government that we should supply them with a small number of Wasp helicopters equipped for anti-submarine duties. The request was considered by the Defence and Oversea Policy Committee on 25th September who were unable to reach agreement. They considered that the issues of principle which the paper raised were such that they could be decided only by the Cabinet. I am circulating this paper accordingly.

C.A.R.C.
SUPPLY OF WASP HELICOPTERS TO SOUTH AFRICA

Memorandum by the Chairman of the Official Committee on Strategic Exports

Background

Wasp helicopters have been supplied to South Africa as an integral part of the weapons system of the MATCH anti-submarine frigates provided under the Simonstown Agreement. An initial batch of six helicopters was delivered to South Africa in 1964, prior to the adoption of the present policy in regard to the supply of Defence Equipment to South Africa.

2. In February 1965, Ministers agreed to the supply of additional Wasp helicopters to meet South African naval requirements (OPD(65) 9th Meeting), and in November 1965 a contract was signed for the supply of a further four Wasp helicopters.

3. Of the total of ten Wasp helicopters thus supplied to South Africa, three have been involved in accidents. One was lost at sea, another was a complete write-off and the third is so badly damaged that it is unlikely to fly again. In May 1965, the South African Ambassador was informed that HMG would be willing to consider the replacement of Wasp helicopters lost in accidents or through mechanical defect, in the light of the circumstances in each case.

4. The South Africans have requested the supply of additional Wasp helicopters which would either be to replace those lost in accidents and/or to equip further British supplied frigates in an anti-submarine role. The order would be worth some £626,000 including spares. However, the Wasp helicopter was included in the "shopping list" produced by the South Africans in January 1967 and because of the Ministerial decision to refuse supply of items on that list, officials considered that approval to supply any Wasp helicopters could not be given without reference to Ministers.

Argument

5. In view of the original agreement to supply Wasp helicopters for naval purposes and the decision in 1965 to approve the supply of additional Wasp helicopters to meet South African naval requirements and of replacements for aircraft lost by accidents, the supply of three helicopters and of any others to replace additional losses by accident or for similar Naval purpose to those for which supply was agreed in 1965 could be regarded as consonant with our existing policy.
6. There is no reason to suppose that the South African Government have any intention of using Wasp helicopters other than in the anti-submarine role. They have purchased a significant number of French helicopters for land use.

7. Ministers will notice that the South Africans are asking for four helicopters whereas the number known to be lost is only three. However, our Ambassador in Pretoria has reported that the South Africans are planning to convert further British supplied frigates to use helicopters in an anti-submarine role, i.e. a purpose for which supply has been approved.

Conclusion and Recommendation

8. Because of the political aspects of any supply of Defence Equipment to South Africa, Ministers are asked to agree to the supply of Wasp helicopters as replacements for those already lost by accident, and for any others which may be lost by accident in future; and also for the purposes of re-equipping British supplied frigates for anti-submarine purposes.

(Signed) G.C.B. DODDS

Ministry of Defence
S.W.1.
13th June, 1969.
3rd October, 1969

CABINET

LOCAL GOVERNMENT REORGANISATION IN WALES - IMPLICATIIONS FOR ENGLAND

Memorandum by the Minister of Housing and Local Government

It is necessary for the Cabinet to consider the implications for England of local government reorganisation in Wales.

2. An announcement in The Queen's Speech that the Government intended to introduce a Bill to reorganise local government in Wales on the lines of the 1967 White Paper would come in the middle of discussions with the associations about reorganisation in England. It would help those critics of the Commission's proposals who advocate the retention of two tiers of authority, either in England generally or in those parts where the demography is similar to that in Wales. It would also help those who believe that the Commission's minimum population of around 250,000 for an authority responsible for education and the personal services was pitched too high, and consequently advocate having a larger number of units, either in one tier or in two tiers. The county boroughs of Swansea and Newport, for instance, have populations 171,000 and 112,000, and the county of Powys 116,000 (though geography limits the alternative arrangements so far as Powys is concerned). Moreover we must be concerned about the effect of the proposal to retain county boroughs as such, both in principle and in relation to any public pronouncement. The principle of joining town and country is so widely accepted elsewhere that its non-observance in Wales may be embarrassing.

3. The announcement might be particularly unfortunate in its effect on the Association of Municipal Corporations. They are likely to be the only association favouring the unitary principle in England, and they have opposed the proposals for Wales since 1967 in favour of a unitary organisation. They are not, however, wholly united; but the announcement about Wales might further weaken their stance.

4. I suggest that The Queen's Speech should say merely that studies are being pressed forward on the reorganisation of local government in all three parts of Great Britain. We should review the matter at the end
of the discussions about reorganisation in England, with a view to a statement about reorganisation in Wales being made at the same time as the White Paper is issued, or perhaps rather later.

5. This would not be inconsistent with the drafting of a Welsh Bill being put in hand but the Secretary of State might even now be invited to reconsider the proposals for South Wales and to provide either for the Bill itself to end the separation of town and country or for the Bill to contain machinery enabling him to do this at some later stage.

A, G.

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

2nd October, 1969