C(70) 41 - Salaries of Chairmen and Members of Nationalised Industry Boards. Memorandum by the Lord Privy Seal

42 - Rabies. Memorandum by the Minister of Agriculture, Fisheries and Food.

43 - Malta: Agreement on Financial Assistance. Memorandum by the Secretary of State for Foreign and Commonwealth Affairs and the Secretary of State for Defence

44 - Annual Farm Price Review, 1970. Note by the Minister of Agriculture, Fisheries and Food

45 - Structure of the Textile Industry. Memorandum by the Paymaster General

46 - Motion for Murder (Life Imprisonment) Bill. Note by the Secretary of State for the Home Department

47 - Purchase of Ten-Ton Trucks for the Army. Memorandum by the President of the Board of Trade

48 - Industrial Relations Bill. Memorandum by the First Secretary of State and Secretary of State for Employment and Productivity

49 - Industrial Relations Bill. Memorandum by the Lord Privy Seal

50 - Commonwealth Immigration: Colonel Ojukwu. Memorandum by the Secretary of State for the Home Department

51 - Lesotho. Memorandum by the Secretary of State for Foreign and Commonwealth Affairs

52 - Preservation of Occupational Pension Rights: Retrospection. Memorandum by the Secretary of State for Social Services

53 - Financial Assistance to Private Industry. Note by the Minister of Technology

54 - Situation in the Shipbuilding Industry. Memorandum by the Paymaster General

55 - Financial Assistance to Private Industry; Code of Conduct. Memorandum by the Chief Secretary, Treasury

56 - Closure of Glyncorrwg Colliery. Note by the Secretary of the Cabinet
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57 - Proposed New Power for the Commission for Industry and Manpower Bill to Control Expenditure on Advertising and Sales Promotion. Memorandum by the First Secretary of State and Secretary of State for Employment and Productivity

58 - Inter Urban Road Strategy. Memorandum by the Minister of Transport

59 - London Transport Fares. Memorandum by the Minister of Transport

60 - Starting Date for the Earnings-Related Pensions Scheme. Memorandum by the Secretary of State for Social Services

61 - Future Legislative Programme. Memorandum by the Lord President of the Council
C(70) 62 - Proposed New Power for the Commission for Industry and Manpower Bill to Control Expenditure on Advertising and Sales Promotion. Memorandum by the President of the Board of Trade

63 - London Transport Fares. Memorandum by the Minister of Transport

64 - Election Business Committee. Note by the Secretary of the Cabinet

65 - Aircraft Industry: Concorde. Note by the Minister of Technology

66 - Pensions Increase: A New System. Memorandum by the Lord Privy Seal

67 - The Protection of the Environment: The Fight Against Pollution. Note by the Secretary of State for Local Government and Regional Planning

68 - The Queen's Speech on the Prorogation of Parliament. Memorandum by the Lord President of the Council
The circulation of this memorandum has been restricted to members of the Cabinet and to Ministers in charge of Departments. Recipients are accordingly asked to ensure that the secrecy of its contents is strictly observed.
3rd March, 1970

CABINET

SALARIES OF CHAIRMEN AND MEMBERS OF NATIONALISED INDUSTRY BOARDS

Memorandum by the Lord Privy Seal

I attach a copy of a report by the Chairman of the Official Committee on Nationalised Board Salaries setting out the considerations which bear upon a decision whether or not to implement Stages 2 and 3 of the salary increases recommended in Report No. 107 of the National Board for Prices and Incomes (NBPI); and suggesting how the Board's recommendations might be implemented in detail.

2. In my view paragraphs 4-7 of the Report set out very fairly the arguments for proceeding at least to the implementation of Stage 2 on 1st April. In particular:

(i) It cannot logically be maintained that considerations of incomes policy rule out Stage 2 of the recommended date when the NBPI itself proposed this date a year ago and we now have a more flexible incomes policy and a steadily improving economic position.

(ii) All the arguments both of equity and of management (i.e. in relation to the effective manning of top posts in the nationalised industries) strongly favour the earliest possible implementation of the outstanding increases.

3. On the other hand I recognise that the impact on popular opinion of increases of up to 10.6 per cent for board members and 16.7 per cent for chairmen could well be unfortunate whenever they are implemented and whatever the merits of the case for doing so; and that this consideration might be thought a strong argument for doing nothing about Stages 2 and 3, at least until they can be subsumed in the first review of the Special Panel of the Commission for Industry and Manpower which can be expected in 1971.
4. It is a matter of judgment whether the impact of these increases would be more damaging at a time when a strict incomes policy is being more or less successfully applied (as was broadly the case last April at the time of the NBPI Report); or when a looser policy is being less successfully applied and large settlements are the order of the day - as at present. It is certainly difficult to be sure that there will ever be a less unfavourable moment than the present to implement the second stage of these increases which have long had the blessing in principle of the Government's advisory body on incomes policy and of the Government itself. I fear therefore that if we do not proceed to Stage 2 on 1st April, we shall in effect be going back on our acceptance of the Report and denying the principle that nationalised board salaries should be fixed on a fair and rational basis. And in doing so we should not be solving the present presentational difficulties; on the contrary, they would grow steadily. Nor would it, in my view, be acceptable to refer the question of Stages 2 and 3 to the Special Panel. This would be to reject the recommendations of the NBPI (having once accepted them). It would then be extremely difficult to establish confidence in the independence and efficacy of the Special Panel, nor should we ignore the danger that if we decide not to implement Stage 2 we shall be exposed to damaging criticism from more informed public opinion for having acted against the interests of the nationalised industries and the advice of the NBPI for reasons of short-term expediency.

5. My conclusion is that in spite of the very real difficulties there are equally serious objections to not carrying out the NBPI recommendations and that in fact the balance of advantage lies in favour of implementing the increases as quickly as possible. Of the choices open to us (as set out in paragraph 8 of the attached report) I would in principle favour (c), i.e. to implement Stage 2 on 1st April, 1970 and Stage 3 on 1st April, 1971. This would have the advantage over course (b), i.e. the implementation of Stage 2 on 1st April, 1970, leaving the timing of Stage 3 for further consideration, of minimising uncertainty in the nationalised industries; and, by avoiding the need for two announcements, it would reduce the total amount of public attention given to the increases and avoid a repetition next year of our present problem. Even course (c) is less than wholly satisfactory in relation to the review to be conducted by the Special Panel in 1971 and my colleagues may perhaps feel that we ought to consider the possibility of a variation of course (c) under which Stage 3 would be brought forward to, say, 1st January, 1971. On the other hand, if the Committee felt that any commitment to Stage 3 would be unacceptable, I would regard course (b) as acceptable although I would regard this as the minimum necessary to avoid the charge that the Government was rejecting the NBPI recommendations.

6. As regards detailed implementation, I think it is satisfactory that officials have been able to devise what appears to be a workable scheme (Annex A of the attached report) for implementing the NBPI's proposals and I do not consider that the modifications proposed (summarised in paragraph 12 of the Report) run counter to the NBPI's basic aims. 
suggest therefore that the proposals at Annex A to the Report should be taken by the Departments with responsibilities for the nationalised industries (in consultation with the Civil Service Department) as a basis for discussion with board chairmen, when we have reached our decision of principle on Stages 2 and 3. We shall of course have to be prepared to take into account any comments they may have; and if any modifications of the proposed arrangements seem to be called for in the light of what they say, I suggest that my Department might be authorised to settle them direct with the Departments with responsibilities for nationalised industries, in consultation with the Department of Employment and Productivity.

7. I also agree with the proposal in paragraph 13 of the Report that it would be sensible to give each board member at Stage 2 half the increase he is to receive at Stage 3 and that for this purpose the Minister concerned in each case should decide, in consultation with my Department, what the appropriate salary for each board member should be at Stage 3.

8. The decisions on these issues will have implications for that on the Plowden report (on which I am circulating a separate memorandum - C(70) 40) and it is essential in any view that both should be considered together.

9. I ask my colleagues to agree that we should announce our decision to implement on 1st April, 1970 the Stage 2 increases for members of nationalised industry boards recommended in NBPI Report No. 107; and that this announcement should state that the Stage 3 increases recommended by the NBPI will be paid on 1st April, 1971; and that the detailed implementation of these increases should be as set out in paragraphs 11-13 of the attached report. A statement of the increases which would be involved is at Annex B of the attached memorandum.

S.

Civil Service Department, S.W.1.

2nd March, 1970
SALARIES OF CHAIRMAN AND BOARD MEMBERS OF
NATIONALISED INDUSTRIES

Report by the Chairman of the Official Committee on
Nationalised Board Salaries

In Report No. 107 the National Board for Prices and Incomes (NBPI) recommended new rates of salary for the Chairmen and members of the boards of the nationalised industries. As the increases recommended were very substantial, it proposed that they should be implemented by stages and suggested the following pattern for Chairmen and Deputy Chairmen:

<table>
<thead>
<tr>
<th>Group A Boards</th>
<th>Group B Boards</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Chairmen</strong></td>
<td><strong>Deputy Chairmen</strong></td>
</tr>
<tr>
<td>Previous salary</td>
<td>12,500</td>
</tr>
<tr>
<td>Stage 1: 1 April 1969</td>
<td>15,000</td>
</tr>
<tr>
<td>Stage 2: 1 April 1970</td>
<td>17,500</td>
</tr>
<tr>
<td>Stage 3: 1 April 1971</td>
<td>20,000</td>
</tr>
</tbody>
</table>

For Board members it was proposed that the previous salary range of £7,000 - £9,500 should be raised and widened to £8,000 - £15,000, with an across the board increase of 10 per cent at Stage 1.

2. The Government's decision, announced in the House of Commons by the First Secretary on 3 April 1969 (Hansard Vol 781 Cols 659-661) was that the salaries recommended were right in principle and should be implemented when the requirements of incomes policy allowed. The increases recommended for 1 April 1969 would be implemented, as on average they were within the 3½ per cent per annum ceiling. The further increases recommended would however have to be considered in the light of developments in incomes policy over the next two years.

3. Because of the need to consult board Chairmen before final decisions are taken consideration must be given well before 1 April as to how and when Stages 2 and 3 should be implemented. The following analysis of the factors to be taken into account in deciding the date of implementation and the proposals for giving effect to the NBPI's recommendations in detail have been agreed generally by the Official Committee but do not commit departments.
The NBPI clearly took the view last year that if the incomes policy as it then stood were to continue unchanged into 1970 and 1971, the implementation of the second and third stage increases on 1 April 1970 and 1 April 1971 would be consistent with that policy. The new incomes policy White Paper is generally less restrictive than the one in force last year - as witness the substitution of the range of 2\(\frac{1}{2}\) per cent - 4\(\frac{1}{2}\) per cent for incomes increases for the more rigid ceiling of 3\(\frac{1}{2}\) per cent, the fact that there is no longer any reference to staging and the recognition of the part necessarily played by comparability in the public services. Therefore, having accepted the recommended Stage 3 salaries as right in principle, and having not challenged the NBPI view that the implementation of Stages 2 and 3 on 1 April 1970 and 1 April 1971 was consistent with last year's income policy, the Government could not argue convincingly that Stages 2 and 3 were inconsistent with incomes policy as it now stands. Indeed it could be argued that there is a case for advancing Stage 3 or even for bringing it forward to 1 April 1970.

There are moreover strong practical reasons in favour of the implementation of Stages 2 and 3. In the discussions with nationalised industry chairmen which followed the Government's statement of last year, the point was made most strongly that until NBPI recommendations were fully implemented, it would be impossible to adopt satisfactory salary structures at the level of senior executives immediately below the board; until then, the undesirable degree of overlap with the salary range for board members, which was the main reason given by the NBPI for its recommendations, would remain. The first stage increases for board members have in fact done little to ease the problem of over-compressed differentials, as they had in most cases to be accompanied by corresponding increases for the senior executives immediately below which were themselves long overdue. For example, the limit for senior executive salaries in the British Railways Board has been set at £11,500, although it may be some time before anyone reaches that level; and senior executive salaries in the Air Corporations already extend up to £9,000.

The main appointments to nationalised industry boards from the private sector in the past years have been those to the Post Office Board. In three cases, including that of the Chairman, the salaries which could be offered proved to be below what the individuals concerned had previously been earning. Fortunately their services were secured notwithstanding. However, it may well be that their willingness to accept a drop in salary was to some extent conditioned by the fact that the Government was known to have accepted the NBPI's proposals in principle; and it may be felt, therefore, that there is something of a moral obligation on this account not to delay the implementation of Stages 2 and 3 longer than necessary. It will also be necessary before long to make appointments to two new boards, the British Airways Board and the National Ports Authority. An announcement that Stages 2 and 3 would not be implemented in accordance with the timetable proposed by the NBPI would clearly be unhelpful in this context. A further point to be borne in mind is that the continuation of the present situation in which the members of the Board of the British Steel Corporation receive very much more than the members of even the most important of the other boards in unsatisfactory; it is important to reduce this gap, consistently with general policy, although it will not be closed entirely even at Stage 3.
CASE FOR IMPLEMENTATION

4. The NBPI clearly took the view last year that if the incomes policy as it then stood were to continue unchanged into 1970 and 1971, the implementation of the second and third stage increases on 1 April 1970 and 1 April 1971 would be consistent with that policy. The new incomes policy White Paper is generally less restrictive than the one in force last year – as witness the substitution of the range of 2½ per cent - 4½ per cent for incomes increases for the more rigid ceiling of 3½ per cent, the fact that there is no longer any reference to staging and the recognition of the part necessarily played by comparability in the public services. Therefore, having accepted the recommended Stage 3 salaries as right in principle, and having not challenged the NBPI view that the implementation of Stages 2 and 3 on 1 April 1970 and 1 April 1971 was consistent with last year's income policy, the government could not argue convincingly that Stages 2 and 3 were inconsistent with incomes policy as it now stands. Indeed it could be argued that there is a case for advancing Stage 3 or even for bringing it forward to 1 April 1970.

5. There are moreover strong practical reasons in favour of the implementation of Stages 2 and 3. In the discussions with nationalised industry chairmen which followed the government's statement of last year, the point was made most strongly that until NBPI recommendations were fully implemented, it would be impossible to adopt satisfactory salary structures at the level of senior executives immediately below the board; until then, the undesirable degree of overlap with the salary range for board members, which was the main reason given by the NBPI for its recommendations, would remain. The first stage increases for board members have in fact done little to ease the problem of over-compressed differentials, as they had in most cases to be accompanied by corresponding increases for the senior executives immediately below which were themselves long overdue. For example, the limit for senior executive salaries in the British Railways Board has been set at £11,500, although it may be some time before anyone reaches that level; and senior executive salaries in the Air Corporations already extend up to £9,000.

6. The main appointments to nationalised industry boards from the private sector in the past years have been those to the Post Office Board. In three cases, including that of the Chairman, the salaries which could be offered proved to be below what the individuals concerned had previously been earning. Fortunately their services were secured notwithstanding. However, it may well be that their willingness to accept a drop in salary was to some extent conditioned by the fact that the government was known to have accepted the NBPI's proposals in principle; and it may be felt, therefore, that there is something of a moral obligation on this account not to delay the implementation of Stages 2 and 3 longer than necessary. It will also be necessary before long to make appointments to two new boards, the British Airways Board and the National Ports Authority. An announcement that Stages 2 and 3 would not be implemented in accordance with the timetable proposed by the NBPI would clearly be unhelpful in this context. A further point to be borne in mind is that the continuation of the present situation in which the members of the Board of the British Steel Corporation receive very much more than the members of even the most important of the other boards in unsatisfactory; it is important to reduce this gap, consistently with general policy, although it will not be closed entirely even at Stage 3.
7. There are two more general considerations. Firstly, departments believe that there is an expectation among many nationalised industry board members that the Stages 2 and 3 increases are "likely to be implemented in accordance with the timetable proposed by the NBPI. The board members appreciate, of course, that no commitment has been given; but the incomes policy argument, as outlined in paragraph 4 above, has not escaped them. If the decision goes against implementation of Stage 2 this April, there will therefore be widespread disappointment and very possibly some loss of personnel to the private sector. Given the vast scale of the nationalised industries' operations, any reduction of efficiency due to the poor morale at the top would be a very serious matter. The second general consideration is that if the NBPI's proposed timetable for Stages 2 and 3 is now rejected doubt will be cast upon the credibility of the Commission for Industry and Manpower (CIM) and in particular its Panel which is to deal with top-level public sector salaries. This would obviously be most unfortunate.

8. In this situation there are four main alternative courses open as regards the timing of further action on the NBPI's recommendations:

(a) notwithstanding the considerations set out in paragraphs 4 to 7.i. above, to decide against implementing Stage 2 on 1 April 1970.

(b) to decide to implement Stage 2 on 1 April 1970, but to leave the timing of Stage 3 for further consideration.

(c) to decide to implement Stage 2 on 1 April 1970 and Stage 3 on 1 April 1971.

(d) to decide to implement Stage 2 on 1 April 1970 and to implement Stage 3 at the same time.

9. In deciding between these alternatives, it is necessary to bear in mind that the Special Panel of the CIM is expected to begin work upon a general review of all the groups which it covers shortly after it comes into being. Account must be taken therefore of the possibility that it will publish a report dealing, inter alia, with nationalised industry board members, as early as the summer of 1971. Given the Government's acceptance of the salary levels recommended by the NBPI as right in principle, and given that on the incomes side the CIM will be the successor to the NBPI, it would clearly be illogical and undesirable to ask the Special Panel to review the correctness of what the NBPI said. This must imply that by the time the Special Panel begins work, Stage 3 should either have been implemented or have had an early date firmly set for its implementation. Even so there might be difficulties in that any further adjustments for nationalised industry board members which the Special Panel might recommend would tend to follow very closely upon the implementation of Stage 3; but this problem would be eased if the Special Panel were persuaded to propose a forward date for their recommendations.
10. If the further increases recommended for members of the boards of the main nationalised industries are implemented, it will be necessary for corresponding increases to be given to members of a number of other public boards which have always been linked to the main nationalised industries for salary purposes (e.g., the White Fish Authority, the Commonwealth Development Corporation, Remploy, etc.). It may also be necessary to review the salaries of the Chairmen and members of certain other public boards such as the Race Relations Board and the British Broadcasting Corporation where nationalised industry salaries have in the past been a factor taken into account along with other factors.

Detai led Implementation

11. In paragraphs 84, 86, 91 and 95 of its report the NBPI made a number of suggestions as to the way in which the salary range proposed for board members at Stage 3 should be operated. Central to the proposals was the concept of personal salary ranges. It was proposed that each board member should be assigned a personal salary range, with a variation of plus or minus about 20 per cent about its midpoint; that for the largest (Group A) Boards £12,500 should be the most common midpoint, corresponding to a range of £10,000 - £15,000; that in the Group B £10,000 should be the most common midpoint corresponding to a range of £8,000 - £12,000; and that progression above the midpoint should be exceptional. It was also proposed that for board members, Stage 2 should take the form of bringing those people who were below the minimum of their personal salary range up to that figure, while at Stage 3 everyone would be moved to whatever point on his personal salary range was thought appropriate.

12. Annex A to this report sets out our conclusions as to the way in which the system of personal salary ranges might be operated. We consider that while certain aspects of the NBPI’s proposals as they stand would give rise to difficulties, it should be possible to avoid these by certain modifications which would not be inconsistent with the NBPI’s main intentions, namely:

(a) We recommend that while Ministers should, as hitherto, always consult board Chairmen about the salaries of individual board members and take their views into account, they must retain the right to take the final decision. (The NBPI had proposed that Ministers should "normally be guided" by the advice of board Chairmen: officials consider that a public commitment on this might be too limiting.).

(b) We believe that it will continue to be necessary to take some account of length of (satisfactory) service in determining the progression of board members through their salary ranges. (The NBPI laid the main emphasis upon relating pay to performance, but performance is not easy to assess at this level, and the value of increasing experience is a legitimate factor).

(c) We consider that the NBPI’s aim of relating a board member’s pay to the weight of his job may in many cases have to be achieved by making his progression
progression through his salary range faster or slower than usual rather than by setting a higher or lower range in the first place. In the more doubtful cases a higher or lower range would be more identifiable, and would thus have to be defended more specifically: there might also be problems if the weight of a job changed.

13. A further problem arises from the NBPI's proposal that the second stage increases for board members should consist of bringing them up to the minimum of their personal salary ranges. The group A boards contain a number of members whose salaries are fairly close to £10,000; and £10,000 is of course the highest minimum salary which any board member can have consistent with the upper limit of £15,000 and a range of 20 per cent above and below the midpoint. Therefore the literal application of the NBPI's recommendation would mean that all these members would receive a very small increase, or no increase at all, at Stage 2. At Stage 3, however, one would in most cases want to give these people, the most experienced and valuable members of their boards, increases which would bring them well towards the midpoint of their range, ie £12,500. One would thus be giving them a very small increase, followed by quite a large one. Conversely in the case of those board members who are currently paid towards the lower end of the range, the pattern would be the opposite: quite a large increase at Stage 2, followed at Stage 3 by a very small one. In neither case does the outcome seem to be a very happy one. There seems moreover to be an obvious solution: for the Minister concerned to decide, in consultation with the Civil Service Department, what salary he envisages for an individual board member at Stage 3 and then to move him half way towards it at Stage 2. It would clearly be as well to treat the Group B boards similarly, and the systems proposed would have some advantages there as well.

14. A statement of the percentage increases which would be involved at Stages 2 and 3 on this basis is attached to Annex B to this report.

PENSIONS

15. The NBPI report also recovered the question of pension provision. They suggested in paragraph 102 that Ministers should either leave boards to formulate their own pension arrangements, or should alternatively make greater use of the full latitude permissible under the Inland Revenue rules if they wished to retain control themselves. I do not think we could contemplate the first of these alternatives. As to the second, our present arrangements are in fact very flexible and we have already started to make fuller use of the latitude provided by the Inland Revenue rules. The nationalised industry boards are however interpreting the NBPI recommendation as meaning that their pension arrangements should be brought up to the full limits allowed by the Inland Revenue in every possible respect. This raises some important issues; and a separate paper will be submitted to Ministers when they have been fully studied.
ANNEX A

DETAILED ASPECTS OF THE NBPI PROPOSALS:

As stated in the report, the main problems arising out of the NBPI's recommendations on salaries relate to board members, where the NBPI proposed (references are to NBPI Report No 107):

(a) board members in Group A and B Boards should be given personal pay ranges, depending on the context and responsibility of each job, within the overall limits of £8,000 - £15,000 (paragraph 91);

(b) these ranges should be used to allow the pay of each manager to be linked with his achievements. The normal expectation should be a progression to the mid-point of the individual's salary range, provided that performance is fully up to the expected standard; progress beyond that point should be exceptional and should recognise outstanding performance. In no case should the progression depend on age or length of service (paragraph 84);

(c) in fixing board members' salaries, it should be normal practice for Ministers to be guided by the advice of the Chairmen of the boards concerned, which they might formulate in consultation with the Deputy Chairmen and, where appropriate, part-time members of the board (paragraph 86);

(d) personal pay ranges should allow for a variation of plus or minus about 20 per cent above the mid-point. For Group A Boards, the most common mid-point should be £12,500 and in Group B towards it should be £10,000 (paragraph 91);

(e) at Stage 2, board members who do not yet receive the minimum of their new personal salary ranges should be brought up to that level. At Stage 3, they should move to the point on the salary ranges appropriate in their cases at that time (paragraph 95).

SALARY RANGES: GENERAL PRINCIPLES GOVERNING PROGRESSION

Discussion at official level among the departments with responsibilities for the nationalised industries has shown a high degree of agreement that while "linking the pay of each manager to his achievements" is unexceptionable as an objective, certain limitations have to be recognised in practice. At the level of board members the assessment of achievement is necessarily imprecise, and it can of course only be a matter of subjective judgement. While extremes can perhaps be distinguished, there are many board members whose service is regarded by all as highly satisfactory but for whom it would be very difficult to identify any particular levels of achievement at the varying stages of their appointment. Yet in the case of such members it is
often very desirable to give some salary advancement over the
course of time in order to recognise the value of increasing
experience, to sustain morale and possibly to reflect and counter­
act the increase in an individual's market value as he becomes
better known as a result of his position. One may also want in
certain industries with a federal structure to move someone from
a functional position on the main board to the Chairmanship of
an area board and then back again to the main board, and for this
purpose to provide some financial incentive to make the moves.

For these reasons we believe that it is impracticable to
attempt to relate salary to assessed achievement and to nothing
else. We think it inevitable that the position of individual
board members within their ranges should normally improve with
the length of their service; and that there should be some general
understanding about the rate and extent of the progression which
should correspond to satisfactory, but not demonstrably outstand­
ing, performance. But we think that the system should be
flexible: where extremes of performance are able to be
distinguished, and are sufficiently clear that they will be
accepted by most of those concerned with a particular board, they
should be recognised by faster or slower progress through the
range, and in appropriate cases by progression to the upper half
of the range. Variation should also be possible in order to
provide incentives to move between area boards, and from area
boards to main boards, and in other cases, including those where
it is necessary to respond to market pressures. Such a system
would, it is felt, achieve the main objectives of the NBPI
recommendation, while not conflicting radically with existing
practice.

The statutory responsibility for determining the remuneration
of board members rests with the Minister of the appropriate
department, in consultation with the Minister for the Civil
Service. There is, of course, no disagreement with the view of
the NBPI that Ministers should normally be guided in this by the
advice of the Chairmen of the boards concerned, in the sense that
they are bound to attach great weight to their advice and will
in most cases follow it; and the NBPI accepts that Ministers must
be free to diverge from the advice of Chairmen in some cases.
But we think that an explicit acceptance of the NBPI recommenda­
tions would in practice make it more difficult for Minister to
diverge from the advice of Chairmen when they might wish to, and
thus paradoxically be inconsistent with the NBPI's real
intention. The need to preserve Ministerial freedom of action is
moreover a real one, because it is not impossible, for example,
that Chairmen might wish to move the majority of their board
members up towards the top of the permitted range to an extent
which would undermine its viability at a time when Ministers were
not prepared to contemplate a general raising of the range. We
therefore think that the NBPI's recommendation on this point
should be accepted in slightly qualified terms to the effect that
Ministers will, as hitherto, always consult board Chairmen about
the remuneration of individual board members and take their views
into account, but that in accordance with their statutory
responsibilities they must as the NBPI recognised retain the
right to make the final decision.
SALARY RANGES: LIMITS

The NBPI proposed that in the Group A Boards, £12,500 should be the most common mid-point, which corresponds to a range of £10,000-£15,000. This is of course the highest range consistent with the overriding maximum of £15,000 and a spread of 20 per cent above and below the mid-point, and this seems appropriate in the Group A Boards. It would follow from the NBPI's general concept of personal salary ranges that some board members might be assigned a lower range in recognition of the fact that their jobs were lighter and less responsible than the others.

The principle that pay should reflect the weight of a board member's job is undeniably important. But we do not think it is necessary to achieve this aim in precisely the way envisaged by the NBPI. In the case of the lighter posts on a Group A Board the determination of a lower salary range would appear very invidious to the individuals concerned, particularly as it seems very doubtful whether a salary of lower than £10,000 for any of the posts would be justified in terms of what would be paid in private concerns of even approximately comparable size. We think, therefore, that it would be better to take £10,000-£15,000 as the standard salary range in Group A Boards and to take the weight of a member's job into account when considering the rate of his progression through the range, and his eligibility to proceed to the upper half of it.

In Group B Boards the NBPI suggest that £10,000 should be the most common mid-point, corresponding to a range of £8,000-£12,000. Here it will be valuable to have the freedom to determine higher ranges in some cases such as when a member is designated as Chief Executive or Deputy Chief Executive of his organisation, or for some other reason has a level of responsibility which can be clearly seen to be higher than the other members of the board to a sufficient extent that they are unlikely to resent his more favourable salary position. The flexibility proposed by the NBPI will also be valuable in the case of new appointments where the individual's previous salary makes the £8,000-£12,000 range inappropriate. As in Group A Boards, however, we think that in less clear cut cases than these it would be better to take differences in the levels of responsibility into account as one of the factors determining the rate at which a member should progress through the standard range. The advantages would be the avoidance of difficulties if the relative standing of a job were to decrease and the fact that since the relative weight of the jobs would only be one of a number of factors affecting the salaries given to different board members, the Minister's judgement of it could not be identified and subjected to specific criticism.

"NORMAL" RATE OF PROGRESSION

For Group A Boards, departments consider that the pattern for a board member who gives continued satisfactory service without being outstanding should be appointment at the minimum of the range, £10,000, with a reasonable expectation of an increase of
£1,000 after completion of two years service and a further £1,500 after completion of seven years service or, in suitable cases, on re-appointment. For Group B Boards, appointment would be at £8,000 (except where a higher than normal range was agreed), with a reasonable expectation of an increase of £1,000 after completion of two years' service and a further £1,000 after completion of seven years' service or, in suitable cases, on re-appointment. In both Group A and B Boards progression above the mid-point would be dependent upon outstanding performance as recommended by the NBPI. It might however also be allowed in cases where the weight of the job justified exceptional treatment and this had not been reflected in the determination of the salary range for the individual concerned.

**ASSIMILATION AT STAGES 2 AND 3**

The appropriate rates of salary at Stage 3 will of course have to be considered in every individual case. The following tables however give a general indication of the sort of increases which might occur in the absence of any special factors:

<table>
<thead>
<tr>
<th>Present Salary</th>
<th>Stage 3</th>
<th>Increase at Stage 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>£</td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td><strong>GROUP A BOARDS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8,250</td>
<td>10,000</td>
<td>875 (10.6%)</td>
</tr>
<tr>
<td>8,800</td>
<td>10,500</td>
<td>850 (9.6%)</td>
</tr>
<tr>
<td>9,350</td>
<td>11,000</td>
<td>825 (8.8%)</td>
</tr>
<tr>
<td>9,900</td>
<td>11,500</td>
<td>800 (8.1%)</td>
</tr>
<tr>
<td>10,450</td>
<td>12,000</td>
<td>775 (7.4%)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Present Salary</th>
<th>Stage 3</th>
<th>Increase at Stage 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>£</td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td><strong>GROUP B BOARDS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7,700</td>
<td>8,500</td>
<td>400 (5.2%)</td>
</tr>
<tr>
<td>8,250</td>
<td>9,000</td>
<td>375 (4.5%)</td>
</tr>
<tr>
<td>8,800</td>
<td>9,500</td>
<td>350 (5.0%)</td>
</tr>
<tr>
<td>9,350</td>
<td>10,000</td>
<td>325 (3.5%)</td>
</tr>
<tr>
<td>9,900</td>
<td>10,000</td>
<td>50 (0.5%)</td>
</tr>
<tr>
<td>10,450</td>
<td>10,450</td>
<td>Nil (0.0%)</td>
</tr>
</tbody>
</table>

In the case of Group B Boards a fair proportion of those currently on the higher rates of salary, for which little or no increase is shown, would be candidates for personal salary ranges in excess of the normal range of £8,000-£12,000.
Area Board Chairmen are paid as members of Group A boards and they would therefore receive increases on the same lines as those indicated for ordinary Group A board members. For Area Board Deputy Chairmen the NBPI recommended a range of £7,500–£9,500 at Stage 3. At present all Area Board Deputy Chairmen receive either £6,900 or £7,150 which suggests the following pattern for them:

<table>
<thead>
<tr>
<th>Present Salary</th>
<th>Stage 3</th>
<th>Increase at Stage 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>£</td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>6,900</td>
<td>7,500</td>
<td>300 (4.4%)</td>
</tr>
<tr>
<td>7,150</td>
<td>8,000</td>
<td>425 (6.0%)</td>
</tr>
</tbody>
</table>
STRAIGHTMENT OF INCREASES

For the Chairmen and Deputy Chairmen of Group A and Group B Boards the increases would be as follows:

<table>
<thead>
<tr>
<th>Group</th>
<th>Stage 2 Increase</th>
<th>Stage 3 Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(On current salaries)</td>
<td>(On Stage 2 salaries)</td>
</tr>
<tr>
<td></td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>Group A</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chairmen</td>
<td>15,000</td>
<td>17,000</td>
</tr>
<tr>
<td>Deputy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chairmen</td>
<td>12,000</td>
<td>14,000</td>
</tr>
<tr>
<td>Group B</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chairmen</td>
<td>13,000</td>
<td>15,000</td>
</tr>
<tr>
<td>Deputy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chairmen</td>
<td>11,000</td>
<td>12,000</td>
</tr>
</tbody>
</table>

The increase received by the others who are directly covered by the proposals, namely the members of boards in Groups A and B and the Chairmen and Deputy Chairmen of boards in Group C, would amount on average to about 7½-8 per cent at Stage 2 with a further 7 per cent on the Stage 2 salaries at Stage 3. If all those directly covered by the proposals are taken together, the increases would amount on average to 9-10 per cent at Stage 2 with a further 3.5-9 per cent on the Stage 2 salaries at Stage 3. These estimates assume that a certain number of higher than normal personal salary ranges will have to be agreed in Group B boards and also allow for the possibility of the partial regrading of two boards which is being proposed by the Ministry of Technology.

The total addition to the present annual salary bill by the time Stage 3 is reached is estimated at just under £200,000.
4th March, 1970

CABINET

RABIES

Memorandum by the Minister of Agriculture, Fisheries and Food

My colleagues will have seen that there has been another case of rabies in a dog. I gave the facts in a Parliamentary answer on 3rd March and a copy is attached.

2. There is no connection between this case and the cases at Folkestone and Camberley last year. This is satisfactory so far. Nonetheless, this case underlines that there is much that we do not know about this terrible disease, which is rapidly increasing in Europe. I believe, therefore, that it would be wise to have a high level enquiry into our defences against rabies. The enquiry would cover both policy and administration, and I have in mind that it might be chaired by a leading Queen's Counsel. We have so far kept rabies out of this country. No country which has allowed it to infect its wildlife population has ever succeeded in eradicating it. We must make sure that we have the best advice so that we are in a position to preserve our freedom from the disease.

3. The sort of questions which the enquiry would consider are -

(i) Length of quarantine. This latest case appears to have incubated the disease for nine months.

(ii) The effectiveness of vaccination. This dog had been vaccinated in Pakistan but still died of the disease, apparently demonstrating the fallibility of vaccination.

(iii) The quarantine arrangements. Further enquiries by investigating officers have turned up evidence of a number of breaches of the rules at the kennels in Folkestone which make the possibility of cross infection in last year's cases more likely. Subject to any representations, therefore, I have decided that I should revoke the licence of the owners of these kennels. But I think that the whole question of our quarantine arrangements should be looked at by the high level enquiry.
4. For all these reasons I hope that my colleagues will support the setting up of an enquiry and an early announcement.

5. I am also considering whether, in advance of the enquiry, it would be right to extend quarantine or ban the import of dogs and cats from all countries not free of the disease.

C. H.

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

3rd March, 1970
Ministry of Agriculture, Fisheries and Food  
Tuesday, 3rd March, 1970  
Unstarred Question No. 37

Mr. Francis Pym (Unionist - Cambridgeshire): Asked the Minister of Agriculture, Fisheries and Food, what action he is taking following the case of rabies in a dog at Newmarket; and if he will make a statement.

Mr. Cledwyn Hughes: The dog Sessan had been under close veterinary surveillance and died on 27th February from "dumb" rabies. This is a form of rabies in which the animal is not aggressive during the short period when it is infective. The Medical Officer of Health for the area has been kept fully informed from the outset and has taken all measures needed to safeguard human health. Sessan, with another dog in the same ownership, had been imported from Pakistan on 30th May, 1969 and both were released from scheduled quarantine in Essex on 30th November, 1969. The second dog remained healthy but has now been put down. There is no connection with the cases last year at Camberley and Folkestone.

My veterinary staff, assisted by the police, have been making exhaustive enquiries to trace any other possible contacts during the short danger period when the dog was infective and might have transmitted the disease. None has come to light. As a precaution, however, a dog which was bitten by Sessan on 18th January, i.e. before onset of the disease, is being taken into quarantine custody. My veterinary advice is that another dog, which might have had contact with Sessan some six weeks before she died is not at risk. Enquiries have extended to an area in North London which the owner visited with Sessan shortly before the onset of the disease. But there was no known contact there.

Special enquiries have been made on any possible risk to horses in the Newmarket area. The exercising arrangements for horses and for Sessan left no scope for any form of contact or for transmission of virus. There is, therefore, no reason for any restrictions in that sector. Nor have the veterinary and other enquiries revealed any possibility of contact with wildlife. Sessan was on a leash on the sole occasion that she was exercised while showing signs of illness.

There has been no case of rabies in the quarantine premises at Purleigh, Essex since June, 1968. However, to facilitate further investigations, which are still in progress, no quarantined animals are being released from these premises for the time being.
10th March, 1970

CABINET

MALTA: AGREEMENT ON FINANCIAL ASSISTANCE

Memorandum by the Secretary of State for Foreign and Commonwealth Affairs and the Secretary of State for Defence

Background

When the question of financial aid to Malta was discussed in Cabinet on 1st May, 1969 (CC(69) 20th Conclusions), it was decided that we should stand firm on the offer, originally made in January, 1969, of a division of the remaining £23 million due to Malta for the second five years of the Financial Agreement in the ratio of 50 per cent grant:50 per cent loan. This decision was taken in the belief that, if we made it quite clear that we were not prepared to make further concessions, the Malta Government would reluctantly accept these terms. Our proposals were formulated in an aide memoire of 8th May, 1969 (Annex). Dr. Borg Olivier refused to accept them and has not altered his position since. Meanwhile no aid funds have flowed to Malta since 31st March, 1969.

2. We have in the meantime explored the possibility of establishing interim arrangements for one or two years, within the framework of the 50:50 basis over the whole five years, which might tide Dr. Borg Olivier over until his general election (which has to be held at latest by mid 1971), leaving for the time being the question of the ultimate settlement under the 1964 Aid Agreement. Lord Robens, Chairman of the Joint Steering Committee for Malta, also put forward similar proposals designed to allow cash to flow for approved development projects in advance of a settlement of the dispute. Here again Dr. Borg Olivier has not been prepared to accept any proposals for an interim settlement except on a basis that would give him nearly all the money he wanted in the form of grant during the first two years. These initiatives have consequently come to nothing and there appears no future in pursuing them.

3. We are thus left in the position that after more than a year Dr. Borg Olivier has not accepted the 50:50 offer put to him in January, 1969 and reaffirmed by the Cabinet in May, and proposals for interim arrangements have brought us no nearer a resolution of the aid negotiations.
Prospects for agreement

4. There are not now, any more than when the Cabinet considered the question in May, 1969, good economic grounds for making aid available on more generous terms than 50 per cent grant:50 per cent loan. But the crux of the matter is political, not economic. It is politically impossible for Dr. Borg Olivier to accept less favourable terms for the second five years of the Financial Agreement than applied for the first (i.e. 75 per cent grant:25 per cent loan). Dr. Borg Olivier told the Foreign and Commonwealth Secretary as much in London on 15th May, 1969; on 23rd September he stated in the Malta Parliament that "the British offer is not an adequate basis for the second five years of the Financial Agreement", and in a statement to Parliament on 11th February this year he said that his Government "would not be cowed by the suspension of British aid". This bears out the view of our High Commissioner in Valletta that Dr. Borg Olivier would prefer to defy us and borrow the money he needs locally rather than capitulate.

Strategic and political importance of Malta

5. As our purely national requirements in Malta have declined (the only remaining major operation in support of a national obligation which we might have mounted from Malta was under our 1953 Treaty commitment to Libya, which of course no longer applies), the abiding interest in the Island is primarily a NATO one. The importance of this, however, is increasing. The expanding Russian naval presence in the Mediterranean, together with the actual and potential use by the Russian navy and air force of facilities in Egypt and Algeria to support and consolidate that presence, has been a matter of great concern to us and to NATO for some time. This concern has recently been further increased by the revolution in Libya which has made it very much more difficult than before to prevent that country from coming under hostile influence, with the result that most of the North African coastline is potentially hostile. We need to consolidate all the Mediterranean footholds where the West at present still has an advantage over the Soviet Union.

6. NATO will thus have both a positive and a negative interest in Malta in the future. The positive interest is to preserve the use of defence facilities in the Island which will be of increasing importance as a means of countering the Russian military presence. These facilities include, on a very tenuous basis of agreement between NATO and Malta, the NATO naval headquarters for the Mediterranean, our base, communications and radar facilities used by NATO (use of the radar facility in particular is a valuable extension southwards of the NATO air warning system); above all there are the facilities available to us under the Defence Agreement which will be used primarily by maritime reconnaissance, air defence and strike aircraft deployed in support of NATO Mediterranean naval forces. The NATO interest has newly been brought out again in a recent report to the NATO Commander in Chief for the Southern Region. The report's first conclusion is that:
"The location of Malta in its dominant position in the central Mediterranean is a powerful influence on the security of the lines of communication throughout that sea. The availability of its facilities could influence the security of the southern flank of NATO and have an impact on allied naval operations in the Mediterranean".

Studies in the Ministry of Defence have shown that these facilities cannot easily or cheaply be reprovided elsewhere (in Sicily or Southern Italy, for example). Nor, for reasons of politics and geography, can existing facilities in Cyprus or Gibraltar substitute for those in Malta.

7. The negative interest is even more important; it is to deny Malta to the Russians and to keep the Island firmly linked with the West. It would be militarily a very serious matter if the Russians were enabled to establish or to use bases in Malta; and politically it would be a resounding blow to NATO's and our own prestige if Malta, which has for so long been so closely linked with the West, were to turn neutralist. It would seriously undermine the confidence of the Mediterranean members of the Alliance, who are in any case not the most robust. If Malta were subsequently lured into the Soviet camp, the effects would, of course, be still more serious.

Political considerations

8. It is therefore most important that, by the time our Defence and Finance Agreements with Malta expire in 1974, a much closer association should have been established between Malta and NATO, and that our own responsibilities in the Island should have been transferred to the Alliance. We are considering separately how best to achieve this; but it is already clear that the key will be the manner in which our own relationship with Malta is allowed to develop over the next three or four years. This in turn depends on our attitude to the question of aid. Already the Secretary General of NATO has several times expressed his concern that no solution has been found to the disagreement between Her Majesty's Government and the Malta Government.

9. The matter is becoming increasingly urgent, as the Malta Government have borrowed heavily from the Central Bank to finance current development and are due to repay the loans by 31st March; the 1970-71 budget is due to be introduced in early April; and Mr. Mintoff is taking advantage of the Malta Government's difficulties. For domestic political reasons in Malta, therefore, a settlement becomes no easier as time passes. Unless a settlement is quickly reached on terms acceptable without loss of face to Dr. Borg Olivier, the position of the Malta Government will be much more difficult and the prospects of retaliatory action more likely. If the financial aid dispute remains unresolved, there are real risks of a serious souring of our relations with the Maltese, of their deciding to forgo our aid altogether and of their ceasing to provide facilities under the Defence Agreement.
10. Mr. Mintoff has repeatedly declared his refusal to co-operate with NATO. Under a Government led by him, the best we could expect would be to retain the use of our facilities in Malta only on a national basis (with the consequent loss of any prospect of shifting the financial burden or sharing it with our Allies), and then probably only to a restricted extent and at a high price. Thus on present form, our longer term objective of associating Malta more closely with NATO will stand a much better chance of being realised if Dr. Borg Olivier continues as Prime Minister. This in turn would be more likely if he were to emerge without dishonour from the aid negotiations, which have become a key election issue. If we can reach a settlement over aid and follow this up by persuading Dr. Borg Olivier to move in the direction of a closer association between Malta and NATO, Mr. Mintoff, if he wins the election, might find it difficult to repudiate these engagements. In any case, we should continue to control the disbursement of funds; thus, in the event of a refusal to implement the present Defence Agreement, which lasts until 1974, we should be entitled to curtail or suspend aid, since the operation of the Aid Agreement depends upon the continued implementation of the Defence Agreement.

11. By coming to terms with Dr. Borg Olivier now over the Aid Agreement there would be no question of our acting in a partisan way. The Opposition in Malta is even more vociferous than the Government in proclaiming that a settlement is overdue, and public opinion is united with both Government and Opposition in believing that United Kingdom aid is in part a return for the continued use of military facilities. Feelings are beginning to run high. If we do not reach what can be represented in Malta as a fair settlement, this will work directly against our defence interests. It will provide a grievance which, whoever becomes Prime Minister, would at the best be an embarrassment to him and at worst give him a stick to beat us with. Playing for time will not help us to get better terms; on the contrary, now that this is becoming a public electoral issue, we can expect the Maltese attitude in all matters to harden and their thoughts to turn to retaliation rather than compromise.

12. These are risks which we ought not to take. We would certainly find it difficult to explain to public opinion in this country, and to our NATO Allies, why we were prepared to jeopardise the military facilities in Malta and the whole of Malta's long term relationship with the West, for the sake of what would be seen as a comparatively small sum of money, (in practice £5.75 million over a period of five years).

Conclusions

13. We therefore consider that we should now seek to reach a final accommodation with Dr. Borg Olivier. In our view this means that we should be prepared to offer up to 75 per cent grant; 25 per cent loan overall, although we should naturally try to secure better terms.
14. It should also be our aim during the course of negotiations to reach favourable understandings with Dr. Borg Olivier about the detailed arrangements for the continued use of the airfield at Luqa (due for review), the question of payment for the transfer of equipment (to the value of about £300,000) to the Malta Land Force, and a closer association of Malta with NATO.

Recommendation

15. In our view the importance of Malta and the risks attendant on a failure of the financial aid negotiations justify our being prepared to offer up to 75 per cent grant; 25 per cent loan overall, if necessary, to secure a satisfactory conclusion to the negotiations, and we invite our colleagues' agreement to proceed on that basis.

M. S.
D. W. H.

Foreign and Commonwealth Office, S. W. 1.

10th March, 1970
Following is text of Aide Memoire handed to Dr. Berg Olivier's Advisers in London on 8 May.

The British Government have given careful study to the Aide Memoire conveyed to the British High Commission in Valletta on 1 April.

The British Government have noted the considerations which it appears from the Malta Government's Aide Memoire were taken into account by them in reaching their conclusion that the offer made to the Prime Minister of Malta by the Minister of Overseas Development on 16 January was unsatisfactory. In the view of the British Government, these considerations are not well founded.

In the first place, the British Government are unable to accept the contention that the rundown of the British forces in Malta is being carried out otherwise than in strict accordance with the Agreement on Mutual Defence and Assistance of 21 September 1964.

Secondly, the Malta Government will recall that it was in order to meet their apprehensions regarding the problems that might flow from their decision to reduce British forces in Malta that, in March, 1967, after further consultation with the Malta Government, the British Government subsequently modified the rundown programme. The modifications to the programme that were then conceded will result in additional defence expenditure in Malta of £10 million in the period of the rundown. Their subsequent decisions to station in Malta certain R.A.F. aircraft and to increase their naval presence in the Mediterranean are making a further contribution to the Maltese economy.
Thirdly, the British Government cooperated with the Malta Government in establishing the Joint Mission for Malta which was charged with reporting means of strengthening Malta's industrial base and creating additional employment, and which led to the establishment of the Joint Steering Committee. It has been the latter's task to report on progress achieved on the recommendations of the Joint Mission and to make recommendations to the two Governments as to the remedial measures that should be taken by either of them to counteract economic and social problems arising from the rundown of British forces in Malta, with particular reference to the absorption and re-training of persons becoming redundant. The British Government regard it as significant that on 31 March, 1969, after two years, the number of Maltese registered as unemployed as a result of the rundown was only 93, of whom 49 were undergoing training courses and 22 were awaiting such courses.

Finally, the British Government have noted that, according to the annual report of the Central Bank of Malta and the figures quoted by the Malta Minister of Finance in presenting his budget last month, all aspects of the Maltese economy have continued to make rapid progress. Thus between 1967 and 1968 gross national product, private consumption, bank deposits and Malta's official external reserves all made significant increases. Meanwhile the Malta Minister of Labour is reported as saying on 28 January, 1969 that, during 1969 and 1970, the expected additional demand for labour would be very close to the additional supply. In these circumstances the British Government are unable to follow the suggestion in the Malta Government's Aide Memoire that there is any case for the British Government further to offset the effects of the rundown.

The British Government cannot accept the Malta Government's suggestion that the Agreement on Mutual Defence and Assistance and the Agreement on Financial Assistance should now be revised. Nor would it be possible for them to make any payments to the Malta Government otherwise than on the basis of the Financial Assistance Agreement. But the British Government, for their
part, have at all times been ready and willing to make the payments to the Malta Government that are contemplated by that Agreement and in particular they are prepared to resume without delay the uncompleted discussions with the Malta Government over the various matters which, under the Agreement, have to be settled between the two Governments before such payments can be made. As regards the particular question of the relative proportions of gift and loan for the five years ending 31 March, 1974, they regret that they are unable to go beyond their offer of an overall division of 50% gift, 50% loan. This offer which in the British Government's view is fair and generous to the Malta Government, remains open. On this basis, they would be glad to arrange the early resumption of the incompleted discussions.
CABINET

ANNUAL FARM PRICE REVIEW, 1970

Note by the Minister of Agriculture, Fisheries and Food

At the meeting on 12th March (CC(70) 12th Conclusions, Minute 7) I was asked to circulate to the Cabinet the White Paper reporting the outcome of the Annual Farm Price Review. This White Paper, which will be published on 18th March, is now attached.

C. H.

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

16th March, 1970
AGONAL REVIEW AND DETERMINATION OF GUARANTEES 1970
AGRICULTURE ACTS 1947 & 1957

ANNUAL REVIEW
AND DETERMINATION OF GUARANTEES 1970
ANNUAL REVIEW AND DETERMINATION OF GUARANTEES 1970
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ANNUAL REVIEW AND DETERMINATION OF GUARANTEES 1970

Introduction

1. The Annual Review has in many quarters come to be regarded almost as the settlement of a pay claim. This is not its purpose. Under the Agriculture Act 1947, it is the Government’s task to review each year with the farmers’ representatives the condition and prospects of the industry. In the light of their conclusions from this Review they have then to decide the action required

(i) to promote and maintain a stable and efficient agricultural industry which can

(ii) produce such part of the nation’s food as it is in the national interest to grow at home, and

(iii) do so at minimum prices consistent with proper remuneration and an adequate return on capital to those engaged in the industry.

The Job of Agriculture

2. The job of agriculture was announced in 1968 in the Government’s selective expansion programme. This programme was framed in the knowledge that the industry had achieved rising output and major gains in productivity. Although these were secured with the backing of subsidies from public funds (running in total at some £270 million per year) the industry was nevertheless meeting part of their higher costs, through their own efficiency gain. In this way, the industry had helped considerably in keeping down the real cost of the subsidy bill. It was on the basis that this process would continue that the Government announced the extension of the selective expansion programme to 1972/73.

3. Selective expansion is still wanted. It is needed not only to save imports now but if we go into the E.E.C. to reduce the bill which would have to be paid through adoption of the common agricultural policy. The aim is for agriculture to produce more of the right commodities to meet rising demand on an economic basis. The priority products are still beef, pigmeat, wheat and barley.

4. This programme relates to that part of the nation’s food supply which it is in the nation’s interest to produce at home. It is a most important part—but only a part—of our growing requirements. Rather less than half of what we need—valued at nearly £1,900 million and including many items which cannot be produced here at all—still has to be imported. The terms and conditions on which it is imported are important to us as a major trading
nation. The resources we use to produce food at home or to import it from abroad have to be carefully weighed. The nation’s food must be grown, bought and distributed efficiently. A quarter of consumers’ spending is on food. It is the Government’s policy to keep food prices as low as is reasonably possible. The provision of conditions to enable these things to be done is the job of the Ministers responsible for food and agriculture. It means striking a proper balance between the different interests—farmers and importers, processors and distributors, taxpayers and consumers.

The Condition of the Industry

5. In 1968/69 the industry had a bad time. The foot-and-mouth epidemic in the winter of 1967/68 took a heavy toll of livestock. The 1968 harvest was poor. The wet autumn made cultivation and the sowing of winter wheat very difficult. The spring of 1969 was no better. There were heavy lamb losses. Sowing was delayed and in some areas impossible. The grass flush was late and increased dairying costs.

6. So production fell; productivity dropped; and actual net income declined by £36 million to £480½ million in 1968/69.

7. But in 1969/70 there has been a good recovery. Production is back at the record level of 1967/68. Productivity is again increasing. Net income is rising and is forecast at £535½ million in 1969/70, an increase of £55 million on the year before. It is now above the 1967/68 level. The forward trend has been resumed.

8. But the bad eighteen months have left their mark. The industry has lost the increase in income it should have had in 1968/69 and its capacity to invest for expansion has been impaired as a result. Tight credit and the high cost of borrowing have limited the scope for making this good.

9. For this reason the Government believe that this year special steps are necessary to enable the industry to do its job.

The Needs of the Agricultural Industry

10. This is the background against which the Government have had to assess what resources are needed by the agricultural industry to do its job and what return the nation would get on the investment of those resources.

11. In the Government’s view, there is need to replenish the industry’s resources, to contain costs, to increase investment for expansion and to provide reasonable stability of markets.

12. These are the needs which the Government have set out to meet. They do not believe they can be secured by any one means. Nor do they believe that they can be sensibly provided by the conventional Annual Review method of adjusting guaranteed prices and production grants. They have therefore decided to introduce a series of measures specifically designed to meet these needs. These measures are summarised in the following paragraphs and explained in more detail in Annex B.
The Measures Proposed

13. First, the need to replenish the industry’s resources. Many prices—particularly for the arable crops—take time to flow back to farmers in the form of cash. Increased resources can be made available more readily by reducing the cost of inputs. The best tool immediately available to do this is the subsidy on fertilisers and lime. Both of these are widely used.

14. The Government have therefore decided to raise the rates of subsidy for one year from 19th March 1970 with the object of increasing cash resources by something like £10 million—£9 million for fertilisers and £1 million on lime. The actual amount will depend on the uptake. But the use of fertilisers has been rising over the years. The increased subsidies will put money into the farmers’ pockets by reducing costs which they would otherwise have had to meet. This will also be an incentive to greater productivity. It will help cereal growers, potato growers and sugar beet growers. It will help horticulturists too. It will provide money for livestock producers and particularly for dairy farmers and help them to improve the productivity of grassland.

15. It is important that this help should remain with the farmers. The principal fertiliser manufacturers have informed the Government of the importance which they attach to providing the conditions under which the agricultural industry can make its full contribution to the economy of the nation. They have therefore given an assurance that they will not raise their current list prices to customers during the coming twelve months. Should the fertiliser manufacturers consider during the course of the coming year that such exceptional circumstances had arisen that it was essential for them to reconsider their position, they would consult with the representatives of the agricultural industry and with the Government.

16. Second, the need to contain and offset costs. They have been heavy this last year—some £60 million extra since the 1969 Review, of which a substantial part is due to increased prices of feedingstuffs and machinery. But the industry in reaching its better net income position this year has already incurred a large part of these additional costs. Of course, some cost increases must be expected in the coming year. Nobody yet knows the extent of these. But the Government have decided that for the main priority commodities—beef, pigmeat, wheat and barley—the prices will be increased and the cost increases falling in the current year more than offset. They will do the same for milk and sheep, because of the importance they attach to restoring breeding numbers, and also for potatoes, because of the need to ensure that home production continues to meet demand in full. On these seven commodities some £54 million will be injected. This will fully cover the extra costs falling on these commodities; provide money over and above; and enable the producers to retain the benefit of rising productivity and extra production.

17. The prices of the other arable crops will remain unchanged. But the producers of these commodities will all benefit through the higher fertiliser and lime subsidies.

18. On eggs the Government policy has been announced. It is already known that the subsidy will be phased out by 1974. It will also be put on a flat
rate basis. The necessary further steps to do this are being taken and there will be a cut of 1½d. a dozen in the price of eggs. But minimum import prices have been negotiated with overseas suppliers. These will prevent the market from being undermined by low priced imports. They will come into operation on 31st March 1970, and will be kept under review.

19. Minimum import prices for eggs and egg products are one of the measures to meet the need for stability of the market. Market prices are important to farmers. Reasonable returns from the market engender confidence and can help income. Wide fluctuations do not benefit anyone—producer, overseas supplier, importer, or consumer.

20. Over the past few years the Government have introduced many measures to help provide market stability. Minimum import prices for cereals have been in operation since 1964. As a result of the Kennedy Round in 1967 these were continued without a corresponding obligation to hold down home production. The arrangements have been strengthened further in the last year. The Bacon Market Sharing Understanding, which was revised last year, now gives home producers the opportunity to win a larger share of the market. This opportunity is being taken. Imports of butter are subject to quota. Cheese is subject to voluntary restraint on imports coming into our market, and arrangements for regulation will be continued. Butter and cheese imports have both been reduced over the last year or so. More recently the Government have agreed to participate in a multilateral arrangement for minimum export prices for skim milk powder if other countries agree. All these arrangements will provide greater stability on the milk products market here which it is desirable to continue and where appropriate improve. The arrangements for voluntary restraint on imports of broilers have been continued. Lastly, discussions are proceeding to provide for more orderly marketing and price stability for beef.

21. Taken together these various measures cover most of the more important products. They provide a firm base for the stable markets which the Government recognise the industry needs.

22. The Government will also be introducing this year a new scheme to help step up the eradication of brucellosis. This is the third of the major measures decided upon in the light of this year’s Review. Producers who make their dairy herds or beef herds brucellosis-free will receive a premium of 1½d. per gallon on milk or an extra 37s. 6d. on the beef cow or hill cow subsidies. This will give a special incentive to producers whose herds have few reactors to send them for slaughter and to become accredited. They will then avoid the high cost of disease as well as improve their incomes from these premiums.

23. Northern Ireland, which is already nearly brucellosis-free, will benefit substantially and at once from this scheme. In the rest of the country the impact will be slower. But as the number of accredited herds increases, the benefit of the incentives will be felt by more and more dairy and beef producers. The speed at which this happens will depend upon the response. It is estimated that in the first full year the money going into the industry will amount to some £5 million. It will increase each year as more herds become accredited.

24. Finally, the need for further incentives to invest in expansion. Under the various agricultural capital grant schemes there are already substantial
grants for investment in farm buildings; fixed machinery; land drainage; hill land improvements; and remodelling works for farm amalgamations. The rates of grant under these schemes vary. They will all be raised immediately by 10 per cent except for the investment grants for buildings and fixed equipment which will be increased from 10 per cent to 30 per cent. It had previously been intended to unify by the end of the year the capital grants into one comprehensive scheme, with a basic rate of 30 per cent and a higher rate of 50 per cent for land drainage (60 per cent in the hills) and for hill land improvements. When this comprehensive scheme is introduced the extra 10 per cent will continue to be added to the rates of grant until 18th March 1972, when they will return to the levels previously proposed. In practice this means, for instance, that during the next two years a farmer who carries out a drainage scheme in the hills will be able to get a 70 per cent grant, and on other improvements under the hill land scheme a 60 per cent grant. More generally, all farmers will get 60 per cent grant on land drainage and 40 per cent on buildings and machinery.

25. These new incentives will be a substantial aid to investment. The additional help for buildings for pigs and poultry will be a considerable incentive to specialist producers to expand. More land drainage will improve yields and increase productivity. It will also help to preserve soil structure. The higher grants for hill land improvements will help hill sheep and hill cow producers. Finally, the specialist dairy producer will be given extra resources to expand and get more benefit from greater economies of scale.

26. Investment under the capital grant schemes has kept up well until the last few months. This new measure should keep investment moving ahead. The benefit to the industry will depend on the rate of uptake. But even if applications do not significantly increase, the additional grants should supply £20 million or more to the industry during the coming two years.

Summary of Measures

27. The Government believe that these measures will meet the present needs of the industry. They will provide the conditions to enable it to maintain and improve the momentum of selective expansion. The additions to the fertiliser and lime subsidies; the improvement of guaranteed prices; and the premiums for brucellosis-free herds will all put additional cash into the farmers' pockets. This will give farmers further resources for expansion. It will enable them to take full advantage of the improvements in the capital grant schemes. All this can expand production and raise productivity. This in turn can generate more farm income.

28. Of course, these four interrelated measures cannot sensibly be evaluated into a single sum of money as has normally been done at past Annual Reviews. Their real value to the industry lies in the opportunities they provide. Taken together, they more than compensate farmers for their additional costs, and leave them this year with the whole benefit of the gain from increased efficiency. These are exceptional measures in order to take account of the effects stemming from the bad 1968/69 season. In all they provide the opportunity to secure very substantial additional resources over the next two years.
29. The cost of these measures falls to be met in part from public expenditure and in part out of consumers’ expenditure. What the actual expenditure on agricultural support turns out to be depends upon a number of varying factors, as has been explained in pages 39 and 40 of Cmd. 4234, but on the basis of the estimates previously drawn up for presentation to Parliament there would have to be further additions estimated at some £38 million for 1970/71, while the full-year addition would be higher.

Remuneration of the Industry

30. The Government believe that these measures can promote and maintain a stable and efficient agricultural industry. They believe that they provide the conditions under which the industry can expand and produce what should, in the national interest, be grown here at home. But what about the remuneration for the industry?

31. The Farmers’ Unions have put forward their own view of what would be a reasonable level of remuneration. It is natural for the industry to set their sights on a desirable level of income. They have assessed this at £650 million a year net.

32. There is no direct relationship between the determinations of the Government following an Annual Review and the net income of the whole industry. Many sections of the industry, for example horticulture and poultry, are not covered by Annual Review determinations. Although Government measures are obviously important in affecting the net income of many farmers, other things, such as market prices, increasing technological and managerial skills, economies of scale and the trend of production, also have an important influence. A substantial uplift of the industry’s net income must obviously take time to generate.

33. The remuneration for those working in the industry—whether farmers or farm workers—must depend in large measure, as the industry has always recognised, on rising productivity and the selective expansion of production, both of which have an important effect in generating net income. The Government believe that the measures that they are introducing will provide the conditions under which the industry can make a substantial move forward towards the objective of higher remuneration. It is up to the industry to help itself by taking advantage of these measures and in so doing help the nation.
ANNEX A

GENERAL ECONOMIC CONDITION OF THE AGRICULTURAL INDUSTRY

1. This annex sets out the latest information on the most important aspects of the economic condition and prospects of the industry which have been examined at this Review.

The course of production

2. In 1968/69 production fell sharply as a result of the foot-and-mouth epidemic and the poor cereals harvest. In 1969/70 production of most commodities is expected to go up but this will be partly offset by some increase in inputs. The index of net output is expected to rise by 5 per cent from 101 in 1968/69 to 106 in 1969/70, the same as the previous highest level in 1967/68 (average of 1964/65—1966/67 = 100: Appendix I, Table K, page 35).

3. Progress for each main commodity in 1969/70 as compared with 1968/69 can be briefly summarised as follows. More home-fed beef is expected this year. The beef breeding herd is expanding well and a high proportion of calves from the dairy herd are being retained for beef. Milk production is still increasing but expansion in the dairy herd has levelled off. The expansion of the total cattle breeding herd is therefore slowing down. Home production of mutton and lamb in 1969/70 is expected to be less than in 1968/69 and the sheep breeding flock has continued to decline, partly because of heavy losses in some districts during severe weather at lambing time in 1969. Production of both pork and bacon is expected to show an increase though expansion of the breeding herd has slowed down. Production of both poultrymeat and eggs has again risen to new record levels.

4. Because of bad weather at sowing time, the cereals acreage in 1969 was less than in 1968 but on average yields were much better. So total production in 1969 was well up on 1968. Weather also restricted plantings of potatoes in 1969 and the main crop may be a little short of demand. With a lower average yield of beet, home production of sugar is also expected to be rather less than in 1968/69. Horticultural production has increased considerably.

Labour productivity, efficiency and costs

5. Up to 1967/68, labour productivity (the volume of net output per man-year) was increasing at an average annual rate of between 6 and 7 per cent. There was a small decrease in 1968/69, due mainly to the exceptionally heavy fall in output. The upward trend was resumed in 1969/70, with an increase of about 7 per cent. Over the period 1963/64 to 1969/70 as a whole the average annual rate of increase is put at 5–6 per cent. The total labour supply (including farmers’ labour) is estimated to have been falling by about 3 per cent annually over this period. However, the number of regular whole-time workers (the largest element) dropped by 6–7 per cent annually from 1964 to 1966 and has been going down by about 5 per cent annually since 1967. The annual gain in the efficiency of the industry is conventionally assessed as £30 million for guaranteed commodities, taking one year with another.
6. There has been a large net increase in the cost of goods and services used in agriculture (Appendix III, page 40). Of the total increase a third is due to higher labour costs and another third to higher prices of feedingstuffs and machinery. A substantial proportion of the increase in the cost of feedingstuffs relates to the abolition of the feed price formula for egg production. Under arrangements agreed with the Farmers’ Unions, it is necessary this year to deduct from the total figure for cost increases the consolidated payment which is to be made to the Agriculture, Horticulture and Forestry Industry Training Board in lieu of the training levies formerly paid by agricultural and horticultural producers in Great Britain. Allowing for this, the net increase in costs to be taken into account at the Review is some £60 million. Similar arrangements are being made for training in Northern Ireland and their cost will be taken into account at the 1971 Annual Review.

Income

7. In 1969/70 income recovered strongly from the low level to which the bad weather had depressed it in 1968/69. Actual aggregate net income had fallen from £516½ million in 1967/68 to £480½ million in 1968/69. It is forecast to rise to £535½ million in 1969/70. The number of full-time farms, estimated at about 190,000 in June 1969, is declining by about 2 per cent annually so that, per farm, the increase would be rather greater. When the figures for net income in 1968/69 and 1969/70 are adjusted on to a normal weather basis, however, there is little change between the two years (Appendix II, Table A, page 36).

8. The latest information on incomes for different types of farming and regions is for 1968/69. This was a poor farming year in England, a better one in Wales and Scotland and a good one in Northern Ireland. In England and Wales average net income for all types of farming taken together fell by about 16 per cent between 1967/68 and 1968/69, but on cropping farms the average fall was over 30 per cent. On smaller farms the average fall in income was relatively less than on large farms because of the greater incidence of cropping on large farms and because costs increased less on smaller farms. Wales did better than any of the English regions, showing a marginal increase in average income overall. In Scotland average incomes were unchanged overall but there were considerable variations between different types, with upland farms doing well and cropping farms badly: one effect of this was to narrow the range of average incomes on different types of farm. In Northern Ireland, which had an exceptionally good year, income rose by 17 per cent overall, indicating a recovery from the low levels to which they had fallen in the mid 1960s, although the whole of the increase was represented by higher stock valuations rather than as cash incomes. Dairy farms showed the highest increase in Northern Ireland.

9. Specimen figures of the changes in net incomes between 1967/68 and 1968/69 are given in Appendix IV (page 41). Detailed figures for England and Wales are presented in this year’s report on the Farm Management Survey* which comes out at the same time as this White Paper. Similar information for Scotland and Northern Ireland will be published later.

* "Farm Incomes in England and Wales, 1968", H.M.S.O., Price 16s. 6d. (82¢p)
Investment

10. Total capital formation in agriculture is provisionally estimated at £283 million in 1969, an increase of 10 per cent on 1968. Some £186 million was invested in tenant-type assets comprising new plant, machinery and vehicles and stocks (mainly growing crops and cultivations and livestock). Much of this is financed by the depreciation provisions charged in the calculation of net income. Total spending on plant, machinery and vehicles at £117 million fell below the record level of 1968, reflecting in part the tight credit situation and in part the fall in net income in 1968/69. This reduction was however more than offset by the increase in stock valuation changes. Of the total £283 million, some £97 million was invested in buildings and works in 1969. This was an increase of 13 per cent over 1968. But most building investment is planned up to a year or so ahead, and the latest information available suggests a downturn. About a third of this expenditure was met out of the capital grants but the largest available source of finance was landlords’ net rents (half of which represent imputed rents for owner-occupied farms). These net rents form part of the £145 million for gross rents charged in the calculation of net farm income.

Cost of agricultural support

11. The cost to the Exchequer in 1969/70 is expected to be about £280 million. This is about £14 million more than in 1968/69. It is less than the estimate for 1969/70 as adjusted for the effects of the 1969 Review. Strong market prices have reduced the deficiency payments on fat cattle, sheep and pigs: less will also be paid on wheat. The estimate for 1970/71 made before this Review shows an increase to £299 million, the main increase being for cereals (Appendix V, Table A, page 43).
DETAILS OF THE DETERMINATIONS

1. Details of the changes in the guarantees are set out in the following paragraphs. They are:
   — the guaranteed price for fat cattle will go up by 7s. 6d. to 222s. 6d. per cwt.;
   — the hill cow subsidy will be raised by £1 10s. and the beef cow subsidy by £1 per head;
   — the guaranteed price for fat pigs will go up by 1s. 0d. to 50s. 11d. per score;
   — the guaranteed price for wheat will go up by 1s. 3d. to 30s. 3d. per cwt.;
   — the guaranteed price for barley will go up by 1s. 0d. to 27s. 0d. per cwt.;
   — the guaranteed price for milk will go up by 1·74d. to 3s. 11d. per gallon and the standard quantity will be increased by 24 million gallons (together equivalent to an increase of 2d. in all);
   — the guaranteed price for fat sheep will go up by 3d. to 3s. 10½d. per lb.;
   — the guaranteed price for potatoes will go up by 15s. 0d. to 317s. 6d. per ton;
   — the guaranteed price for hen eggs will be reduced by 1·43d. to 3s. 4·64d. per dozen and the subsidy will be put on a flat rate basis;
   — the guaranteed price for duck eggs will be reduced by 2·31d. to 2s. 2·76d. per dozen and the subsidy will be put on a flat rate basis; and
   — the Small Farm (Business Management) Scheme will not be renewed.

Beef and Milk

2. Between June 1968 and June 1969 the beef herd expanded by some 5 per cent—a much bigger increase than that recorded in the previous year. Further expansion is expected by June 1970. These increases reflect the encouragement given to beef production at recent Reviews and the higher market prices of the last two years.

3. The dairy herd increased by 1½ per cent between June 1968 and June 1969. About half of this increase took place in the West Midlands where foot-and-mouth losses were still being made good. Numbers of heifers in calf have declined from the peak levels of 1967/68 and some increase in culling is expected so that a slight decrease in the dairy herd is likely in the year to June 1970.

4. Home-fed supplies of beef and veal in 1969/70 (July/June year) are expected to be about 3 per cent higher than in 1968/69, while imports are expected to fall by about 1 per cent. Total supplies of beef and veal in 1969/70 are expected to be about 1½ per cent higher than in 1968/69. As a result of expansion in the breeding herd and the marked reduction in the number of calves slaughtered over the last two years there are now more store cattle and calves to sustain the further expansion of home-fed beef production.

5. Beef is one of the priority commodities under the selective expansion programme. The Government want more beef from both the beef and the dairy herds and they look for more efficient use of grassland and the retention of
all suitable calves from the dairy herd. Attainment of these objectives depends very largely upon expansion in the beef herd which is going ahead well; upon expansion in the dairy herd which has recently been checked; and upon the level of calf retentions which is at present encouraging. Because of the relatively long production cycle it is particularly important to keep expansion moving ahead early in the programme. A faster increase in the total breeding herd is needed. The Government wish to ensure that the industry has the resources necessary to continue the expansion of home beef production from both the pure beef and the dairy herds. So the guaranteed price for fat cattle will be raised by 7s. 6d. to 222s. 6d. per cwt. This will help all farmers who produce or fatten animals from either the beef or the dairy herd. In addition, as a more direct incentive to maintaining the strong upward trend in the suckler herd, the hill cow subsidy will be increased by £1 10s. and the beef cow subsidy by £1 for each eligible animal.

6. As foreshadowed in last year’s White Paper (Cmnd. 3965, paragraph 13) discussions are in progress with the interests concerned on the possibility of securing greater stability in the United Kingdom beef market in the longer term by means of a minimum import price system enforced by variable levies under the Agriculture and Horticulture Act 1964. Stabilisation of the market in this way would entail similar financial disciplines on home supplies in the interests of maintaining target price levels. In these circumstances it would be the Government’s intention, when making Orders providing for levies on imports, also to modify the guarantee arrangements for fat cattle so as to relate the amount of deficiency payments to the attainment of target indicator prices. (See Appendix VI, Part II, paragraph 5.)

7. Average milk yields so far in 1969/70 have recovered from their depressed levels in 1968/69. The higher yields and an increase in the average size of the dairy herd should together lead to an increase in total output of some 95 million gallons.

8. Sales of milk on the liquid market have resumed their upward trend and a small increase is expected for 1969/70. The standard quantity is adjusted automatically for the change in liquid consumption. There will be an increase this year of 24 million gallons, equivalent to an increase of 0·27d. per gallon in the guaranteed price.

9. The Government have given an assurance that when determining the guaranteed price on milk they would take into account the dilution of the average price received by producers as a result of expansion in the dairy herd to get more beef. The increase in the average size of the dairy herd between 1968 and 1969 has resulted in a dilution equivalent to 0·46d. on the guaranteed price. The Government have taken account both of this dilution and of the need to give some further encouragement to the expansion of the dairy herd in order to ensure a continuing and increasing supply of calves suitable for beef but without too great a stimulus to milk production as such. The guaranteed price for milk will go up by 1·74d. to 3s. 11d. per gallon. This should make milk production rather more profitable. Together with the automatic increase in the standard quantity it is equivalent to an increase of 2d. per gallon in the guarantee.

10. Current issues of milk and milk products policy were the subject of extensive consultations with the Unions and the Milk Marketing Boards in
the latter half of 1969. These discussions centred in large part on the operation of the guarantee system and the question of greater regulation of the milk products market. Action already taken to promote market stabilisation is described in paragraph 20 on page 8 and the Government will continue to watch developments closely.

**Brucellosis**

11. In the interests of both human and animal health the Government are concerned that brucellosis should be eradicated from the national herd as soon as practicable. The process of brucellosis eradication is bound to spread over a number of years though in Northern Ireland it is already well advanced. As already announced, compulsory eradication projects will start next year in specially selected areas of Great Britain. To ensure the success of this programme the Government have decided upon new measures to accelerate the build-up and maintenance of disease-free herds, and so sustain the reservoir of replacements as eradication programmes gather momentum. The general objective is to ensure that, while compulsory eradication is proceeding in some areas, voluntary accreditation will advance elsewhere in the country.

12. The new measures are designed to give owners of clean, or relatively clean, herds special encouragement to seek early voluntary accreditation—leaving the more heavily infected herds to await compulsory eradication. With this in mind the present voluntary Brucellosis (Accredited Herds) Scheme in Great Britain will be replaced by an Incentives Scheme offering new payments for healthy herds instead of compensation for certain reacting animals. These incentives will take the form of a gallonage premium on milk from accredited dairy herds and, for accredited beef herds, a supplement to the hill cow and beef cow subsidies. The incentives for 1970/71 will be 1s. 4d. a gallon for milk and 37s. 6d. for each qualifying beef animal and these will be payable to the owners concerned at not less than these rates for a period of five years whether or not the rates for new entrants to the scheme are altered in later years. They are not intended to alter the price relativities of milk and beef. Owners will be required to make approved arrangements for slaughter of reactors.

13. No further applications will be admitted under the present Scheme; but there will be provision for herds participating in this Scheme to transfer to the new Incentives Scheme in due course. Herds that are already accredited, and are transferred in this way, will qualify for the milk incentive payment retrospectively from 1st April 1970 or, where appropriate, the beef supplement for the calendar year 1970.

14. The outline arrangements for the new Scheme have been worked out in close consultation with the leaders of the industry and the Milk Marketing Boards, and full details will be announced in due course. Meantime, discussions have started on the parallel arrangements and conditions for compulsory eradication programmes for which any incentive payments will be augmented by flat rate “replacement grants” for each slaughtered animal.

15. Northern Ireland is already in the concluding stages of a compulsory eradication programme, and will therefore be a valuable source of disease-free replacements. The principle of introducing incentives, in lieu of compensation, will be applied there under arrangements to be made by the Northern Ireland Government.
16. The precise benefit of the new scheme to livestock enterprises must largely depend upon the response of farmers, but the new incentives are expected to increase returns to owners of accredited herds by some £5 million in a full year's operation of the scheme. The total would build up in later years as the number of accredited herds increases. The agricultural industry will benefit not only from the incentive payments to the farmers concerned but also from the higher yields and lower costs in healthy herds.

**Sheep and Wool**

17. The sheep breeding flock fell by just under 2½ per cent between December 1967 and December 1968, and by a further 4½ per cent in the year to December 1969. Some fall was expected during the year, but lowland flock numbers have fallen at a faster rate than forecast and some hill areas suffered heavy losses in the hard weather early in 1969. Some further reduction in the breeding flock is expected in the year to December 1970.

18. Home-fed supplies of mutton and lamb for 1969/70 (July/June) are estimated at some 6 per cent lower than in 1968/69. An increase in imports of about 4 per cent is expected. Total supplies of mutton and lamb in 1969/70 are estimated to be about the same as in 1968/69. The drop in home production reflects the continuing decline in the breeding flock and the effect of weather losses.

19. The Government have sought through their decisions at recent Annual Reviews to encourage greater productivity and growth in the hills and uplands to offset the decline in lowland flock numbers, but this will take time. Moreover sheep are important to husbandry in many lowland areas. If production is to be maintained over the longer term, it is necessary to check and offset the decline in the total breeding flock. To offset higher costs and to give the further resources needed for investment in additional breeding stock, the guaranteed price for fat sheep will go up by 3d. to 3s. 10½d. per lb. This should improve returns for producers in all parts of the country and in all sectors of the industry.

20. Although market prices of wool in the last two seasons have been higher than in 1967/68, the rate of subsidy is still a relatively large part of the total return to the producer. The guaranteed price for wool will remain unchanged.

**Pigs**

21. The breeding herd has now been expanding for over three years. Its numbers went up by 3 per cent in the year to June 1969 and some further increase is expected in the year to June 1970. The number of pigs certified for the guarantee in 1969/70 (April/March) is estimated at 13'3 million, 6 per cent up on the preceding year.

22. Home pork production in 1969/70 (July/June) is expected to be some 4 per cent higher than in 1968/69. Home bacon production is expected to reach 235,000 tons in 1969/70—4½ per cent above the level of 1968/69. The level of United Kingdom production provided for under the Bacon Market Sharing Understanding is 233,600 tons in 1969/70 and 239,000 tons in 1970/71 (April/March years).
23. Pigmeat is a priority commodity under the selective expansion programme. The objective is two-fold. The Government want home production of pork to expand to meet the growth in demand. For bacon the policy is to encourage an expansion in the supply of British bacon based on increased productivity and improved marketing.

24. As already announced, a number of modifications in the bacon stabilisation arrangements were introduced at the end of 1969 which substantially increased the payments to bacon curers. This followed the examination by the Industrial Reorganisation Corporation of the structure of the United Kingdom bacon curing industry and the stabilisation arrangements. The Government have laid before Parliament a scheme to continue these arrangements for a period of approximately three years after the expiry of the present scheme on 31st March 1970.

25. Feedingstuffs account for a large part of costs to the pig producer and the effective guaranteed price is automatically adjusted under the feed formula for changes in these costs. The present formula, which is based upon an index related to the price of compound feedingstuffs, was introduced for a trial period in 1967/68. The Government have now reviewed its operation. They have decided that an index based upon the prices of both compounds and straights would more accurately reflect changes in the feed costs actually borne by producers. A new index on this basis will accordingly be introduced from the beginning of the 1970/71 guarantee year. Details are given in Appendix VI, Part II, paragraph 9.

26. The effective guaranteed price is also modified if forecast certifications exceed or fall short of the limits of the middle band in the flexible guarantee scale. The existing middle band is wide enough to allow a substantial expansion in forecast certifications without any cut in the effective guaranteed price. It has therefore been decided to provide the incentive and resources for expansion entirely through an increase in the end price. The basic guaranteed price will be raised by 1s. 0d. per score to 50s. lid. This action, together with the revision of the bacon stabilisation arrangements and the special measures to increase the rates of the capital grants outlined in paragraphs 48 to 52 below, should ensure the steady increase in production proposed in the selective expansion programme.

Eggs

27. In 1968/69 output for human consumption was at a record level and a further 1 per cent increase is expected in 1969/70. Packing station throughput over 1969/70 as a whole is expected to be about the same as in 1968/69 due to a recovery in the second half of the year. Prices have continued their recovery from the very low levels of 1967.

28. The objective under the selective expansion programme is to remain broadly self-sufficient in eggs and this is being achieved. In January 1969, the Minister of Agriculture, Fisheries and Food announced that the egg subsidy would be phased out over the next five years by reduction of the guaranteed price. The first steps to this end were taken at the 1969 Annual Review. Production is developing satisfactorily and further steps are being taken this year.

29. From 1970/71 the egg subsidy will be on a flat-rate basis, as foreshadowed in the 1969 Annual Review White Paper. To achieve this the profit and loss
sharing and import compensation arrangements will be abolished. In order to continue the phasing out of the subsidy the guaranteed price for hen eggs will be reduced by 1·43d. per dozen.

30. For duck eggs the profit and loss sharing arrangements will also be abolished and the guaranteed price will be reduced by 2·31d. per dozen.

31. In 1970/71 the British Egg Marketing Board will be operating in the last year of its existence under difficult conditions. To safeguard the Board's position in the market and to facilitate its forward planning it is desirable to limit to some extent the fluctuations in the Board's subsidy income which might otherwise result from variations in the level of packing station throughput during the year. The standard quantity for hen eggs in 1970/71 will therefore be fixed with an upper limit of 651 million dozen eggs as in 1969/70 but there will also be a lower limit of 480 million dozen eggs in order to provide a proportionate increase in the basic rate of subsidy (subject to a maximum rate of subsidy of 5d. per dozen) if throughput falls below the lower limit. The standard quantity arrangement which will operate on a seasonal basis in self-contained accounting periods is described more fully in Appendix VI, Part II, paragraph 12.

Cereals

32. The cereals acreage fell to 9·1 million in 1969 due, in large measure, to the setback to ploughing caused by the bad weather in many areas which persisted from the summer of 1968 to the spring of 1969. At December 1969 there was a marked increase in the acreage sown to winter wheat and in 1970 the total cereals acreage is expected to recover to at least the record level of 1967.

33. The harvest of 1968 was exceptionally poor and production fell just below 13 million tons. Yields of all cereals in 1969/70 were much better than in 1968/69. The 1969 harvest is thus expected to reach about 13·5 million tons. Cereals usage in 1969/70 is likely to be some ½ million tons higher than in 1968/69 mainly on account of increased animal feed requirements. Imports are likely to be slightly above the level of 1968/69. Market prices are expected to be broadly similar to last year.

34. Wheat and barley are priority commodities under the selective expansion programme and the aim is expansion to the full extent that is technically possible and consistent with reasonable resource use and support cost. The effect of the increases in the guaranteed prices given in the last two years has however been eroded by the bad harvest and planting conditions of 1968/69. Output and incomes of cereals growers were severely reduced in that year. In 1969/70 there should be some recovery. But further incentives are needed to ensure that farmers have the resources and confidence to get progress in the cereal sector moving forward more quickly. In addition the differential in favour of wheat (which offers the biggest scope for import-saving) should be increased. So

— the guaranteed price for wheat will be raised by 1s. 3d. to 30s. 3d. per cwt.; and
— the guaranteed price for barley will be raised by 1s. Od. to 27s. Od. per cwt.

There will be no change in the guaranteed price for oats or for rye.

35. These increases in the guarantees should lead to a significant increase in profitability. Cereals growers should also benefit greatly from the exceptional measures being taken to increase the rates of fertiliser subsidy for 1970/71 (paragraph 45 below).
36. The target indicator prices for 1970/71 will be 21s. 3d. per cwt. for wheat and 20s. 4d. per cwt. for barley. (Appendix VI, Part II, paragraph 13.)

37. Following the proposal in the Britton Report on Cereals Marketing, it is the Government's intention that the deficiency payment on wheat (at present paid on a tonnage basis) should be paid on an acreage basis with effect from 1st July 1971; but the Government are prepared to have further discussions with the interests concerned before reaching a final decision in the autumn of 1970.

38. The acreage grant on field beans which was introduced for the 1968 crop as a pump-priming measure comes to an end in 1970/71. The value of the crop as a break in the cereals rotation is now sufficiently well recognised not to require further financial encouragement. The purpose of the grant has accordingly been achieved and the grant will not be extended beyond 1970/71. The prospects for other break crops have also been reviewed but none has been found which warrants the short-term stimulus of a break crop grant at this stage.

**Potatoes**

39. The objective for main crop potatoes continues to be that, except in years of unusually low yields, home production should meet home demand in full.

40. The 1968 U.K. crop from 690,000 acres gave rise to a surplus of 173,000 tons; this would have been greater had it not been for losses due to flooding, waterlogging and poor keeping quality. In accordance with arrangements described in paragraph 58 of the 1969 Annual Review White Paper, a target acreage of 650,000 was fixed for the 1969 crop. The acreage actually planted, however, was only 614,000 mainly due to bad planting weather in the spring. A marginal shortage of supplies may emerge towards the end of the season.

41. A U.K. target acreage of 650,000 has again been set for 1970. With the encouragement of good market prices for the 1969 crop and given normal planting conditions this acreage should be achieved. Unless yields are unusually low the crop should then be more than sufficient to meet home demand.

42. To allow for increased costs and to give farmers a return from the 1970 crop that will encourage them to maintain the acreage necessary for self-sufficiency, the guaranteed price will go up by 15s. 0d. per ton to 317s. 6d. per ton.

**Sugar Beet**

43. The objective for sugar beet is that the present acreage should be maintained. This is expected to lead to some increase in production over the years due to increased yields though in some years, as in 1969/70, low yields may lead to a drop in production. Consumption of sugar is, at best, static and committed supplies under the Commonwealth Sugar Agreement and from home production very nearly meet the whole of domestic sugar consumption. The contract acreage for 1971/72 will therefore remain unchanged. As there is no difficulty in having the contract acreage taken up, the guaranteed price for 1970/71 will also remain unchanged.

**Production Grants**

44. **Fertiliser and Lime Subsidies.** Fertiliser usage has increased steadily but the rate of increase has slackened off during 1969/70. The general policy
has been to reduce subsidy rates, as usage increases, in order to contain the cost of the subsidy. For lime the general level of the subsidy has remained unchanged since 1966. Consumption has fallen over the last few years, though this trend appears to have been checked in 1969.

45. Against the background of the industry’s immediate needs and in order to meet this year’s special circumstances there will be a one-year increase in the rates of subsidy on fertilisers and lime, as a means of increasing the resources of the industry. The rates of fertiliser subsidy will be increased by about 20 per cent and the rates of lime subsidy by about 15 per cent. These increases should provide an extra £9 million through the fertiliser subsidy and £1 million through the lime subsidy. The higher rates will be paid on all deliveries made on or after 19th March so that farmers can begin to benefit at once. This could be especially helpful this year as farmers have tended to delay their purchases and stocks have built up. It should also enable farmers to plan their forward purchases to achieve the best results for their businesses, and so provide a continuing and widespread benefit to the industry throughout the year.

46. This action is not a reversal of previous policy on these subsidies: they have been chosen simply to provide a once and for all addition of some £10 million to farmers’ resources. Fertilisers and lime are of course basic inputs and proper use is important in maximising farm output.

47. Small Farm (Business Management) Scheme. This scheme was introduced in 1965 and was further extended for one year at the 1969 Review. The number of applications under the scheme has continued to fall and is now at a very low level. It will not be renewed when it expires on 31st August 1970.

Capital Grants

48. A number of agricultural capital grants are not included within the guarantee system because they are payable mainly on items which are a landlord’s responsibility. But the profitability of farming directly influences the level of investment which in turn affects the ability of farmers to expand their production. As mentioned in paragraph 10 of Annex A, although grant-aided investment in buildings and works in 1969 was at a record level, there have recently been signs of a downturn. So special measures being taken this year to ensure that farmers have the resources they need for expansion will include a two-year increase in the rates of the main capital grants to agriculture designed to inject a total of some £20 million or more.

49. Under the proposed arrangements, most of which are subject to the approval of Parliament, the rates of the main farm capital grants will be increased by 10 percentage points. The total rate on items approved under the Farm Improvement Scheme will go up to 40 per cent. Grants on mains water supply for farms will also rise to 40 per cent (except in Scotland and Northern Ireland where higher rates are already being paid). Similarly there will be an increase from 50 per cent to 60 per cent in the rates of grant for field drainage, for remodelling works under the Farm Amalgamation and Boundary Adjustments Scheme and for the Hill Land Improvement Scheme, with an increase from 60 per cent to 70 per cent for field drainage on hill land. The agricultural investment grant on buildings and fixed equipment (paid mainly on expenditure which does not qualify for other grants) will receive a larger increase raising
the rate from 10 per cent to 30 per cent. This will be of particular benefit to pig producers and others with a livestock enterprise who grow little of the feed they require. There is, however, to be an upper limit to the amount of investment qualifying for this grant on any single farm unit, so that where an investment programme for a separate farm unit exceeds the limit the excess would not be approved for grant. Subject to review in the light of experience the limit will be £100,000 investment over two years.

50. In the case of the agricultural investment grant, the increased rate will apply to expenditure incurred on or after 19th March. For the other schemes the new rates will apply to all proposals or applications approved or submitted on or after that date. These arrangements should give a considerable incentive to new investment.

51. The Government have already announced their intention to replace the existing capital grants to agriculture by a unified Farm Capital Grant Scheme with a basic rate of 30 per cent and a higher rate of 50 per cent for drainage, improvements to hill land and remodelling works for farm amalgamations (60 per cent for drainage in the hills). This will take the place of eleven existing schemes, including all those mentioned above. It should use the available funds more directly to encourage improved productivity and should simplify the conditions of the schemes, reduce administrative costs and cut out much paper work both for the industry and for the Government.

52. In view of the increases now proposed in the rates of capital grants, it is intended that, until 18th March 1972 only, the rates under the unified scheme should be set at 40 per cent for the basic rate and 60 per cent for the higher rate (70 per cent for drainage in the hills).
APPENDICES

APPENDIX I

NOTE. Some of the figures given in this Appendix differ from those in previous White Papers on Annual Reviews because of later information, changes in the scope and nature of the available data and improvements in statistical methods. Forecast figures for 1969/70 are as at mid-January 1970.

**Table A**

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

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<tr>
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<th></th>
<th></th>
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<tbody>
<tr>
<td>Wheat</td>
<td>2,062</td>
<td>2,217</td>
<td>2,256</td>
<td>1,928</td>
<td>2,206</td>
<td>2,535</td>
<td>2,238</td>
<td>2,305</td>
<td>2,417</td>
<td>2,059</td>
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<tr>
<td>Rye</td>
<td>55</td>
<td>68</td>
<td>18</td>
<td>21</td>
<td>21</td>
<td>18</td>
<td>10</td>
<td>11</td>
<td>11</td>
<td>9</td>
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<tr>
<td>Barley</td>
<td>2,211</td>
<td>2,226</td>
<td>3,987</td>
<td>4,713</td>
<td>5,032</td>
<td>5,395</td>
<td>6,130</td>
<td>6,027</td>
<td>5,933</td>
<td>5,962</td>
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<tr>
<td>Oats</td>
<td>3,567</td>
<td>2,840</td>
<td>1,519</td>
<td>1,285</td>
<td>1,125</td>
<td>1,014</td>
<td>907</td>
<td>1,012</td>
<td>945</td>
<td>945</td>
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<tr>
<td>Mixed corn</td>
<td>438</td>
<td>804</td>
<td>125</td>
<td>99</td>
<td>80</td>
<td>73</td>
<td>73</td>
<td>88</td>
<td>112</td>
<td>156</td>
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<td>Total cereals</td>
<td>8,353</td>
<td>8,155</td>
<td>7,905</td>
<td>8,056</td>
<td>8,464</td>
<td>9,035</td>
<td>9,358</td>
<td>9,443</td>
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<td>Potatoes</td>
<td>1,423</td>
<td>985</td>
<td>737</td>
<td>768</td>
<td>778</td>
<td>741</td>
<td>669</td>
<td>708</td>
<td>691</td>
<td>614</td>
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<tr>
<td>Sugar Beet</td>
<td></td>
<td></td>
<td>436</td>
<td>415</td>
<td>424</td>
<td>423</td>
<td>443</td>
<td>455</td>
<td>446</td>
<td>457</td>
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<tr>
<td>Total tillage</td>
<td>13,300</td>
<td>12,304</td>
<td>11,077</td>
<td>11,199</td>
<td>11,496</td>
<td>11,950</td>
<td>12,604</td>
<td>12,354</td>
<td>12,368</td>
<td>12,206</td>
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<tr>
<td>Temporary grass (ii)</td>
<td>5,679</td>
<td>5,803</td>
<td>7,022</td>
<td>7,012</td>
<td>6,886</td>
<td>6,573</td>
<td>6,280</td>
<td>5,971</td>
<td>5,873</td>
<td>5,738</td>
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<tr>
<td>Total arable</td>
<td>18,980</td>
<td>18,107</td>
<td>18,099</td>
<td>18,212</td>
<td>18,496</td>
<td>18,523</td>
<td>18,325</td>
<td>18,241</td>
<td>17,943</td>
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<tbody>
<tr>
<td>Beef cows</td>
<td>885</td>
<td>828</td>
<td>802</td>
<td>742</td>
<td>798</td>
<td>760</td>
<td>750</td>
<td>816</td>
<td>826</td>
<td>822</td>
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<tr>
<td>Heifers in calf</td>
<td></td>
<td>876</td>
<td>903</td>
<td>945</td>
<td>822</td>
<td>824</td>
<td>887</td>
<td>915</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total cattle and calves</td>
<td>9,629</td>
<td>10,444</td>
<td>11,859</td>
<td>11,716</td>
<td>11,627</td>
<td>11,943</td>
<td>12,206</td>
<td>12,342</td>
<td>12,151</td>
<td>12,374</td>
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<td>Sows for breeding</td>
<td>221</td>
<td>699</td>
<td>857</td>
<td>876</td>
<td>903</td>
<td>945</td>
<td>822</td>
<td>824</td>
<td>887</td>
<td>915</td>
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<tr>
<td>Total pigs</td>
<td>1,955</td>
<td>5,165</td>
<td>6,722</td>
<td>6,859</td>
<td>7,379</td>
<td>7,979</td>
<td>7,733</td>
<td>7,107</td>
<td>7,387</td>
<td>7,783</td>
</tr>
<tr>
<td>Ewes</td>
<td>8,294</td>
<td>8,717</td>
<td>11,829</td>
<td>11,832</td>
<td>11,918</td>
<td>11,946</td>
<td>12,019</td>
<td>11,760</td>
<td>11,415</td>
<td>10,946</td>
</tr>
<tr>
<td>Sheep and lambs</td>
<td>2,132</td>
<td>2,153</td>
<td>2,334</td>
<td>2,490</td>
<td>2,461</td>
<td>2,596</td>
<td>2,566</td>
<td>2,463</td>
<td>2,458</td>
<td>2,365</td>
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<tr>
<td>Total sheep and lambs</td>
<td>20,358</td>
<td>22,455</td>
<td>29,498</td>
<td>29,344</td>
<td>29,657</td>
<td>29,911</td>
<td>29,957</td>
<td>28,885</td>
<td>28,004</td>
<td>26,604</td>
</tr>
<tr>
<td>Total poultry</td>
<td>67,117</td>
<td>92,119</td>
<td>109,030</td>
<td>112,175</td>
<td>118,377</td>
<td>118,141</td>
<td>118,940</td>
<td>125,624</td>
<td>127,459</td>
<td>127,220</td>
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</tbody>
</table>

(i) The Table relates to agricultural holdings exceeding one acre in extent in Great Britain but as from June 1968 about 47,000 holdings with under 10 acres of crops and grass and a negligible agricultural output have been excluded from the agricultural census in England and Wales. Their exclusion did not affect the 1968 cropping and stocking figures for the United Kingdom by more than 0.4 per cent in the case of any single item shown in the Table. Until 1954, figures for Northern Ireland included holdings of one quarter acre or more. From 1954, they relate to holdings of one acre or more. Numbers of livestock in Northern Ireland are collected from all owners irrespective of the size of the holdings, and also from landless stockholders, and these numbers are included in the Table.

(ii) Owing to changes in the definition of "Temporary grass" in the agricultural census, figures from 1959 onward for this item are not directly comparable with those for earlier years. Temporary grass includes lucerne.
### TABLE B
Output and Disposal of Milk in the United Kingdom

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<tr>
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</thead>
<tbody>
<tr>
<td>Liquid consumption (i) ...</td>
<td>1,446</td>
<td>1,640</td>
<td>1,653</td>
<td>1,685</td>
<td>1,697</td>
<td>1,717</td>
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<tr>
<td>Used for butter (ii) ...</td>
<td>96</td>
<td>152</td>
<td>251</td>
<td>307</td>
<td>299</td>
<td>189</td>
</tr>
<tr>
<td>Used for cheese (ii) ...</td>
<td>47</td>
<td>225</td>
<td>265</td>
<td>263</td>
<td>247</td>
<td>239</td>
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<tr>
<td>Used for cream—fresh (ii) sterilised</td>
<td>—</td>
<td>54</td>
<td>63</td>
<td>72</td>
<td>83</td>
<td>96</td>
</tr>
<tr>
<td>Used for other products ...</td>
<td>64</td>
<td>192</td>
<td>185</td>
<td>184</td>
<td>189</td>
<td>203</td>
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<tr>
<td>Total output for human consumption (iii) ...</td>
<td>1,653</td>
<td>2,281</td>
<td>2,433</td>
<td>2,524</td>
<td>2,529</td>
<td>2,461</td>
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<td>Liquid consumption (i) ...</td>
<td>1,726</td>
<td>1,726</td>
<td>1,738</td>
<td>1,750</td>
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<tr>
<td>Used for butter (ii) ...</td>
<td>156</td>
<td>204</td>
<td>170</td>
<td>243</td>
<td>278</td>
<td>335</td>
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<tr>
<td>Used for cheese (ii) ...</td>
<td>267</td>
<td>253</td>
<td>257</td>
<td>278</td>
<td>268</td>
<td>280</td>
</tr>
<tr>
<td>Used for cream—fresh (ii) sterilised</td>
<td>106</td>
<td>119</td>
<td>132</td>
<td>143</td>
<td>154</td>
<td>165</td>
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<tr>
<td>Used for other products ...</td>
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<td>207</td>
<td>215</td>
<td>210</td>
<td>206</td>
<td>208</td>
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<tr>
<td>Total output for human consumption (iii) ...</td>
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<td>2,530</td>
<td>2,528</td>
<td>2,643</td>
<td>2,648</td>
<td>2,742</td>
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(i) Including farmhouse consumption.
(ii) Including farmhouse manufacture.
(iii) Due to rounding, totals may not agree with the sum of individual items.

### FIGURE I
Output and Disposal of Milk in the United Kingdom

Average wholesale producers’ price as percentage of guaranteed price.
## Table C

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

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<td>Imports</td>
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<tr>
<td>Butter</td>
<td>18</td>
<td>205</td>
<td>30</td>
<td>288</td>
<td>36</td>
<td>448</td>
</tr>
<tr>
<td>Cheese</td>
<td>20</td>
<td>191</td>
<td>90</td>
<td>150</td>
<td>103</td>
<td>139</td>
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<tr>
<td>Cream—fresh (iii)</td>
<td>—</td>
<td>—</td>
<td>4</td>
<td>1</td>
<td>30</td>
<td>2</td>
</tr>
<tr>
<td>stereiled</td>
<td>—</td>
<td>161</td>
<td>8</td>
<td>1</td>
<td>12</td>
<td>11</td>
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<td>Other products (ii)</td>
<td>97</td>
<td>315</td>
<td>84</td>
<td>377</td>
<td>100</td>
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<tr>
<td>Total (iv)</td>
<td>135</td>
<td>557</td>
<td>346</td>
<td>524</td>
<td>558</td>
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<th>1965/66</th>
<th></th>
<th>1966/67</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<td>Imports</td>
<td>Home</td>
<td>Imports</td>
<td>Home</td>
<td>Imports</td>
</tr>
<tr>
<td>Butter</td>
<td>30</td>
<td>462</td>
<td>39</td>
<td>447</td>
<td>32</td>
<td>445</td>
</tr>
<tr>
<td>Cheese</td>
<td>115</td>
<td>156</td>
<td>109</td>
<td>140</td>
<td>111</td>
<td>148</td>
</tr>
<tr>
<td>Cream—fresh (iii)</td>
<td>35</td>
<td>2</td>
<td>40</td>
<td>2</td>
<td>44</td>
<td>2</td>
</tr>
<tr>
<td>stereiled</td>
<td>12</td>
<td>10</td>
<td>14</td>
<td>10</td>
<td>12</td>
<td>8</td>
</tr>
<tr>
<td>Other products (ii)</td>
<td>372</td>
<td>115</td>
<td>393</td>
<td>81</td>
<td>409</td>
<td>95</td>
</tr>
<tr>
<td>Total (iv)</td>
<td>563</td>
<td>745</td>
<td>595</td>
<td>680</td>
<td>607</td>
<td>698</td>
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</table>

<table>
<thead>
<tr>
<th></th>
<th>1967/68</th>
<th></th>
<th>1968/69</th>
<th></th>
<th>1969/70</th>
<th>(forecast)</th>
</tr>
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<tr>
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<td>Imports</td>
<td>Home</td>
<td>Imports</td>
<td>Home</td>
<td>Imports</td>
</tr>
<tr>
<td>Butter</td>
<td>46</td>
<td>449</td>
<td>53</td>
<td>433</td>
<td>64</td>
<td>411</td>
</tr>
<tr>
<td>Cheese</td>
<td>119</td>
<td>174</td>
<td>115</td>
<td>168</td>
<td>120</td>
<td>158</td>
</tr>
<tr>
<td>Cream—fresh (iii)</td>
<td>48</td>
<td>2</td>
<td>49</td>
<td>2</td>
<td>55</td>
<td>2</td>
</tr>
<tr>
<td>stereiled</td>
<td>13</td>
<td>9</td>
<td>15</td>
<td>9</td>
<td>14</td>
<td>9</td>
</tr>
<tr>
<td>Other products (ii)</td>
<td>427</td>
<td>94</td>
<td>427</td>
<td>67</td>
<td>444</td>
<td>65</td>
</tr>
<tr>
<td>Total (iv)</td>
<td>653</td>
<td>729</td>
<td>659</td>
<td>679</td>
<td>697</td>
<td>645</td>
</tr>
</tbody>
</table>

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

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

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

(iv) Due to rounding, totals may not agree with the sum of individual items.
### TABLE D
United Kingdom Meat Supplies

<table>
<thead>
<tr>
<th></th>
<th>1946/47</th>
<th>1953/54</th>
<th>1962/63</th>
<th>1963/64</th>
<th>1964/65</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Home-fed</td>
<td>Imported</td>
<td>Home-fed</td>
<td>Imported</td>
<td>Home-fed</td>
</tr>
<tr>
<td>Beef and veal...</td>
<td>550</td>
<td>398</td>
<td>645</td>
<td>336</td>
<td>896</td>
</tr>
<tr>
<td>Mutton and lamb</td>
<td>135</td>
<td>427</td>
<td>172</td>
<td>314</td>
<td>249</td>
</tr>
<tr>
<td>Pork ...</td>
<td>15</td>
<td>29</td>
<td>280</td>
<td>37</td>
<td>517</td>
</tr>
<tr>
<td>Bacon and ham</td>
<td>87</td>
<td>156</td>
<td>223</td>
<td>296</td>
<td>224</td>
</tr>
<tr>
<td>Poultry meat ...</td>
<td>70</td>
<td>27</td>
<td>101</td>
<td>17</td>
<td>340</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>857</td>
<td>1,037</td>
<td>1,421</td>
<td>1,000</td>
<td>2,226</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Home-fed</td>
<td>Imported</td>
<td>Home-fed</td>
<td>Imported</td>
<td>Home-fed</td>
</tr>
<tr>
<td>Beef and veal...</td>
<td>803</td>
<td>310</td>
<td>852</td>
<td>316</td>
<td>910</td>
</tr>
<tr>
<td>Mutton and lamb</td>
<td>249</td>
<td>310</td>
<td>263</td>
<td>338</td>
<td>251</td>
</tr>
<tr>
<td>Pork ...</td>
<td>628</td>
<td>19</td>
<td>571</td>
<td>7</td>
<td>553</td>
</tr>
<tr>
<td>Bacon and ham</td>
<td>229</td>
<td>401</td>
<td>198</td>
<td>399</td>
<td>210</td>
</tr>
<tr>
<td>Poultry meat ...</td>
<td>406</td>
<td>9</td>
<td>440</td>
<td>9</td>
<td>481</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,315</td>
<td>1,049</td>
<td>2,324</td>
<td>1,069</td>
<td>2,405</td>
</tr>
</tbody>
</table>

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

**Note (ii).** The meat equivalents of animals exported live have not been included in the above Table. Exports of live animals to Europe fell from an estimated meat equivalent of about 10,000 tons in all 1961/62 to meat equivalents in 1967/68 of 6,000 tons of beef and veal, 450 tons of mutton and lamb and less than 50 tons of pork. The corresponding figures for 1968/69 are 4,000 tons of beef and veal, 3,800 tons of mutton and lamb and 2,000 tons of pork, and for 1969/70 are forecast at 11,000 tons of beef and veal, 5,000 tons of mutton and lamb and 2,800 tons of pork.
**FIGURE II**

*United Kingdom Meat Supplies*

**Total Supplies**

<table>
<thead>
<tr>
<th>Year</th>
<th>Imported</th>
<th>Home-fed</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1946/47</td>
<td>500</td>
<td>1000</td>
<td>1500</td>
</tr>
<tr>
<td>1953/54</td>
<td>10000</td>
<td>5000</td>
<td>15000</td>
</tr>
<tr>
<td>1962/63</td>
<td>20000</td>
<td>10000</td>
<td>30000</td>
</tr>
<tr>
<td>1963/64</td>
<td>22000</td>
<td>11000</td>
<td>33000</td>
</tr>
<tr>
<td>1964/65</td>
<td>24000</td>
<td>12000</td>
<td>36000</td>
</tr>
<tr>
<td>1965/66</td>
<td>26000</td>
<td>13000</td>
<td>39000</td>
</tr>
<tr>
<td>1966/67</td>
<td>28000</td>
<td>14000</td>
<td>42000</td>
</tr>
<tr>
<td>1967/68</td>
<td>30000</td>
<td>15000</td>
<td>45000</td>
</tr>
<tr>
<td>1968/69</td>
<td>32000</td>
<td>16000</td>
<td>48000</td>
</tr>
<tr>
<td>1969/70</td>
<td>34000</td>
<td>17000</td>
<td>51000</td>
</tr>
</tbody>
</table>

**Beef and Veal**

<table>
<thead>
<tr>
<th>Year</th>
<th>Imported</th>
<th>Home-fed</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1946/47</td>
<td>200</td>
<td>600</td>
<td>800</td>
</tr>
<tr>
<td>1953/54</td>
<td>1000</td>
<td>4000</td>
<td>5000</td>
</tr>
<tr>
<td>1962/63</td>
<td>2000</td>
<td>6000</td>
<td>8000</td>
</tr>
<tr>
<td>1963/64</td>
<td>2200</td>
<td>6200</td>
<td>8400</td>
</tr>
<tr>
<td>1964/65</td>
<td>2400</td>
<td>6400</td>
<td>8800</td>
</tr>
<tr>
<td>1965/66</td>
<td>2600</td>
<td>6600</td>
<td>9200</td>
</tr>
<tr>
<td>1966/67</td>
<td>2800</td>
<td>6800</td>
<td>9600</td>
</tr>
<tr>
<td>1967/68</td>
<td>3000</td>
<td>7000</td>
<td>10000</td>
</tr>
<tr>
<td>1968/69</td>
<td>3200</td>
<td>7200</td>
<td>10400</td>
</tr>
<tr>
<td>1969/70</td>
<td>3400</td>
<td>7400</td>
<td>10800</td>
</tr>
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</table>
FIGURE II (continued)

United Kingdom Meat Supplies

Mutton and Lamb

Pork and Bacon
### Table E
**Home Supplies and Imports of Eggs and Egg Products in the United Kingdom**

<table>
<thead>
<tr>
<th>Year</th>
<th>Home Supplies (ii)</th>
<th>Imports</th>
<th>Total Supplies (v)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Sold in shell</td>
<td>Shell eggs</td>
<td>Total imports</td>
</tr>
<tr>
<td></td>
<td>Processed</td>
<td>Egg products</td>
<td>Total supplies</td>
</tr>
<tr>
<td></td>
<td>Other home</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>supplies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>------</td>
<td>-------------------</td>
<td>---------</td>
<td>--------------------</td>
</tr>
<tr>
<td>1946/47</td>
<td>433</td>
<td>95</td>
<td>887</td>
</tr>
<tr>
<td>1953/54</td>
<td>608</td>
<td>126</td>
<td>1,160</td>
</tr>
<tr>
<td>1962/63</td>
<td>615</td>
<td>34</td>
<td>1,192</td>
</tr>
<tr>
<td>1963/64</td>
<td>615</td>
<td>22</td>
<td>1,192</td>
</tr>
<tr>
<td>1964/65</td>
<td>666</td>
<td>20</td>
<td>1,266</td>
</tr>
<tr>
<td>1965/66</td>
<td>625</td>
<td>21</td>
<td>1,209</td>
</tr>
<tr>
<td>1966/67</td>
<td>610</td>
<td>25</td>
<td>1,248</td>
</tr>
<tr>
<td>1967/68</td>
<td>597</td>
<td>22</td>
<td>1,273</td>
</tr>
<tr>
<td>1968/69</td>
<td>567</td>
<td>19</td>
<td>1,285</td>
</tr>
<tr>
<td>1969/70</td>
<td>568</td>
<td>17</td>
<td>1,300</td>
</tr>
</tbody>
</table>

**Notes:**
(i) June/May years for home production; July/June years for imports.
(ii) Hen eggs produced for human consumption only; includes output from units under one acre. Up to and including 1962/63 no allowance made for farm and distribution waste.
(iii) Includes second quality eggs. No information is available on the utilisation of such eggs before 1964 but it has been assumed that about 40-50 per cent of them were processed each year.
(iv) Whole dried, frozen and liquid egg as shell egg equivalent. Excludes albumen and yolk. (Figure for 1946/47 includes some imports of yolk which were not separately distinguishable).
(v) Due to rounding, totals may not agree with the sum of individual items.

**Figure III**

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

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

<table>
<thead>
<tr>
<th></th>
<th>1946/47</th>
<th>1953/54</th>
<th>1962/63</th>
<th>1963/64</th>
<th>1964/65</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Grain</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wheat (ii)</td>
<td>1,967</td>
<td>2,664</td>
<td>3,853</td>
<td>4,182</td>
<td>4,534</td>
</tr>
<tr>
<td>Rye</td>
<td>39</td>
<td>66</td>
<td>1</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>Barley</td>
<td>1,963</td>
<td>2,521</td>
<td>1,255</td>
<td>292</td>
<td>419</td>
</tr>
<tr>
<td>Oats</td>
<td>2,903</td>
<td>2,821</td>
<td>82</td>
<td>1,438</td>
<td>21</td>
</tr>
<tr>
<td>Mixed corn</td>
<td>350</td>
<td>845</td>
<td>—</td>
<td>384</td>
<td>—</td>
</tr>
<tr>
<td>Maize</td>
<td>—</td>
<td>280</td>
<td>1,413</td>
<td>—</td>
<td>3,431</td>
</tr>
<tr>
<td>Sorghum</td>
<td>—</td>
<td>—</td>
<td>28</td>
<td>260</td>
<td>—</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>7,222</td>
<td>8,197</td>
<td>8,632</td>
<td>11,602</td>
<td>8,757</td>
</tr>
</tbody>
</table>

|                |         |         |         |         |         |
| **Potatoes**   |         |         |         |         |         |
| Earlies (iii)  | 1,031   | 894     | 179     | 632     | 723     |
| Main crop (iv) | 9,135   | 7,366   | 4       | 6026    | 5,853   |
| **TOTAL**      | 10,166  | 8,260   | 183     | 6,658   | 6,576   |

|                |         |         |         |         |         |
| **Sugar**      |         |         |         |         |         |
| (v)            | 593     | 1,570   | 783     | 723     | 778     |

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Grain</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wheat (ii)</td>
<td>4,105</td>
<td>3,420</td>
<td>4,109</td>
<td>3,841</td>
<td>4,502</td>
</tr>
<tr>
<td>Rye</td>
<td>21</td>
<td>11</td>
<td>9</td>
<td>11</td>
<td>12</td>
</tr>
<tr>
<td>Barley</td>
<td>8,062</td>
<td>8,586</td>
<td>188</td>
<td>9,069</td>
<td>8,140</td>
</tr>
<tr>
<td>Oats</td>
<td>1,213</td>
<td>1,102</td>
<td>25</td>
<td>1,364</td>
<td>5</td>
</tr>
<tr>
<td>Mixed corn</td>
<td>91</td>
<td>93</td>
<td>117</td>
<td>3,400</td>
<td>3,422</td>
</tr>
<tr>
<td>Maize</td>
<td>—</td>
<td>3,331</td>
<td>3,741</td>
<td>3,422</td>
<td>—</td>
</tr>
<tr>
<td>Sorghum</td>
<td>—</td>
<td>512</td>
<td>123</td>
<td>125</td>
<td>—</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>13,492</td>
<td>13,212</td>
<td>18,157</td>
<td>14,403</td>
<td>13,506</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Potatoes</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Earlies (iii)</td>
<td>710</td>
<td>612</td>
<td>338</td>
<td>342</td>
<td>311</td>
</tr>
<tr>
<td>Main crop (iv)</td>
<td>6,748</td>
<td>5,864</td>
<td>36</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>7,458</td>
<td>6,476</td>
<td>374</td>
<td>12</td>
<td>6,738</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sugar</strong></td>
<td>891</td>
<td>2,235</td>
<td>892</td>
<td>919</td>
<td>2,147</td>
</tr>
</tbody>
</table>

(i) Crop years for home production: July/June years for imports.
(ii) Imports include flour as wheat equivalent.
(iii) Imports of potatoes include shipments from Channel Islands.
(iv) Imports of maincrop potatoes include seed potatoes.
(v) Raw equivalent basis.
(vi) Due to rounding, totals may not agree with the sum of individual items.
FIGURE IV
Home Production and Imports of Grain in the United Kingdom

Wheat and Rye

Production of Coarse Grains

Imports of Coarse Grains

31
FIGURE V

Estimated Crop, Milk and Egg Yields in the United Kingdom

Note. The graph for sugar shows sugar-in-beet per crop acre. The graph for milk shows the yield of milk per dairy type cow per annum; figures in this series are not available before 1954/55. The graph for eggs up to 1962/63 shows the number of eggs produced per adult fowl per annum (all flocks) and from 1963/64 the number of eggs produced per laying bird.
### Table G

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Farmers' purchases</td>
<td>13-0</td>
<td>11-9</td>
<td>12-7</td>
<td>12-7</td>
<td>13-1</td>
</tr>
<tr>
<td>2. Home-grown concentrated feeds retained on farm of origin</td>
<td>3-5</td>
<td>3-7</td>
<td>3-8</td>
<td>3-8</td>
<td>4-1</td>
</tr>
<tr>
<td>3. Total consumption on farms</td>
<td>16-5</td>
<td>15-6</td>
<td>16-5</td>
<td>16-5</td>
<td>17-2</td>
</tr>
<tr>
<td>4. Current home crop production for feed (ii)</td>
<td>10-1</td>
<td>9-6</td>
<td>10-8</td>
<td>10-8</td>
<td>10-9</td>
</tr>
<tr>
<td>5. Balance of farmers' purchases to be met mainly from imported supplies (iii)</td>
<td>6-4</td>
<td>6-0</td>
<td>5-7</td>
<td>5-7</td>
<td>6-3</td>
</tr>
</tbody>
</table>

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

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

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

### Table H

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Imports of concentrated feedingstuffs (i)</td>
<td>5-7</td>
<td>5-8</td>
<td>5-5</td>
<td>5-5</td>
<td>5-6</td>
<td>6-0</td>
</tr>
<tr>
<td>2. By-products from imported grains and seeds</td>
<td>1-7</td>
<td>1-8</td>
<td>1-6</td>
<td>1-5</td>
<td>1-6</td>
<td>1-6</td>
</tr>
</tbody>
</table>

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

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Males</th>
<th>Females</th>
<th>Males</th>
<th>Females</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1946</td>
<td>599</td>
<td>96</td>
<td>197</td>
<td>84</td>
<td>976</td>
</tr>
<tr>
<td>1947</td>
<td>611</td>
<td>91</td>
<td>201</td>
<td>77</td>
<td>980</td>
</tr>
<tr>
<td>1948</td>
<td>625</td>
<td>90</td>
<td>139</td>
<td>78</td>
<td>932</td>
</tr>
<tr>
<td>1949</td>
<td>645</td>
<td>85</td>
<td>135</td>
<td>69</td>
<td>934</td>
</tr>
<tr>
<td>1950</td>
<td>639</td>
<td>79</td>
<td>136</td>
<td>64</td>
<td>918</td>
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<tr>
<td>1951</td>
<td>621</td>
<td>70</td>
<td>129</td>
<td>62</td>
<td>882</td>
</tr>
<tr>
<td>1952</td>
<td>594</td>
<td>70</td>
<td>132</td>
<td>73</td>
<td>869</td>
</tr>
<tr>
<td>1953</td>
<td>578</td>
<td>68</td>
<td>128</td>
<td>68</td>
<td>842</td>
</tr>
<tr>
<td>1954</td>
<td>563</td>
<td>64</td>
<td>121</td>
<td>67</td>
<td>815</td>
</tr>
<tr>
<td>1955</td>
<td>535</td>
<td>60</td>
<td>119</td>
<td>74</td>
<td>788</td>
</tr>
<tr>
<td>1956</td>
<td>510</td>
<td>56</td>
<td>113</td>
<td>75</td>
<td>754</td>
</tr>
<tr>
<td>1957</td>
<td>502</td>
<td>55</td>
<td>116</td>
<td>77</td>
<td>750</td>
</tr>
<tr>
<td>1958</td>
<td>488</td>
<td>50</td>
<td>114</td>
<td>78</td>
<td>730</td>
</tr>
<tr>
<td>1959</td>
<td>480</td>
<td>47</td>
<td>112</td>
<td>80</td>
<td>719</td>
</tr>
<tr>
<td>1960</td>
<td>462</td>
<td>43</td>
<td>111</td>
<td>77</td>
<td>693</td>
</tr>
<tr>
<td>1961</td>
<td>439</td>
<td>41</td>
<td>107</td>
<td>75</td>
<td>662</td>
</tr>
<tr>
<td>1962</td>
<td>420</td>
<td>39</td>
<td>103</td>
<td>71</td>
<td>633</td>
</tr>
<tr>
<td>1963</td>
<td>407</td>
<td>37</td>
<td>98</td>
<td>69</td>
<td>611</td>
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<td>1964</td>
<td>381</td>
<td>34</td>
<td>97</td>
<td>72</td>
<td>584</td>
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<tr>
<td>1965</td>
<td>355</td>
<td>33</td>
<td>94</td>
<td>69</td>
<td>551</td>
</tr>
<tr>
<td>1966</td>
<td>332</td>
<td>31</td>
<td>91</td>
<td>68</td>
<td>522</td>
</tr>
<tr>
<td>1967</td>
<td>315</td>
<td>31</td>
<td>76</td>
<td>63</td>
<td>485</td>
</tr>
<tr>
<td>1968</td>
<td>296</td>
<td>28</td>
<td>68</td>
<td>58</td>
<td>450</td>
</tr>
<tr>
<td>1969</td>
<td>281</td>
<td>27</td>
<td>69</td>
<td>56</td>
<td>433</td>
</tr>
</tbody>
</table>

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

(ii) Comprises workers returned in the agricultural censuses as regular part-time and seasonal or casual workers.

**Figure VI**

*Numbers of Agricultural Workers at June in the United Kingdom*
### TABLE K

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

<table>
<thead>
<tr>
<th>Years beginning 1st June</th>
<th>Old series Average 1954/55–1956/57 = 100</th>
<th>Rebased series Average 1964/65–1966/67 = 100</th>
</tr>
</thead>
<tbody>
<tr>
<td>1953/54</td>
<td>103</td>
<td>—</td>
</tr>
<tr>
<td>1954/55</td>
<td>95</td>
<td>—</td>
</tr>
<tr>
<td>1955/56</td>
<td>98</td>
<td>—</td>
</tr>
<tr>
<td>1956/57</td>
<td>107</td>
<td>—</td>
</tr>
<tr>
<td>1957/58</td>
<td>105</td>
<td>—</td>
</tr>
<tr>
<td>1958/59</td>
<td>102</td>
<td>—</td>
</tr>
<tr>
<td>1959/60</td>
<td>112</td>
<td>—</td>
</tr>
<tr>
<td>1960/61</td>
<td>119</td>
<td>—</td>
</tr>
<tr>
<td>1961/62</td>
<td>115</td>
<td>—</td>
</tr>
<tr>
<td>1962/63</td>
<td>124</td>
<td>—</td>
</tr>
<tr>
<td>1963/64</td>
<td>127</td>
<td>—</td>
</tr>
<tr>
<td>1964/65</td>
<td>137</td>
<td>100</td>
</tr>
<tr>
<td>1965/66</td>
<td>136</td>
<td>100</td>
</tr>
<tr>
<td>1966/67</td>
<td>135</td>
<td>100</td>
</tr>
<tr>
<td>1967/68</td>
<td>—</td>
<td>106</td>
</tr>
<tr>
<td>1968/69 (provisional)</td>
<td>—</td>
<td>101</td>
</tr>
<tr>
<td>1969/70 (forecast)</td>
<td>—</td>
<td>106</td>
</tr>
</tbody>
</table>

**Note (i).** Both series cover all holdings in the United Kingdom including the estimated production from units under one acre.

**Note (ii).** Both series measure year to year changes in the value added at constant prices by farmers, landowners and farmworkers to all the goods and services purchased from outside the agricultural sector. Details of the method of calculation of the index based on 1964/65–1966/67 = 100 were given in the December 1969 issue (No. 194) of "Economic Trends", published by Her Majesty's Stationery Office.

**Note (iii).** The rebased series uses constant prices averaged over the three-year period 1964/65–1966/67 but the concepts and methods of calculation remain essentially unchanged.

### FIGURE VII

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

![Graph showing index of agricultural net output from 1953/54 to 1969/70](image)
APPENDIX II

Aggregate Farming Net Income in the United Kingdom

NOTE. The revised figures given in this Appendix for the "Departmental" calculation of aggregate net income in the year 1968/69 replace the forecasts which were published in last year's White Paper when the outcome for the latter part of that year was not known. In addition new statistical information which has become available affects the figures for 1968/69 and some earlier years. Forecasts for 1969/70 are as at mid-January 1970.

**TABLE A**

<table>
<thead>
<tr>
<th>Year</th>
<th>&quot;Departmental&quot; Calculation</th>
<th>Three Year Moving Average of Actual</th>
<th>&quot;Raised Sample&quot; Calculation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Actual</td>
<td></td>
<td>Revised Series</td>
</tr>
<tr>
<td>1946/47</td>
<td>196½</td>
<td></td>
<td>167</td>
</tr>
<tr>
<td>1947/48</td>
<td>231½</td>
<td></td>
<td>161</td>
</tr>
<tr>
<td>1948/49</td>
<td>301</td>
<td></td>
<td>237</td>
</tr>
<tr>
<td>1949/50</td>
<td>316½</td>
<td></td>
<td>225</td>
</tr>
<tr>
<td>1950/51</td>
<td>280½</td>
<td></td>
<td>204</td>
</tr>
<tr>
<td>1951/52</td>
<td>338½</td>
<td></td>
<td>233½</td>
</tr>
<tr>
<td>1952/53</td>
<td>349½</td>
<td></td>
<td>270</td>
</tr>
<tr>
<td>1953/54</td>
<td>347</td>
<td></td>
<td>309</td>
</tr>
<tr>
<td>1954/55</td>
<td>314½</td>
<td></td>
<td>258½</td>
</tr>
<tr>
<td>1955/56</td>
<td>350</td>
<td></td>
<td>285½</td>
</tr>
<tr>
<td>1956/57</td>
<td>340½</td>
<td></td>
<td>305</td>
</tr>
<tr>
<td>1957/58</td>
<td>376</td>
<td></td>
<td>360</td>
</tr>
<tr>
<td>1958/59</td>
<td>332½</td>
<td></td>
<td>348</td>
</tr>
<tr>
<td>1959/60</td>
<td>362½</td>
<td></td>
<td>314½</td>
</tr>
<tr>
<td>1960/61</td>
<td>392</td>
<td></td>
<td>350</td>
</tr>
<tr>
<td>1961/62</td>
<td>426</td>
<td></td>
<td>394</td>
</tr>
<tr>
<td>1962/63</td>
<td>447½</td>
<td></td>
<td>406</td>
</tr>
<tr>
<td>1963/64</td>
<td>409½</td>
<td></td>
<td>370</td>
</tr>
<tr>
<td>1964/65</td>
<td>477</td>
<td></td>
<td>438</td>
</tr>
<tr>
<td>1965/66</td>
<td>464½</td>
<td></td>
<td>429</td>
</tr>
<tr>
<td>1966/67</td>
<td>483</td>
<td></td>
<td>417½</td>
</tr>
<tr>
<td>1967/68</td>
<td>516</td>
<td></td>
<td>389</td>
</tr>
<tr>
<td>1968/69</td>
<td>480½</td>
<td></td>
<td>477</td>
</tr>
<tr>
<td>1969/70 (forecast)</td>
<td>535½ (528)</td>
<td></td>
<td>418</td>
</tr>
</tbody>
</table>

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

Note (ii). The figures in brackets for 1968/69 and 1969/70 are adjusted to normal weather conditions.

Note (iii). The "Departmental" and "raised sample" estimates of aggregate farming net income in Table A are arrived at after making provision for depreciation. Net income is defined as the reward for the manual and managerial labour of the farmer and his wife, and for the use of the occupier's investment.

Note (iv). These two series of aggregate farming net income are calculated in different ways. The "Departmental" estimate is built up from statistics of income and expenditure for the whole "national" farm and its components are shown in Table B. The "raised sample" is based on some 3,600 actual farm accounts which are expanded or "raised" to give an aggregate for all farms in the United Kingdom. Both series are of value in indicating the general trend of income but there are a number of reasons why the levels of net income shown in the two series should vary. It is difficult to make a quantitative assessment of the individual causes of this variation and both estimates are subject to a margin of error. The farm accounts forming the basis of the "raised sample" are provided voluntarily by farmers through Universities.
and Colleges of Agriculture in Great Britain and the Ministry of Agriculture in Northern Ireland. The sample is not fully representative, however, particularly as regards pig, poultry and horticultural holdings and very large businesses. In addition most farm accounts relate to either a calendar year or an April–March year, the average year-ending date being about mid-February. The “Departmental” estimate relates to a year ending 31st May. This difference in year-ending dates can give rise to a difference in trend between the two series, since the results are affected by weather and other conditions. The revised series for the “raised sample” calculation is based on a new raising method.

Note (v). The “Departmental” estimates for aggregate net income include as profit in recent years about £7 million on the production of food for consumption in the farm household. In other industries the corresponding sums are not treated as profit and are relatively much smaller (in many cases non-existent).

Note (vi). Part of the valuation change included in the “Departmental” figures for aggregate net income represents the excess of replacement cost over original cost of certain assets (slaughter stock, cultivations, growing crops, etc.) used up in the course of the year’s production and trade. These sums are:

<table>
<thead>
<tr>
<th>Year</th>
<th>£ million</th>
</tr>
</thead>
<tbody>
<tr>
<td>1946/47</td>
<td>23</td>
</tr>
<tr>
<td>1947/48</td>
<td>23 ½</td>
</tr>
<tr>
<td>1948/49</td>
<td>17</td>
</tr>
<tr>
<td>1949/50</td>
<td>29 ½</td>
</tr>
<tr>
<td>1950/51</td>
<td>41 ½</td>
</tr>
<tr>
<td>1951/52</td>
<td>40</td>
</tr>
<tr>
<td>1952/53</td>
<td>21 ½</td>
</tr>
<tr>
<td>1953/54</td>
<td>14</td>
</tr>
<tr>
<td>1954/55</td>
<td>18 ½</td>
</tr>
<tr>
<td>1955/56</td>
<td>27</td>
</tr>
<tr>
<td>1956/57</td>
<td>30</td>
</tr>
<tr>
<td>1957/58</td>
<td>11 ½</td>
</tr>
<tr>
<td>1958/59</td>
<td>21</td>
</tr>
<tr>
<td>1959/60</td>
<td>20 ½</td>
</tr>
<tr>
<td>1960/61</td>
<td>27 ½</td>
</tr>
<tr>
<td>1961/62</td>
<td>25 ½</td>
</tr>
<tr>
<td>1962/63</td>
<td>28</td>
</tr>
<tr>
<td>1963/64</td>
<td>28</td>
</tr>
<tr>
<td>1964/65</td>
<td>31</td>
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<tr>
<td>1965/66</td>
<td>44 ½</td>
</tr>
<tr>
<td>1966/67</td>
<td>30</td>
</tr>
<tr>
<td>1967/68</td>
<td>46½</td>
</tr>
<tr>
<td>1968/69</td>
<td>48½</td>
</tr>
<tr>
<td>1969/70</td>
<td>56 (forecast)</td>
</tr>
</tbody>
</table>

**Figure I**

*Aggregate Farming Net Income in the United Kingdom: “Departmental” Calculation*
### Table B

**Details of the “Departmental” Calculation of Net Income for 1968/69 (revised) and for 1969/70 (forecast)**

<table>
<thead>
<tr>
<th></th>
<th>1968/69 (revised) £ million</th>
<th>1969/70 (forecast) £ million</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Farm Sales (ii)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grain: Wheat</td>
<td>84</td>
<td>86</td>
</tr>
<tr>
<td>Barley</td>
<td>127</td>
<td>140</td>
</tr>
<tr>
<td>Other grain</td>
<td>8</td>
<td>9</td>
</tr>
<tr>
<td><strong>Total grain</strong></td>
<td>219</td>
<td>235</td>
</tr>
<tr>
<td>Potatoes</td>
<td>80</td>
<td>112</td>
</tr>
<tr>
<td>Sugar Beet</td>
<td>43</td>
<td>40</td>
</tr>
<tr>
<td>Other Crops</td>
<td>16</td>
<td>15</td>
</tr>
<tr>
<td><strong>Total farm crops</strong></td>
<td>358½</td>
<td>403</td>
</tr>
<tr>
<td>Fat cattle and calves</td>
<td>311½</td>
<td>331½</td>
</tr>
<tr>
<td>Fat sheep and lambs</td>
<td>87½</td>
<td>86</td>
</tr>
<tr>
<td>Fat pigs</td>
<td>214½</td>
<td>239½</td>
</tr>
<tr>
<td>Poultry and other livestock</td>
<td>114</td>
<td>122½</td>
</tr>
<tr>
<td><strong>Total livestock</strong></td>
<td>727½</td>
<td>779</td>
</tr>
<tr>
<td>Eggs: for food and for hatching</td>
<td>199</td>
<td>199½</td>
</tr>
<tr>
<td>Milk and milk products</td>
<td>447</td>
<td>458</td>
</tr>
<tr>
<td>Wool (clip)</td>
<td>14½</td>
<td>13½</td>
</tr>
<tr>
<td><strong>Total livestock products</strong></td>
<td>660½</td>
<td>671</td>
</tr>
<tr>
<td>Vegetables</td>
<td>120½</td>
<td>126½</td>
</tr>
<tr>
<td>Fruit</td>
<td>48</td>
<td>49</td>
</tr>
<tr>
<td>Flowers and nursery stock</td>
<td>46½</td>
<td>50½</td>
</tr>
<tr>
<td><strong>Total horticulture</strong></td>
<td>214½</td>
<td>226</td>
</tr>
<tr>
<td>Sundry output</td>
<td>27½</td>
<td>35</td>
</tr>
<tr>
<td><strong>Total value of output</strong></td>
<td>1,988½</td>
<td>2,114½</td>
</tr>
<tr>
<td>Farming grants, subsidies and sundry receipts (iii)</td>
<td>114½</td>
<td>113½</td>
</tr>
<tr>
<td><strong>Total Receipts</strong></td>
<td>2,103</td>
<td>2,228</td>
</tr>
<tr>
<td><strong>Farm Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Labour</td>
<td>318</td>
<td>333½</td>
</tr>
<tr>
<td>Rent (iv)</td>
<td>144</td>
<td>154½</td>
</tr>
<tr>
<td>Interest (v)</td>
<td>36½</td>
<td>43½</td>
</tr>
<tr>
<td><strong>Machinery:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>107½</td>
<td>114</td>
</tr>
<tr>
<td>Repairs</td>
<td>85</td>
<td>91</td>
</tr>
<tr>
<td>Fuel and Oil</td>
<td>56½</td>
<td>58</td>
</tr>
<tr>
<td>Other</td>
<td>20</td>
<td>21</td>
</tr>
<tr>
<td>Feedingstuffs</td>
<td>48½</td>
<td>52½</td>
</tr>
<tr>
<td>Seeds (vi)</td>
<td>35½</td>
<td>37½</td>
</tr>
<tr>
<td>Fertilisers (vii)</td>
<td>149½</td>
<td>150½</td>
</tr>
<tr>
<td>Livestock (vi)</td>
<td>94</td>
<td>102½</td>
</tr>
<tr>
<td>Other expenses (viii)</td>
<td>136</td>
<td>145</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>1,672</td>
<td>1,775½</td>
</tr>
<tr>
<td><strong>Change in the value of growing crops, livestock and farm stocks</strong></td>
<td>+ 49½</td>
<td>+ 83</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>480½</td>
<td>535½</td>
</tr>
</tbody>
</table>

(i) Because of individual roundings, the figures will not necessarily add to the totals shown.

(ii) The value of farm sales includes deficiency payments.

(iii) Farming grants and subsidies exclude grants for landlord type functions.

(iv) Including imputed rent for owner-occupied farms.

(v) Interest on credit for current farming purposes.

(vi) Seeds and livestock comprise the full cost of imports plus merchants' margins on purchases of home-produced seeds and livestock.

(vii) Total cost excluding subsidy, which is credited above under “Farming grants, subsidies and sundry receipts”.

(viii) Other expenses” comprise maintenance charges and miscellaneous expenses.
FIGURE II
Farm Sales and Expenses for 1969/70 in the United Kingdom
(Based on the "Departmental" forecast for 1969/70 shown in Table B opposite)

Sales £2,114 1/2 million

Expenses £1,775 1/2 million
APPENDIX III

Aggregate Cost Increases Taken into Account at the Annual Review (i)

<table>
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<tr>
<th></th>
<th>All Products £ million</th>
<th>Guaranteed Products (iii) £ million</th>
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<tr>
<td>Labour</td>
<td>+27.2</td>
<td>+20.7</td>
</tr>
<tr>
<td>Rent and Interest</td>
<td>+10.1</td>
<td>+7.7</td>
</tr>
<tr>
<td>Machinery expenses</td>
<td>+12.1</td>
<td>+9.2</td>
</tr>
<tr>
<td>Feedingstuffs (ii)</td>
<td>+16.4</td>
<td>+12.7</td>
</tr>
<tr>
<td>Seeds</td>
<td>+1.3</td>
<td>+1.0</td>
</tr>
<tr>
<td>Fertilisers</td>
<td>-3.0</td>
<td>-2.3</td>
</tr>
<tr>
<td>Haulage and Marketing</td>
<td>+8.7</td>
<td>+6.2</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>+8.1</td>
<td>+7.1</td>
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<td>+80.9</td>
<td>+62.3</td>
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<td>-1.9</td>
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</tr>
<tr>
<td></td>
<td>+60.4</td>
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</tr>
</tbody>
</table>

Less consolidated payments for training (iv)

(i) These estimates are made on the assumption that any increase (or decrease) in the cost of an item of expenditure will continue for a full year and that there will be no change from the current usage of that item. As pointed out in paragraph 5 on page 11, the annual rate of gain in the industry's efficiency is estimated to be of the order of £30 million for guaranteed products.

(ii) The figures given above exclude an increase of approximately £6.4 million in respect of changes in feedingstuffs costs which are dealt with automatically by the feed formula which relates the guarantee for pigs to the cost of a basic feed ration.

(iii) The expression "Guaranteed Products" means the commodities, of the grades and descriptions for which guaranteed prices are provided, listed in Tables A and B in Part I of Appendix VI.

(iv) This deduction is made to provide a sum in lieu of the training levies payable by agricultural and horticultural producers in Great Britain. Subject to the approval of Parliament of the necessary legislative provision, this sum will be paid to the Agriculture, Horticulture and Forestry Industry Training Board. In the first three years, the payment will cover both the Board's current expenses and the repayment of the outstanding loan for its expenses from 1st September 1969 to 31st March 1970 and the interest on it. The amount required by the Board in 1970/71 has been determined by the Secretary of State for Employment and Productivity at £1.9 million. Similar arrangements are being introduced for the financing of training in Northern Ireland through the Northern Ireland Ministry of Agriculture. The cost of this training in 1970/71 will be carried forward and added to the full year cost at the 1971 Annual Review.

A similar procedure will be followed in future years in the event of changes in the levels of these payments.
### APPENDIX IV

**University Agricultural Economists’ Data**

*Specimen Net Incomes for Different Types of Farming*

<table>
<thead>
<tr>
<th>Average size of farm (acres of crops and grass)</th>
<th>Average net income per farm (for an identical sample in the two years)</th>
<th>Average net income per farm 1968/69</th>
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<tr>
<td></td>
<td>1967/68</td>
<td>1968/69</td>
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<tr>
<td><strong>England and Wales</strong></td>
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<tr>
<td>Dairy</td>
<td>120</td>
<td>1,903</td>
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<td>Livestock</td>
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<tr>
<td>Cropping</td>
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<td>Mixed</td>
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<td>2,535</td>
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<td>Upland rearing</td>
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<td>Rearing with arable</td>
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<td>Dairy</td>
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<td><strong>Northern Ireland</strong></td>
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<tr>
<td>Dairying</td>
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<td>Dairying with pigs and poultry</td>
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<tr>
<td>Mixed</td>
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<td>1,499</td>
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**Note (i).** These figures are a selection of those examined at the Annual Review and are weighted averages based on the census distribution of agricultural holdings by Type of Farming and Size of Business. Net income is defined as the reward for the manual and managerial labour of the farmer and his wife, and for the use of the occupier’s investment. It includes an allowance for changes in the quantity and value of stocks and work in progress.

**Note (ii).** More detailed figures for England and Wales are published in “Farm Incomes in England and Wales 1968” (H.M.S.O. price 16s. 6d.). Corresponding information for Scotland will appear in “Scottish Agricultural Economics” and for Northern Ireland in the “Statistical Review of Farming in Northern Ireland.”
## APPENDIX V
### TABLE A

**Estimated Cost of Exchequer Support to Agriculture**

Financial years beginning 1st April

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<td>Farm improvements</td>
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<td>Crofting improvements</td>
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<td><strong>Total III</strong></td>
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<td><strong>IV. Other services</strong></td>
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<td>Payments in respect of agricultural training</td>
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<td><strong>Total estimated cost of agricultural support</strong></td>
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N.B.—The notes on the following page form part
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<td>261-5</td>
<td>265-4</td>
<td>279-5</td>
<td>298-7</td>
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<td></td>
</tr>
</tbody>
</table>

I. Implementation of price guarantees

Cereals—
- Wheat and rye
- Barley
- Oats and mixed corn

Potatoes
- Eggs, hen and duck

Fatstock—
- Cattle
- Sheep
- Pigs

Wool

II. Relevant production grants (other than IV below)

(see Note (i))

- Fertilisers
- Lime
- Ploughing
- Field beans
- Field drainage (except tiling)
- Tuberculosis eradication
- Calves
- Beef cows
- Hill cows
- Hill sheep
- Winter keep
- Silos
- Small farmers
- Farm business records
- Crofting (cropping, etc.)
- Other

Total II

Totals I and II (taken into account in Annual Review together with IV below)

III. Other grants and subsidies (see Note (ii))

- Field drainage (tiling)
- Water supply
- Livestock rearing land
- Hill land
- Marginal production assistance
- Farm capital grants
- Farm improvements
- Farm structure
- Investment incentives
- Crofting improvements
- Other

Total III

Totals I, II and III

Administrative expenses estimate

IV. Other services

Payment from U.K. Government for the benefit of agricultural producers in Northern Ireland

(see Note (ii))

Payments in respect of agricultural training

Total estimated cost of agricultural support

of this Table and should be read in conjunction with it.
Note (i). “Relevant production grants”. Expenditure on these grants is taken into account in calculating the total value of the guarantees at the Annual Review. The item “Other” under this heading includes grants in respect of grassland renovation, rabbit clearance societies, producers in the Scottish Islands, agricultural marketing development, agricultural co-operation (excluding fixed equipment), and agricultural credit.

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

Note (iii). General explanation of figures. The figures in I, II, III and IV for years up to and including 1968/69 represent actual expenditure recorded in the Appropriation Accounts. The figures for 1969/70 are the latest estimates (Hansard 28th January 1970, written answers, columns 353–354) of cash expenditure in the United Kingdom (Civil Estimates Class V, Votes 3, 4, 5, 6 and parts of Votes 2 and 7). The figures for 1970/71 are those in the corresponding Civil Estimates for that year.

Note (iv). Explanation of particular figures.

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

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

(c) Ploughing grants in 1968/69 included £0·7 million under the £10 Emergency Payments Scheme which is “non-relevant”.

(d) The investment incentive grants to agriculture were payable for the first time in 1967/68. They replaced investment allowances and, unlike them, take the form of cash payments instead of tax concessions.

Note (v). Estimated effect of determinations on Estimates 1970/71. On the basis of the original assumptions as to output and market prices, the main effects on agricultural support by the Exchequer in 1970/71 of the commodity determinations set out in this White Paper are estimated to be broadly increases of £2½ million on wheat, £7 million on barley, £9½ million on cattle, £3 million on sheep and £4½ million on pigs and a decrease of £4 million on eggs.

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

Note (vi). The Table excludes grants specifically for horticulture. The estimated cost of these, together with horticultural co-operation and credit, is £7·4 million in 1969/70 and £8·0 million in 1970/71.
FIGURE 1
Estimated Cost of Exchequer Support to Agriculture
### Table B

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

<table>
<thead>
<tr>
<th>Year/Season</th>
<th>Fat Cattle</th>
<th>Fat Sheep</th>
<th>Fat Pigs</th>
<th>Wheat</th>
<th>Barley</th>
<th>Oats</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Market Value</td>
<td>Unit Subsidy</td>
<td>Total Return</td>
<td>Market Value</td>
<td>Unit Subsidy</td>
<td>Total Return</td>
</tr>
<tr>
<td>1962/63</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>1963/64</td>
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<td>1964/65</td>
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<td>1967/68</td>
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<td>1968/69</td>
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<tr>
<td>1969/70</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

**Note (i)**. The figures for fatstock relate to animals certified under the Fatstock Guarantee Scheme. The unit subsidy for fat cattle and sheep includes any payments made under the graduated deficiency payments arrangements after the end of the fatstock year. The unit subsidy for fat pigs includes, where appropriate, quality premiums and adjustments under the flexible guarantee and feed price arrangements.

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

**Note (iii)**. The figures for unit subsidy do not include agricultural production grants or administrative expenses.

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Figure II
Fatstock Guarantee Scheme and Cereals Deficiency Payments Scheme: Relationship between Unit Subsidy and Total Returns

- **FAT CATTLE**
- **WHEAT**
- **FAT SHEEP**
- **BARLEY**
- **FAT PIGS**
- **OATS**

- **Total Return**

Unit subsidy
Average market value
### APPENDIX VI
Guaranteed Prices determined in the light of the Annual Review 1970

**PART I. PRICE TABLES**

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

**TABLE A**
Guaranteed Prices for Livestock and Livestock Products

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Fat Cattle (per live cwt.) (a) (c)</td>
<td>215s. Od.</td>
<td>+7s. 6d.</td>
<td>222s. 6d. (€11-125) (h)</td>
</tr>
<tr>
<td>Fat Sheep and Lambs (per lb. estimated dressed carcase weight) (a) (c)</td>
<td>3s. 7-75d.</td>
<td>+3d.</td>
<td>3s. 10-75d. (19-48p) (h)</td>
</tr>
<tr>
<td>Fat Pigs (per score deadweight) (a) (b)</td>
<td>48s. 5d. related to a compound feed price of 37s. 0d. per cwt. On the basis of the current compound feed price of 39s.0d. per cwt. this is equivalent to 49s. 11d.</td>
<td>+1s. 0d.</td>
<td>50s. 11d. (€2-546) (h) related to a feed price of 35s. 11d. per cwt. which is equivalent to a compound feed price of 39s. 0d. per cwt. calculated on the basis used for the 1969/70 guarantee year.</td>
</tr>
<tr>
<td>Eggs—hen (per dozen) (d)</td>
<td>3s. 6-07d.</td>
<td>−1-43d.</td>
<td>3s. 4-64d. (16-93p) (h)</td>
</tr>
<tr>
<td>Eggs—duck (per dozen) (d)</td>
<td>2s. 5-07d.</td>
<td>−2-31d.</td>
<td>2s. 2-76d. (11-15p) (h)</td>
</tr>
<tr>
<td>Wool</td>
<td>4s. 5-25d.</td>
<td>no change</td>
<td>4s. 5-25d. (22-19p) (h)</td>
</tr>
<tr>
<td>Milk (average per gallon) (e)</td>
<td>3s. 9-26d.</td>
<td>+1-74d.</td>
<td>3s. 11d. (19-58p) (h)</td>
</tr>
</tbody>
</table>
### Guaranteed Prices for Crops

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat (per cwt.)</td>
<td>29s. Od.</td>
<td>+1s. 3d.</td>
<td>30s. 3d. (£1.5125) (g)</td>
</tr>
<tr>
<td>Barley (per cwt.)</td>
<td>26s. Od.</td>
<td>+1s. 0d.</td>
<td>27s. Od. (£1.35) (g)</td>
</tr>
<tr>
<td>Oats (per cwt.)</td>
<td>27s. 10d.</td>
<td>no change</td>
<td>27s. 10d. (£1.392) (h)</td>
</tr>
<tr>
<td>Rye (per cwt.)</td>
<td>21s. 7d.</td>
<td>no change</td>
<td>21s. 7d. (£1.079) (h)</td>
</tr>
<tr>
<td>Potatoes (per ton)</td>
<td>302s. 6d.</td>
<td>+15s. 0d.</td>
<td>317s. 6d. (£15.875) (h)</td>
</tr>
<tr>
<td>Sugar Beet (per ton, 16-0 per cent. sugar content)</td>
<td>136s. 6d.</td>
<td>no change</td>
<td>136s. 6d. (£6.825) (h)</td>
</tr>
</tbody>
</table>

**Notes on Price Tables**

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

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

(c) After 15th February 1971 deficiency payments will be calculated in decimal currency. It will be necessary at that time to determine new scales of abatements and supplements for cattle and sheep. The objective will be to provide for adjustments under these new scales to be as nearly as possible the same as those provided for in the scales described in Part II of this Appendix.

(d) The guaranteed prices for hen and duck eggs are subject to the indicator price arrangements and the guaranteed price for hen eggs is subject to the standard quantity arrangements.

(e) The guaranteed price for milk is subject to the standard quantity arrangements and includes 0.25d. per gallon special assistance for compositional quality.

(f) The guaranteed prices for wheat and barley are subject to the target indicator price arrangements.

(g) In order to promote orderly marketing throughout the season, the guaranteed price for wheat is subject to the operation of a seasonal scale and the guaranteed price for barley to arrangements whereby premiums are paid for barley delivered, after sale, in the later months of the cereal year and deductions made for barley delivered in the early months of the year.

(h) The decimal equivalents, rounded where necessary, in brackets in column (iii) are for information only.
PART II. ADDITIONAL DETAILS OF GUARANTEES

1. The guaranteed prices shown in Part I of this Appendix for livestock and livestock products in 1970/71 and for crops of the 1970 harvest will be on a similar basis to those for the previous year except as stated in the following paragraphs.

Milk

2. The provisional standard quantity for each area in 1970/71 has been calculated as follows:

<table>
<thead>
<tr>
<th>Area</th>
<th>Provisional Standard Quantity 1969/70</th>
<th>Adjustments for Changes</th>
<th>Provisional Standard Quantity 1970/71</th>
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</thead>
<tbody>
<tr>
<td>England and Wales</td>
<td>1,826-0</td>
<td>+22-0</td>
<td>1,848-0</td>
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<tr>
<td>Main Scottish Area</td>
<td>189-7</td>
<td>+0-5</td>
<td>190-2</td>
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<tr>
<td>Aberdeen and District</td>
<td>20-5</td>
<td>+0-1</td>
<td>20-6</td>
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<td>North of Scotland</td>
<td>10-7</td>
<td>+0-2</td>
<td>10-9</td>
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<td>Northern Ireland</td>
<td>104-7</td>
<td>+0-1</td>
<td>105-9</td>
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<tr>
<td></td>
<td>2,151-6</td>
<td>+24-0</td>
<td>2,175-6</td>
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</table>

3. The final figures for the standard quantities for 1969/70 for each of the five milk marketing areas are as follows:

<table>
<thead>
<tr>
<th>Area</th>
<th>Million gallons</th>
</tr>
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<tbody>
<tr>
<td>England and Wales</td>
<td>1,838-5</td>
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<tr>
<td>Main Scottish Area</td>
<td>190-2</td>
</tr>
<tr>
<td>Aberdeen and District</td>
<td>20-7</td>
</tr>
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<td>North of Scotland</td>
<td>10-7</td>
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<tr>
<td>Northern Ireland</td>
<td>105-4</td>
</tr>
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<td></td>
<td>2,165-5</td>
</tr>
</tbody>
</table>

Fat Cattle

4. Graduated Deficiency Payments Scheme. With effect from 30th March 1970 the scale of abatements and supplements will be adjusted to take account of the expected market situation for the year. If the average market price for a week is below the standard price for the same week, and the deficiency is within the range 18s. 0d. to 24s. 0d. per live cwt., a guarantee payment of the amount of this deficiency will be paid in respect of the week: but if the deficiency in the week exceeds 24s. 0d. per cwt., or is less than 18s. 0d. per cwt., the guarantee payment will be subject to abatement or supplement in accordance with scales determined at the Review, which are being published separately.

5. These arrangements will be amended if, in the light of the discussions on market stabilisation which are now in progress, Orders are made to provide for minimum prices and supporting levies on imports. In that event the intention would be to end the Graduated Deficiency Payment Scheme; to determine a scale of weekly target indicator prices relating to the level of minimum import prices; and to reduce the deficiency payments made weekly and after the end of the fatstock year by reference to any amount by which the average market price realised fell short respectively of the target indicator price for the week or the annual average of target indicator prices as weighted by weekly certifications.

6. Qualifying standards. The minimum weights for animals in the young lightweight class will be reduced to 410 lb. dressed carcass weight in the case of steers and bulls and 345 lb. dressed carcass weight in the case of heifers. The minimum eligible weights for animals in this class presented at liveweight will be 6½ cwt. in the case of steers and 5½ cwt. in the case of heifers.
Fat Sheep

7. *Graduated Deficiency Payments Scheme.* With effect from 31st March 1970 the scale of abatements and supplements will be adjusted to take account of the expected market situation for the year. If the average market price for a week is below the standard price for the same week, and the deficiency is within the range 4½d. to 2½d. per lb. estimated dressed carcase weight, a guarantee payment of the amount of this deficiency will be paid in respect of the week: but if the deficiency in the week exceeds 2½d. per lb., or is less than 4½d. per lb., the guarantee payment will be subject to abatement or supplement in accordance with scales determined at the Review, which are being published separately.

8. *Special provision for light sheep.* The special provision whereby any abatements under the graduated deficiency payments scheme are reduced in respect of lambs weighing 41 lbs. or less will be extended to cover sheep in the same weight range marketed in weeks 15–40 of the fatstock year. Thus any abatement in respect of sheep will, in any of these weeks, be reduced as follows:—

(a) on sheep of 38 lb. and under, estimated dressed carcase weight, any abatement will be reduced by 2½d., or, if the abatement is less than 2½d., by such lesser amount as will reduce the abatement to nil;

(b) on sheep of 39 lb., 40 lb. and 41 lb. estimated dressed carcase weight, any abatement will be reduced in the same manner as in (a) above by 1½d., 1d. and ½d. respectively.

Fat Pigs

9. *Feedingstuffs Formula.* In 1970/71 the guaranteed price will continue to be subject to adjustment in respect of changes in the price of a feed ration. This ration will consist of a representative selection of compound and straight feedingstuffs (not compounds alone as during the past three years) priced from information notified to the Agricultural Departments by a representative selection of compounders and provender millers. Changes in the price of the ration will continue to be expressed in terms of an index. The feed price of 35s. 11d. per cwt. to which the new guaranteed price is related, is deemed to be equivalent to 1,000 points on the index. For every movement of 9 points from 1,000 points (equivalent to 4d. per cwt.), the guaranteed price will be adjusted by 3d. per score.

Eggs

10. *Indicator Price and Risk Sharing Arrangements.* As announced in paragraph 50 of the 1969 Annual Review White Paper (Cmnd. 3965) the profit and loss sharing arrangements will be abolished as from the beginning of the 1970/71 guarantee year. The basic rate of subsidy will be the difference between the guaranteed price and the indicator price. In 1970/71 the indicator prices will remain unchanged at 3s. 1d. per dozen for hen eggs and 2s. 2d. per dozen for duck eggs.

11. *Import Compensation Arrangements.* As stated in paragraph 29 of Annex B of this White Paper the import compensation arrangements described in Part II of Appendix VI to the 1963 Annual Review White Paper (Cmnd. 1968) will be abolished from the beginning of the 1970/71 guarantee year.

12. *Standard Quantity for Hen Eggs.* For the guarantee year 1970/71 there will be a standard quantity for hen eggs with an upper limit of 651 million dozen and a lower limit of 480 million dozen of first quality eggs sold through packing stations. The guarantee year will be divided into seasonal periods to each of which will be allocated a part of the standard quantity on the basis of actual throughput in the equivalent period in previous years. The subsidy will be paid to the British Egg Marketing Board on the throughput of first quality eggs. It will be at the basic rate of subsidy (that is at 3-64d. per dozen) if the throughput in a seasonal period is between the upper and the lower limit of the standard quantity allocated to that period. It will be at the basic rate of subsidy divided by the proportion which the throughput during a seasonal period bears to the upper limit of the standard quantity for that period if the throughput is greater than this upper limit. It will be at the basic rate
of subsidy divided by the proportion which the throughput during a seasonal period bears to the lower limit of the standard quantity for that period if the throughput is less than this limit, provided that the rate of subsidy as adjusted by this arrangement does not exceed 5d. per dozen.

**Cereals**

13. **Target Indicator Prices.** These prices are related to the current minimum import prices for the appropriate grains after allowing for handling differentials and quality differences. For the cereal year 1970/71 the target indicator prices will be 21s. 3d. per cwt. for wheat and 20s. 4d. per cwt. for barley.

**Sugar Beet**

14. For the 1970 crop the maximum acreage to which the guarantee will apply will be 427,400 acres in England and Wales and 15,600 acres in Scotland. The maximum acreage for the 1971 crop will be the same as in 1970.
STRUCTURE OF THE TEXTILE INDUSTRY

Memorandum by the Paymaster General

Background

As my colleagues are aware, I was invited, with the help of the Minister of State, Department of Employment and Productivity, to preside over a small Group whose task was to examine the situation in the textile industry following the proposal by Imperial Chemical Industries (ICI) to bid for Viyella and thereafter to effect an amalgamation between that firm and Carrington and Dewhurst. The Group included Sir Joseph Lockwood, Chairman of the Industrial Reorganisation Corporation (IRC), and Sir James Steel, Chairman of the Textile Council.

2. The Group has now completed its deliberations. I attach the paper which I circulated to it, embodying my conclusions and the reasons leading to them. This paper followed discussions with the Group and has now been endorsed by it. The Minister, who has been kept informed, agrees with the Report and my recommendations.

Proposals for Action

3. I am convinced that the Government now needs to take certain resolute decisions about this industry. The standstill upon major amalgamations announced by the then President of the Board of Trade last summer was undoubtedly the right decision at that time and what I am proposing is essentially an evolution of it to take account of subsequent events. As my attached paper makes clear, there is widespread uneasiness within the textile industry about the effects of integration between fibre production and textile manufacture. This has led to pressure to split Courtaulds up. As I explained, this would in my view be quite wrong as well as impracticable: Courtaulds are a major force in the industry and in the economy as a whole and to break them up would have a highly disruptive effect. Moreover, up to the time of the standstill, we put no obstacle in the path of their expansion. On the other hand, I think it is in the interests of building up a strong and internationally competitive textile industry to take steps to prevent fibre producers from further integration by complete
acquisition, though they should be free to grow organically. What I am therefore proposing is that ICI's strength should be harnessed to the textile industry in a way that does not embody the disadvantages of vertical integration.

4. My proposed solution is the following:

(i) ICI should be permitted to bid for Viyella and thereafter to effect an amalgamation with Carrington and Dewhurst, subject to certain conditions. These are that they should reduce their shareholding in the combined company to no more than 35 per cent within a strictly limited period, and would in any event not use their voting in excess of this after 12 months; that they should establish a Board with an independent Chairman of outstanding repute, an independent Finance Director and certain non-executive directors, with only one ICI director; and that they should guarantee the freedom of the combined company to buy its fibres and other materials from the source of its choice.

(ii) No other fibre producer would be permitted to buy textile outlets except on comparable terms and subject to the normal operation of the monopolies and mergers legislation.

(iii) Because of the substantial share of the textile market they already enjoy (up to 50 per cent in certain key sectors) Courtaulds should not be permitted any further forward expansion in the textile industry by acquisition for the time being although they should be allowed to grow organically both in fibres and textiles, as they are in fact doing.

(iv) A code of conduct should be drawn up (if possible in co-operation with the fibre producers) to regulate their relations with textile customers.

5. ICI are prepared to give the Government all the necessary undertakings and I am confident of their good faith. I believe that the conditions are in fact so onerous that no other fibre producer will wish to expand in this way. But if they do, they will have to satisfy the Government that they accept the same conditions.

6. I am satisfied that, while the other foreign fibre producers may not particularly like this solution, they are not likely to let it affect their operations in the United Kingdom. The textile industry should welcome the restraint on further integration by fibre producers, coupled as it is with the prospect of a code of conduct designed to ensure fair competition. Viyella and Carrington and Dewhurst should derive strength from the closer association with ICI which nonetheless leaves them with their commercial freedom.
Support for the Lancashire industry

7. I have reached the conclusion during my enquiry that the Lancashire section of the industry must have some help if it is to undertake the massive amount of re-equipment needed before the tariff on Commonwealth imports comes into force on 1st January, 1972. There are various means of achieving this; and various channels, e.g. through a Textile Industry Board set up under the Industrial Expansion Act, or through the IRC, or some amalgamation of the two. Discussions are proceeding with the Treasury. I shall want to say what assistance if any should be given to the industry when I make an announcement about the Report of my Group.

Conclusions

8. The objective has been to produce a package which will be, and manifestly be seen to be, of advantage to the textile industry as a whole:

(i) I am hoping that the code of conduct governing the sales of fibres will have a powerful reassuring effect because any malpractice will, in future, result in complaint to the Government. If thought to be justified we will seek a remedy by discussion with the offending fibre producer with the Commission for Industry and Manpower (CIM) as our reserve power to whom we can refer the specific practice complained of. The reassuring effect on the one hand and the deterrent effect on the other should arise from the specific and prompt nature of the remedy offered. This will incidentally be a good advertisement of the need for the CIM in its role as protector of industry as well as the public.

(ii) The Government's willingness to give support to re-equipment will be very welcome to the smaller firms - and their employees - and is a confirmation that we see a real future for them in the industry and are not likely, therefore, to be indifferent to their fate.

(iii) We enable ICI to bring its strength in support of major units of the forward textile industry without the rigidities of total verticalisation and without denying outlets to other fibre producers. There is no doubt that the majority of the work people in the industry see the commitment of large firms to the forward parts of the textile industry as important and reassuring in terms of their job prospects.

9. Three months have elapsed since ICI announced their intention to bid for Viyella. During this period everybody with a legitimate interest both inside and outside the industry has had an opportunity to express views. It is now necessary to resolve the uncertainty without further delay and, if my colleagues agree with my proposals, I would aim to make a statement in the House on 23rd March when a number of Questions are tabled announcing the terms on which ICI can proceed with their plans.

H. L.

Ministry of Technology, S. W. 1.

17th March, 1970
The implications for the Textile Industry of the ICI proposal to merge Viella with Carrington & Dewhurst

Report by the Paymaster General

Background: The Standstill

The President of the Board of Trade announced on 30th June, 1969, that the Government had decided to call a halt for a period to further mergers between the large groups in the industry. The main justification for the decision was that the large groups had grown rapidly by merger and acquisition in recent years and that, as the Textile Council's Report on Productivity and Efficiency had particularly noted, the full measure of integration and resultant efficiency to be expected from this development had not yet been realised. It was thought that the possibility of further take-overs and mergers was creating an atmosphere of uncertainty which would impede internal reorganisation at a time when what was needed was a period of consolidation without further major upheavals.

2. On the other hand, the Government decided to take no view in principle on the desirability, or otherwise, of links between fibre production and textile manufacture. This gave Courtaulds freedom to go into polyester production. The Government recognised, however, that a special situation existed where a fibre producer was a monopoly supplier: the extension of the monopoly into any sector of textile manufacture or distribution would therefore need to be scrutinised with particular care. The Government foresaw that there would be a problem in future if Courtaulds bought up too many outlets for its fibre, thus denying them to other fibre producers, or if ICI achieved the same thing with excessive investments in textile companies.

3. The Standstill on mergers between the large groups did not apply to minor acquisitions designed to improve their structural balance, nor to exchanges of capacity between the large groups where this would improve their position in particular sectors, provided, however, that the acquisition or exchange did not create or intensify a monopoly nor essentially alter the overall character of any of the firms concerned.

4. It was made clear that, while no specific time limit had been put on the Standstill, the Government did not propose to vary its policy in the short-term. However, it was considered at the time that a further merger between two of the groups might be acceptable in the longer-term. The Government would in that event have to be satisfied that the benefits to the
public interest of the merger outweighed the disadvantages of reduced competition.

The ICI Proposals

5. ICI announced on 23rd December last that, subject to the agreement of the Government on the issues of public policy involved, they intended to make a bid for the whole of the share capital of Viyella International Ltd. and to enter into discussions with Carrington & Dewhurst concerning the terms of a merger of that company with Viyella, the intention being to create a large company in the textile industry capable of trading successfully in the U.K. and internationally. The company would be run as an independent entity and it would be ICI's intention eventually to reduce its holding to less than 50 per cent; this might take anything up to five years.

6. The acquisition of Viyella and Carrington & Dewhurst by ICI would be a breach of the Standstill because ICI is a monopoly fibre producer and because a merger between Viyella and Carrington & Dewhurst would in itself be a breach of the Standstill.

The Evidence

7. I have now discussed the issues with the firms directly concerned, with the other fibre producers operating in this country, with other major textile manufacturers, with the leading trade associations and trade unions in the industry, and with a number of smaller firms who asked to be heard. Their views on the main issues which had to be considered are summarised in the tabular statement at Annex A.

8. It will be seen that the overwhelming majority of those who gave evidence were convinced of the need to separate fibre production from textile manufacture, even to the point of asking the Government to divest Courtaulds of their fibre production. They argued that:

(a) textile manufacturers needed to buy fibres on competitive terms to enable them to meet competition from other manufacturers at home and overseas;

(b) vertically integrated firms could drive the more efficient textile manufacturers out of business by denying them supplies or by taking the profit at the fibre instead of at the textile stage.

The great majority were therefore opposed to the ICI proposal for acquisition of Viyella and a subsequent merger with Carrington & Dewhurst.

9. Equally, however, there was widespread recognition that the Standstill had become ineffective and was working in the interest of Courtaulds who were able to grow organically from the position they had secured through massive forward integration. Although some of the complaints about Courtaulds are undoubtedly exaggerated, I have been impressed by the weight of the evidence that to some extent
extent they have used their position as fibre producers in ways which in the long run might prove detrimental both to the textile industry and to the consumer.

The Monopolies Commission's Report

10. It must be borne in mind that the Government last summer accepted the Monopolies Commission's conclusion that Courtaulds' monopoly in the supply of cellulosic fibres operated against the public interest and that Courtaulds' policy of extensive participation in the textile industry was intended to preserve that monopoly and might be expected to operate against the public interest. The Commission recommended, in the case of textiles, that Courtaulds should not be allowed to make further acquisitions in any sector of the textile and clothing industries if their share of the trade thereby exceeded a figure laid down by the Board of Trade, which they suggested might be 25 per cent. However, Courtaulds made a substantial number of large acquisitions in the textile industry in the period of eighteen months between the publication of the Report and the implementation of the Commission's recommendations, which, in the case of acquisitions, is embodied in the terms of the Standstill. In several cases their share of the trade is now well above 25 per cent and in these and other cases their share may be expected to increase as a result of organic growth.

Possible Solutions

11. The range of possible solutions to the problem now facing the industry and the Government seems to me to be the following:

(i) To divest Courtaulds of their fibre interests

This I rule out ab initio. I do not believe that a case has been made out for it; but quite apart from that, such action would have an extremely disruptive effect on the textile industry. The Monopolies Commission did not recommend this, and there is the consideration that the Government have deliberately refrained from preventing Courtaulds reaching its present position, although they had the power to do so. Divestment through a merger of Courtaulds' fibre interests with those of ICI is not a practical possibility in the absence of a wish for this by either party.

(ii) To continue the Standstill

The Standstill was the right course in the circumstances of the time when it was introduced. However, it has been eroded by Courtaulds' rapid organic growth and is now benefiting Courtaulds to the detriment of other firms in the industry. The continuation of the Standstill without modification therefore seems to me unacceptable.
(iii) A free-for-all

This would mean allowing the complete and unconditional acquisition of Viyella by ICI and its merging with Carrington & Dewhurst. This move could well be followed by similar defensive moves by the other fibre producers, with the result that we ended up with a largely vertically integrated industry, with textile manufacturers tied to particular fibre producers. This would, I am convinced, weaken the competitive nature of the textile industry which would be denied flexibility of fibre selection.

(iv) An intermediate solution

In view of the disadvantages of the possible solutions mentioned above, I have sought an intermediate course, the aim of which is to combine avoidance of the disadvantage of complete vertical integration with the strengthening of Viyella and Carrington & Dewhurst, in terms of finance and strategic management, which seems undoubtedly to be required. The arrangement I have in mind is as follows:

(a) Viyella and Carrington & Dewhurst would be allowed to merge under a holding company formed by ICI.

(b) ICI would be required to reduce their shareholding in the holding company to no more than 35 per cent within a strictly limited period.

(c) The Chairman and the Finance Director of the holding company would not come from ICI or from the two subsidiary companies. The Chairman would be a figure of known repute and independence. There would also be some independent non-executive directors.

(d) ICI would be represented on the Board of the holding company by one Director. They would undertake specifically not to use their shareholding to influence the subsidiary companies in their choice of fibres or other materials.

(e) Any further integration into textile manufacture by fibre producers would be prohibited except on the sort of terms agreed for ICI. On the other hand, there would be no interference with Courtaulds' organic growth, apart from the normal operation of the monopolies legislation, nor with its development of polyester fibre.
All fibre producers would be invited to subscribe to a Code of Conduct designed to stop various trading practices which gave rise to apprehension of possible unfairness. The Commission for Industry and Manpower might oversee the operation of such a Code.

Certain further steps might be taken to encourage the requisite re-equipment in the Lancashire industry.

I believe that a scheme on the above lines, would result in a substantial strengthening of the textile industry. Viyella and Carrington & Dewhurst, as a result of ICI's majority shareholding in the holding company, would be freed from the fear of takeover by anybody else. They would be able to get on with the business of improving their efficiency and profitability and would be free to develop relations with the fibre suppliers of their choice. They would know that they had the backing of ICI for their future development and could therefore plan ahead with confidence. As I do not believe any other fibre producer would be prepared to move forward significantly into the textile industry on a similar basis, uncertainty would be removed from the industry as a whole as to its future. I believe that the other fibre manufacturers would regard an arrangement of this sort as acceptable. If agreement can be secured on some Code of Conduct between fibre producers, much of the present suspicion and distrust will have been removed. The enforcement of such a Code would undoubtedly be difficult and we cannot expect perfection. But it might be possible to look forward to a new relationship between fibre producers and textile manufacturers.

Monopoly Considerations

I have considered the monopoly aspects of the solution I propose. The arguments in favour of a complete merger between Viyella and Carrington & Dewhurst may not be overwhelming, but there is scope for some rationalisation of activities. No positive detriments to the public interest are evident. Annex B gives the information we have on the market share of each of the five large groups in each of the main sectors. While it will be seen that the proposed merger would increase Viyella's share of dyeing from 31 to 39 per cent and Carrington & Dewhurst's share of filament weaving from 29 to 33 per cent, this must be compared with Courtaulds' existing share of spinning of 37 per cent, filament weaving of 29 per cent, and warp knitting of 51 per cent. The filament weaving and warp knitting trades in particular are under heavy pressure from Courtaulds at the moment.

Conclusion

The textile industry has for a long time now been bedevilled by upheaval and uncertainty. It needs strengthening and reassuring so that its inherent skills may be used to the best advantage of the country as a whole. I believe that what I am proposing will harness the strength of the fibre producers, notably ICI., to important sectors of the textile industry without causing the difficulties which simple integration brings in its wake.
Courtaulds, which has played a major part in the re-structuring of the industry, will be free to develop organically though not by acquisition: in view of the market share it has already achieved in vital areas this cannot be a ground for legitimate complaint. The other fibre producers will be able to develop contacts with customers secure in the knowledge that these will remain independent and free to exercise choice of fibre on commercial grounds alone.

15. I believe that for these reasons a solution along these lines will be generally welcomed within all sections of the industry and I commend it to the group.

Ministry of Technology,
Thames House South,
S.W.1.

10th March, 1970.
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Thames House South,
S.W.1.

10th March, 1970.
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<td>Yes</td>
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<td>Against</td>
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<td>Yes</td>
<td>Yes</td>
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<td>Marks &amp; Spencer</td>
<td>For Yes</td>
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(1) Presumed    (3) Subject to abolition or substantial reduction of the tariff on synthetic fibres
(2) On principle (4) As a last resort
(5) But prepared to see the merger take place provided ICI are not involved
(6) Except if ICI is allowed to proceed with its proposals
<table>
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<td>Against</td>
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<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>(2) Yes</td>
<td>Against</td>
<td>Against</td>
<td>Against</td>
<td>Against</td>
<td>Against</td>
</tr>
<tr>
<td>(3) Yes</td>
<td>Against</td>
<td>Unclear</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
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<tr>
<td>(4) Yes</td>
<td>Against</td>
<td>Against</td>
<td>Yes</td>
<td>Against</td>
<td>Against</td>
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<td>Against</td>
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<td>Yes</td>
<td>Yes</td>
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<tr>
<td>(6) Yes</td>
<td>Against</td>
<td>Against</td>
<td>Against</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>(7) Yes</td>
<td>Against</td>
<td>Yes</td>
<td>Against</td>
<td>Yes</td>
<td>Yes</td>
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<tr>
<td>(8) Yes</td>
<td>Against</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
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<tr>
<td>(9) Yes</td>
<td>Against</td>
<td>Unclear</td>
<td>Against</td>
<td>Yes</td>
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</table>

- **To abolition or partial reduction of tariff on synthetics**
- **But prepared to see the merger take place provided ICI are not involved**
- **But though impracticable**
- **Majority views**
- **Except if ICI is allowed to proceed with its proposals**
- **Subject to no producer acquiring 33\(\frac{1}{3}\)% of the market for any individual product, and provided that ICI and Courtaulds are never allowed to merge.**
- **Some relaxation is acceptable subject to a degree of supervision of takeovers and mergers.**
<table>
<thead>
<tr>
<th>Views</th>
<th>Courses of Action</th>
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<tbody>
<tr>
<td>1. Fibre/Textile Link</td>
<td>2. Divestment of Courtaulds' fibre interests</td>
</tr>
<tr>
<td>For</td>
<td>For Against</td>
</tr>
<tr>
<td>Indifferent</td>
<td>Indifferent</td>
</tr>
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<td>Qualitex</td>
<td>Qualitex</td>
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<tr>
<td>Whitecroft</td>
<td>Whitecroft</td>
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<tr>
<td>3. Creation of a British Fibres Corporation</td>
<td>4. Mergers &quot;free for all&quot;</td>
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<tr>
<td>5. Allow ICI to merge Viyella and Carringtons</td>
<td>6. Continuation of the standstill as at present.</td>
</tr>
<tr>
<td>Yes</td>
<td>Yes (2)</td>
</tr>
<tr>
<td>UNCLEAR</td>
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<tr>
<td>Phillips Brocklehurst</td>
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<tr>
<td>(1) Presumed</td>
<td>(2) Subject to the abolition or substantial reduction of the tariff on synthetic fibres</td>
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<tr>
<td>(3) Provided that the BFC and other fibre producers are prohibited from forward integration.</td>
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*NOTES:* (1) Presumed
(2) Subject to the abolition or substantial reduction of the tariff on synthetic fibres
(3) Provided that the BFC and other fibre producers are prohibited from forward integration.
**ANNEX B**

**ESTIMATE OF THE SHARE OF TEXTILE PRODUCTION TAKEN BY THE FIVE LARGEST FIRMS IN THE INDUSTRY IN 1969 (%)**

<table>
<thead>
<tr>
<th></th>
<th>Courtaulds</th>
<th>Viyella</th>
<th>English Calico</th>
<th>Carrington &amp; Dewhurst</th>
<th>Coats Patons</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Weaving</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hours of production</td>
<td>33</td>
<td>9</td>
<td>7</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td><strong>Knitting</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hours of production</td>
<td>37</td>
<td>7</td>
<td>4</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td><strong>Finishing</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hours of production</td>
<td>15</td>
<td>6</td>
<td>5</td>
<td>9</td>
<td>1</td>
</tr>
<tr>
<td>(1) Cyan mixture fabric production</td>
<td>16</td>
<td>6</td>
<td>6</td>
<td>3</td>
<td>small 1</td>
</tr>
<tr>
<td>(2) Amount of fabric</td>
<td>29</td>
<td>4</td>
<td>2</td>
<td>29</td>
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<tr>
<td><strong>Producing (production)</strong></td>
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<td></td>
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<tr>
<td>(1) Cutting</td>
<td>5</td>
<td>1</td>
<td>5</td>
<td>1</td>
<td>0</td>
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<tr>
<td>(2) Dyeing</td>
<td>15</td>
<td>31</td>
<td>4</td>
<td>8</td>
<td>small 0</td>
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<tr>
<td>(3) Printing</td>
<td>11</td>
<td>10</td>
<td>37</td>
<td>0</td>
<td>small 0</td>
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<tr>
<td>(4) Mending</td>
<td>9</td>
<td>5</td>
<td>9</td>
<td>7</td>
<td>small 5</td>
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<tr>
<td>(5) Finishing</td>
<td>15</td>
<td>3</td>
<td>1</td>
<td>13</td>
<td>5</td>
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<tr>
<td>(6) Machine knitting</td>
<td>51</td>
<td>11</td>
<td>1</td>
<td>6</td>
<td>1</td>
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<tr>
<td>(7) Circular knitting</td>
<td>35</td>
<td>5</td>
<td>2</td>
<td>small</td>
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</table>

(1) Excluding surgical dressings etc.
(2) Excluding Courtaulds subsidiary in Northern Ireland
(3) Deliveries in October, including producer-textured yarn
(4) Based on wages and salaries and excluding raschel knitting.
ANNEX B

ESTIMATE OF THE SHARE OF TEXTILE PRODUCTION TAKEN BY THE FIVE LARGEST FIRMS IN THE INDUSTRY IN 1969 (%)

<table>
<thead>
<tr>
<th></th>
<th>Courtaulds</th>
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<th>English Calico</th>
<th>Carrington &amp; Dewhurst</th>
<th>Coats Patons</th>
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<tr>
<td>spindle hours</td>
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<td>9</td>
<td>7</td>
<td>3</td>
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<td>Height of production</td>
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<td>Amment</td>
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<td>29</td>
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<td>Off knitting</td>
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</table>

(1) Excluding surgical dressings etc.
(2) Excluding Courtaulds subsidiary in Northern Ireland
(3) Deliveries in October, including producer-textured yarn
(4) Based on wages and salaries and excluding raschel knitting.
20th March, 1970

CABINET

MOTION FOR MURDER (LIFE IMPRISONMENT) BILL

Note by the Secretary of State for the Home Department

In accordance with the discussion at Cabinet yesterday morning (CC(70) 13th Conclusions, Minute 2), I am circulating for the information of my colleagues the text of my letter to the Secretary of the Police Federation on the protection of police officers against violence.

L. J. C.

Home Office, S.W.1.

19th March, 1970
Text of a letter dated 19th March 1970 from the Home Secretary to the Secretary of the Police Federation

I was glad to have the opportunity of discussing recently with you and Mr. Seale the important question of the protection of police officers against violence, and, in particular, the question of the penalty for the murder of a police officer, in the light of Parliament's recent decision to make permanent the abolition of the death penalty.

The need to give the police all possible support and protection in their fight against crime, and violent crime in particular, is one of my main concerns. The most effective deterrent, I believe, is the certainty of detection, and that is why it is important to increase police strength still further and provide forces with the equipment and facilities which they need. At the same time, detection by itself is not enough and especially in the case of so grave a crime as the murder of a policeman, the penalty must be seen to be commensurate with the heinousness of the offence, and must serve as a deterrent to criminals and a protection to the police and law-abiding citizens generally.

The sentence for murder is now life imprisonment and I should like to explain, in some detail, the procedure and safeguards under which life sentence cases are treated and reviewed.

First, the sentencing stage. The only sentence that can be passed for murder is life imprisonment, but the trial judge is expressly empowered by the Murder (Abolition of Death Penalty) Act 1965 to recommend a minimum period for which the murderer should be detained in prison. Such a recommendation is not necessarily made in every case and although where made it is not binding on the Home Secretary or the Parole Board, nevertheless, it will clearly be a most important consideration to be taken into account in considering the prisoner's eventual release. In the case of the three men convicted in 1966 of the murder of Detective Sergeant Tippet-Head, Detective Constable Wombwell and Police Constable Cox at Shepherd's Bush, the judge recommended a minimum period of detention of 30 years.
Next, as to the review of cases. There is a difference here between the fixed sentence and the life sentence.

The person sentenced to a fixed term of imprisonment has for a long time been able to earn the remission of one-third of the sentence by good conduct (so that a sentence of say 15 years has normally meant actual detention for 10 years). Under the parole scheme every prisoner serving (in effect) a fixed sentence of imprisonment of over 18 months is eligible for consideration for parole when he has served one-third of his sentence, or 12 months, whichever is the longer. He is entitled to have his case reviewed, in the first instance, by a local review committee at the prison in which he is detained, and if they recommend favourably, by the central Parole Board.

The life sentence prisoner, however, has no entitlement to have his case reviewed by the local committee at any particular time. Normally, the first review by the local committee takes place after seven years. But a review after seven years does not in any way imply that the Home Secretary considers that the time has come to contemplate giving the prisoner a provisional date of release. It is arranged at about this stage of the prisoner's sentence so that he himself is aware that his case is subject to review by an outside body, and so that those cases in which there are mitigating circumstances which might justify release after say nine or ten years will be brought to notice. Except where a provisional date of release is fixed as a result of this first review, the prisoner's case will be considered again by the local review committee at suitable intervals.

The local review committee are concerned primarily with the question whether or not the prisoner could, in their view, be safely released, and do not take into account some of the wider considerations; and if they make a favourable recommendation, it is not binding on the Parole Board, or on the Home Secretary. The Home Secretary cannot release any life sentence prisoner on licence unless recommended to do so by the Parole Board, which includes three High Court judges.
Where a life sentence prisoner is being considered for release, the law requires that, before a decision is taken, the Lord Chief Justice and the trial judge, if the latter is available, must be consulted, and I can assure you that their views carry great weight with me and with the Parole Board. The Home Secretary is not obliged to accept a recommendation by the Parole Board for release, and I should make clear that every case of proposed release is studied by me personally.

The present law, therefore, and the procedures under it, provide an impressive defence against the possibility of premature or ill-considered release of a person serving a life sentence - not that I think that this danger has existed in practice. Some people, I know, are still under the impression that any life sentence prisoner can expect to be released after nine years. I cannot emphasise too strongly that this impression is wrong. The facts speak for themselves. There are at present 66 life sentence prisoners in prison who have already been detained for nine years or longer - the longest for over 20 years.

Under the procedure which I have outlined, full weight is given to the degree of gravity of the offence, as well as to considerations of public safety, at all stages of a life sentence and its review. I would certainly regard as exceptionally serious the case of a person who had been convicted of the murder of a police officer or of a prison officer. No one convicted of a crime of this kind should expect that he will be released merely because a certain number of years, however many they may be, have elapsed. There could be cases where the protection of the public required that the sentence should be literally one for life.

Another important safeguard is that a life sentence prisoner released on licence is subject to conditions of supervision for as long as necessary; and for the rest of his life he remains liable to recall to prison at any time. I have not hesitated to exercise the power of recall whenever it seemed necessary to do so for the protection of the public or of any particular members of the public.
A life sentence is, therefore, no empty formula or soft option. But I recognise that there is a case, in the light of and subject to Parliament's decision to abolish the death penalty, for considering whether the life sentence should remain the only sentence which can be imposed for murder. As I have announced in the House of Commons, I am asking the Criminal Law Revision Committee, whose chairman is Lord Justice Edmund Davies, to review the whole law of offences against the person, including homicide, and this will include a review of the penalties. The committee will, therefore, be able to consider whether there should be any re-definition of the offence of murder and (subject to Parliament's recent decision on the abolition of the death penalty) whether there should be any change in the penalty for murder - for instance, whether the courts should be able to pass a sentence for a fixed term of years instead of, as now, being obliged to pass an indeterminate life sentence. The committee will begin their review by seeking the views of those primarily concerned with the administration and enforcement of the criminal law, and there will, therefore, be full opportunity for police officers, and prison officers, through their representative bodies, to put their views to Lord Justice Edmund Davies and his colleagues.
PURCHASE OF TEN-TON TRUCKS FOR THE ARMY

Memorandum by the President of the Board of Trade

1. At the Cabinet meeting on 26 March (CC(70) 14th Conclusions, Minute 6) I was invited to consider whether the Volvo truck was being offered at a "dumping" price.

2. In our anti-dumping legislation "dumping" is defined as selling for export at a price lower than that of comparable sales in the exporter's home market. According to information the Ministry of Defence have received from the Commercial Counsellor in Stockholm the list price of the Volvo truck in Sweden is £8,200. This, however, is not a "comparable" price. The Ministry of Defence normally expect to get a 20 per cent discount on any purchase they make, and a larger discount on large orders. A 25 per cent discount would bring the price down to £6,150. This is higher than the price £5,524 which Volvo have quoted. The margin is, however, not such as to suggest that there is any very considerable element of dumping.

3. It follows from what I have said that the question of anti-dumping action scarcely arises. To complete the picture, however, it may be worth adding that:

1. Our legislation provides, in accordance with General Agreement on Tariffs and Trade (GATT) requirements, that anti-dumping duties can be imposed on a GATT country only if the effect of the dumping is such as to cause or threaten material injury to a British industry. For the dumping to cause any injury the first essential is that the overseas exporter should have obtained the business because he quoted a dumped price. If he would have obtained the business at an undumped price the dumping would not be the cause of the loss suffered by the British industry. In this case, it is clear from the estimated annual costs quoted in the Annex to SEP(70) 33 that Volvo could have substantially increased their price - certainly sufficiently to eliminate any margin of dumping there might be - and still have obtained the order.
ii. The immediate injury to the industry would be the loss of the present contract, which Lord Stokes has himself described as "relatively insignificant". What worries the industry is a long-term threat arising from a loss of reputation. This would be difficult to quantify and it would be difficult to show, as we are required to do under the terms of the Anti-Dumping Code of which both we and Sweden are signatories, that this aspect constituted a "clear and imminent threat" of material injury.

iii. The Board of Trade would not normally investigate an allegation of dumping unless and until they received an application from the industry supported by prima facie evidence of dumping and material injury caused or threatened thereby.

R.M.

Board of Trade S.W.I

3 April 1970
7 April 1970

CABINET

INDUSTRIAL RELATIONS BILL

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

1. At its meeting on 30 October 1969 (CC(69) 52nd Conclusions, Minute 4), the Cabinet decided that the Industrial Relations Bill should contain the provisions listed in Annex I to this memorandum, subject to further detailed consideration by the Committee on Industrial Relations. The Cabinet also agreed that the Committee should examine the need for legislative provision on 3 other matters - the registration of procedure agreements by employers; anti-trade union rules of Friendly Societies; and the appointment of employee representatives to the boards of undertakings.

2. The Industrial Relations Committee have reviewed the proposed provisions of the Bill and have discussed the controversial issues which have arisen in the course of consultations with the Trades Union Congress (TUC) and the Confederation of British Industry (CBI). A summary of the issues and of the Committee's conclusions is attached at Annex II for the information of my colleagues.

3. So far as the overall shape of the Bill is concerned, the Committee agreed that the Bill should include those provisions decided on by Cabinet in October - with 2 modifications. First, the Committee agreed that it would be inadvisable to seek to restrict the immunity enjoyed by trade unions (under Section 4 of the 1905 Trade Disputes Act) from actions in tort to those torts committed in pursuance of trade disputes. This proposal had been made in the Donovan Commission's Report, and was endorsed in the White Paper "In Place of Strife". But in view of the Cabinet's subsequent decision not to extend the protection afforded by Section 3 of the Trade Disputes Act to cover inducement of the breach of any commercial contract, the Committee thought it necessary to reconsider whether it would be wise to effect any change in Section 4. The effect of the change proposed would be to make it possible to secure damages from unions (and to get injunctions against them) in respect of torts arising otherwise than
"in contemplation or furtherance of a trade dispute". But since there can be situations where strike action is taken in circumstances where the courts judge that no "trade dispute" exists (eg Torquay Hotel v. Cousins and Stratford v. Indley), a narrowing of the immunity from action for tort could have the effect of putting union funds at risk in some cases where they take industrial action. For this reason, there would be great pressure from the TUC to widen the definition of a trade dispute to cover any industrial or strike action by unions. The Committee felt that on balance it would be preferable to leave Section 4 (and the definition of a trade dispute) as it was.

4. Secondly, the Committee decided that the Bill should prevent Friendly Societies from having rules debarring trade unionists from membership (Annex II, paragraph 6).

OUTSTANDING ISSUES

5. There are 3 issues on which the Committee did not reach a final or agreed conclusion and which I was invited to bring before Cabinet; and there is a fourth I wish to bring to the Cabinet’s attention:

a. the application to the Crown of the requirement on employers to disclose information to recognised trade unions;

b. the circumstances in which it would be permissible for an employer to require his employee to belong to a specified, independent trade union;

c. how to ensure that Industrial Tribunals are capable of dealing with the additional load of cases arising from the Industrial Relations Bill;

d. the powers of the Commission on Industrial Relations (CIR).

DISCLOSURE OF INFORMATION BY MANAGEMENT: APPLICATION TO THE CROWN

6. The Industrial Relations Committee were generally agreed on the nature and extent of the requirement on employers to disclose to recognised unions information necessary and relevant to negotiations, and on the various safeguards which the Bill should contain to protect employers from having to disclose information which could be damaging (Annex II, paragraph 2). The Committee did not, however, reach any agreement about the application to the Crown of the disclosure requirements. I was therefore invited to put before Cabinet the various arguments on this question.
7. It was argued by some members of the Committee that there were powerful constitutional and practical reasons for exempting the Government from the disclosure provisions. On the other hand, it was suggested that no new points of principle were involved and that, if the Government sought to avoid the obligation laid on other employers it would find it difficult to insist that employers in the private sector should be subject to the statutory requirements.

8. The main constitutional arguments for Crown exemption are that Ministers are responsible to Parliament for the administration of their Departments and because of the special position of the Government their discharge of that responsibility may on occasion be difficult or even impossible to reconcile with the full requirements of legislation of this kind. In general, therefore, it is preferable for such legislation not to bind the Crown but for the Government to state their intention to abide by its spirit. Exceptions have been made to this principle, but only where there have been compelling reasons for binding the Crown (for example, the Race Relations Act, 1968). Although exemption will be criticised by employers and trade unions, if the Crown was bound there would be likely to be even more serious criticism in particular cases where Ministers found their special position made it impossible to disclose information which other employers were expected to disclose. Departments possess a large amount of sensitive information the disclosure of which could be particularly damaging or embarrassing; it would be impossible to foresee and provide for all situations in which disclosure could cause difficulties, and therefore Ministers should be free of any statutory responsibility on this matter.

9. Against this, it must be emphasised that the principle of independent adjudication or arbitration in matters affecting the Civil Service is nothing new - cf. the Crown Proceedings Act - and that other employers would be unimpressed by an undertaking that the Civil Service abide by the spirit of the legislation, if the question whether this was being observed was not open to independent scrutiny; that scrutiny is after all, exactly what other employers find most objectionable about the proposals. Furthermore, it is not proposed to take away from any Minister the right and responsibility in the last resort to decide whether or not information should be disclosed; nor is it suggested that any refusal by a Minister to disclose information should attract any formal sanction. So far as sensitive information is concerned, the safeguards already proposed (e.g. those relating to national security, to information about individuals, and to confidential information from or about third parties) are very extensive; there will be opportunity to include in the proposed Code of Practice and regulations additional safeguards to those included in the Bill; and in any case, private employers have many of the same problems in regard to disclosure as Government Departments.

10. In my view, there are the strongest political and presentational reasons for applying the disclosure requirements to the Crown. I recommend we should so decide.
STATUTORY RIGHT TO BELONG TO A TRADE UNION: REGULATION OF THE CLOSED SHOP

II. The Bill will provide that it should be an implied term of every contract of employment that the employer should do nothing to prevent or deter his employees from belonging to an independent trade union, or to penalise them for doing so. It is no purpose of the legislation to regulate the closed shop, or to give the employee a statutory right to belong to any union he chooses - or to belong to no union at all. The Bill will therefore say nothing about an employer's right to require his employees to belong to a specified union. It will, however, be necessary to make it clear that an employer will not be acting in breach of the statutory provision if he restricts the choice of his employees to a particular independent trade union - i.e., if they choose to belong they must belong to union x. The TUC are pressing for the Bill to include a proviso that such a restriction should be permissible only where there is an agreement between the employer and the union concerned - though it is not clear exactly how they would take this to be achieved.

12. I believe there are considerable risks in adopting the TUC suggestion, which will not in any case secure the results they expect or hope for. I am, however, examining the possibility that employers who recognise and negotiate with trade unions might be permitted to restrict the employees' choice of independent trade union only to the unions - or some of the unions - with whom they negotiate. Employers who do not recognise and negotiate with trade unions would not be permitted to restrict their employees' choice. It seems to me that this will substantially meet the TUC's point and I intend to discuss the proposal with the TUC. Subject to the TUC's reaction, I would propose either to include a provision on these lines in the Bill or to leave the Bill silent about the circumstances where it is permissible for an employer to restrict his employees' freedom of choice.

THE LOAD ON INDUSTRIAL TRIBUNALS

13. The main outstanding problem arising from the provision for appeals against unfair dismissals and extension of the jurisdiction of Industrial Tribunals is the capacity of Tribunals to cope with the work. Research has indicated that this may be a problem of considerable magnitude. For that reason I have reluctantly had to introduce certain disincentives and restrictions into the proposals; for example, a qualifying period of 2 years' service for appeal against unfair dismissal (except for trade union membership and activity, where there will be no qualifying period) in the hope that it can be relaxed when the position of the Industrial Tribunals improves. Even so it is estimated that the caseload will be about 25,000 to 40,000 a year and the Lord Chancellor has advised that this would intolerably overload the existing Tribunals. The Committee on Industrial Relations has invited the Lord Chancellor and myself, in consultation with the Chief Secretary, to seek a solution to the
problem and we are considering the adoption of a 2-tier system of a number of local Tribunals and a right of appeal to a superior Tribunal. Moreover, until satisfactory administrative arrangements are devised, the extension of the Tribunals' jurisdiction to disputes arising from the individual contract of employment will need to be delayed. This will not be unwelcome to the TUC and CBI who oppose this provision.

THE POWERS OF THE COMMISSION ON INDUSTRIAL RELATIONS

14. The TUC are not in favour of the proposal to establish the CIR on a statutory basis, but they have not given me any precise reasons, beyond generalities about rigidity and inflexibility and susceptibility to Government influence, which do not seem to me to be well-founded. The Committee on Industrial Relations agreed that a body exercising such important statutory powers should be established and regulated by statute. I therefore propose to go ahead with these provisions.

15. The provisions will give the CIR power to require persons to provide information and give evidence in connection with its inquiries. The question of enforcement arises. I propose that the CIR should have powers, like those given to the National Board for Prices and Incomes (NBPI) under the Prices and Incomes Act, to take proceedings against trade unions and employers' associations, as well as against corporate bodies and individuals, for failure to provide information, etc. It will be remembered that when a similar question arose in connection with the Commission for Industry and Manpower Bill (CIM), it was decided that it would be undesirable to make trade unions liable to proceedings and penalties; the liability was therefore confined to corporate bodies and individuals (who could, of course, be trade union officers). The Committee on Industrial Relations have, however, accepted the view that provisions in relation to the CIR should follow the NBPI rather than the CIM. The penalties are not comparable to the penal sanctions envisaged in the interim Industrial Relations Bill. The CIR by its nature, will be more involved than the CIM in getting information from trade unions and employers' associations, and may therefore need a sanction against refusal to produce it.

TUC AND CBI REACTIONS

16. The foregoing proposals will by and large be welcomed by the TUC as a sound basis for legislation subject to one major reservation. They greatly regret the Government's decision not to extend the protection of the 1906 Act to cover inducement of the breach of any commercial contract. But I am convinced that no developments since last October would justify any modification of the decision then taken by the Cabinet not to yield on this point.

17. The CBI are opposed to the Bill which they regard as one-sided and as mostly involving concessions to the trade unions.
18. I invite my colleagues to agree that:

a. the provisions on disclosure of information by employers should apply to the Crown, but there should be no provision for sanctions against any Minister who refuses to disclose information;

b. I should decide the circumstances in which an employer may restrict an employee's membership to a particular union in the light of further consultation with the TUC;

c. satisfactory administrative arrangements for Industrial Tribunals should be devised by the Lord Chancellor and myself, in consultation with the Chief Secretary;

d. the CIR should be established as a statutory body with powers to take proceedings against trade unions and employers' associations, as well as against corporate bodies and individuals, for failure to provide information relevant to the Commission's work.

B A C

Department of Employment and Productivity SW1

6 April 1970
PROVISIONS FOR INCLUSION IN THE INDUSTRIAL RELATIONS BILL AS AGREED BY CABINET ON 30 OCTOBER 1969

1. Establishment of the Commission on Industrial Relations as a statutory body.
2. The power to make orders, on the recommendation of the CIR, requiring employers to recognise a trade union.
3. Disclosure of information by management to recognised trade unions.
4. Amendments to the Wages Councils Act.
5. Establishment of a Trade Union Development Scheme.
6. Establishment of a statutory right for employees to belong to a trade union.
7. Safeguards against unfair dismissal.
10. Modification of Section 4(4) of the 1871 Trade Union Act and amendment of the definition of a trade union.

*11. Restriction of the protection trade unions enjoy from actions in tort under Section 4 of the 1906 Trade Disputes Act.

12. Extension of the protection given by Section 3 of the 1906 Act to cover inducement of the breach of a labour-only contract.

13. Requirements for registered trade unions to appoint qualified auditors and to carry out regular valuations of their superannuation schemes.

14. If necessary, provisions to facilitate the appointment of workers' representatives to boards of undertakings (see Annex II, para 11).

*With the agreement of the Industrial Relations Committee, and following consultation with the Attorney-General, the proposal to limit the protection of Section 4 to torts committed in contemplation or furtherance of a trade dispute was not proceeded with. The consultative document on changes in trade union law which was sent to the TUC and CBI made it clear that the Government had decided against limiting Section 4 immunity in the way suggested in the White Paper "In Place of Strife" (see paragraph 3 of the memorandum).
REPORT ON ISSUES RAISED IN THE COURSE OF CONSULTATION ON THE GOVERNMENT’S LEGISLATIVE PROPOSALS AND ON CONCLUSIONS REACHED BY THE INDUSTRIAL RELATIONS COMMITTEE

1. RECOGNITION OF TRADE UNIONS

Complaints of non-compliance with a recognition order.

The TUC have pressed the Government to modify the procedure under which a union may complain if an employer fails to comply with a statutory recognition order. Under the Government’s original proposals, a complaint of this kind would have been referred to the Industrial Court. The TUC believe that the CIR would be a more appropriate body for adjudicating on these complaints, particularly since the CIR will have made the recommendations on which the order would be based. The Industrial Relations Committee accepted the force of the TUC’s view, and agreed that this change in the statutory procedure should be made.

Position of the nationalised industries

Representatives of the nationalised industries have expressed some concern that the provisions on recognition of trade unions appear to over-ride the statutory responsibility laid on nationalised undertakings to establish appropriate consultative and negotiating machinery. The Industrial Relations Committee agreed, however, that in the event of a reference to the CIR of a recognition dispute involving a nationalised undertaking, it was necessary to provide that any subsequent statutory recognition order made by the Secretary of State should supersede the discretion given under the appropriate nationalisation statute.

2. DISCLOSURE OF INFORMATION BY MANAGEMENT

The TUC have welcomed the proposals, but have suggested that they should be extended to require the disclosure of information needed to further the participation of employees in the processes leading to the taking of management decisions. This phrase seems to cover some aspects of both negotiation and consultation.

The CBI have expressed total opposition to any statutory requirement on an employer to disclose to a recognised trade union information which is relevant and necessary to negotiations in which they engaged. The CBI believe this to be an unreasonable infringement of management’s discretion, which is not calculated to further the development of satisfactory collective bargaining. In order to allay some of the more justified anxieties of employers, the Industrial Relations Committee agreed that:

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/s/ the statutory
a. the statutory requirement should be related to negotiations, and not extended to consultation between an employer and trade union officials;

b. more detailed guidance about the requirement should be provided in a Code of Practice, in the preparation of which the CBI and TUC would be consulted. Parliament would be required to approve the Code of Practice before the requirement to disclose information becomes effective;

c. there should be additional safeguards to protect information which it might be unreasonable or damaging for an employer to disclose.

The Industrial Relations Committee did not reach a view whether the disclosure requirement should apply to the Crown (see paragraphs 6-10 of the memorandum).

3. IMMUNITIES AFFORDED BY SECTION 3 OF THE 1906 ACT

Labour-only contracts

The Industrial Relations Committee agreed that the scope of Section 3 of the 1906 Act should be extended to cover contracts personally to execute work as well as contracts of employment or service. This would make it possible for union officials to induce a breach of a contract with a self-employed worker or with a gang of self-employed workers. It would not make lawful any inducement of a breach of a commercial contract between two companies under which one of them agrees to furnish the other with labour to do a particular piece of work.

Ex parte injunctions

The TUC have expressed concern about these injunctions which they claim can materially weaken union action. It is also alleged that union officials sometimes hear nothing about the proceedings taken by the employer until the judge has actually decided to award an injunction. I am in touch with the Lord Chancellor on these allegations. On ex parte injunctions per se, the Industrial Relations Committee did not consider that the comparatively rare occasions on which an ex parte injunction was awarded against trade union officials provided grounds for special protection for unions from these proceedings.

4. EXTENSION OF JURISDICTION OF INDUSTRIAL TRIBUNALS

The TUC and CBI oppose the proposal to extend the jurisdiction of Industrial Tribunals to disputes arising from the individual contract of employment. The Industrial Relations Committee nevertheless agreed in
principle that legislation should be introduced but expressed concern about
the load on the Tribunals which might result from the proposed extension of
their jurisdiction. The Committee therefore invited the Departments chiefly
concerned (Lord Chancellor's Department, Treasury and Department of Employment
and Productivity) to consider further the administrative problems which would
be involved in implementing the decision previously agreed (see paragraph 14
of the memorandum).

5. SAFEGUARDS AGAINST UNFAIR DISMISSAL

The Committee approved a number of changes proposed in the provisions to
safeguard employees against unfair dismissal (in particular, the basis of
compensation). The Committee also agreed that the protection against unfair
dismissal should not apply to the dismissal of strikers during a strike unless
it was found to be for one of the specified unfair reasons (for example, an
employer would not be able to use the excuse provided by a strike for
dismissing workers on the grounds of colour, race, sex, etc).

6. RULES OF FRIENDLY SOCIETIES

At its meeting in October 1969, Cabinet invited the Industrial Relations
Committee to consider further whether it was desirable to legislate to prevent
Friendly Societies having rules debarring members of trade unions from
membership or benefits of Friendly Societies. The TUC have taken the view
that, although the particular society most complained of in the past
(the Foremen and Staff Mutual Benefit Society) has repealed its anti-trade
union rules, it would be desirable nonetheless to make legislative provision
to prevent any other society adopting similar rules in the future. The
Industrial Relations Committee concurred and recommended that appropriate
clauses should be included in the Bill.

7. REGISTRATION OF PROCEDURE AGREEMENTS

The Industrial Relations Committee agreed that the Secretary of State
should have powers, should improve necessary, to make regulations requiring
employers to register any written procedure agreements or arrangements.

8. MODIFICATION OF SECTION 4(4) OF 1871 TRADE UNION ACT AND AMENDMENT OF THE

DEFINITION OF A TRADE UNION

These provisions will enable agreements between employers' associations
and trade unions to be directly enforceable if there is an express written
provision in the agreement to that effect. The TUC have not objected to this.
Employers' associations will in future no longer be defined as trade unions but the political fund provisions of the Trade Union Act, 1913 will continue to apply to them. The TUC attached importance to this and the CBI did not object.

9. TRADE UNION DEVELOPMENT SCHEME

There are clearly different views inside the TUC about this proposal and the TUC's official reaction has been very tepid. On present information they will not oppose it.

10. REQUIREMENTS FOR REGISTERED TRADE UNIONS TO APPOINT QUALIFIED AUDITORS AND TO CARRY OUT REGULAR VALUATIONS OF THEIR SUPERANNUATION SCHEMES

The TUC have not objected to these proposals.

11. APPOINTMENT OF WORKERS' REPRESENTATIVES TO BOARDS OF UNDERTAKINGS

Neither the TUC nor the CBI have expressed great interest in the White Paper proposal that the Government would consider what more needed to be done to facilitate the appointment of employee representatives to management boards. The Industrial Relations Committee noted that a discussion document outlining some of the major issues for consideration has been sent to the TUC, CBI and nationalised industries. This sets out fully the pros and cons of different possible developments in this field. No replies to it have yet been received. Whatever the reactions to it, it was not expected that any conclusions would be reached which would necessitate the inclusion of enabling provisions in the Bill.
The First Secretary of State in her memorandum of 7th April (C(70) 48) argues that the Industrial Relations Bill's requirements for employers to disclose information to recognised trade unions should apply to the Crown.

2. This is one of a number of recent cases where Ministers responsible for preparing legislation affecting the relationships between employers and employees have proposed that its provisions should apply to the Crown. This trend runs counter to most earlier practice. An important principle is involved which, in my view, should be considered before any decision is taken that the Crown should be bound by the disclosure provisions of this Bill and which is also relevant to other areas where there is pressure for legislation affecting the relationships between employers and employees to apply to the Crown. It is essential to consider each case on its merits.

3. The Queen is not bound by Acts of Parliament unless she consents to be so bound and it is a rule of law that the Crown is not bound by an Act except by an express statement or necessary implication in the Act. Nor can the Crown be prosecuted. There are good reasons why it is generally preferable for the Crown not to be bound by Acts in the personnel field. As the First Secretary's memorandum recognises, Ministers are responsible to Parliament for the administration of their Departments and because of the special position of the Government their discharge of that responsibility may on occasion be difficult, indeed impossible, to reconcile with the detailed provisions of legislation on personnel matters (eg in security cases). If the Crown is bound, such cases have to be covered by clauses in the Act adapting its application to the special circumstances of the Crown, which naturally attract Parliamentary and public criticism. (If there are no such Crown application clauses, the only course open to a Minister in a case where he could not reconcile his responsibilities as Minister with observance of the legislation would be the unacceptable one of overriding the Act.) In general, therefore, it is preferable for Acts in the personnel field not to bind the Crown but for the Government to state their
intention to provide no less favourable conditions. Exceptions have been made to this generally accepted principle where there have been compelling reasons why the Crown should be bound (e.g., the Race Relations Act 1968 and the proposed legislation on equal pay); but in my view it is for those who wish to depart from the principle to make a special case on grounds of overriding policy or practical considerations.

4. I fully appreciate that where the Government is seeking to apply to other employers legislative requirements to which they are opposed, it is difficult for the Crown, as a major employer, to exempt itself from the provisions of the legislation. But Crown exemption, like the doctrine of Ministerial responsibility, is not a device for the convenience of civil servants; it is intended for the protection of Ministers and the avoidance of the public confusion which can arise when an Act is made applicable to the Crown but has to be adapted to the Crown's special position by a series of detailed clauses.

5. In the particular case of the disclosure requirements, the First Secretary, while arguing that these should apply to the Crown, concedes in paragraph 9 of her memorandum that it is not proposed to take away from Ministers the right to decide in the last resort whether or not information should be disclosed and that a refusal by a Minister to comply with a recommendation of the Industrial Court to disclose information would not attract any formal sanctions. This illustrates clearly the practical difficulties which binding the Crown will create for Ministers.

6. In a case where disclosure was disputed, the responsible Minister's Department would first go through the procedure of an Industrial Court hearing at which its case would be fully set out. If the Court nevertheless recommended disclosure but the Minister decided he ought not to accept the recommendation, public confidence would be undermined in the Court, the disclosure requirements and the Department concerned alike would be brought into question and the difficulty of explaining and defending to Parliament, and to the general public, the reasons for the Minister's decision, however well-founded, would be redoubled. Criticism of refusals by Ministers to disclose information in particular cases—which would be all the keener when it was realised that there was no way of enforcing on a Minister compliance with the Industrial Court's recommendation in such a case—would be likely far to outweigh criticism of non-application of the Bill's disclosure provisions to the Crown.

7. I therefore invite my colleagues to agree that the disclosure requirements of the Industrial Relations Bill should not apply to the Crown.

Civil Service Department, SW1

7th April, 1970
The circulation of this paper has been restricted to members of the Cabinet only. Great care should be taken to safeguard the confidential nature of its contents.
CABINET

COMMONWEALTH IMMIGRATION: COLONEL OJUKWU

Memorandum by the Secretary of State for the Home Department

At our meeting on 26th March (CC(70) 14th Conclusions, Minute 3, Confidential Annex) I said that, after consultation with the Foreign and Commonwealth Secretary, I had concluded that we could properly refuse admission to Colonel Ojukwu on security grounds, and that I was sending the necessary instructions to the ports. We had some discussion of the problem of getting rid of Colonel Ojukwu if he succeeded in entering this country, and the Foreign and Commonwealth Secretary and I were invited to seek the views of the Attorney-General on the legal issues.

REFUSAL OF ADMISSION

2. Under section 2 of the Commonwealth Immigrants Act 1962 a Commonwealth citizen has a right of entry to the United Kingdom if he can satisfy the immigration officer that he is in a position to support himself without working. Entry can be refused only for the following reasons -

(i) On medical grounds
(ii) Because of criminal record; or
(iii) if admission would "in the opinion of the Secretary of State be contrary to the interests of national security".

Only the last is relevant here. It might be argued that the power to refuse entry on security grounds was inserted in the statute as a safeguard against people coming here on intelligence or espionage missions, but a wider interpretation is not precluded. In view of the grave economic and strategic implications of admitting Colonel Ojukwu I think that this provision can properly be used to bar his entry. The Attorney-General has concurred in the view that this would be a proper use of the statutory provision, although he does not exclude the possibility that, if the issue were to come before the courts, a different view might prevail.

3. It may be useful to set out the reasons why it seemed necessary to reject two other possible ways of preventing Colonel Ojukwu from coming here.
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3. It may be useful to set out the reasons why it seemed necessary to reject two other possible ways of preventing Colonel Ojukwu from coming here.
4. One suggestion was that we should invite the Nigerian Government to deprive him of his Nigerian citizenship, so depriving him of his statutory right of entry to this country. The difficulty about this course is that we could not guarantee to be able to deny entry even if the Nigerian Government were to act upon our suggestion. In the first place, even if he were deprived of Nigerian citizenship by an act which would be recognised by our courts, there can be no assurance that he might not subsequently be granted citizenship by some other Commonwealth country. In the second place, whether Colonel Ojukwu were to arrive here as a Commonwealth citizen, or as an alien or as a Stateless Person, we cannot say in advance that he might not have a valid claim for political asylum as a refugee, according to the definition in the Convention on the Status of Refugees (Cmnd. 8465) to which we are a party. It is true that he has found refuge in the Ivory Coast, but there can be no assurance that he would still be acceptable in that country after he had gone there, or that some other third country would be prepared to grant him refuge. If Nigeria were the only country of return, we could not evade a claim for political asylum and we might find it difficult to reject it. In that event, and assuming that we had encouraged the Nigerian Government to withdraw Colonel Ojukwu’s citizenship, our last state would be worse than our first.

5. The second suggestion was that we should stimulate the Nigerian Government to apply for extradition as a means of frightening Colonel Ojukwu away. But if a warrant were issued in Nigeria for a relevant offence within section 3(1) of the Fugitive Offenders Act 1967 and the Nigerian Government applied for his return, it would be open to him to claim that he should not be surrendered, on the grounds set out in section 4(1) of the Act, namely, that the offence for which his return was sought was political or that his position would be prejudiced on account of his race, religion, nationality or political opinions. The Attorney-General agrees that such a claim would probably be upheld by the courts. Colonel Ojukwu’s advisers in this country would be well aware of the fact that no court would be likely to order his return to Nigeria.

6. While I consider that the exclusion of Colonel Ojukwu on security grounds can be justified, it would be unwise to underestimate the amount of criticism that the decision might attract, in Parliament and elsewhere. It could clearly be undesirable to allow the controversy to be spun out by way of legal proceedings, and accordingly the instructions to the Immigration Service are to refuse entry promptly, to deny communications facilities, and to put Colonel Ojukwu on the next plane for the country from which he embarked for the United Kingdom. Instructions on these lines would have to be disclosed if the occasion arose to act upon them. They would be criticised as high-handed, but I think we must stand by them.

7. The statutory immigration appeal system is shortly to be introduced. This would not alter the basis for refusal of entry, but Colonel Ojukwu would have to be allowed to stay here to exercise his rights of appeal. The appeal in a security case is to a special panel of the Immigration Appeals Tribunal and their conclusion is advisory only. There are provisions for certifying that certain matters should not be disclosed to the appellant if
this would be contrary to the interests of national security. A decision could probably be reached in a few days, and although an adjudicator could, in theory, grant bail, it is likely that in practice Colonel Ojukwu could be kept in custody during that time.

EXPULSION AFTER ENTRY

8. Despite our best endeavours, Colonel Ojukwu might not be identified on his examination at the port and might consequently be admitted as a visitor under the Act of 1962. If this happened, as a result of deception on his part, it would be unwise to attempt a second examination on the ground that the first one should be regarded as a nullity. The Attorney-General has advised that the courts would almost certainly reject this argument if habeas corpus proceedings were taken on Colonel Ojukwu's behalf following re-examination and refusal. It follows that, where deception had been practised, one course would be to prosecute Colonel Ojukwu for giving false information in the hope that the court would recommend deportation. Under the 1962 Act, it is however open to me to vary the condition which determines the length of stay of a visitor and whether Colonel Ojukwu had obtained entry by deception or through oversight on the part of the immigration service I could vary his permitted length of stay in a way which would require him to leave forthwith. Once the appropriate provisions (section 16) of the Immigration Appeals Act are brought into effect, if Colonel Ojukwu failed to leave in compliance with the condition as varied, I could deport him (subject to an appeal which would result in an advisory recommendation) and there would be no need for a prosecution and court recommendation.

9. There is another source of danger. If Colonel Ojukwu were admitted by the Republic of Ireland he would then be free to come to the United Kingdom. If he crossed the land border into Northern Ireland, he would in practise be free of all immigration control for the duration of his stay in the United Kingdom and could come to this country and remain here. I see no way round this. If he came here openly direct from the Republic, we could within 28 days of his arrival require him to submit to examination, refuse him entry on security grounds and send him away. If he came unrecognised from the Republic, and we did not discover his presence here until 28 days had elapsed, I am advised that there is no provision in our law under which we could eject him. The Irish authorities might have admitted him subject to a time restriction, although this is contrary to their normal practice; but, even if they had done so, there is nothing in our law to say that such a condition has effect in the United Kingdom, or that we have power to curtail his stay.

CONCLUSION

10. We should refuse permission for Colonel Ojukwu to enter this country, on security grounds. But the prospect of getting rid of him if he once gained entry is unlikely; and our best course, pretty clearly, is to keep him in such a state of uncertainty about his reception here that he think it better not to take the risk of coming.

LJC

Home Office, SW1

14th April, 1970
CABINET

LESOTHO

Memorandum by the Secretary of State for Foreign and Commonwealth Affairs

1. It was decided at our meeting on 26 March (CC(70) 14th Conclusions, Minute 2) that the Cabinet would wish to give further consideration to the questions of recognition and the resumption of aid in Lesotho after the Easter Parliamentary Recess. I attach an annex summarising the background to the situation and also the main recent developments.

INTERNAL

2. There are disturbing features about the internal scene. No steps have yet been taken to restore democratic constitutional government; main Opposition leaders have been imprisoned; and there have been many ugly reports of beatings of and pressures on individuals, and arbitrary discharging of civil servants. There have been incidents in various parts of the country, the most serious being that of the weekend of 4-5 April resulting in some 100 deaths in all, mostly of diamond diggers who had attacked company camps and police posts in the north-eastern mountainous areas. The police have, however, managed to contain all these disturbances, and our High Commissioner's latest assessment is that whilst further gang attacks in outlying areas are possible, the police are likely to be able to continue to preserve internal security generally.

3. Over the period of about 11 weeks since his 'coup', Chief Jonathan has thus been able to exercise effective control over the greater part of the territory and command the obedience of the mass of the population. In this respect, our High Commissioner assesses that Jonathan has met our criteria for recognition, and that the recent disturbances in the diamond area do not necessitate a change in this view. Since our policy has been based on our normal recognition criteria, we have deliberately refrained from laying down any political conditions for recognition or resumption of aid, which could be represented as interference in Lesotho's internal affairs. We have, however, taken every opportunity that offered of getting over to Chief Jonathan through private channels the need for
compromise which would create a more stable political situation and facilitate a return to constitutional government. These pressures have been reinforced by the advice of Lesotho civil servants and others, against the background of alarm caused by the financial consequences of the suspension of our aid, and have led Jonathan to open discussions with Opposition party leaders with the aim of negotiating some kind of coalition government, at least as an interim measure. An announcement made late on 8 April indicates that Jonathan and the leaders of the other three main parties, including Mokhehle, have agreed to hold a round-table conference to discuss the prevailing situation and the future. They have called for solutions to be worked out domestically and not by outsiders, and have also dissociated themselves from the use of any violence. Jonathan announced that the purpose of the discussions would be to try to form a national government which would assist in working out a new constitution to be put before the nation for approval.

RECOGNITION

4. We are therefore in a situation in which:

a. it is increasingly difficult, after Jonathan has successfully sustained himself for nearly 3 months, to pretend that our normal criteria for recognition are not met; and

b. there are encouraging developments in Lesotho (though it is still to be established whether the agreement between the political parties has been willingly reached and is likely to be honoured) which may create an acceptable opportunity for the resumption of normal dealings.

5. I therefore believe we should now take the necessary preliminary measures to clear the way for a decision on the resumption of normal relations, possibly at short notice, according to developments. This means as a first step informing Sir Seretse Khama, entirely confidentially, of our views, leaving him enough time to comment. In a conversation about his latest message to the Prime Minister, Sir Seretse indicated to our High Commissioner that, whilst he hoped that pressures could be kept on Jonathan and that some "deus ex machina" would emerge, he realised that the passage of time made more difficult the avoidance of recognition. I believe, therefore, that - particularly in the light of the latest indication of possible political compromise in Lesotho - President Khama will understand that we feel we must be ready to move on soon to a resumption of relations.

AID

6. Since the end of January there has been no contact with the Lesotho authorities on aid matters. New recruitment of technical assistance personnel has been halted (although 89 Overseas Service Aid Scheme officers and 4 technical assistance officers remain in post); requests
for training have been held in abeyance; and claims for payments due to Lesotho amounting to just over £1 million have been returned to the Lesotho authorities. Three research schemes, normally financed from British research funds paid through the Lesotho Government and whose benefits may be expected to extend beyond Lesotho, have been reduced to a care and maintenance basis only and are being kept in existence by means of direct payments through the British High Commission to the expatriate officers in charge. We have refused to receive Chief Jonathan's acceptance of a new 3-year offer of budgetary and development aid, made last December and intended to come into effect on 1 April 1970, and we have made it clear that this offer is in suspense.

7. If recognition is accorded it will be open to us to resume an aid programme to Lesotho. The exact form and extent of such a programme will depend on the policies and programmes of the Lesotho Government and on its administrative capacity. If the new Government continues with the plans and policies of the pre-coup administration an early resumption of our aid programme should not be difficult since it was against those plans and policies that our suspended programme was drawn up. If however the plans and policies of the newly recognised Lesotho Government should differ significantly from the earlier ones, we should have to examine the situation in depth.

8. We should also need to consider carefully the administrative capacity of the new Government. In this context an important consideration is the quality and morale of the Civil Service. These have been adversely affected by dismissals by the Jonathan regime and by threats. In the event of a national (i.e. all-party) Government being formed we could expect to see an end to political bias in Civil Service appointments and from this point of view early resumption of aid could be more simply and more confidently effected than if recognition took place in advance of any positive move towards a national Government. It may well be necessary in either set of circumstances to send a small team of officials to Lesotho to examine the situation in detail.

9. The Minister of Overseas Development has seen and agreed this memorandum in draft.

RECOMMENDATION

10. I invite my colleagues to agree that once we have explained our views to President Khamla on the above lines, in a message from the Prime Minister, I should thereafter decide at the most appropriate time in the light of developments, when to instruct our High Commissioner in Maseru to take the necessary steps to indicate a resumption of relations.

M S

Foreign and Commonwealth Office SW1

13 April 1970
Internal

When Chief Jonathan on 30 January suspended the constitution of Lesotho and, in his own words, "seized power" following the apparent defeat of his party in the general election, we made it clear that the future of British/Lesotho relations would have to be examined and that our normal criteria for recognition would be applied. Meanwhile, we ceased to communicate with the Lesotho authorities on a Government to Government basis. The criteria for recognition are that the Government should enjoy with a reasonable prospect of permanence effective control over much the greater part of the territory of the state concerned and the obedience of the mass of the population. There is a margin for political appreciation in deciding whether the criteria are met. But once they are met there is a legal obligation to recognise and recognition does not necessarily imply approval of the regime recognised.

2. Chief Jonathan's action caused widespread resentment in Lesotho but the leaders of the opposition, the Basutoland Congress Party, who were themselves imprisoned, instructed their followers to avoid violence. This has obviously assisted the police to maintain control. During the first eight weeks after the coup, sixteen people were killed in a number of incidents. There were fourteen more deaths in a gang fight between Government and Basutoland Congress Party supporters continuing over two days at Easter. A few days later, free-lance diamond diggers in the remote Kao area attacked mining company camps and police stations. Their primarily economic grievances against the Government - for reducing
the area available to them by granting concessions to mining companies - were fanned by the local Basutoland Congress Party leaders. Some hundred or more diggers were killed in two operations by the police, whose own casualties were negligible. The latest reports suggest that the Kao diggers are no longer a threat to the regime in the short term. The effect of these operations on the rest of the country remains to be seen.

3. While the regime has remained in control of Lesotho, it has added to its unpopularity by arbitrary dismissals of civil servants thought to be supporters of the Basutoland Congress Party, and by the use of intimidation and violence in seeking evidence of electoral irregularities by the opposition, in order to justify the seizure of power. These excesses, encouraged by certain Ministers, were checked to some extent by Chief Jonathan personally, and in respect of violence by the fourteen British officers in the Lesotho police. The latter also have done much to keep the police united and effective and thus to maintain control of internal security.

4. After the coup, Chief Jonathan announced the "technical" abdication of King Moshoeshoe because of his interference in politics, and the regime's intention to bring in an entirely new constitution. Opposition from the College of Chiefs, however, prevented Chief Jonathan from deposing the King. Instead he has come to an agreement with the King by which the latter has gone into temporary and apparently voluntary exile in The Netherlands. The College of Chiefs approved this arrangement and the appointment of the Queen as Regent. In view of the King's long standing hostility to Chief Jonathan and his propensity for intrigue, his departure with the approval of the majority of the Chiefs has probably on balance strengthened the position of the regime, although
it is said to have caused some discontent among the ordinary people.

5. Chief Jonathan and his Ministers have been showing increasing concern at our action in withholding recognition, and the consequential interruption of aid. Lesotho officials have been pressing them to take steps which would make it easier for the British Government to resume relations. We have ourselves been inhibited in exercising direct influence on Jonathan and his colleagues by our policy of not introducing political considerations into our recognition criteria and the grant of aid, which would have represented interference in the affairs of an independent country. But whenever the opportunity has occurred, we have used private channels to convey to Chief Jonathan and his Ministers that they should come to some compromise with the opposition and announce a programme for a return towards constitutional government. It seems clear that these and similar pressures from others has led the regime to consider seriously the possibility of bringing members of the opposition parties into some form of coalition government. It has now been announced that Chief Jonathan and the leaders of the other three political parties have agreed to a conference to discuss the future of Lesotho, and have foresworn violence. Chief Jonathan, commenting on this announcement, said that the discussion would be "with a view to forming a national government which will assist me and my
Council of Ministers in working out a new constitution which will be put before the nation for approval".

South African attitude

6. The South African Government has, for a long time, regarded Mr. Ntsu Mokhehle, leader of the Basutoland Congress Party, as under communist influence and a menace; and would undoubtedly have preferred Chief Jonathan's Party to win the election. On the other hand, we have had reports that Chief Jonathan's South African advisers in Maseru argued hotly with him to seek to dissuade him from the action he proposed to annul the elections and seize power.

7. The South African Government was embarrassed clearly enough by Chief Jonathan's actions but has put a good face on it and has stated that normal business with the Government of Lesotho will continue. The South Africans have not in fact been seen to do anything which could be described as improper or interventionist in Lesotho.

8. The two potential dangers or embarrassments which the South African Government no doubt sees are:-

(a) a pressing request from Chief Jonathan for a subvention to replace British aid and;
(b) a serious deterioration in the security situation leading to a request from Chief Jonathan for the South Africans to send police support.

It is likely that the South African Government would go to considerable lengths to avoid acceding to either request.

9. It would suit the South African Government best if some government under Chief Jonathan were to emerge as the reasonable, respectable and recognised government of Lesotho with effective control of the country and no serious opposition there.

The involvement of Sir Seretse Khama

10. Very shortly after the suspension of the constitution in Lesotho it became evident that the Botswana Government were particularly concerned about the situation. Sir Seretse Khama was anxious lest the world would judge Botswana and other newly independent African nations by what had happened in Lesotho, and concerned about the effects of instability of a kind that would seriously increase the risk of overt South African intervention. The Botswana Government has, of course, a special interest because of the close links existing between the three former High Commission territories, for example the joint University. On 5 February Sir Seretse at our suggestion addressed all Commonwealth African Heads of State/Government suggesting that they should support efforts he proposed to promote an early visit to Lesotho by the Commonwealth Secretary-General.

11. On 9 February a message from Sir Seretse Khama was delivered to Chief Jonathan proposing that the latter might invite the Commonwealth Secretary-General to Maseru to assist in an early return to constitutionality. Chief Jonathan's response held out no prospect that the Lesotho Government would fall in with Sir Seretse's suggestions.
12. In general, while some of the African leaders approached by the Botswana President responded in friendly and co-operative terms, none showed any inclination to interfere in Lesotho's internal affairs. This attitude was underlined at the last meeting of the Organisation of African Unity at Addis Ababa in March when the Lesotho Delegation took its seat unchallenged.

13. Sir Seretse Khama in his last letter to the Prime Minister, and more particularly in discussion of his letter with the High Commissioner in Gaborone, has shown that while he is still hoping that we will maintain pressure on Jonathan, and that he has hopes that Jonathan might take practical steps to restore legality if this pressure is maintained, realises the limitations on the results that our actions might have and understands that the question of recognition would eventually have to be faced.

Other considerations

14. Apart from the question of aid, indefinite delay in recognition could cause difficulties in other respects. The Ministry of Defence is responsible for paying pensions at the rate of over £25,000 a quarter to ex-members of the African Auxiliary Pioneer Corps and to the dependents of deceased members. These payments have been made through the agency of the Lesotho Government and owing to the number of payments involved there is no other practicable method. A hold-up in such payments would cause hardship to persons who fought for us in the last war and would give rise to serious public criticism.

15. There is also a difficulty over the replacement of our High Commissioner at Maseru, which is due. His successor cannot be accredited to a regime which we do not recognise.
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CABINET

PRESERVATION OF OCCUPATIONAL PENSION RIGHTS: RETROSPECTION

Memorandum by the Secretary of State for Social Services

1. In Clause 109 of the National Superannuation and Social Insurance Bill we are taking power to require occupational pension schemes to offer deferred pensions to employees who leave before retirement age, provided that they have had at least 5 years' pensionable service and have reached the age of 30 on leaving. Our proposals are, however, being criticised as largely ineffective, on the grounds that the legislation does not cover pensionable service before the operative date; as a result, it will be 40 years or more before all pension rights are protected. Before Clause 109 is reached in Committee, which may well be next week, we need to decide whether we can do anything to meet these criticisms.

RETROSPECTION

2. The CBI have throughout been firmly opposed to covering service before the appointed day in our legislation and it was solely their opposition which led me to exclude from the preservation requirement, pension earned by such past service. I felt that in the absence of any such limitation we should be vulnerable to the criticism that we were, in effect, retrospectively altering the terms of existing pension contracts against the wishes of one of the parties. The CBI have remained firmly opposed to any requirement being imposed
on employers to preserve pension rights earned by pre-appointed day service, though they are encouraging employers voluntarily to protect such rights (just as we have announced our intention of doing in the Civil Service, National Health Service, and Armed Forces schemes).

3. Our proposal to limit the preservation requirement to post-appointed day service has however attracted little support, apart from that given by the CBI. The TUC have protested against it and, in the House, a motion put down by Sir Brandon Rhys Williams urging the Chancellor of the Exchequer to give retrospective effect to the preservation of funded pension rights by making this a condition of tax approval, has attracted over 150 signatures from Members of all parties. At a recent meeting of the Standing Committee on the Bill Mr Paul Dean, for the Opposition, said "If one accepts, as both sides of the Committee do, that pension rights are deferred pay, it follows that we want everyone to have the chance to transfer or preserve his pension when changing jobs" (Col 849). In stating this doctrine, Mr Dean drew no distinction between pension rights in respect of service before and after the appointed day; and Sir Brandon Rhys Williams has now tabled an Amendment (No 259) to Clause 109 which, although defective in form, is plainly intended to make the preservation requirement fully retrospective.

4. It is thus inevitable that, regardless of any action the Government may take, the issue of retrospection will be raised in Standing Committee. I still feel sure that it was right to tread cautiously in this matter of retrospection, but now that the general consensus is becoming so clear I am convinced that we should take advantage of it to reverse our earlier decision. We have had a full discussion of the issues involved at two meetings of Social Services Committee, on 24 March and 20 April, and the Committee endorsed my proposal that - subject to Cabinet approval - I should move an amendment extending the protection of Clause 109 to pre-appointed day service.

5. I am not suggesting that we can count on unqualified Opposition support for any Amendment the Government might move to impose the preservation requirement in relation to pensions earned by service before the appointed day. It still seems possible that the Opposition, while approving the general aim of retrospective preservation, might yet express reservations about a Government move to impose this by legislation, on such grounds as that it was (a) liable to inhibit the further voluntary growth of transferability, and (b) improper in the absence of prior agreement from the CBI and other interests. But, in my view, the Opposition have now come out so clearly in support of the concept of pension rights as deferred pay (see paragraph 3 above) that it would be difficult for them to take an effective stand, on a point of principle, against our extending the statutory protection proposed in the Bill to the whole of an employee's pensionable service. We can, of course, be sure that we should
have the full support of our own backbenchers in withdrawing
the present restriction on the operation of the clause.

**LAW OFFICERS' OPINION**

6. We should not, in any event, be legislating to protect the
pension rights of employees who had left their employment before
the appointed day - the point at issue is merely how far the
rights of those who leave later should be covered - and the Law
Officers have advised that legislation to this effect would not,
in the strict sense, be retrospective. (Their advice is that,
"provided that the proposed legislation were to impose an
obligation on employers only in respect of employees who leave
the employment after the coming into operation of the legislation
it would not be truly retrospective, even though the rights to
benefits which accrued to employees would in part be calculated
by reference to a period of employment before that date."

**ENFORCEMENT**

7. The counting of pre-appointed day service will not give rise
to any special problems of enforcement. For all schemes (other
than certain schemes in the public sector) the regulations to be
made under Clause 109 will confer powers on the Registrar to
consider representations from any interested party as to whether
a scheme's rules provide for preservation in the manner prescribe
and (where necessary) the Registrar will be empowered to require
the amendment of a scheme's rules, or in the last resort himself
to amend them, for this purpose. It will then be for members
of the scheme to enforce their rights under the amended scheme rules
through the scheme's own machinery and if necessary through the
Courts.

**COST**

8. I am advised by the Government Actuary that the effect of
bringing in pensions earned by pre-appointed day service would be
to bring forward the full cost of preservation - estimated at
£20 million to £25 million a year - rather than allow it to build
up gradually from an initial level of about £10 million a year, a
it would if only post-appointed day service were to count. To
put the cost of preservation, with or without retrospection, in
perspective we can reckon that employers' contributions to
pension schemes are now running at something like a thousand
million pounds a year.

9. Although it is difficult to assess the possible financial
effects of retrospection on particular schemes, a non-contributor
scheme, fairly hard-hit by retrospection, might as a result expect
extra costs of about 5 per cent in the first year, which would
reduce continuously from the second year onwards. While this
figure might be exceeded in the exceptional case, the additional
cost for the majority of schemes would be less - particularly so
for contributory schemes, since it is to be anticipated that a
The large majority of members leaving such schemes would continue (as now) to withdraw their own contributions in preference to claiming a preserved pension. (We announced in the White Paper, Cmd 3883, in January 1969 our decision not to interfere with the right of scheme members to a refund of contributions, and I see no reason to go back on this.)

No evidence has been produced by the CBI in support of its claim that retrospection could lead, in the extreme case, to the winding up of schemes; and it seems likely that the only schemes which could actually be damaged by retrospection would be a small minority which are financed, if not unsoundly, at least on very small margins of error.

PROCEDURE

10. I need not trouble my colleagues with the details of the best way of covering past service, but, one way or another, I would propose that we ensure that schemes have some years to prepare themselves against the consequent increase in their contingent liability for existing members who leave before retirement age. This could, for example, be done by retaining the present provision in the Bill that there must be at least 5 years qualifying service after the appointed day, but providing that, for those who have completed such service, the whole of their pension rights for past service should be protected.

11. If my colleagues agree with my proposal to amend the clause so that it can cover pre-appointed day service, one possibility - subject to the views of the Chief Whip - would be to adopt a sympathetic attitude to Sir Brandon Rhys Williams' Amendment in Committee, with a view to putting down a Government Amendment at Report stage. All things considered, however, it seems unnecessary, and undesirable, to allow our opponents to take even this much credit for the achievement of retrospection; and I would therefore propose to my colleagues to table a Government Amendment at an early date which would withdraw the present restriction of the clause to benefits in respect of service after the appointed day, and thus extend the protection of the preservation requirement to the whole of an employee's pensionable service.

CONCLUSION

12. I therefore seek the agreement of my colleagues to securing the Amendment of Clause 109 of the National Superannuation and Social Insurance Bill so that the protection of the occupational pension rights of those who leave their employment before retirement age can extend to rights in respect of service before the appointed day.

Department of Health and Social Security
RHSC
London SE1
20 April 1970
FINANCIAL ASSISTANCE TO PRIVATE INDUSTRY

Note by the Minister of Technology

The Steering Committee on Economic Policy at their meeting on 12th January 1970 invited me to consider with the Chief Secretary, Treasury and the Minister of State, Board of Trade, the implications of a decision to meet the liabilities of Beagle Aircraft Limited, for other Government shareholdings or interests in private industry.

2. The attached paper sets out my appreciation of the position. It has been prepared by my Department in the light of the Attorney-General's opinion, given jointly with Counsel, on certain aspects of the Beagle case. The difficulties attendant on direct Government financial intervention in companies are summarised in paragraphs 19-21.

3. I have discussed this paper with the Chief Secretary, Treasury, the Attorney-General and the Minister of State, Board of Trade. I have not been able to reach agreement with the Chief Secretary, Treasury, on the question of the moral or quasi-legal liability of Government in certain situations. He intends to circulate a paper setting out his views on how financial assistance to private industry should be handled.

A. W. B.

Ministry of Technology, SW1

28th April 1970
BEAGLE AIRCRAFT LIMITED

Implications of Government acceptance of liability

At the meeting of SEP on 12th January, 1970, the Minister of Technology, in consultation with the Chief Secretary, Treasury and Minister of State, Board of Trade, was invited to give further consideration to the implications of a decision to meet the liabilities of Beagle Aircraft Ltd. in the light of the Attorney General's consideration of the legal position of the directors and of whether any implied commitments arose from their action.

BEAGLE OPINION

2. The Attorney General's opinion given jointly with Counsel, is attached. Briefly it is that no liability attaches to the Directors of the company because they can fairly have assumed and did assume that the Government would pay the creditors. But the Minister and officials acting on his behalf knew at the latest from 13th October (when the Minister saw the directors) that the company was insolvent at all events unless the Government's loans were treated as if they had been share capital; and with this knowledge financed the company for a further six weeks for the express and limited purpose of enabling it to continue trading without incurring a compulsory liquidation. Had it not been the Minister's intention to pay the creditors, parties to such action would be considered as knowingly parties to the carrying on of the business of the company with intent to defraud creditors, which gives rise to both a civil and criminal liability ..
liability under Section 332 of the Companies' Act 1948. This Section does not apply to the Crown, but this would not, the opinion states, justify the Crown in doing what would be an offence under the section if done by anyone else. The opinion is therefore that the Government cannot now disclaim liability to the creditors of the company.

LEGAL BACKGROUND

3. The shareholder with fully paid-up shares has in general no legal liability for the debts of a limited liability company. But with the acquisition of the entire equity of a company, the shareholder is in a legal position to exercise complete control over its operations. He cannot readily claim that he has no responsibility for the course of action pursued by the company. In such circumstances he may therefore be thought to have a moral even though not a legal responsibility for the company's debts.

4. Where a shareholder has a majority holding though short of 100%, effective control still rests with him and a similar responsibility is liable to arise. However, the position is less clear cut; the minority shareholders may have rights - such as the right to appoint a director to the board - which might be thought to reduce the degree of moral responsibility lying upon the majority shareholder. According to the circumstances the minority shareholders might feel under obligation to meet their share of the debts.

5. A legal or quasi-legal liability, as distinct from a moral liability, may however, arise in some circumstances relevant to this case whether the Government's involvement is by way of a shareholding or in some other form:-

/(a) ..

CONFIDENTIAL
(a) Under Section 332 of the Companies Act 1948 as explained in the Beagle Opinion (see paragraph 2), the Government is not bound by this provision (except possibly under Scottish law) but it is inconceivable that the Government would take advantage of this limitation. Clearly there can be no question that the Government intervened in the company with a dishonest intent to defraud; the Government will have had very different motives for intervening connected with public policy (see para. 7 below). But whatever the motives, the effect on creditors may be the same.

(b) Where a person or body acts as agent for another person the principal is liable for the contracts entered into by the agent under the agency and is bound to meet debts which arise from them. The same liability can arise where, although a person has not been appointed agent for another, he has been represented as such.

6. A loan increases a company's indebtedness. If the loan is used to pay off some of the existing debts, and the Government defers its loan to the company's other debts, the ability of the company to pay its other debts is improved, though the total indebtedness is unchanged. But if a company is already in difficulties and expands its trade on the strength of the loan, the loan may make it more likely that it will become insolvent and so be acting fraudulently in continuing to trade. Government assistance by way of subscription for shares or by way of grant avoids any increase of indebtedness, though Government assistance in any form
could give rise to a liability under Section 332 of the Companies Act 1948, (para 5(a) above) unless it were sufficient to cover all existing debts and provide a working capital beside. Even then it may be prudent to defer a loan to claims of non-governmental creditors.

GOVERNMENT POSITION IN THE LIGHT OF COMPANY PRACTICE

7. We understand that company practice goes beyond the legal liability discussed in paragraphs 3-6, and that responsibility for debts may be accepted even with only a minority shareholding, depending on the circumstances of involvement. It would be expected that the Government should take no less a degree of responsibility in respect of its shareholdings. Both the Government and a private sector company will be assuming a measure, depending on the size of holding, of formal control and of the responsibilities that go with it, even though the motives of a company and of the Government in acquiring an equity interest in a company are likely to be different. A company taking a shareholding in another will act mainly in the expectation of profit to itself, while the Government is likely to be motivated by wider social and economic considerations. Typically the Government would only be likely to acquire an interest in a company in circumstances in which commercial interests were unwilling to do so. There is likely to be a flavour of "rescuing" the company concerned. But while this may be thought to render the practice of a company in the private sector of little relevance to the Government's conduct, the very fact of the Government's intervention will create a presumption in the minds of people trading with the company that the Government thinks it worth saving and, by implication, that it will honour its debts. This could only be prevented ...
prevented by an unequivocal announcement at the time of the acquisition that the Government was assuming no such liability. In a "rescue" situation, this would defeat the purpose of the Government's intervention.

8. We believe that it is the normal practice of a reputable company in the private sector to pay the debts of a wholly-owned subsidiary and not to stand on the limitation of its legal liability. If this is the practice in the private sector the Government would be expected to behave in the same way despite the difference in the motives for acquiring the holding. Moreover, a company in the private sector has complete control over its wholly-owned subsidiaries and accordingly they are looked at as part of its undertaking and its credit involved. In theory the Government also has complete control over a wholly-owned subsidiary but in practice the situation may be different. Where it is a buyer of last resort, the Government may have difficulty in finding and replacing directors and therefore in controlling them. It may also have greater difficulty than a private sector company in obtaining up-to-date information about the precise financial and trading position of the company whose shares it holds. Moreover, if that company is launching a complex new project like an aircraft which requires heavy and lengthy development, cash flow and profitability are difficult to predict and a situation of near insolvency can quickly develop where there are technical or marketing setbacks. Our conclusion is that the Government's powers of appointment, dismissal and surveillance in these circumstances may be difficult to exercise in a way which confers real and effective control.
9. Where the shareholding is less than 100 per cent of the equity, the degree of moral responsibility which would be accepted in the private sector might be reduced compared with the wholly-owned case if the purpose of the shareholding can be seen to imply less than full involvement in the affairs of the subsidiary or associate company. Where there are minority partners, control is less complete. The responsibility of the Government in such circumstances might be thought to be correspondingly reduced. But the circumstances in which the Government acquired its shareholding or lent a substantial sum of money to the company may be such that the creditors would claim that they only advanced further money or put off calling in their debts in the expectation that the company would be sustained by the Government. Such a claim might be expected from creditors in Short Brothers and Harland (in which the Government, through SB (Realizations) Ltd. has a 70 per cent holding) or Upper Clyde Shipbuilders (in which the Government and the Shipbuilding Industry Board between them have a 48 per cent holding). In both cases the Government or the Board have given the companies substantial loans or other assistance in addition to the shareholding, some of it at times when the companies would otherwise have had to cease trading. On the other hand, B.P. (in which the Government holds 49 per cent of the equity) has always been represented as operating free of Government control, and there seems no danger that the Government would be expected to meet debts incurred by the company.

10. The conclusion seems to be that in the Government's case the degree of support expected by the creditors in a liquidation would depend not so much on the size or
type of the shareholding as on the totality of circumstances in which the Government became, and has continued to be, involved in the company. These seem to be the crucial test of its liability whether legal or otherwise. The cases where it can regard itself as clearly free from liability are where it has taken up its interest by way of investment, or where it is a long time since other motives which might in themselves suggest a degree of liability, have ceased to apply.

POSITION WHERE THE GOVERNMENT GIVES FINANCIAL ASSISTANCE UNDER STANDARD STATUTORY ARRANGEMENTS

11. There are many cases where the Government provides financial assistance to companies under standard statutory arrangements. The Board of Trade have for many years operated programmes of assistance to companies in Development Areas (previously Development Districts) under the Local Employment Acts. Loans are made only on the recommendation of the Ministry of Technology Advisory Committee MOTAC composed of members from outside the Civil Service. The Advisory Committee only recommend loans where they are satisfied that there are good prospects of the undertaking being carried on successfully without further assistance beyond that applied for under the Acts. The fact of making a payment under the Acts is then most unlikely to impose any liability on the Ministry to meet the debts of a company to whom a payment is made. To this there is one exception - there is power (section 27 of the Local Employment Act 1960) to make an additional payment as a form of rescue operation in order to prevent default on a loan by the Ministry. Here there is the risk of a situation involving a Government liability on the lines of Section 332.
Loans and grants under the Acts are the subject of agreements which give the Minister various rights in order to ensure repayment of the loan or building grant. In some instances companies give debentures which contain provision for protection of the security for example by appointment of a receiver. The exercise by the Minister of the rights conferred in this way inevitably necessitate some degree of involvement with companies' operations. There is a possibility here too that the Ministry could become in this way involved with a company which was unable to meet its creditors. A particular risk is that the Ministry implementing the policy of the Local Employment Acts to secure the provision of employment might exercise its influence to prolong the life of or acquiesce in the Receiver's continuance of an insolvent company so that creditors were defrauded.

12. Under the Science and Technology Act 1965, assistance is mainly provided by way of support for research and development on particular projects or by preproduction orders. The Minister of Technology gives launching aid to airframe and engine manufacturers, recovering the cost from levies on sales of the product. The Government would normally give such assistance only to a company which it thought had the resources necessary, with the assistance, to carry the project through. In general we would not expect such cases to give rise to a claim that the government had indirect responsibility for the debts of the company on a liquidation; but again it would be necessary to consider the circumstances of a particular case, including the scale of Government involvement in relation to the size of the company.
13. The risks could be greater with assistance to industry under the Industrial Expansion Act 1968. Here too, there is a statutory advisory committee but the Minister is not required to act only on its recommendation. The statute provides that assistance is only to be given when the project would not be undertaken without financial support under the Act, i.e. where the applicants can demonstrate that they have tried and failed to get finance elsewhere. Assistance may take a wide variety of forms including subscription of shares. In fact there have been hardly any applications for assistance under the Act though the Minister's intention is to make greater use of it. Under this Act the extent of the Government's liability is likely to depend very much on the amount, nature and other circumstances of the assistance. Care will be needed.

CONTRACTS

14. It is for consideration whether the Government would be held liable for the debts of other parties on the liquidation of a company which is largely dependent on Government orders. There are three important points:-

(a) Normal Government contracts are tightly drawn and are administered on a businesslike basis strictly within their terms. There is no differentiation in the way a contract is administered between companies in which the Government has a major shareholding or other interest or involvement, and companies in which its interest is limited to the contract.
Thus if Shorts were considered to have made an excessive profit under a government order, the case would be referred to the contracts review board even though Shorts is 70 per cent owned by the Government and most of any profit would come back to the Government by another channel. Similarly there is a standard procedure to safeguard the Government's interests and assets as far as possible which is applied when any company with a government contract, whether the Government has shares in it or not, goes into liquidation.

(b) there are now very few companies whose business with the Government forms a majority of their turnover. The only important one is Westlands, where the Government's business is perhaps a little over half the total; with other large suppliers like B.A.C., Shorts, Plessey, and Marconi, the Government's orders constitute well under half the turnover. This is a change from the position at times in the past when the Government was responsible for a very large proportion of the turnover of some companies.

(c) there have been cases in the past where a company, a major part of whose turnover was taken by the Government, went into liquidation and there was no claim that the Government should be responsible for its debts; on the contrary the Government sought to recover all it could in respect of its own rights under its contracts.
The conclusion seems to be that the existence of major Government contracts with a company which goes into liquidation is not in itself likely to give rise to claims against the Government by third parties. Where the Government is involved in a company both through government contract and in other ways, any indirect responsibility for the debts of the company on liquidation would flow from the other involvement and not the contract; the contracts would be unlikely to affect the position.

15. We have also considered whether, if the Government has been involved with a company which is forced into liquidation, the Government could be held responsible for meeting claims for breach of contracts made by the company with others. Such claims rank for settlement on disposal of the assets with any other non-preferential liabilities of the company. If there are no complications it seems unlikely that the Government would be held to have any wider responsibility. However if there are complications, as for instance if the Government had involved itself to the extent of guaranteeing the contracts, its position might be less free from doubt.

IMPLICATIONS FOR PUBLIC CORPORATIONS

16. The first relevant category are bodies like IRC and NRDC, set up mainly to channel public funds into industry. These bodies both subscribe for shares (though not usually 100% or even majority holdings) and make loans to companies. However they are by statute separated from the Government and make their assessments independently. Their operations are unlikely to be rescue operations such as those which present most difficulty for the Government. So
long as Government does not allow itself to become so closely identified with the detailed operations and decisions of these corporations as to be regarded as responsible for them, there is no reason to suppose that acceptance by Government of liability for Beagle's debts would affect the treatment expected from IRC or NRDC if a company in which they held an interest went into liquidation. But if, exceptionally, these bodies themselves become involved in a situation where, under reputable commercial practice, they considered it right to meet the debts of a company beyond their direct involvement, the cost in the last resort would fall on public funds.

17. The Beagle decision is also unlikely to create difficulties in the case of the nationalised industries. They, too, operate under conditions laid down by statute. They are trading organisations. It is inconceivable that the Government would allow circumstances to arise in which they were unable to meet their creditors: its credit is to that extent committed already. The issue arises more directly in relation to attitude of the nationalised industries to their subsidiaries. In this they could be expected to follow reputable practice in the private sector. They would not need to have regard to the special circumstances which often surround direct Government intervention in industry because their acquisitions are made for commercial reasons and judged accordingly by the trading interests affected. But even here the issue might not be clearcut as, for example, in circumstances where a nationalised industry was known or believed to have acquired or set up a subsidiary in response to Government pressure in circumstances which created a presumption that Government credit was committed by way of the industry. This is not, under present policies, a likely case but it needs watching.
SUMMARY OF EXISTING CASES WHERE A QUESTION OF LIABILITY MIGHT ARISE

18. A list of direct Government shareholdings is attached. Apart from Beagle there are no companies wholly owned by the Government which seem likely to cause concern. Much the most difficult cases are Shorts and Upper Clyde Shipbuilders referred to in paragraph 9, and Cammell Laird if assistance is given via the SIB and IRC as proposed. It is much less likely that the Government would be expected to honour the debts of ICL if that company became insolvent, but the statements made by the Government in support of the company, and the Government's involvement through support of research and through preference to ICL in the purchase of computers by the public sector, would have to be taken into account in a final assessment; the Government would of course be legally liable to pay up the balance of 18/- on each share it holds at a cost of £3.15. There remains the possibility of exceptional cases arising out of assistance under the Local Employment Acts and of others, again exceptionally, arising out of assistance given by outside bodies like IRC and NRDC or the nationalised industries where the Government has identified itself with the support of a company in financial difficulties.

GENERAL

19. This paper has been concerned to set out what seems a reasonable interpretation of the implications of the Beagle decision. Clearly there can be no cut and dried formula in a matter such as this and it is impossible to anticipate what implications others might seek to attach to the Beagle decision if it suited them or what additional pressures might be applied to the

/Government
Government as a result. Ministers are shown to be in a dilemma. They may want to intervene in companies which are in financial difficulties for reasons of public policy, using the company structure to give themselves the maximum flexibility. But there is no parallel in company practice for this situation and company law is not designed to deal with it. The consequence of Government intervention may be to plunge the company deeper into insolvency and to lay the Government open to a wide liability for the company's debts. This indicates that the Government needs to keep clearly in mind, when it intervenes or participates in non-Governmental enterprises, the kind and degree of liability it is taking upon itself in the circumstances in which it is acting. In some cases it might be possible for the Government to limit its contingent liability by a public statement at the time of intervention in the company; more often this could not be done without defeating the purpose of the intervention as, for instance, when restoration of confidence is a major issue and objective.

20. The Government's difficulties do not cease here. For if it seeks to safeguard its position by tighter and more rigorous control over companies which it has acquired or in which it has taken a major interest, it becomes yet more involved and is likely to lay itself open to a legal or quasi-legal liability; and it also runs the risk of weakening the enterprise and possibly the chances of success of the management.
On the other hand if it seeks to avoid involvement by keeping no check, the company's financial position may become even more serious and the Government may still be held to have a moral liability for its debts. In general it may be necessary for the future to insist on greater control and on absolutely up-to-date information on debt obligations and the company's ability to meet them. In particular, where the Government intervenes to "rescue" a company whether on first intervention or at a later stage in its dealings, it should bear in mind that there is a strong likelihood that it will be held at least morally liable for the debts of the company however much it seeks to avoid involvement in the management of the company's affairs. In the circumstances it seems better to keep a close check on the financial position of the company from the beginning, thereby risking a legal or quasi-legal liability, rather than stand back and allow an even more serious situation to develop. This is the policy of the IRC in those exceptional cases where it has become involved in a rescue situation. It imposes firm plans for extricating the company and keeps a close check on progress.

21. Our conclusions from this survey of implications of the Beagle decision are as follows:-

(a) The most important factor affecting the Government's indirect or moral liability as distinct from its legal liability is the extent to which the Government's activities may have created a legitimate assumption that it stands behind the company. The entire circumstances of the Government's involvement rather than the particular form of its interest, are the crucial issue.

(b) ..
(b) Subject to this, the size and kind of interest held by the Government are certainly important. The fact of a 100% government shareholding is the circumstance most likely to give rise to the assumption that the Government stands behind the company. With smaller shareholdings, or different forms of interests, the Government's moral liability may be less, dependent always on the extent and nature of its involvement (e.g. Shorts and UCS).

(c) It is unlikely that the Government would be expected to stand behind companies in which a public corporation rather than the Government itself had a shareholding, provided always that the Government had not allowed itself to become identified with particular decisions to the point of being held responsible for them. This does not mean that the Corporations themselves would not consider it right to accept liability in certain circumstances, with consequences for public expenditure.

(d) The Government needs to keep clearly in mind in intervening or participating in non-governmental enterprises the degree of liability it may in practice be taking upon itself and to be particularly watchful about the circumstances of its initial involvement, the means it adopts of securing the payment of loans or protecting its investments and its public attitude then and thereafter.

Ministry of Technology
28th April, 1970.
This table shows shareholdings held directly by Government Departments except for a number of small groups of shares held mainly by Ministry of Agriculture, Fisheries and Food in mixed agricultural enterprises such as agricultural co-operatives. The total nominal value of these shares is very small.

<table>
<thead>
<tr>
<th>Name of Company</th>
<th>Date of Acquisi-</th>
<th>Cost of Acquisi-</th>
<th>Current Market Value if quoted at end Dec.1969</th>
<th>% of equity held</th>
<th>No of shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>British Petroleum Co. Ltd. (Oil)</td>
<td>1914</td>
<td>£2,000,000</td>
<td>Unquoted</td>
<td>17.461,538</td>
<td>£1 Ordinary Stock, 1,000 £8% Cumulative First Preference Stock</td>
</tr>
<tr>
<td></td>
<td>1919</td>
<td>£1,000</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>1966</td>
<td>£31,154,000</td>
<td>922,465,390</td>
<td>48.9</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>(Rights to Issue)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beagle Aircraft Ltd (Light Aircraft)</td>
<td>1968</td>
<td>£1,142,490</td>
<td>Unquoted</td>
<td>100.0</td>
<td>£1,000,000 £1 Ordinary shares</td>
</tr>
<tr>
<td>British Sugar Corp Ltd. (Processing Sugar Beet)</td>
<td>1936</td>
<td>Taken in settlement for loans made</td>
<td>1,265,625</td>
<td>11.25</td>
<td>£1,125,000 £1 Ordinary shares</td>
</tr>
<tr>
<td>Cable and Wireless Ltd. (Communication)</td>
<td>1938</td>
<td>EMI took a holding in lieu of rent for C &amp; W use of radio stations</td>
<td>Unquoted</td>
<td>100.0</td>
<td>30,000,000 £1 shares</td>
</tr>
<tr>
<td>Cunard Steamship Co. Ltd. (Shipping)</td>
<td>1903</td>
<td>£20</td>
<td>Negligible</td>
<td>Negligible</td>
<td>£20 Ordinary Stock transferable in units of £1</td>
</tr>
<tr>
<td>Company</td>
<td>Year</td>
<td>Value</td>
<td>Share Type</td>
<td>Notes</td>
<td></td>
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<tr>
<td>-----------------------------</td>
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<td></td>
</tr>
<tr>
<td>Compagnie Financiere de Suez (Investment holdings)</td>
<td>1876</td>
<td>£4,076,622</td>
<td>£18,800,000</td>
<td>approx 17.0</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>FF 100 Capital shares</td>
<td></td>
</tr>
<tr>
<td>International Computers Ltd (Computers)</td>
<td>1968</td>
<td>£3,500,000</td>
<td>8,618,750</td>
<td>10.49</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>(c) (page 2 below)</td>
<td></td>
<td>3,500,000 £1 &quot;C&quot; Ordinary shares</td>
<td></td>
</tr>
<tr>
<td>Itabira Iron Ore Co. Ltd. (Iron Ore)</td>
<td>1942</td>
<td>£157,500</td>
<td>In liquidation</td>
<td>100.0</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>61,220 First Preference shares 380,000 Second Preference shares</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>493,982 Ordinary shares</td>
<td></td>
</tr>
<tr>
<td>Power Jets (R &amp; D) Ltd (Patent Holding)</td>
<td>1944</td>
<td>£250,000</td>
<td>Unquoted</td>
<td>100.0</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>(to be wound up shortly)</td>
<td></td>
<td>200,000 £1 Ordinary shares</td>
<td></td>
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<tr>
<td>SB (Realisations) Ltd (Holding Company)</td>
<td>1943</td>
<td>£1,262,170</td>
<td>Unquoted</td>
<td>100.0</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>581,302 5s Ordinary shares</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>250,000 5s &quot;A&quot; Ordinary shares</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>42,050 5% Redeemable Cumulative £1 Preference shares</td>
<td></td>
</tr>
<tr>
<td>Toplis &amp; Harding (Middle East) Ltd (Egyptian agents)</td>
<td>1963</td>
<td>Nil</td>
<td>Unquoted</td>
<td>99.8 998 10 shilling shares</td>
<td></td>
</tr>
<tr>
<td>Upper Clyde Shipbuilders Ltd (Shipbuilding)</td>
<td>1968</td>
<td>HMG received an interest in Fairfields (Glasgow) Ltd. which cost £530,000 in 1966</td>
<td>Unquoted</td>
<td>10.9</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>875,000 £1 Ordinary shares 7% Unsecured Loan (b) Stock, 1975 (£940,000)</td>
<td></td>
</tr>
</tbody>
</table>
(a) SB (Realisations) Ltd is the holding company for the Government's share in short Brothers & Harland (69.5%).

(b) This Loan Stock is in Fairfields (Glasgow) Ltd which is a wholly owned non-operative subsidiary of Upper Clyde Shipbuilders Ltd. who guarantee the loan.

(c) Cost not yet fully paid up. 2/- per share paid on application. Balance of 18/- per share payable 28.9.72

(d) The Shipbuilding Industry Board hold a further 37.5% (£3m.) of the equity of U.C.S., making a total public sector holding for voting purposes of 48.4%. The SIB holding counts fourfold for the payment of dividends (which are paid in proportion to the nominal (£1) not paid up (5/-) value of the SIB shares), so that the public sector is entitled to 75.6 per cent of dividends. The SIB also has the power to appoint up to three directors and in effect to remove the Chairman or Managing Director or Financial Director and to replace them by persons approved by the SIB.
We are asked to advise upon the following questions arising in connection with the affairs of Beagle Aircraft Limited:

1. whether the directors of the company might be liable in civil or criminal proceedings, the material provisions of the Companies Act 1948 being sections 330 and 332;
2. whether any implied commitments for Her Majesty's Government arose from the directors' actions;
3. whether the Minister of Technology could be the subject of criticism in a creditor's action against the Minister or in the course of a winding up; and
4. generally, as to the principles that should guide the Ministry in other similar cases.

Section 330 of the Companies Act 1948 provides:

"If any person, being at the time of the commission of the alleged offence an officer of a company which is subsequently ordered to be wound up by the court or subsequently passes a resolution for voluntary winding up, -
(a) has by false pretences or by means of any other fraud induced any person to give credit to the company;
(b) with intent to defraud creditors of the company, has made or caused to be made any gift or transfer of or charge on, or has caused or connived at the levying of any execution against, the property of the company;
(c) with intent to defraud creditors of the company, has concealed or removed any part of the property of the company since, or within two months before, the date of any unsatisfied judgment or order for payment of money obtained against the company; he shall be guilty of a misdemeanour.
and shall be liable on conviction on indictment to imprisonment for a term not exceeding two years, or on summary conviction to imprisonment for a term not exceeding twelve months.

There is no evidence before us to suggest that the directors are guilty of offences against that section.

3. Subsections (1) and (3) of section 332 of that Act provide:-

(1) "If in the course of the winding up of a company it appears that any business of the company has been carried on with intent to defraud creditors of the company or creditors of any other person or for any fraudulent purpose, the court, on the application of the official receiver, or the liquidator or any creditor or contributory of the company, may, if it thinks proper so to do, declare that any persons who were knowingly parties to the carrying on of the business in manner aforesaid shall be personally responsible, without any limitation of liability, for all or any of the debts or other liabilities of the company as the court may direct."

(3) "Where any business of a company is carried on with such intent or for such purpose as is mentioned in subsection (1) of this section, every person who was knowingly a party to the carrying on of the business in manner aforesaid, shall be liable on conviction on indictment to imprisonment for a term not exceeding two years or to a fine not exceeding five hundred pounds or to both."

4. In our opinion the position of the directors in relation to section 332 cannot be considered independently of that of the Ministry. Liability under section 332 both civil and criminal, extends to any person who is "knowingly a party" to the carrying on of the business of the company "with intent to defraud creditors". Such liability is not confined to officers of the company; it extends, in our opinion, to any person who is party to the offence. It is true that the
section does not apply to the Crown, but this would not in our opinion justify the Crown in doing that which, if done by anyone else, would be an offence under the section.

5. The word "defraud" in the section connotes "actual dishonesty involving, according to current notions of fair trading among commercial men, real moral blame", so that, if a company continues to carry on business and to incur debts at a time when there is to the knowledge of those responsible for its affairs "no reasonable prospect" of the creditors ever receiving payment of those debts, it is, in general, "a proper inference" that the business of the company is being carried on "with intent to defraud" those creditors - (per Maugham J. in Re William C. Leitch Brothers Ltd. 1932 Ch. 71, 77 and in Re Patrick and Lyon Ltd 1933 Ch. 786, 790).

6. In the present case, we understand that the Ministry had no reason to doubt the company's solvency before October 1969. We have before us the minutes of a meeting held on 21st June 1968. This meeting appears to have been concerned primarily with the size and purpose of the Government's investment in the company, but the directors were warned during the course of it against undertaking a development programme which would render the company insolvent. The Ministry's position was merely that of shareholder and creditor and it was under no duty (at all events to the other creditors) to keep itself informed as to the company's solvency. There can therefore, in our opinion, be no criticism of the Ministry's conduct during this period.

7. In October 1969 however the Ministry were made aware that the company was insolvent, at all events unless the Government loans were treated as if they were share capital. With this knowledge, the Ministry, for six weeks, provided the company with cash for the express and limited purpose of enabling it to continue trading without incurring a compulsory liquidation at the instance of the creditors. This would have been indefensible had it not been for the Minister's intention (evidenced, for example, in his letter to the Chief Secretary of 24th November 1969) to make available such funds as might eventually be necessary.
necessary to pay the creditors - for it is not suggested that the Ministry expected the company to become solvent as a result of such continued trading, or otherwise. It was, we understand, the Ministry's hope that, if the company continued to trade, it would be able to sell its business as a going concern and thereby realise more from it than it otherwise would; but the existence of such a hope would not, of itself, be an adequate answer to a charge of fraudulent trading.

8. It is against that background that the position of the directors in relation to section 332 must be considered. As regards the period before October 1969, it may well be that their belief that the Government loans could be treated as if they were share capital was misplaced. But there is no reason to doubt its genuineness. As regards the later period the directors were entitled to assume (despite the formal situation and despite the various disclaimers by officials in the Ministry of personal authority to commit the Government) that the Government would in fact see the creditors paid, because otherwise, as we have pointed out, the Government's own actions would have been indefensible. We do not suggest that the directors necessarily examined section 332 and reasoned as we have done. But they were able to reach the same conclusion by reference to "current notions of fair trading among commercial men". Moreover, that it was the correct conclusion was confirmed to them by what was said by the Paymaster General at the meeting held on 13th October 1969. The subsequent correspondence shows that it was in fact the conclusion that they reached. In these circumstances we do not think that the directors could be held liable under section 332.

9. By the same token we are of opinion that, as a practical matter, the Government cannot now disclaim liability to the creditors of the company. Whether in fact the directors had authority express or ostensible to pledge the Government's credit and whether, if so, they did pledge it, seems to us immaterial. The crux is that the Government could now resist the claims of creditors.

-4-
creditors only by asserting in effect (and in disregard of the Minister's intention) that it had chosen to adopt a course which, if adopted by anyone else, would have rendered them liable, in a winding up of the company, for fraudulent trading.

10. We are asked to advise generally as to the principles that should guide the Ministry in other similar cases. In our opinion, the fundamental principle is that the Ministry should never knowingly be a party to an insolvent company continuing to carry on business unless either (a) there is a reasonable prospect that by doing so, or by some other means, it will become solvent again or (b) the Ministry is satisfied that such funds as may be needed to pay the creditors will be available from its own resources or otherwise. One solution, where it is desired to give Government assistance for the carrying on of a business that is owned by an insolvent company, will be to form a new company to buy the business free from the liabilities of the old company, ensuring that the new company's share capital is sufficient to give it a reasonable prospect of remaining solvent. The special circumstances of particular cases may suggest other solutions, e.g. a scheme of arrangement under section 206 of the Act.

6th February 1970
Law Officers' Department
Royal Courts of Justice
CABINET

SITUATION IN THE SHIPBUILDING INDUSTRY

Memorandum by the Paymaster General

In view of the current public interest in the shipbuilding industry, my colleagues will wish to have my assessment of the present position.

BACKGROUND

2. Following the report of the Geddes Committee published in March 1966, the Shipbuilding Industry Act was passed in June 1967. This set up the Shipbuilding Industry Board (SIB) which under the Act as amended was authorised to make

i. grants of up to £20 million

ii. loans (or equity investments) of up to £32½ million

The Minister was also authorised, subject to SIB recommendation, to guarantee bank loans for United Kingdom ship orders placed with United Kingdom yards up to a total of £400 million. Annex A shows the expenditure and commitments of SIB grants and loans.

3. During 1966-67 the world new orders rose from 18 to 22 million gross tons as compared with an average of 10 million gross tons in the first half of the 1960s, but the British industry was being priced out of the market and obtained only a small proportion of new world orders - 2.2 per cent in 1966 and 5 per cent in 1967. Orders in 1967 included however five giant tankers and two container ships, the earliest of which will not be delivered until later this year.

4. In 1968-69 the industry was able to build up its order book and obtained, in tonnage terms, 9.8 per cent of new world orders in 1968 and 7 per cent in 1969. The British order book at the end of 1969 amounted to £600 million of merchant ships and £200 million of home and overseas orders for naval vessels.
5. Because, even when order books are low, a vessel is not usually completed and delivered for two years, the output amounted to only one million gross tons in 1968 and 0.8 million gross tons in 1969. Output is expected to rise to 1.5 million gross tons in 1970 and higher still in 1971, reflecting the influx of orders in 1968-69.

PRESENT FINANCIAL DIFFICULTIES

6. The poor financial results now appearing from the shipbuilding companies is mainly attributable to the following factors:

i. Productivity has grown less quickly than hoped.

ii. Ships are built on fixed price contracts and the industry has therefore been placed in great difficulty by the considerable increases in wages and the cost of materials and components for which it often cannot obtain fixed prices at the time tenders for ships are taken.

iii. It is now the usual accounting practice to make provision for any future losses expected on existing contracts.

INDIVIDUAL COMPANIES

7. Annex B summarises the order book, employment and turnover of the main shipbuilding companies.

8. Annex C shows the latest estimate of the financial position of these companies in three categories:

a. Those which are in known difficulty and clearly have no reserves to meet the problem.

b. Two small builders who have specialised and are earning good profits.

c. Companies caught with long order books and some losses in prospect and whose ability to ride out the problem is not certain.

POSITION ABROAD

9. Long order books and rising costs have produced similar difficulties abroad, and one of the two major Dutch companies (Verolme) has had to be rescued by the Netherlands Government. In some countries the impact is less because the "home market" is reserved to the national shipbuilding industry. For example, the Japanese have a home shipbuilding programme of 2-3 million gross tons a year and support this construction programme in their own yards by credit on terms more favourable than the internationally agreed minimum export credit rate for ships. The European Economic Community (EEC) allows shipbuilding subsidies of up
to 10 per cent; Italy gives more, while France not only subsidises at the agreed EEC rate but also operates a scheme by which shipbuilders are able to insure against the effect of cost escalation. A large number of other countries restrict ship purchases abroad and give large subsidies (for example USA, Canada, Australia, South Africa, Greece and Spain, as well as many Communist countries). Sweden has supported her shipbuilding industry by way of limited credits, and the fact that her main yards have been constructed or re-equipped in recent years to specialise in tankers and large bulk carriers has put them in a relatively favourable position, although profits have been very low.

PROSPECTS

10. It is possible that the present series of bad financial statements represent the bottom of a trough, although confidence could be further sapped when the poor Swan Hunter results are published shortly. Favourable factors include the benefits of specialisation and re-equipment gradually appearing, the working through of older orders which made insufficient provision for recent cost increases; and the possible profits on other orders which have yet to be brought in to the accounts. But these factors could be offset if there are further increases in labour or other costs, if productivity fails to improve or if the redundancies necessary in certain areas (e.g. Upper Clyde and Birkenhead) are not carried through quickly.

SHIP REPAIRING INDUSTRY

11. Ship repairing was not covered by the Geddes Report or the Shipbuilding Industry Act. There has been a general world decline in demand for ship repairing and the United Kingdom, partly for geographical reasons, is not well placed to maintain its share of the market. (The announcement last week that the Palmers yard at Hebburn, owned by Vickers, would close is attributable to this general problem). Repair yards are often under separate ownership and even when owned by shipbuilders are usually separately managed. They have traditionally been casual employers in the port areas, but the position is changing. To avoid giving fall-back pay when there is no work, some repairers are said to be taking business at below cost. The Shipbuilding and Ship Repairing Council, consisting of the SIB and representatives of management and unions in these industries, is at present considering the problems and prospects of ship repairing.

ACTION BEING TAKEN

12. The Shipbuilding Industry Bill which is to have its Second Reading on 30 April, will raise the limit on guarantees for the financing of United Kingdom orders to £600 million. Because the SIB are statutorily concerned with the administration of the guarantee scheme, and because it would be awkward at this time to announce its dissolution at the end of 1970, the Minister of Technology proposes to use his powers under the Shipbuilding Industry Act, 1957, to prolong the SIB's life by one year.
13. My colleagues will already be aware of the special problems of Upper Clyde Shipbuilders and Cammell Laird. For the rest, I am discussing with the SIB how the remaining funds available to them under the Shipbuilding Industry Act can best be used to secure both the immediate and longer term improvement of the industry's position with particular attention to Swan Hunter and Harland and Wolff. I shall of course keep my colleagues informed of the outcome.

14. Meanwhile for the longer term, the Ministry of Technology will, in the light of the present discussions in the Organisation for Economic Co-operation and Development Shipbuilding Working Party about both credit and other forms of Government assistance to shipbuilding, study the implications of the current developments in the industry for future Government policy when the SIB comes to the end of its statutory life.

H L

Ministry of Technology SW1

28 April 1970
Grants (Section 3) - £million

<table>
<thead>
<tr>
<th></th>
<th>Total available</th>
<th>Already Paid</th>
<th>Firmly Committed</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>20</td>
<td>11.253</td>
<td>1.867</td>
<td>6.880</td>
</tr>
</tbody>
</table>

Against this balance, proposals by the SIB to give grants totalling £1.4 m. to Scott Lithgow and £0.89 m. to Vosper Ltd. are under consideration. From the £5.4 m. remaining Cammell Laird, Harland & Wolff and Swan Hunter, have all approached the SIB seeking substantial financial support. There is also the possibility of applications from other firms in the shipbuilding and engine building industries.

Loans (Section 4) and Share Subscription (Section 6) - £million

<table>
<thead>
<tr>
<th></th>
<th>Total available</th>
<th>Already Paid</th>
<th>Firmly Committed</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>32.5</td>
<td>16.055</td>
<td>0.450</td>
<td>15.995</td>
</tr>
</tbody>
</table>

(including £3 m. share subscription = UCS)

Against this balance, we are currently considering proposals by the SIB to lend up to £2.3 m. to Scott Lithgow. UCS hope to obtain a further £1 m. for capital equipment but it is unlikely that this loan will be made until they have demonstrated that they are on the road to viability. The balance should be more than adequate to meet any foreseeable proposals for loan assistance by the SIB during the remainder of their life.

Ministry of Technology,
S.W.1.
26th April, 1970
<table>
<thead>
<tr>
<th>Company</th>
<th>Shipbuilding Employment March 1970</th>
<th>(2) Turnover</th>
<th>Order Book December 1969</th>
<th>SIB Grants paid or committed £ m.</th>
<th>SIB Loans etc. paid or committed £ m.</th>
</tr>
</thead>
<tbody>
<tr>
<td>UCS Group</td>
<td>10,254</td>
<td>22 (£ m.)</td>
<td>70 (£ m.) (1)</td>
<td>6.1 £ m.</td>
<td>7.7 £ m.</td>
</tr>
<tr>
<td>Yarrow Shipbuilding</td>
<td>2,954 (inc. Yarrow)</td>
<td>-</td>
<td>50 (all naval)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cammell Laird</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cammell Laird</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shipbuilders &amp; Engineers</td>
<td>7,925</td>
<td>23 (£ m.)</td>
<td>65 (£ m.)</td>
<td>NIL £ m.</td>
<td>NIL £ m.</td>
</tr>
<tr>
<td>Harland &amp; Wolff</td>
<td>6,216</td>
<td>N/A (£ m.)</td>
<td>80 (£ m.)</td>
<td>2.5 £ m.</td>
<td>8.0 £ m.</td>
</tr>
<tr>
<td>Austin &amp; Pickersgill</td>
<td>2,509</td>
<td>12 (£ m.)</td>
<td>25 (£ m.)</td>
<td>NIL £ m.</td>
<td>NIL £ m.</td>
</tr>
<tr>
<td>Bartram Group</td>
<td>581</td>
<td>2.5 (£ m.)</td>
<td>6 (£ m.)</td>
<td>NIL £ m.</td>
<td>0.25 £ m.</td>
</tr>
<tr>
<td>Appledore</td>
<td>19,036</td>
<td>62 (£ m.)</td>
<td>210 (£ m.)</td>
<td>5.05 £ m.</td>
<td>NIL £ m.</td>
</tr>
<tr>
<td>Swan Hunter Group</td>
<td>4,695</td>
<td>16.8 (£ m.)</td>
<td>60 (£ m.)</td>
<td>0.02 £ m.</td>
<td>NIL £ m.</td>
</tr>
<tr>
<td>Doxford &amp; Sunderland Ltd.</td>
<td>1,810</td>
<td>4 (£ m.)</td>
<td>10 (£ m.)</td>
<td>NIL £ m.</td>
<td>0.4 £ m.</td>
</tr>
<tr>
<td>Scott Lithgow</td>
<td>4,347</td>
<td>N/A (£ m.)</td>
<td>95 (£ m.)</td>
<td>NIL £ m.</td>
<td>NIL £ m.</td>
</tr>
<tr>
<td>Vickers</td>
<td>7,303</td>
<td>N/A (£ m.)</td>
<td>90 (all naval)</td>
<td>NIL £ m.</td>
<td>NIL £ m.</td>
</tr>
<tr>
<td>Brooke Marine</td>
<td>1,127</td>
<td>N/A (£ m.)</td>
<td>15 (£ m.)</td>
<td>NIL £ m.</td>
<td>NIL £ m.</td>
</tr>
</tbody>
</table>

Notes: (1) Includes ships where completion is well overdue.

(2) Turnover is based on figure for year covered by last annual accounts and may not reflect current average turnover.
<table>
<thead>
<tr>
<th>Category 'A'</th>
<th>Published pretax profit/loss (__)</th>
<th>Period of Accounts</th>
<th>Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>UCS Group</td>
<td>(10)</td>
<td>Sept. 1967-Aug. 1968</td>
<td>Government hopes that present assistance will enable group to be viable after redundancy programme has been carried through</td>
</tr>
<tr>
<td>Harland &amp; Wolff</td>
<td>(3.7)</td>
<td>1969</td>
<td>No reason to believe that a collapse of the Company is imminent. Company are currently discussing possible further aid with SIB. Shipbuilding Company expects £10 m. loss. Future of Cammell Laird Group discussed in SEP(70)50.</td>
</tr>
<tr>
<td>Cammell Laird</td>
<td>1.35</td>
<td>1968</td>
<td>Should continue to do well.</td>
</tr>
<tr>
<td>Category 'B'</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Austin &amp; Pickergill and Bartrams Group</td>
<td>1.8</td>
<td>June 1968-June 1969</td>
<td></td>
</tr>
<tr>
<td>Appledore</td>
<td>0.25</td>
<td>Sept. 68-Sept. 69</td>
<td></td>
</tr>
<tr>
<td>Category 'C'</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Swan Hunter Group</td>
<td>1.6 of which shipbuilding 0.2</td>
<td>1968</td>
<td>Foreseen shipbuilding losses of £4.7 m. likely to result in group loss of £4 m. in accounts due soon.</td>
</tr>
<tr>
<td>Doxford &amp; Sunderland Group</td>
<td>1.6</td>
<td>March 68-69</td>
<td>Chairman this month forecast profit to March 1970 as substantially lower and provision will have to be made for losses expected in 1971 and 1972 partly due to 5 week strike still continuing. Company have reported to SIB that loss from March 1969 to Sept. 1969 was £514,000.</td>
</tr>
<tr>
<td>Robb Caledon Gp.</td>
<td>(0.238)</td>
<td>March 68-69</td>
<td>No information but Company still confidently pressing for its new equipment programme. Thought to be making losses.</td>
</tr>
<tr>
<td>Scott Lithgow Gp.</td>
<td>N.A.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brooke Marine</td>
<td>N.A.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vickers Barrow</td>
<td>N.A.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
28th April 1970

CABINET

FINANCIAL ASSISTANCE TO PRIVATE INDUSTRY:
CODE OF CONDUCT

Memorandum by the Chief Secretary, Treasury

The Minister of Technology's paper states his views on the consequences of the legal opinions given to us on Beagle Aircraft Company. I think that the best way of applying this experience to future proposals for Government financial assistance to private industry would be by defining and acting upon a Code of Conduct.

The Industrial Expansion Act

2. A number of important elements in any such code of conduct were dealt with in three papers which were approved by Ministers in the summer of 1968 in connection with industrial investment schemes which might come forward under the new powers taken in the Industrial Expansion Act 1968. These papers set out:

a. the procedures for inter-departmental consideration of such projects and for their vetting by an advisory committee;

b. the external economic factors to be taken into account in deciding whether to provide finance to projects which are judged to be in the national economic interest but which would not be undertaken on commercial considerations alone;

c. the terms of selective financial assistance by Government Departments for industrial projects or schemes in the private sector.

3. The last of these papers, which was prepared by the Treasury in consultation with other interested Departments, although written with particular reference to schemes under the Industrial Expansion Act, was intended to be of wider relevance, and it is of particular interest for the purposes of the present note. It did not set out, however, to embrace fiscal incentives and financial support of a more general character - such as investment grants or the various schemes of
assistance for Development Area projects - while the arrangements
governing the Industrial Reorganisation Corporation's (IRC) financial
operations were the subject of separately agreed guidelines. The main
points in the 1968 paper on the terms of selective assistance to private
industry can be summarised as follows.

4. The White Paper on Industrial Expansion (Cmnd. 3509) had made
it clear that, in an economy such as ours, the role of the Government in
selective assistance to the private sector should be that of lender of
last resort. The new powers taken by the Government would not be
used to displace existing sources of finance. Proposals for assistance
would be subject to no less stringent examination than that applied to
investment in the private sector or the nationalised industries.

5. If a case was established that a scheme was in the national
economic interest, but that sufficient finance on suitable terms could
not be mobilised from other sources, the paper envisaged that the
Government's contribution should be as limited, and the terms as hard,
as was compatible with the object of the decision to contribute. The
following possible forms of assistance were discussed:

a. Loans. A secured loan or debenture at not less than the
   Government lending rate should be regarded as the norm.

b. Convertible Loans or Debentures. A loan or debenture with
   rights of conversion into shares, though not hitherto a
   normal form of Government financial participation, would
   be appropriate where projects could stand loan terms and
   in addition had a prospect of showing a substantial profit
   on the investment over and above service of the loan.

c. Guarantees. Government guarantees on funds borrowed in
   the private sector should be used only in exceptional cases.
   They should not be used as a means of enabling otherwise
   uncreditworthy companies to raise loan finance. Lending
   with a Government guarantee is generally unlikely to be
   attractive to the banks, since such borrowing should carry
   interest rates only marginally above the Government
   lending rate. In practice, therefore, guarantees will
   normally be applicable to borrowing from sources outside
   the banks; such finance is tantamount to gilt-edged and
   has implications for monetary management. Outside the
   special arrangements for guaranteed fixed-rate finance
   for exports and shipbuilding, the possibility of providing a
   guarantee should arise only in exceptional circumstances
   when a direct Government loan might be administratively
   inconvenient or the use of private finance has strong
   presentational advantages.
d. **Shareholdings.** As stated in the White Paper on Industrial Expansion, an object of a Government shareholding in certain projects would be to provide for a return to the Exchequer if the profits justified it without imposing too great a burden of fixed-interest debt at the outset. In some circumstances this might be achieved by a preference shareholding; in others an investment in ordinary shares might be more suitable. In all cases of a substantial Government shareholding the Government would require the right to appoint a Director and, according to the extent of its participation, might require other safeguards also.

e. **Underwriting of Losses.** The aim in any schemes for Government underwriting of possible losses should be to provide a service which is self-financing out of premium income.

f. **Launching Aid.** Launching aid takes the form of a Vote-financed Government contribution towards the cost of launching a civil aircraft project, which is recoverable by means of a levy on receipts from sales, the amount of the recovery depending on the success of the project. This type of assistance was mentioned in the paper as of possible use in considering the terms for other special cases, rather than outright grant.

g. **Grants.** The paper noted that, outside the general schemes of grants (such as investment grants) designed to secure certain broad national objectives, and a limited amount of grant finance for particular industries such as shipbuilding to meet losses involved in reorganisation or contraction, grants to individual firms on a selective basis had consisted mainly of assistance towards research and development or technological innovation. In this field, as in the case of launching aid for aircraft, a general aim was to provide for recovery of the Government’s contribution wherever possible, e.g. by a levy on sales or royalty rights.

**Experience since 1968**

6. In the event the new powers taken in the Industrial Expansion Act, 1968 have not been used to anything like the extent which was at one time expected. The IRC, on the other hand, has taken part in an increasing number of operations, and this is no doubt a reason for the limited need for direct Government intervention in particular cases. Government funds have also been channelled through the Shipbuilding Industry Board, and for Upper Clyde Shipbuilders (UCS) these have now been supplemented by ad hoc loans from the Ministry of Technology. Funds have also been channelled for particular purposes through, for example, the National Research Development Corporation (NRDC).
7. We have two kinds of case to consider though they are not always easily distinguishable: consideration of Government assistance for what seems to be a successful venture; and Government aid for an enterprise which is, or looks likely to be, in financial difficulties.

Assistance to Viable Firms

8. I do not think that anything that has happened requires us to retreat from the principles mentioned above when the Government wishes to participate in an apparently satisfactory enterprise, but we need to exercise a great deal of caution. We should take whatever steps are possible in particular cases to remove any suggestion that the Government are taking upon themselves any responsibility beyond that which any other person engaged in the same degree of participation would assume. In particular we should take any opportunity, e.g. when any necessary Bill is before Parliament, to make it clear that this is the full extent of the Government's liability; we should publish wherever appropriate the fact that the Government's liability is limited - if necessary even to the detail of seeing that the documents and notepaper of the company concerned clearly show that it is a limited liability company. Where it is decided to take an equity holding we should appoint Government directors but we should seek to emphasise they are responsible to the general body of shareholders. We should, before participating, seek legal advice on the extent of the liabilities that we might incur and we should consider carefully what financial information we shall require from the company so as to ensure that the maximum amount of the Government's commitment was known and was finite. In particular the company should be required to undertake, in some appropriate form, to notify the Government when its total indebtedness, including trade credit, reached a predetermined figure. This early warning of the possible later approach of insolvency should enable the Government to decide freely what course to adopt in the circumstances then prevailing.

9. We should make it plain in some general statement at an appropriate time that Government participation in commercial enterprises does not mean the acceptance of any kind of obligation going beyond what the law requires. This is not to rule out the possibility that in particular circumstances, should an enterprise have failed, contrary to expectations, we might decide there was a case for our accepting some ex gratia responsibility to employees and possibly even to creditors; though in general I am opposed to our doing so since this would inevitably lead to a situation in which we would be assumed to accept a general responsibility.

Where the Firm's Future is Uncertain

10. The advice we have had on the Beagle and UCS cases is of more direct relevance when the Government's intervention is in the nature of a rescue operation or where, following participation in what was expected to be a viable enterprise, the firm's position deteriorates.
7. We have two kinds of case to consider though they are not always easily distinguishable: consideration of Government assistance for what seems to be a successful venture; and Government aid for an enterprise which is, or looks likely to be, in financial difficulties.

Assistance to Viable Firms

8. I do not think that anything that has happened requires us to retreat from the principles mentioned above when the Government wishes to participate in an apparently satisfactory enterprise, but we need to exercise a great deal of caution. We should take whatever steps are possible in particular cases to remove any suggestion that the Government are taking upon themselves any responsibility beyond that which any other person engaged in the same degree of participation would assume. In particular we should take any opportunity, e.g. when any necessary Bill is before Parliament, to make it clear that this is the full extent of the Government's liability; we should publish wherever appropriate the fact that the Government's liability is limited - if necessary even to the detail of seeing that the documents and notepaper of the company concerned clearly show that it is a limited liability company. Where it is decided to take an equity holding we should appoint Government directors but we should seek to emphasise they are responsible to the general body of shareholders. We should, before participating, seek legal advice on the extent of the liabilities that we might incur and we should consider carefully what financial information we shall require from the company so as to ensure that the maximum amount of the Government's commitment was known and was finite. In particular the company should be required to undertake, in some appropriate form, to notify the Government when its total indebtedness, including trade credit, reached a predetermined figure. This early warning of the possible later approach of insolvency should enable the Government to decide freely what course to adopt in the circumstances than prevailing.

9. We should make it plain in some general statement at an appropriate time that Government participation in commercial enterprises does not mean the acceptance of any kind of obligation going beyond what the law requires. This is not to rule out the possibility that in particular circumstances, should an enterprise have failed, contrary to expectations, we might decide there was a case for our accepting some ex gratia responsibility to employees and possibly even to creditors; though in general I am opposed to our doing so since this would inevitably lead to a situation in which we would be assumed to accept a general responsibility.

Where the Firm's Future is Uncertain

10. The advice we have had on the Beagle and UCS cases is of more direct relevance when the Government's intervention is in the nature of a rescue operation or where, following participation in what was expected to be a viable enterprise, the firm's position deteriorates,
Our aim should be to take decisions in the light of a full and informed appreciation of the situation and of the implications for the future of the action proposed. In particular we should consider not only the direct cost of assistance to the firm but the size of the total liability the Government might have to meet. There should be specific decisions at each stage, each taken in the light of legal advice as to the degree of further involvement that may arise. I do not think it possible to lay down rules of general application. The safeguards suggested above for participation in viable enterprises should all be enforced, but beyond this every effort should be made to ensure that the Government do not widen their liabilities beyond the minimum necessary to achieve their purpose.

11. A point of particular difficulty will be to decide whether, if the Government offer to provide direct assistance, they should monitor closely the firm's activity or should undertake a minimum of interference. This will have to be decided in particular cases, after legal advice, but the aim should be to ensure that the Government have that amount of information which they need to reveal to them the company's financial progress so that they may then have an opportunity to detach themselves, if they so decide, without adding to their legal liability; but to stop short of becoming so much a party to the company's acts that they cannot avoid a wider responsibility.

12. It may well be that if the Government's liability is to be limited some departure from the guidelines on the terms of finance set out above will be needed. Thus a grant might be more appropriate than a loan, the service of which would be incompatible with the company's future solvency and which might imply continuing Government support; but either might in particular circumstances be more appropriate than an equity holding. Better still would be for the Government to avoid direct assistance and for any necessary help to be made available through an outside body such as the IRC or the Shipbuilding Industry Board. Whatever the form of assistance, a prime requirement must be to assess the impact on public expenditure of the total liability that is being created, not only the direct cost of the assistance offered; and to ensure that it is no greater than can be met from within the Department's approved financial allocation.

JD

Treasury Chambers, SW1

28th April 1970
CABINET

CLOSURE OF GLYNCORRWG COLLIERY

Note by the Secretary of the Cabinet

By direction of the Prime Minister I am circulating for consideration by the Cabinet at tomorrow's meeting a memorandum by the Minister of Defence for Equipment on the closure of Glyncorrwg Colliery.

Signed BURKE TREND

Cabinet Office SW1

29 April 1970
Glyncorrwg Colliery is due to close next Friday, 1st May. Having served in the Ministry of Power, assisted in piloting through the Coal Industry Act 1965, and having had to explain the closure of all the other pits, Duffryn Rhondda, Newlands and Afan in my constituency, I hope it can be understood that I am not advancing a purely constituency interest in advocating further consideration of the future of this pit.

2. S.E.P. on 8th April invited the Paymaster General to consider urgently ways of reducing the national smokeless fuel shortage next winter. In his letter of 22nd April he reported, inter alia, that 5 gasworks which would otherwise be closed could be kept going yielding 150,000 tons at a cost of £1.6M, representing an extra cost of £9.3 a ton on average. The figures for each individual gasworks are not available to me.

3. Glyncorrwg normally produces about 120,000 tons of coal, according to the pit’s manager. Almost 60% of its production is duff used for blending and since it is rather good quality material, and more costly, other pits are not always happy to have duff from Glyncorrwg – they can do with something cheaper.

4. But much more important is the 40% of the 120,000 tons which is not blended. About 11-12% is stove nuts, 10% stovess % cobbles, and 10% beans. They are divided into these particular parts because different stoves are needed to burn different types – some commercial, some domestic. I am informed that I may be conservative in estimating this breakdown as 60/40%. The 40% may be higher in fact. At any rate, something like 50,000 tons is a straight burning smokeless fuel.

5. The Ministry of Technology told me on 8th April:–

“The closure of Glyncorrwg on 1st May will be the first closure of an anthracite pit for over a year ... But the colliery has been losing money very heavily. £140,000, equivalent to 15/- per ton, was lost in 1968-69 and in 1969-70, to end December, the loss was £225,000, equivalent to £2.12.10. per ton.”

6. Absenteeism at Glyncorrwg was running at 30% at the beginning of the year. Through strenuous efforts by the N.U.M. this was reduced to 15% by the end of February.

/Unfortunately
Unfortunately there were four disputes in March and absenteeism rose to 27%. Given that the pit is in its last few days it is understandable that there is now a much higher figure. I am told that the N.C.B. now seeks to argue its costs on the current level of attendance. This is patently unreasonable. Given a new lease of life the pit would return to a degree of normality. In any event the men cannot be wholly beyond redemption because the N.C.B. justify the social effects of closure by their intention to re-employ 340 in other pits, retaining another 80 in salvage, and the only retirements and redundancies would be 100 nearly all of whom are likely to be 55 or over.

7. I understand it is now argued that it is unsafe to continue mining here. This is a new argument, and certainly not advanced to me by either pit manager last week or the men. Its only relevance is that pits close themselves unless faces are kept going.

8. Lord Robens seeks to place the onus entirely on the Government for the closure. He wrote to me on the 26th March: "If the Government wished us to keep this pit open for social reasons then we could do so under the provisions of the Act. However, there has been no indication in this direction."

9. I concede the difficult record of this pit. But successful efforts, albeit with a setback, no doubt aggravatated by the non-arrival of a reprieve, were being made to correct this. Given the 50,000 tons of directly burnable, unmixed coal which can be produced, the thermal quality of 1 ton of coal as opposed to 1 ton of coke, the price we are prepared to pay for 150,000 tons of extra coke at an average £9.3 per ton compared with this pit's £2.12.10 per ton loss on coal in the last available period, I submit that this pit's closure now would be a mistake against the background of a national smokeless fuel shortage and the other measures proposed to mitigate this.

10. I am copying this to the Paymaster General and the Secretary of State for Wales.

(intd.) J.M.
PROPOSED NEW POWER FOR THE COMMISSION FOR INDUSTRY AND MANPOWER BILL TO CONTROL EXPENDITURE ON ADVERTISING AND SALES PROMOTION

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

INTRODUCTORY

1. We have been discussing in the Ministerial Committee on Industrial Policy a proposal I have made that we should seek to include in the Commission for Industry and Manpower (CIM) Bill at Committee Stage a power which would enable Ministers to control the level of expenditure by companies on advertising and sales promotion, following a report by the Commission which found that levels of such expenditure were excessively high and against the public interest.

2. The Committee were generally in favour of the Government's possessing such a statutory power but it was agreed that, in view of the political implications of seeking such a power at the present time, the decision as to whether the CIM Bill should be amended in this way should be left to Cabinet.

THE CASE FOR THE NEW POWER

3. There is no power in the present monopolies and mergers legislation, nor in the CIM Bill, which enables Ministers to restrict advertising and sales promotion expenses of manufacturers by Order.

4. The basic case for taking such a power is that we expect that the CIM will find from time to time that levels of advertising and promotional expenditure in industries which it investigates are excessive and contrary to the public interest. If Departments are effectively to follow up such findings we need to be armed with powers to make Orders regulating advertising and sales promotion expenditure.
5. One of the characteristics of duopoly and oligopoly situations which the CIM will be investigating, especially in industries producing consumer goods, and one of the typical manifestations of market power in conditions of imperfect competition, is high levels of expenditure on advertising and sales promotion. In these market situations, as the Monopolies Commission found in the case of detergents, price competition tends to be limited or non-existent and is generally replaced by competition in advertising and promotion. The main aim of this advertising is not to inform the consumer but is directed at maintaining and increasing the market power of the company concerned, particularly against smaller companies who cannot afford such levels of expenditure. Potential competitors who might otherwise enter the market and provide a safeguard against excessive profits are deterred by the high level of expenditure on advertising and sales promotion which is required in order to break into the market, and so the market power of the heavy advertisers tends to remain unchallenged.

6. There has been ample demonstration of this in reports of the Monopolies Commission and the National Board for Prices and Incomes (NBPI). In their report on household detergents in 1966, the Monopolies Commission found that the policies of Unilever and Procter and Gamble were against the public interest in that they tended to keep out new entrants, resulted in over-concentration of competition on advertising and sales promotion to the detriment of effective price competition, and in unduly high profits and unnecessarily high prices to the public. The Commission recommended a 40 per cent reduction in the selling expenses of the companies. Because of the gap in our powers, we were not able to achieve this. Although there was a significant fall in 1967 and 1968, compared with 1966, advertising on household detergents reverted in 1969 to levels even higher than those before the Commission's report.

7. Much the same position is shown by reports of the NBPI on confectionery and cosmetics; selling costs on toiletries and cosmetics accounted for 50 per cent of manufacturers' prices, and had risen by 50 per cent in 1965-69. Attempts to bring about a reduction in selling expenses indirectly by price control are subject to serious shortcomings and disadvantages, not the least being that they inevitably tend to hurt most the smaller and weaker firms and not the powerful firms relying on heavy advertising as an aggressive technique. Experience shows that there is no real alternative to the direct approach.

8. The President of the Board of Trade has argued that we should not take the power before the completion of a research study on advertising by Professor Cowling of the University of Warwick which he is about to launch. But this enquiry was announced as long ago as April 1967, following the Monopolies Commission's Report on Household Detergents; it is not yet under way and is not expected to be completed until the summer of 1972 at the earliest. It seems to me that it would be unfortunate to miss the opportunity which the CIM Bill provides to
CONFIDENTIAL

take power to deal with this problem because of a research study which is hardly likely to cast doubt on the need to have such a power. The study might well be useful in providing a theoretical framework and perhaps in identifying situations in which the public interest requires a restriction on advertising and sales promotion activities, but even without a theoretical framework we know that such situations exist and we now have the right Bill in which to take a general power of control. Moreover I am proposing at this stage only that we should be armed with this power. The study is more relevant to its future use.

9. Some Ministers were concerned about the effects of the proposed new power on the advertising revenues of the communications media. I do not think this need deter us. The power will be used only rarely and would be confined to specified and limited reductions in the advertising and/or sales promotion expenditure of specified companies which had been investigated by the CIM so that its impact on the revenues of television companies or newspapers would be negligible. For example, if we had been even more drastic than the Monopolies Commission recommended, and required the detergent manufacturers to halve their advertising expenditure, this would have reduced ITV advertising revenue by only 2 or 3 per cent, and would have affected newspapers hardly at all. But even if it were to have any impact I could not accept that we should ignore an abuse of market power disclosed by a CIM report merely to ensure that the communications media did not lose any advertising revenue.

PROPOSED ACTION

10. The Ministerial Committee on Industrial Policy generally favour and I strongly recommend to my colleagues the proposal that at Committee Stage of the CIM Bill we should add a new power enabling Ministers to control the level of expenditure by companies on advertising and sales promotion following a report by the CIM which finds that such expenditure is excessive and against the public interest. I would propose that there should be an amendment to give Ministers a power to make an Order limiting the amount of such kinds of expenditure as may be specified in the Order. The precise definition of such expenditure in any specific case would be clear from the report by the CIM which criticised aspects of the advertising and sales promotion expenditure of the companies it had investigated.

11. We shall undoubtedly face vigorous opposition in Parliament, from the Confederation of British Industry (CBI) and advertising interests on this proposal. I believe, however, that the political consequences would be by no means entirely unfavourable and that we could expect a good deal of support for this proposal from outside the vested interests immediately affected. There might be advantage in being seen to have consulted the interests concerned before tabling the proposed amendment, and this might also give us the opportunity of assessing public opinion. One way of
achieving this would be to encourage a Government back-bench member to table an amendment in Committee which I would undertake to consider. The proposal would then be the subject of consultation with the CBI and advertising interests before we tabled a Government amendment. But I hope we should not be dissuaded from our purpose by the inevitable opposition of vested interests.

12. I believe that the proposal I am now making will fill an important gap in our competition policy and I hope Cabinet will agree that we should take this power in the CIM Bill.

B A C

Department of Employment and Productivity SW1

4 May 1970
At its meeting on 28 April the Ministerial Steering Committee on Economic Policy endorsed the proposals for a revised strategic network of inter-urban roads in England within the next 15-20 years and invited me to submit the text of the White Paper to the Cabinet for consideration.

2. The Committee agreed that maps to be published with the White Paper should be sent for printing. This has been done. The map showing the current position on motorways and trunk roads has been brought up to date and will be printed in different colours from the main strategy map to avoid any misunderstanding or confusion between them. The keys have also been modified to make it quite clear what each map portrays and, in particular, to indicate the precise nature of the route feasibility studies illustrated.

3. Secondly, the Committee suggested that further consideration should be given to the wisdom of indicating in the White Paper that expenditure on urban roads was planned to rise to over half the road programme by the 1980s. I have discussed with the Minister without Portfolio the form of words which I proposed in the corrigendum to the White Paper circulated on 27 April. In my view, it is important to retain these words. If we are less specific about expenditure on urban roads, it might well be assumed that if the new inter-urban strategy takes 20 years to complete, the road programme as a whole may diminish in future years. This assumption would be unjustified and could seriously reduce the impact of the White Paper proposals. The wording proposed in paragraph 26 is still fairly general and would, in effect, leave open the rate at which we develop our urban transport policy and the precise level of the urban road programme year by year. On this understanding, the Minister without Portfolio is prepared to accept the draft I proposed, which is now incorporated in paragraph 26 of the attached draft.
CONCLUSION

4. I invite my colleagues to approve the text of the attached draft White Paper for printing and publication in early June with maps already approved by the Steering Committee on Economic Policy.

F W M

Ministry of Transport SEI

4 May 1970
DRAFT WHITE PAPER
ROADS FOR THE FUTURE: THE NEW INTER-URBAN PLAN FOR ENGLAND

INTRODUCTION

1. The White Paper on Transport Policy (Cmnd 3057), published in July 1966, described the Government's policy for the years ahead, including the steps being taken to reconcile the country's national and regional transport needs and the manner in which the various forms of communication, inter-urban and urban, were being developed to form a coherent and integrated system. Since that time the policy outlined in Cmnd 3057 has been gradually developed and implemented. During 1967 a series of White Papers was published on Railway Policy (Cmnd 3439), on the Transport of Freight (Cmnd 3470), on Public Transport and Traffic (Cmnd 3481) and on the Waterways (Cmnd 3401). Effect was given to the policies set out in these White Papers by the Transport Act 1968. In March 1967 the Government and the British Railways Board published details of the basic railway network which was to be retained and developed. More recently, the Government has published its proposals for the reorganisation of the Ports (Cmnd 3903) which will be given legislative effect by the Ports Bill now before Parliament. The present paper carries this development of transport policy one stage further by setting out the Government's strategy and plan for the development of the inter-urban trunk road system in England over the next 15 to 20 years.

2. This new strategy and plan have been developed from the proposals outlined in the Green Paper, "Roads for the Future", published as a basis for discussion in March 1969. The aim is to provide a comprehensive national system of trunk roads on which commercial traffic and private cars can move freely and safely and on which congestion and the frustration and economic costs it creates will have been
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been virtually eliminated. This will make a major contribution to the long term planning of the economy, and to the planning of regional and industrial development and of the whole physical environment. The proposals take full account of existing plans for the regions and will provide strong support for the Government's regional policies. While they relate essentially to the trunk road system outside towns and cities they recognise the need for complementary improvements on principal roads, particularly in urban areas. They are a major element in the long term strategy for transport as a whole - a strategy which will take full account of the future development of rail and air transport in this country. Both these forms of transport are, and will continue to be, essential components of our transport system, but, despite the growth of air transport, the introduction of new freight and passenger services on the railways and technological development in both these and other forms of transport, the demands of road traffic will continue to grow. Unless the capacity of the road system is expanded to deal with existing and future traffic demands, road congestion and the associated economic loss will also increase.

3. The proposals in this paper relate only to England. Proposals for roads in Scotland and Wales have been set out in the White Papers "Scottish Roads in the 1970s" (Cmnd 3953) published in March 1969 and "Wales: The Way Ahead" (Cmnd 3334) published in July 1967.

THE BACKGROUND TO THE PRESENT PROPOSALS

4. In the past 10 years traffic on inter-urban trunk roads and motorways has more than doubled. In 1960 the total was 10,000 million vehicle miles; now it is 21,000 million vehicle miles. With rising national production, goods vehicles run one fifth more miles than in 1960. But the biggest increase has come from private cars. In 1960 some 5½ million private cars were licensed in Great Britain; now there are well over 11 million.
5. As personal incomes and living standards continue to rise, more people who cannot at present afford cars will be able to own them and to enjoy the freedom and mobility they give. By 1985 there could be 20 million private cars in use. Now one household in two has at least one car. By 1985 it could be two out of every three. Only then will the rate of growth in car ownership begin to slacken and the rate of growth of total road traffic start to ease.

6. Since 1964 the annual rate of expenditure on road building has doubled: it now stands at about £1 million a day. Over the same period the mileage of motorways in use in England and Wales has also more than doubled and is now over 600 miles. The target of 1,000 miles will be met by about the end of 1972. In the same period the mileage of all-purpose dual carriageway trunk roads in England alone has increased to 850 miles and by the end of 1972 there will be over 1,000 miles in use with many more under construction.

7. For many years traffic has been rising faster than the provision of new road capacity to meet it. But the continuing expansion of the effort on road building, and the forecast of some slackening in the rate of growth of traffic in the late 1970s and 1980s, does now offer the possibility of first checking and then progressively eliminating the congestion on our trunk road system. It is this possibility that the Government plans to turn into a reality.

/ THE GREEN
GREEK PAPER PROPOSALS

The Green Paper, "Roads for the Future", proposed for discussion a new strategy based on an assessment of inter-urban needs in the 1970s and early 1980s. This, it was estimated, would cost about £2,250 million (£2,470 million at 1970 prices). The strategy had three main elements:

a. to concentrate a substantial part of resources for new road construction on the comprehensive improvement of a national network of trunk routes to which all important centres of population - existing and projected - would or could easily be connected. Many would be constructed as motorways; all would be to dual-carriageway standard. A map of a possible network was presented for discussion;

b. to supplement this with a continuing and complementary programme of individual improvements on other trunk roads not justifying comprehensive improvement, and improved links to the national network; and

c. to develop these proposals for inter-urban roads within a total strategy for road development which would allow the proportion of total resources available for road building in towns and cities to increase progressively over the period.

DISCUSSIONS AND FURTHER ANALYSIS SINCE THE GREEN PAPER

Public response to the Green Paper was excellent. Comments were received from nearly 300 organisations and individuals. The concept of the comprehensive development of a national network was widely welcomed. General comments centred mainly on the resources to be devoted to road building, the time within which the strategy could be achieved and the parallel need for increasing expenditure on urban roads. Detailed comments centred on suggestions for additions to the proposed network.
10. The Government has examined carefully the comments received and has assessed all the proposals for additions to the network, as well as testing a number of alternatives. Particular attention has been paid to the comments received from all the Regional Economic Planning Councils. The national traffic model described in the Appendix to the Green Paper proved particularly valuable at this stage in forecasting the pattern of long distance traffic on alternative routes in the network. Development of the model for use in measuring the total benefits arising from complete networks is continuing. Forecasts obtained from the model have been complemented by detailed examination of the existing and future traffic on individual routes and of their economic justification. The relationship of the network to regional development and the impact of special factors such as the seasonal needs of holiday traffic have also been further studied, particularly on routes in the South-West and to the East Coast. Care has also been taken to ensure that the network will assist the effective utilisation of port and airport facilities.

11. These studies have strengthened the Government's belief in the concept of comprehensive improvement of a primary network of trunk roads: but they have also shown that it should be slightly different from and larger than that proposed in the Green Paper. The Government has also re-examined the relationship between the forecast increases in road traffic, the improvement of the trunk road system generally and the increased capacity which is needed to carry the prospective traffic. They have concluded that if the expanded network could be completed within the next 15 to 20 years, together with a programme of work on other trunk roads of about twice the size envisaged in the Green Paper, real congestion on the inter-urban trunk road system as a whole could be virtually eliminated. They
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have also concluded that, on a realistic assessment of the total investment likely to be available for roads in the future, a programme of this size could be achieved.

THE STRATEGY PROPOSED

THE MAIN INTER-URBAN NETWORK

12. Map "A" enclosed illustrates the enlarged strategic national network. This shows, in blue, routes on which new or comprehensively improved roads will have been provided when existing programmes are complete. Routes shown in red are additional routes selected for comprehensive improvement to motorway or dual-carriageway standards. Together these routes will form the primary strategic national network.

13. This network corresponds largely with the proposals in the Green Paper but a number of routes suggested during public consultations or as a result of detailed re-examination have been found to justify comprehensive improvement and have been added. They are:

(a) Calder Valley Road;
(b) A2 from M2 to Dover;
(c) M6-Brownhills (A5);
(d) Alcester-Solihull;
(e) A49 Whitchurch-Warrington;
(f) A17 Kings Lynn-Neavark (replacing the Kings Lynn-Peterborough route tentatively suggested in the Green Paper);

(g) A61 Alfreton-Sheffield.

14. Five other routes may well justify inclusion but more detailed investigation is needed before this can be decided. They are shown in red dotted lines on the map and are:
(a) a route from Bristol to Southampton;
(b) a new route from Swindon to the Milton Keynes area via Oxford;
(c) the improvement and possible trunking of the route from the A18 at Brigg to Lincoln; (the whole road network to serve South Humberside is at present being studied and final decisions must await the outcome of that investigation.)
(d) the continuation of the South Coast route from Brighton to Dover;
(e) A6 Leicester - Kettering.

15. Two other routes are also shown in dotted lines for special reasons. The first is a route from the M1 to Harwich: such a route will certainly be needed in the network but its general line cannot be decided until the South East Joint Planning Study has been completed. The second, that part of Ringway 3 in the GLC area, will need to take account of the Greater London Development Plan inquiry.

16. The cost of this revised and extended network is estimated to be about £2,000 million (at 1970 prices) compared with the figure of about £1,750 million for the Green Paper network.

17. This network is based on the best estimate that can be made at present of the pattern of future development during the 1970s and 1980s. As comprehensive regional strategies are further developed the network may need to be modified or supplemented to take account, for example, of major new locational decisions such as those arising from the Humberside and Severnside studies, the work of the South East Joint Planning Study and the Roskill Commission on the third London Airport. Seen in the context of the whole network, however, such changes are likely to be few and are more likely to affect the
priority and timing of schemes than to change the strategic network radically.

ROADS AND ECONOMIC DEVELOPMENT

18. It is emphasised that the network illustrated in Map "A" represents only one part of the overall inter-urban strategy. The Green Paper suggested, in addition, the provision of £650 million for schemes on other roads not justifying comprehensive improvement to dual carriageway standards. After a careful review of the actual capacity and forecast traffic on every section of trunk road which will not itself form part of, or be replaced by, routes in the primary network it is estimated that the amount required for this complementary programme in order virtually to eliminate real congestion on these roads is about twice this amount, say £1,400 million at 1970 prices.

19. This complementary programme of work will comprise:-

(a) the progressive improvement of roads not in the primary network to the standard necessary to cater adequately for future traffic demands. In some cases improvement to good quality single carriageway will prove sufficient; in others, where traffic demands are heavier, lengths of dual carriageway will be provided. Sometimes the improvements will be on the existing alignment, sometimes on a completely new line;

(b) provision of new and improved links to the primary network from centres of population and industry;

(c) schemes to relieve those sections of the early motorway network, for example parts of M1 and M4, which by the early 1980s are likely to be seriously overloaded.
20. As stated in the Green Paper, new and improved roads substantially reinforce the major measures the Government are taking to ensure a better balance in economic development. In their various Reports the Regional Economic Planning Councils lay particular stress on the importance of strategic road communications and the manner in which the 1000 mile motorway programme is already assisting the development of the regions. In drawing up the new primary network, full account has been taken of this important consideration so that the network will give further support to planning development throughout the country including the specific needs of the New Towns. But apart from the primary network, the individual improvements on other roads and, more particularly, the provision of improved road links between the main network and those areas where existing communications are inadequate will give additional support to such areas and so help them to develop their full economic potential. New and improved inter-urban principal roads will also have an important role to play in developing regional communications. Over £200 million worth of such principal road schemes are now in preparation.

ENVIRONMENT AND AMENITY

21. The routes shown in the Map "A" are entirely diagrammatic and the lines finally adopted for roads could be significantly different. No one need fear that the inclusion of a route in the strategy in any way prejudges the eventual line of a road. The selection and establishment of actual lines for roads will follow normal statutory procedures and will be open to objection in the usual way.

22. In selecting routes for new and improved roads full account will be taken of environmental and amenity questions including the conservation of historic areas. New roads do improve the total environment although, inevitably, amenity is reduced in some areas and for some people. The aim will be to safeguard and, indeed, to enhance
enhance both amenity and environment to the maximum possible extent. Road plans will be most carefully co-ordinated with local authorities' development plans, use will be made wherever possible of derelict land and, wherever it proves practicable and economic, suitable material from unsightly waste tips will be utilised in the actual construction of roads.

TIMING AND COST

23. The Green Paper envisaged completion of the primary network between 1982 and 1987. The network now proposed is more extensive and the total cost of the overall plan, including the complementary programme of work on other trunk roads, is substantially higher than that forecast in the Green Paper. As stated above, the aim will be to complete this extended strategy within 15 to 20 years from now.

24. Taking into account the outstanding cost of completing the present programme, the total amount to be spent on inter-urban trunk roads in England within the 15-20 year period from 1970 will be over £4,000 million.

25. The new inter-urban strategy marks the beginning of a new phase in the planning and development of our road system but there will be no discontinuity or hiatus in this planning nor any radical change in the machinery for implementing it. Already some £900 million worth of schemes both on the primary routes and elsewhere, selected because they justified the highest priority, are being investigated and prepared. These are reflected in Map "B" which shows the present position on the development of the motorway and trunk road network. Some £110 million worth of the scheme so far announced for preparation are on non-strategy routes leaving many more still to be selected.
Many schemes have already been transferred from the preparation pool into the firm programme and will start this year and next. Others will be added progressively to the preparation pool and subsequently transferred to the firm programme, reflecting the development of the programme as a whole to conform to the new strategy. The relative priorities for schemes within the strategy will be settled as planning and programming proceeds. The intention is to retain sufficient flexibility of choice on the priority of individual routes and schemes to enable full account to be taken of future development in national, regional and local planning. The primary consideration will continue to be the economic benefits to be derived from reduction of congestion and accidents but due weight will be given, in determining priorities, to the need to support economic development in all regions.

**URBAN ROADS**

26. The timing and priorities for improvement of inter-urban roads must also be considered against the pressing and growing need to deal with congestion in our towns and cities and the environmental problems to which it gives rise, and to provide adequate links between the inter-urban and urban networks. The solution to these formidable and complex problems are far from simple. Much can be done by strengthening public transport and by measures of traffic management, but improvements in urban networks are often a pre-requisite to diverting through traffic away from residential and amenity areas and enabling traffic to move easily from city centres and on to the inter-urban network. Solutions vary from town to town and have to be seen in the context of each town's comprehensive plan for physical and environmental management and development. It is therefore not possible to deal with the urban road programme
the same way as the inter-urban although the relationship between the two is, of course, very important. It is however the Government's intention, as suitable schemes are brought forward by local authorities, progressively to change the balance and priorities of expenditure within the total road programme between inter-urban and urban investment. Now rather less than 40% of the total programme is spent on urban roads. The Government envisages that this proportion will need to rise to well over half the total by the 1980s.

SUMMARY
27. This Paper gives an account of the Government's appraisal of current and future traffic levels on inter-urban trunk roads and the road construction and improvement that would be needed to cater for them. On a realistic assessment of the resources likely to be available for roads as the economy grows the Government has decided that its target for the future will be to complete the expanded inter-urban programme outlined in this paper within the next 15-20 years and at the same time progressively to increase the urban programme. Actual progress over a period of this length must depend on how economic conditions generally develop, and the programme itself and the priorities within it must be reviewed from time to time as new situations arise and new information on major developments, traffic levels and new techniques become available.

28. The inter-urban programme will be considerably larger than that visualised in the Green Paper. The network of strategic routes will be somewhat larger and the complementary programme of individual improvements will be about double that proposed earlier. This much expanded programme will take rather longer to complete than the proposals set out in the Green Paper but much of the primary network will be provided within the period originally envisaged.
29. With the Government's new target we can now look forward by
the end of the 1980s to an inter-urban trunk road system where
capacity has doubled (compared with a 70% increase in traffic) and
on which traffic can travel freely, safely and without frustration
and congestion. If economic conditions are favourable it may be
possible to achieve this earlier.
CABINET

LONDON TRANSPORT FARES

Memorandum by the Minister of Transport

INTRODUCTION

On 30 April the London Transport Executive (LTE) announced that they were making an application to the Greater London Council (GLC) for increases in fares on London buses and tubes. The increases were designed to come into effect in late summer/early autumn 1970, and to bring in some £14.5 million in a full year. The increases were considered on Tuesday 5 May by the GLC policy and resources committee; it agreed to recommend their approval to the Council. A final decision is expected to be taken by the GLC on Tuesday 12 May.

DETAILS OF THE INCREASES

2. The main features of the increases are:

a. On the Underground, in central London there will be a minimum fare of 1s, with the bulk of other fares going up by 6d to make a coarsened 1s/2s/3s structure. Outside central London, the 6d minimum fare would be retained for journeys of half a mile, but prices generally would go up by 6d or 1s.

b. Bus fares. In central London, the 6d, 1s and 1s 6d fares for one, two and three miles would remain unaltered. Other fares would go up by 6d. In outer London, the 6d and 1s fares would remain unaltered, and all other fares would go up by 6d.

c. Red Arrow fares would be increased from 5d to 9d.

d. Suburban flat fares generally would be increased from 6d to 9d for adults; 3d to 6d for children.
e. There would be increases of up to 20 per cent for Underground season tickets for distances over one mile.

f. It is also proposed to increase the charges made to education authorities for travel by scholars aged 14 to 18.

STATUTORY POSITION

3. Under the terms of the Transport (London) Act 1969, control of London fares was removed from the independent Transport tribunal. For a short interim period before the handing over of London Transport to the Greater London Council, approval for fares increases rested with the Minister of Transport. But with effect from 1 January 1970 statutory responsibility for London fares passed to the Greater London Council. There is no requirement for Government approval to the increases and no Government power of veto under the Act.

POSITION UNDER PRICES AND INCOMES LEGISLATION

4. Under Prices and Incomes Acts, as amended by the Transport (London) Act 1969, London Transport fares increases can be referred to the National Board for Prices and Incomes (NBPI). It seems very doubtful as a matter of law whether or not the standstill provisions of Section 8 of the Prices and Incomes Act 1966 could be applied to London Transport fares; and if an attempt were made to apply them the LTE would probably challenge it in the courts. And given that the new legislation will not contain standstill powers, I understand that it has not been thought appropriate to use existing powers in recent months even where there were no legal problems.

5. If a reference to the NBPI were to be made, it seems clear that this could not be until after the GLC had taken a final decision since it would appear to prejudge their decision. At present, the matter is between the Executive and the Council.

COMMENT

6. There has not been an opportunity to assess in detail the financial circumstances that have prompted the LTE proposals. They are equivalent to about a 14 per cent increase in fares revenue and almost certainly do no more than match the increased costs that the LTE are facing primarily as a result of recent wages settlement. The real issue for the GLC is a policy one of whether or not fares in London should be subsidised from the rates. This the present GLC have set their faces firmly against.

7. It has always been made clear that London Transport fares are subject to general prices and incomes policy, and a reference of these proposals would indeed be a possibility.
8. On the other hand, there are risks in a reference to NBPI. Whatever the conclusions of NBPI, the Government has no means of enforcing them. Furthermore, it is doubtful whether the central policy issue — that of subsidy as against fares increases — is one on which NBPI can appropriately be asked to comment. If this aspect is excluded, it is difficult to see how the NBPI can fail to endorse the proposals.

9. Finally, there is the point of presentation. It seems from public and Press comment to have been generally appreciated that these fares are a GLC responsibility. Once the Government intervenes, the responsibility for the increases is, in the public view, to some extent transferred to the Government. And given the GLC’s present attitude it seems unlikely that they would give effect to any criticisms of their proposals from NBPI. Moreover, there have already been substantial fare increases outside London. London Transport already enjoys assistance from the Exchequer through the capital write-off in last year’s Transport (London) Act, and to hint at further special treatment now for London would not be popular in the provinces.

CONCLUSION

10. The question of reference of these fares to NBPI is by no means a clear-cut one. The final decision needs to be taken in the light of the terms of the eventual GLC decision, and public reaction to it. Given this, I propose that we should not at this stage commit the Government to an NBPI reference; and, unless we are prepared so to commit the Government, it would be wiser to say nothing now.

F W M

Ministry of Transport SE1

6 May 1970
11th May, 1970

CABINET

STARTING DATE FOR THE EARNINGS-RELATED PENSIONS SCHEME

Memorandum by the Secretary of State for Social Services

In the White Paper on the Earnings-Related Pensions Scheme, published in January 1969, the target date for the introduction of the new scheme was given as April 1972, although it was realised that this would present an extremely tight timetable both for drafting the Bill and getting it through Parliament, and for the administrative preparations required to introduce changes of the magnitude involved for the Government machine and for employers generally, including in particular the consequent amendment of occupational schemes to adapt them to the new State scheme.

2. The Government's own administrative preparations are well advanced but there have been increasingly strong representations from the representative bodies concerned with occupational pension schemes - notably the Life Offices Association, the National Association of Pension Funds and the Corporation of Insurance Brokers Society of Pension Consultants - urging deferment on the grounds that it will not be possible to achieve the necessary modification of occupational schemes for an April 1972 start. Occupational schemes will need to accommodate themselves, not only to the new Government pension scheme, but also to the requirements as to the preservation of occupational pension rights, and to the new tax provisions incorporated in this year's Finance Bill. They will be faced with formidable financial, administrative and legal problems which will throw a very heavy strain on the limited number of expert advisers in this field - over 60,000 individual schemes will be affected - and they are convinced that the necessary work of examination and modification cannot be completed in time for a 1972 start. They emphasize the need to allow time for adequate consultation with the members of occupational schemes about the prospective changes. They also point to the difficulties of persuading employers, in present electoral circumstances, to make an early start in preparing for the new scheme.

3. While in public pronouncements up to now I have adhered to April 1972 as the target date, I have also made it clear that I was considering very carefully the representations made to me. In the light of the case now made by organisations concerned with occupational pensions, and in particular because of the need for adequate consultation with employees
over amendment of occupational schemes, I consider that April 1972 is no longer a realistic target date. Since the new scheme must start at the beginning of a tax year, this means a full year's deferment to April 1973.

4. We cannot, without harmful consequences, postpone much longer a firm announcement on the starting date of the new scheme - certainly not beyond mid-June. In view of the publicity given to the problems facing occupational pension schemes, it is becoming increasingly difficult to maintain the credibility of 1972. Both we and employers have a great deal of planning to do and much machinery and other equipment to order, and it is essential to have a firm date for this purpose. Moreover, we have shortly to send to print certain leaflets for publication as soon as the Bill receives Royal Assent, which will have to contain a starting date.

Implications of deferment

5. It seems likely that there is a general expectation among those with direct knowledge of the problems that the starting date will have to be deferred. The Trades Union Congress will regret deferment, but attach as much importance as we do to adequate consultation with employees on changes in occupational schemes, which would be impracticable with a 1972 starting date. So far as benefits are concerned, the increased rates payable under the new scheme will emerge only gradually over the first twenty years and a year's deferment will not be very significant, assuming, as I intend, that the introduction of the attendance allowance (the new benefit for the very severely disabled) and the improved pension provision for widows under 50 would still start in April 1972. So far as contributions are concerned deferment will no doubt come as a relief to some of those whose contribution rates would be increased under the new scheme (particularly for employed married women who will be brought in compulsorily for the first time); it will be regretted by others who see a prospect of a reduction in their contribution rate. The deferment of the introduction of the main earnings-related scheme need not, however, imply any deferment of the introduction of full preservation of pension rights in occupational schemes; we have all along made it clear that this requirement would not become effective until some years after 1972. The effect on expenditure of deferment of the earnings-related scheme to 1973 would be to postpone from 1973-74 to 1974-75 expenditure of the order of £90 million - very largely the extra cost of unemployment and sickness benefit for married women brought compulsorily into insurance by the new scheme.

6. I seek the agreement of my colleagues to an announcement during Report Stage of the National Superannuation and Social Insurance Bill (immediately after the Whitsun Recess) that the general starting date for the new scheme will be April 1973. I would propose at the same time to make it clear that the deferment would not apply to the introduction of attendance allowance or to the improved pension provision for widows under 50, both of which would start in April 1972.

RHSC

Department of Health and Social Security, SE1

11th May, 1970
1. I was invited by the Cabinet at their meeting on 19 February (CC(70) 9th Conclusions, Minute 1) to arrange for the Future Legislation Committee to consider Departments' proposals for future legislation.

2. The task of planning the programme is complicated by the uncertainty as to the date of the Election. Since we do not know how long the next Session will be, we must, I think, at this stage plan on the assumption that the Session will be of normal length, and this view was endorsed by the Future Legislation Committee. But in taking this as our basis we must bear in mind that there are some Bills which it will be important to pass into law should the Session turn out to be a short one.

3. There are other ways too, as was pointed out in Future Legislation Committee, in which the present special situation affects our planning. Some Bills in this Session's programme may not reach the Statute Book before the Summer Recess and we would wish to reintroduce them; I have included in the draft programme a number of those most at risk, but there may be others, particularly if the Session is foreshortened. Moreover there may well be new policies in the manifesto which we will want to implement by legislation for which no place has been kept.

4. For all these reasons any conclusions to which we come now are bound to be more than usually provisional and we shall need to keep the situation under review. But what is quite clear is that if we are to preserve the maximum freedom of manoeuvre we must be even more careful than usual not to overload the programme and must make a special effort to ensure that Bills are ready when wanted. A disturbing feature of the suggestions made by Ministers is that too often it is likely to be some months before instructions are ready, and even in some cases before a policy submission is made; I have taken this into account in making my selection.
5. The list of Bills which I propose for next Session's programme is given in Annex A. The Bills are classified as usual under the following headings -

   A1 - Essential Bills (i.e. Bills which must be obtained by a given date)
   A2 - Contingent Bills (i.e. Bills which may become Essential in the above sense)
   B - Main Programme Bills
   C - Bills in Reserve
   B(S) - Bills in the programme for the Scottish Grand Committee
   S - Bills suitable for Second Reading Committee procedure
   P - Bills suitable for Private Members

6. The remaining Bills which were put forward for next Session's programme, but are unlikely to find a place, are listed in Annex 3. They are fewer than usual, because fewer proposals were made by Ministers; and the scope for variation is correspondingly limited.

DETAILS OF THE PROGRAMME

i. A1 - Essential Bills

   There is one major measure here - Armed Forces - which must be passed before the Army and Air Force Acts expire at the end of 1971.

ii. A2 - Contingent Bills

   The largest group here is in the field of foreign and Commonwealth affairs. I am advised that major legislation on European Communities is not likely to be required. If it were, it might compel reconsideration of the whole programme, since it would presumably have to be taken on the Floor of the House.

iii. B - Main Programme Bills

   For convenience I have divided the list into three parts. The first consists of Bills in this Session's programme which we would probably wish to reintroduce as part of the main programme if not passed this Session. I have limited it to the Bills which seem to be most at risk of not passing by the Summer Recess, but there are others, such as International Monetary Fund, which might need to be added. The second part of the list consists of other Bills on which policy has been broadly agreed, though a good deal of work may remain to be done. The third part of the list contains Bills on which policy has not been settled; in some cases, such as Family Allowances, the desirability of legislation is in dispute. I have included Cigarette Advertising here since the policy on this may need to be reconsidered.
iv. C - Bills in Reserve

Policy on National Libraries and British Research and Development Corporation is not likely to be settled until late in the year.

v. E(S) - Bills suitable for Scottish Grand Committee

As these take only limited time on the floor and do not substantially compete for drafting resources with other Bills, I have included the full list put forward by the Secretary of State.

vi. S - Second Reading Committee Bills

The proposed Bill on Pesticides is too long to have much chance of passing without a higher priority in drafting than is given to Second Reading Committee Bills. The subject is attractive, but it would overload the main programme to add this Bill unless some other substantial measure is to be omitted.

7. I invite the Cabinet to approve the programme which I put forward and I hope that in so doing they will emphasise the need to settle outstanding policy and submit instructions at the earliest possible moment. We cannot afford to waste our limited drafting capacity because there is no work to which Counsel can turn.

T F P

Privy Council Office SW1

11 May 1970
## FUTURE LEGISLATIVE PROGRAMME

### A1 - ESSENTIAL BILLS

<table>
<thead>
<tr>
<th>Bill</th>
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</tr>
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<tbody>
<tr>
<td>Armed Forces</td>
<td>100</td>
</tr>
<tr>
<td>National Insurance</td>
<td>7-8</td>
</tr>
<tr>
<td>*Mineral Workings Act 1951 (Amendment)</td>
<td>Short</td>
</tr>
<tr>
<td>*New Towns (Money)</td>
<td>2</td>
</tr>
<tr>
<td>General Teaching Council (Amendment)(Scotland)</td>
<td>1</td>
</tr>
<tr>
<td>British Airports Authority</td>
<td>3-4</td>
</tr>
<tr>
<td>Expiring Laws</td>
<td>1-2</td>
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</table>

### A2 - CONTINGENT BILLS

<table>
<thead>
<tr>
<th>Bill</th>
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<tbody>
<tr>
<td>Agricultural Mortgage Corporation</td>
<td>2-3</td>
</tr>
<tr>
<td>Agriculture</td>
<td>1</td>
</tr>
<tr>
<td>Increase in Public Service Pensions</td>
<td>10</td>
</tr>
<tr>
<td>*Fiji Independence</td>
<td>6</td>
</tr>
<tr>
<td>British Honduras Independence</td>
<td>Short</td>
</tr>
<tr>
<td>Bahamas Independence</td>
<td>Short</td>
</tr>
<tr>
<td>*Sierra Leone Republic</td>
<td>2-3</td>
</tr>
<tr>
<td>*Brunei</td>
<td>4</td>
</tr>
<tr>
<td>British North America Acts</td>
<td>Probably short</td>
</tr>
<tr>
<td>*Merchant Shipping Act 1894 (Australian Amendment)</td>
<td>Short</td>
</tr>
<tr>
<td>*Colonial Prisoners Removal (Persian Gulf States)</td>
<td>2</td>
</tr>
<tr>
<td>European Communities (Membership)</td>
<td>Unknown</td>
</tr>
<tr>
<td>Industrial Reorganisation Corporation (Amendment)</td>
<td>1</td>
</tr>
<tr>
<td>En Route Air Navigation Services Charges</td>
<td>2-3</td>
</tr>
<tr>
<td>Channel Tunnel</td>
<td>20</td>
</tr>
<tr>
<td>Northern Ireland (Financial Provisions)</td>
<td>3-6</td>
</tr>
</tbody>
</table>

### B - MAIN PROGRAMME BILLS

i. From this Session's programme (if not already passed)

<table>
<thead>
<tr>
<th>Bill</th>
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</tr>
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<tbody>
<tr>
<td>Industrial Relations</td>
<td>97</td>
</tr>
<tr>
<td>Mineral Workings (Offshore Installations)</td>
<td>15-20</td>
</tr>
<tr>
<td>Fire Precautions</td>
<td>70</td>
</tr>
<tr>
<td>Civil Aviation</td>
<td>Long</td>
</tr>
<tr>
<td>Oil in Navigable Waters</td>
<td>8</td>
</tr>
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</table>

*Possibly suitable for Second Reading Committee
### ii. Other Bills on which policy has been broadly agreed

<table>
<thead>
<tr>
<th>Bill</th>
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</tr>
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<tbody>
<tr>
<td>Juries</td>
<td>30</td>
</tr>
<tr>
<td>Reciprocal Enforcement of Maintenance Orders</td>
<td>20</td>
</tr>
<tr>
<td>Planning and Land Compensation (agreed in part only)</td>
<td>40-50</td>
</tr>
<tr>
<td>Administration of Justice</td>
<td>Medium</td>
</tr>
<tr>
<td>Legal Aid</td>
<td>6</td>
</tr>
<tr>
<td>Minerals (agreed in outline)</td>
<td>50</td>
</tr>
<tr>
<td>Units of Measurement</td>
<td>20</td>
</tr>
<tr>
<td>Estate Agents</td>
<td>24</td>
</tr>
<tr>
<td>Highway Law (Amendment)</td>
<td>40</td>
</tr>
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### iii. Other Bills on which policy need to be settled

<table>
<thead>
<tr>
<th>Bill</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Family Allowances</td>
<td>6-7</td>
</tr>
<tr>
<td>Fluoridation</td>
<td>6</td>
</tr>
<tr>
<td>Cigarette Advertising</td>
<td>7-8</td>
</tr>
<tr>
<td>Gaming Act (Amendment)</td>
<td>1</td>
</tr>
<tr>
<td>Reservoirs (Safety Provisions)</td>
<td>30</td>
</tr>
<tr>
<td>Tariff Preferences for Developing Countries</td>
<td>5</td>
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<tr>
<td>Sale of Goods</td>
<td>12</td>
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### C - Bills in Reserve

<table>
<thead>
<tr>
<th>Bill</th>
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<tbody>
<tr>
<td>National Libraries</td>
<td>12</td>
</tr>
<tr>
<td>Criminal Evidence</td>
<td>40-45</td>
</tr>
<tr>
<td>Building</td>
<td>30</td>
</tr>
<tr>
<td>Defective Premises</td>
<td>3-4</td>
</tr>
<tr>
<td>British Research and Development Corporation</td>
<td>30-40</td>
</tr>
<tr>
<td>Human Tissue Act (Amendment)</td>
<td>Short</td>
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### B(S) - Bills Suitable for Scottish Grand Committee

<table>
<thead>
<tr>
<th>Bill</th>
<th>Estimated number of clauses</th>
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<tbody>
<tr>
<td>Sheriff Courts Reorganisation (Scotland)</td>
<td>40</td>
</tr>
<tr>
<td>Marriage Law (Scotland)</td>
<td>40</td>
</tr>
<tr>
<td>Salmon and Freshwater Fisheries (Scotland)</td>
<td>40-50</td>
</tr>
<tr>
<td>Prescription and Limitation of Actions (Scotland)</td>
<td>15</td>
</tr>
<tr>
<td>Law Reform (Miscellaneous Provisions) (Scotland)</td>
<td>Not known</td>
</tr>
<tr>
<td>Land Compensation (Amendment) (Scotland)</td>
<td>20-30</td>
</tr>
<tr>
<td>Bill</td>
<td>Estimated number of clauses</td>
</tr>
<tr>
<td>---------------------------------------------------------------------</td>
<td>-----------------------------</td>
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<tr>
<td><strong>S - SECOND READING COMMITTEE BILLS</strong></td>
<td></td>
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<tr>
<td>Pesticides</td>
<td>70</td>
</tr>
<tr>
<td>Foreign Compensation (Czariat Assets)</td>
<td>4</td>
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<tr>
<td>Medical Act (Amendment)</td>
<td>25-30</td>
</tr>
<tr>
<td>Rural Water Grants</td>
<td>2</td>
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<tr>
<td>Positive Covenants</td>
<td>15</td>
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<tr>
<td>Recognition of Foreign Divorces</td>
<td>Short/ Medium</td>
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<tr>
<td>Electricity Supply (Amendment)</td>
<td>30</td>
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<tr>
<td>Hi-jacking of Aircraft</td>
<td>12</td>
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<tr>
<td>Control of Foreign Goods Vehicles</td>
<td>5</td>
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<tr>
<td>Building Societies</td>
<td>20</td>
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<tr>
<td><strong>P - PRIVATE MEMBERS' BILLS</strong></td>
<td></td>
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<tr>
<td>Physical Training and Recreation Act (Amendment)</td>
<td>3-4</td>
</tr>
<tr>
<td>(possibly suitable)</td>
<td>12</td>
</tr>
<tr>
<td>Letters of Administration (etc.,)</td>
<td>Short</td>
</tr>
<tr>
<td>Foreign Arbitral Awards (possibly suitable)</td>
<td></td>
</tr>
<tr>
<td>Enforcement and Maximum Resale Prices of Electricity and Gas</td>
<td>4-6</td>
</tr>
</tbody>
</table>
### Bills with no place in the programme

#### i. Bills requiring Second Reading on the Floor of the House of Commons

<table>
<thead>
<tr>
<th>Bill Description</th>
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<tbody>
<tr>
<td>Forest of Dean</td>
<td>10</td>
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<tr>
<td>Employment and Training Act 1948 (Amendment)</td>
<td>Short</td>
</tr>
<tr>
<td>Registration (Births and Deaths)</td>
<td>30</td>
</tr>
<tr>
<td>Burial</td>
<td>56</td>
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<tr>
<td>Rent Rebates (Payments to Supplementary Benefits Commission)</td>
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<tr>
<td>Road Traffic</td>
<td>55</td>
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<tr>
<td>Public Transport (Miscellaneous Provisions)</td>
<td>10</td>
</tr>
<tr>
<td>Light Railways</td>
<td>10</td>
</tr>
<tr>
<td>Reorganisation of Local Government in Wales</td>
<td>60-100</td>
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</table>

#### ii. Possibly suitable for Second Reading Committee

<table>
<thead>
<tr>
<th>Bill Description</th>
<th>Estimated Number of Clauses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Teaching Council (England and Wales)</td>
<td>20</td>
</tr>
<tr>
<td>Consultancy Grants</td>
<td>Short</td>
</tr>
<tr>
<td>Redundancy Payments Act (Amendment)</td>
<td>15-20</td>
</tr>
<tr>
<td>Nauru</td>
<td>4</td>
</tr>
<tr>
<td>Health Education Council</td>
<td>5</td>
</tr>
<tr>
<td>British Nationality</td>
<td>10</td>
</tr>
<tr>
<td>Malicious Damage</td>
<td>15</td>
</tr>
<tr>
<td>Opinion Evidence</td>
<td>Short/Medium</td>
</tr>
<tr>
<td>Wild Creatures and Forest Laws</td>
<td>2</td>
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<tr>
<td>Protection and Preservation of Ancient Monuments</td>
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<tr>
<td>Control of Dangerous Goods in Harbours</td>
<td>10</td>
</tr>
<tr>
<td>International Carriage by Rail</td>
<td>20</td>
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</tbody>
</table>
CABINET

PROPOSED NEW POWER FOR THE COMMISSION FOR INDUSTRY AND MANPOWER BILL TO CONTROL EXPENDITURE ON ADVERTISING AND SALES PROMOTION

Memorandum by the President of the Board of Trade

1. As I shall not be present when the memorandum (C(70) 57) by the First Secretary of State and Secretary of State for Employment and Productivity is discussed, it may be helpful to my colleagues if I explain briefly my reasons for thinking that action at the present time would be unwise.

2. Experts would not, as I understand it, dispute that in some circumstances high advertising and promotion expenditure can constitute a barrier to entry into a particular product market, and hence can effectively preserve or raise the degree of monopoly in an industry. Equally they recognise that, whether by competition between market leaders or by individual company misjudgment, the level of such expenditure may rise beyond the point at which it is economically advantageous to the consumer.

3. What is not known is by exactly how much, in what circumstances, and with what overall effects a particular level of advertising and sales promotion produces these results. The corollary is, of course, that we do not know what cutback will produce the desired direct result, or what peculiar side effects it may generate. This lack of knowledge - which the research to be commissioned by the Board of Trade is designed to remedy as far as is practicable - is generally recognised. It was admitted by my predecessor when, in the course of announcing the action which followed the Monopolies Commission report on detergents, he told the House on 26 April 1967:

"My examination of this problem has led me to conclude that we know too little about the economic effects of advertising in general, and its relationship to competition. Accordingly I have decided to institute some independent research into this subject".
4. Industry is aware of the nature of the study we are about to commission from a small team headed by Professor Cowling at the University of Warwick. So far from arousing alarm or suspicion, it has been recognised by leading figures as a sensible and useful approach, and industry has promised co-operation in providing the data which is essential for an effective study. The terms of reference for the study are:

i. To examine the circumstances in which advertising and promotional expenditures become of major importance in the competitive strategies adopted in different industries.

ii. To study the extent to which, and the circumstances in which, advertising and promotion lead to an increase in the total market for a group of products, and how they operate to determine the shares of different brands within the total market.

iii. To determine the part played by advertising and promotion, in association with the scale of operations, price competition and other factors, in influencing the entry to a market of new competitors and new products, and through this their effects on the structure of particular industries.

5. If we are now seen to take powers, available in a wide range of circumstances, for action on the level of advertising which by our own admission we lack the knowledge to take with a clear understanding of the consequences, then as I see it:

i. We shall arouse - however unjustified - strong suspicions that the Government designs to attack advertising far more widely and dangerously than the First Secretary has in mind, and consequently attract very great hostility among the interested parties, which we may expect to be ventilated in Press and television media.

ii. Against the background of such suspicion, industry will no longer co-operate in providing data on which the success of our research - and, therefore, the prospect of a sound basis for action in the future - entirely depend.

6. These considerations, and the considerable practical difficulties in the way of using the proposed power even where a case for its application is made out, in my view outweigh the arguments for seeking the power at this time.

R M

Board of Trade SW1

12 May 1970
CABINET

LONDON TRANSPORT FARES

Memorandum by the Minister of Transport

Background

In my memorandum (C(70) 59) I set out the main features of the fare increase proposals put forward by the London Transport Executive to the Greater London Council (GLC), and the main arguments as I saw them at that stage for and against the reference of these proposals to the National Board for Prices and Incomes (NBPI). The Cabinet decided at this meeting on 7th May (CC(70) 21st Conclusions) to defer a decision until the GLC reached a final conclusion on the proposals, and I was invited to circulate a further paper on the subject at that stage. I was also asked to provide information on the relative rate of increase over the last few years in commuter fares in London and the other conurbations, and this is contained at Annex A.

Present Position

2. At the Council meeting on Tuesday 12th May the GLC, after lengthy debate, approved the proposals, and the way is thus clear for the London Transport Executive to put them into effect. The date they have in mind is Sunday 16th August.

3. The increases proposed are of course particularly unwelcome at this time. They represent an overall increase of some 14 per cent, although the impact on particular fares will of course be in some cases substantially higher. One feature that has attracted controversy is the proposed increase to 1s. of the minimum underground fare in Central London. Major fares increases of this order must inevitably give rise to concern.

4. The argument in the GLC turned, as was expected, not so much on the make up of the anticipated financial shortfall, which is largely due to wage increases already granted or expected, as on the basic policy argument as to whether the travelling public should bear the whole burden by way of increased fares or whether in order to reduce hardship and to minimise a further diversion of traffic from public to private transport the extra cost should be carried in part or in whole on the rates. The
GLC Opposition argued strongly for the latter course, but the majority party stuck to their line that while they were prepared to inject substantial capital into the undertaking they were not prepared to contemplate general subsidy on revenue account.

Statutory Position

5. As I made clear in my earlier paper, the Government has under the terms of the Transport (London) Act 1969 no power of veto over London Transport fares. That Act, like the Transport Act 1968 which established the Passenger Transport Authority in the conurbations, specifically made the financial policies to be followed by local transport undertakings a matter for local discussion and decision. For that reason fares in London are subjected neither to control by the Transport Tribunal or the Traffic Commissioners nor to Ministerial intervention.

6. As I explained, there are in this particular case serious legal doubts as to whether the standstill powers under the Prices and Incomes Acts could be applied; owing to an ambiguity in the drafting, the matter would turn on a decision whether the Transport (London) Act 1969 was to be regarded as a 'local' Act or not. This is a point on which it is pretty clear that London Transport could, if we attempted to use the powers, seek to set our action aside in the Courts. In any case, apart from legal doubts, there are policy arguments against the use of the standstill powers at this stage. Thus, although reference of the proposals as such presents no legal problems, there is no guarantee whatsoever that the GLC would be prepared to defer the implementation of the proposals pending the NBPI investigation, nor could they be expected necessarily to modify the proposals to meet any criticisms the NBPI might make.

Issues for consideration

7. In the course of last week's discussion, two main issues were raised on which I think I should comment:-

a. Decimalisation

It was suggested that the move by London Transport to a 1s. minimum fare on the Underground in the inner zone, and their general move towards an Underground tariff based on 1s. steps, might set a bad example to other undertakings in advance of decimalisation. It is certainly true that London Transport do favour a simplified structure on tube fares and there must therefore be a suspicion that they will in the fairly near future eliminate the remaining 6d. tube fares. But given that they are for the moment at least keeping the 6d. in use on the tube outside central London, and on the buses generally, they could not and indeed do not argue that the new structure is in any way a result of the introduction of decimal coinage. As far as precedents for other organisations
are concerned they are the only municipal undertaking except Glasgow to operate an underground rail network; the field in which they might have acted as a pacemaker is that of bus fares, where they have in fact kept the 6d. and propose to convert directly to 2½p.

b. Special position of London

Until the passing of the Transport (London) Act, Londoners had a favoured position in relation to public transport, in that they were served by a nationalised industry in the shape of the London Transport Board (LTB), whose deficits fell as a charge on the Exchequer. The purpose of the Transport (London) Act was to pass this responsibility over to where it properly belonged - to local government in London. To achieve this handover we had to make a very substantial financial contribution in the shape of the writing off of the whole of the LTB's capital debt to the Government amounting to some £250 million in all; this represents an annual subsidy to London Transport of about £11 million.

This special treatment caused considerable resentment elsewhere in the country. I am sure that having just completed this handover we cannot risk a situation in which we appear to officially sensitive to the needs of the London travelling public, or give any grounds for thinking that there is a chance of Exchequer subsidies for London Transport.

It could be argued that we need to demonstrate that London Transport fares are subject to Prices and Incomes policy, but at present it seems to me more important that we should stress the basic point that the responsibility now rests with Londoners themselves and not with central Government.

This now seems to be accepted by the Press and it is for consideration whether any intervention on our part might serve to switch the attack from the GLC to the Government. It was suggested that any allegation of favourable treatment for Londoners could be obviated by a more widely based reference of fares on London and the conurbations. A comparison of the position is set out in Annex A, from which it will be seen that London is near the lower end of the range of fares increases when the conurbations are compared with one another. But I think it is worth making the point also that for the moment fares in the Passenger Transport Areas like bus fares elsewhere in the country outside London remain under the control of the independent Traffic Commissioners, with a right of appeal to the Minister of Transport. For this among other reasons we have in the past taken the view that a general reference of bus fares would present serious difficulties.
8. I think it is also right to point out that the NBPI examined London Transport fares as recently as the spring of 1969. Their Report No. 112 was published just a year ago. The present proposals appear largely to follow the recommendations of that Report. In particular, the Report advocated a movement towards higher fares for short distances on the underground (paragraph 21) and also endorsed the concept of a differentiated price structure between the inner and outer zones of London (paragraphs 22-26 and 78). Thus the 1s minimum on the tubes in Inner London is broadly in accordance with recent NBPI thinking, and would very probably be endorsed in any new Report. My fear is that if a reference were to be made we would at best get from the NBPI a general approval for the proposals; at worst, there is a real risk that the NBPI might attempt to apply to these fares the ideas on marginal cost pricing which they advanced on British Rail London fares, and thus produce an even more controversial package.

Conclusions

9. a. The main issue in the debate on the London Transport fares proposals is the policy one of fares increases versus rates subsidies. The Government is not in a position to come down on one side or the other, since its declared policy in forming both the Transport Act 1968 and the Transport (London) Act 1969 is that this is a matter for local decision.

b. NBPI reported on London Transport fares only last year, and their report approved in particular a system of differentiated fares between the inner and outer zones of London. I doubt whether they would be in the position to add a great deal to what they said on the previous occasion, and I doubt whether in particular they could appropriately be expected to comment on the basic policy issue I have mentioned above.

c. At this stage, there is no public tendency to associate the Government with the London fares increases - there has indeed been only one Press call to my Department on them, and I have received two letters in all on the subject. I fear that a decision to refer the proposals to NBPI will serve only to transfer the odium for the increases to the Government - and the corresponding disillusionment when at the end of the day it is unlikely to prove practicable to enforce the outcome of the NBPI Report.

d. Having just divested ourselves of financial responsibility for London Transport, we must not now give any grounds for thinking that there is a possibility of our taking on any future financial involvements. In my view such an involvement could be implied albeit indirectly, through an NBPI reference of these particular proposals.
e. For these reasons, it seems to me that the balance of advantage suggests that no reference be made of the current London Transport fares proposals. If asked I should say publicly that the Government have decided not to refer the proposals, and laying the responsibility clearly on the GLC.

FWM

Ministry of Transport SE1

13th May 1970
COMPARISON OF FARES INCREASES SINCE 1965 IN LONDON AND OTHER CONURBATIONS.

The urban areas most readily comparable with London in terms of size are the major conurbations of Glasgow, Merseyside, South East Lancs/North East Cheshire (SELNEC), West Midlands and Tyneside.

The previously municipally operated services of all the conurbations (except Glasgow) are now under the control of Passenger Transport Executives, established mainly in the latter part of 1969 under the Transport Act 1969.

For the years prior to 1970, when the transport undertakings were municipally owned, it is not possible to give a single figure for each of the conurbations representing the aggregated fares increases of all the various constituent undertakings. The figures given however for the undertaking of the major local authority alone in each conurbation provide a guide to the order of commuter fares increases outside London as compared with the capital, and are as follows:

*The executives are appointed by and are responsible to the Passenger Transport Authorities comprised largely of representatives of the local authorities in the Areas. In due course, when Orders are made under Section 19 of the Transport Act the control of fares in the PTA's which are at present in the hands of the statutorily independent Traffic Commissioners will pass to the Executives themselves though they must seek the approval of their Passenger Transport Authority for any change in the general level of fares.
### Percentage Fares Increases

<table>
<thead>
<tr>
<th>Year</th>
<th>Birmingham</th>
<th>Manchester</th>
<th>Liverpool</th>
<th>Newcastle</th>
<th>Glasgow</th>
<th>LONDON (London Transport Board)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1965</td>
<td>16</td>
<td>13</td>
<td>7</td>
<td>12</td>
<td>10</td>
<td>NIL</td>
</tr>
<tr>
<td>1966</td>
<td>NIL</td>
<td>NIL</td>
<td>NIL</td>
<td>NIL</td>
<td>NIL</td>
<td>4</td>
</tr>
<tr>
<td>1967</td>
<td>11</td>
<td>16</td>
<td>12</td>
<td>9</td>
<td>8</td>
<td>NIL</td>
</tr>
<tr>
<td>1968</td>
<td>NIL</td>
<td>NIL</td>
<td>NIL</td>
<td>NIL</td>
<td>11</td>
<td>6</td>
</tr>
<tr>
<td>1969</td>
<td>NIL</td>
<td>9</td>
<td>NIL</td>
<td>NIL</td>
<td>1</td>
<td>9</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>West Midland PTE (i)</th>
<th>SELNEC PTE</th>
<th>Merseyside PTE</th>
<th>Tyneside PTE</th>
<th>Glasgow (London Transport Executive)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970</td>
<td>11</td>
<td>16</td>
<td>12</td>
<td>27</td>
<td>No fares application to date</td>
</tr>
</tbody>
</table>

**Notes:**

(1) The figures given outside London (with the exception of Birmingham (West Midlands)) represent the amount of net additional revenue (ie after allowing for passenger resistance to the increased fares) sought by each undertaking. The impact of a fares increase on an individual passenger therefore tends to be slightly greater than the figures quoted.

(2) The following rate precepts are to be levied by the Passenger Transport Authorities on constituent local authorities:

- West Midlands: NIL
- SELNEC: NIL
- Merseyside: 4½d in the £
- Tyneside: 1d in the £
4. In London, fares increases were deferred in 1965 and 1967 at request of the Government. In addition, the 1968 increase was less than that sought by the London Transport Board because of a ruling made by the Transport Tribunal whose control over London fares was terminated last year under the provisions of the Transport (London) Act. In 1968 and 1969 those local authorities whose transport undertakings were to be transferred to Passenger Transport Executives were considerably influenced by that fact in deciding whether or not to apply for fares increases.

5. Given these complicating factors, it is difficult to establish a direct comparison between commuter fares in London and the other conurbations, but the broad conclusion to be drawn from these figures is that fares increases in London over the period shown are together with those in Liverpool at the lower end of the range of fares increases in the conurbations.
CABINET

ELECTION BUSINESS COMMITTEE

Note by the Secretary of the Cabinet

1. On the announcement of a Dissolution it is customary for the Government to appoint, for the period of the Election campaign, a Cabinet Committee to supervise the work of advising Government candidates about the replies which they should return to questionnaires and other enquiries put to them during the campaign. The Prime Minister has accordingly appointed a Committee to carry out these duties, consisting of:

Prime Minister (in the Chair)
Foreign and Commonwealth Secretary
Chancellor of the Exchequer
Secretary of State for Social Services
First Secretary of State
Home Secretary
Defence Secretary
Lord President
Secretary of State for Local Government and Regional Planning
Minister of Technology
Minister without Portfolio

2. The Secretaries of the Committee will be Mr P E Thornton, Mr J F Mayne and Mr B D Ponsford of the Cabinet Office.

3. A note is annexed on the procedure for submitting matters to the Election Business Committee and for dealing with enquiries or requests for information, particularly by Parliamentary candidates, during the Election campaign.

Signed  BURKE TREND

Cabinet Office SW1

19 May 1970
GENERAL ELECTION: REPLIES TO ENQUIRIES

1. It is desirable that all Departments should, so far as possible, follow a common procedure in dealing with enquiries or requests for information, particularly by Parliamentary candidates, during the Election campaign.

2. Departments should provide any Parliamentary candidate with factual information which is readily available and is not confidential. Such information should not, however, be provided if its extraction would require a substantial use of official time; a useful criterion is whether information would be extracted for the purpose of a reply to a Parliamentary Question. Local and regional offices should deal on this basis with any enquiries addressed to them; but they should refer doubtful cases to the headquarters of their Department for decision.

3. For information not of a factual nature, or for guidance on policy, Labour candidates and their agents are expected to look to Transport House. In order to prevent much separate and unco-ordinated correspondence between Transport House and individual Government Departments, the Election Business Committee of the Cabinet has been appointed to supervise the work of advising Government candidates about the replies which they should return to questionnaires and other enquiries put to them during the campaign. Transport House will accordingly collate questionnaires or particular questions which they receive, and normally will prepare first drafts of replies. All drafts will be forwarded to the Minister without Portfolio who will in appropriate cases obtain, through the Election Business Committee, the comments of the Ministers concerned upon them in order to check the information and arguments originally supplied by Transport House. The Secretary of the Committee will, where this seems necessary in the light of a Minister's comments or the comments of Transport House, submit final drafts of replies for the Committee's approval. Transport House will thereafter be responsible for passing on the necessary guidance to candidates.

4. Requests for information not of a factual nature, or policy enquiries from Labour candidates, which are addressed to Departments should normally be referred, through Ministers' Private Offices, to the Minister without Portfolio, accompanied, in appropriate cases, by advice from the Ministers on how such enquiries should be answered and on the question whether they are of such a nature as to require consideration by the Election Business Committee. A copy of any such communication should be sent to the Secretary of the Election Business Committee at the Cabinet Office.

5. Requests for information not of a factual nature, or policy enquiries which are addressed to Departments by individual members of the public, are usually answered by or on behalf of the responsible Ministers. During the Election campaign this procedure is still correct, but Ministers should arrange for copies of the correspondence to be sent to both Transport House and the Secretary of the Election Business Committee.
6. Enquiries addressed to Departments from any quarter may call for an important statement of policy to be made by the Minister concerned. In that event a Minister may decide himself to seek the guidance of the Election Business Committee; and in any case it would be advisable to inform the Secretary of the Committee of the enquiry and of the terms of the reply.

7. The function of initiating guidance to Labour candidates in cases where no issue of policy is concerned normally belongs to Transport House. Exceptionally, Ministers may wish to suggest topics on which guidance should be given. In these instances, suggestions should be sent to Transport House who will prepare first drafts and forward them to the Minister without Portfolio, who will arrange for them to be considered, as necessary, by the Election Business Committee.

8. Replies sent after the Dissolution to letters received from Members of Parliament before the Dissolution and replies to letters received from Parliamentary candidates after the Dissolution which constitute "constituency case" letters should take into account the fact that during the Election period letters to candidates may well become public knowledge and be the subject of political comment. It is desirable to avoid any suggestion that the Government machine is engaging in Party politics or being used for Party purposes. Such letters should therefore be handled with particular care and whenever possible under Ministerial guidance. In some cases it may not be appropriate for Ministers to reply personally to letters from ex-Members about, for example, constituency cases, until after the Election result is known. In cases where the facts do not permit of delay a reply should normally be sent at Private Secretary level.
CABINET

AIRCRAFT INDUSTRY: CONCORDE

Note by the Minister of Technology

1. The Cabinet decided at its meeting on 11 December 1969 (CC(69) 60th Conclusions, Minute 4) that the development of Concorde should be continued until the end of June 1970 when the position would be reviewed. I had accordingly arranged to meet M. Mondon, the French Minister of Transport, on 16 June, and in the normal way I would have sought the guidance of my colleagues on the line I should take at that meeting.

2. In the circumstances I propose to write to M. Mondon in the terms of the attached draft, which has been cleared with the Attorney-General, asking that our meeting should be postponed until after the Election. I have in mind a date about the middle of July. This would allow officials time to prepare papers and for the Cabinet to review the project. In the meantime I propose that the development programme should continue and the present production authorities should be extended as necessary to hold the position until our review can take place. No authorities to start the manufacture of further production aircraft or the ordering of long-dated materials for later batches of aircraft would be granted in this interim period. This accords with the wishes of the French Government.

3. I seek the agreement of my colleagues to proceeding on the lines proposed.

A W B

Ministry of Technology SW1

21 May 1970
DRAFT LETTER FROM THE MINISTER OF TECHNOLOGY TO
M. MONDON, FRENCH MINISTER OF TRANSPORT

You will not be surprised, following the announcement of 18 June as the
date for our General Election, that I must now ask for the meeting we had
arranged for 16 June to be postponed. I am sorry that I have to do this
but I know you will appreciate my difficulties. We have very many
important issues to discuss and I very much hope therefore it will
be possible for us to meet very soon after the Election. We will
consider then the matters we proposed to consider at the meeting
on 16 June.

With best wishes.
You will not be surprised, following the announcement of 18 June as the
date for our General Election, that I must now ask for the meeting we had
arranged for 16 June to be postponed. I am sorry that I have to do this
but I know you will appreciate my difficulties. We have very many
important issues to discuss and I very much hope therefore it will
be possible for us to meet very soon after the Election. We will
consider then the matters we proposed to consider at the meeting
on 16 June.

With best wishes,
CABINET

PENSIONS INCREASE: A NEW SYSTEM

Memorandum by the Lord Privy Seal

The Civil Service Department has for some time been working on changes in the system for increases in public service pensions. This matter has been brought to a head by the election and the expected attitude of the Opposition.

2. In the Second Reading debate on the last Pensions (Increase) Bill, the Opposition spokesman, Mr. Patrick Jenkin, committed the Opposition to three new principles:-

(a) To bring all pre-1956 pensions up to the level of those awarded in that year for people retiring in the same grade with the same service.

(b) To make pensions increase payable from the age of 55 for all public servants with a retiring age before that age e.g. those in the Police or Armed Forces.

(c) To institute a regular biennial review in line with the cost of living.


Rather less specifically, the Opposition committed themselves to improving the present system of pensions increase in "Putting Britain Right Ahead" (October 1965) and "Making Life Better" (October 1968).

3. It is essential, therefore, that we must be able to state with a fair degree of precision what our own policy is. Labour Party policy on the subject was set out in a document published before the 1964 General Election in the following terms:-

"While the Labour Government would not be able to accept "parity" in full or at once for financial reasons, it would be prepared to give careful and sympathetic consideration to any proposal made."
We have already publicly rejected the traditional system and stated our intention "to replace [it] with something much better... which guarantees to the public service pensioner regular increases when he ought to have them" (Mrs. Judith Hart, Official Report, 17th February, 1969, Cols. 137-138). I must therefore ask my colleagues to consider what they may regard as a somewhat technical matter.

4. The defects of the present system are briefly these:-

(a) Public service pensioners see their pensions continually declining in value and have no assurance that they will be regularly reviewed. By contrast, the National Superannuation and Social Insurance Bill already commits us to biennial reviews of State benefits.

(b) Under the present system, the real value of pensions declines steadily for about 5-6 years and it is not restored until between 10 and 12 years after retirement.

(c) The present system is full of anomalies; e.g. some of the smaller pensions that date from the period 1959-64 are now worth less than those that date from 1958.

5. It is therefore essential that we should make a fresh start. As to this:-

(a) We must ensure that everyone enters the new system on equal terms. This means restoring the real value of all past pensions awarded before a convenient base date, April 1969 would be the most suitable. This will be a once-for-all improvement which I estimate will cost about £25-30 million in the first year of the new system which I recommend should start in April 1971. This avoids the excessive cost of full parity (at least £75 million). The Opposition is not in any case committed to this.) It also avoids the technical difficulties of any measure of partial parity on the lines of the Opposition proposal at 1(a) above.

(b) We need a system under which pensions would be increased at regular intervals. I suggest biennial reviews in line with the State scheme though not necessarily from the same date. Increases ought not, in my view, to be related to increases in earnings, i.e. a measure of parity. In this respect, I think it fully justifiable to apply a stricter principle than that of the State scheme i.e. inflation-proofing to ensure only that public service pensions keep pace with rises in the cost of living. This greatly reduces the cost. If the next review took place in April 1971, two years after the operative date of the last Pensions (Increase) Act, the annual cost, additional to that at (a) above, would be about £35 million. Given the expected increases in
the cost of living, we would in any case have been committed to a further Pensions (Increase) Act under the existing system so this cannot be regarded as additional expenditure.

It is accepted by the Treasury that neither (a) nor (b) is new expenditure in the PESC context because it would count as a normal pay and price increase.

6. I therefore ask my colleagues to agree that policy statements should include a commitment to adopt the new system described above. This will benefit pensioners from all the public services e.g. the Armed Forces, the Civil Service, the Police and Fire Services, Local Government, the National Health Service, Teachers, together with many smaller groups such as ex-members of the Indian Civil Service or HM Overseas Civil Service. I annex the draft of a possible announcement.

7. In two respects our proposals may look as if they fall short of those likely to be made by the Opposition:-

(a) Partial parity up to, say, 1956, may look superficially more attractive than a once-for-all, inflation-proofed increase as at, say April 1969. But we can demonstrate that in cash terms our proposals are at least as good and avoid the anomalies inherent in partial parity.

(b) We do not propose to alter the present practice whereby pensions increase does not apply below the age of 60 for e.g. the Armed Forces or the Police. I do not think it justifiable on social grounds to pay pensions increase to large groups of pensioners who can reasonably be assumed to be capable of, and mostly in fact are in, other employment. Those retired on ill-health grounds, and widows, for example, will in any case have their pensions reviewed biennially.

Civil Service Department SW1

22nd May 1970
Following the undertakings given during the consideration of the Pensions (Increase) Bill in 1969, the Government have been considering the arrangements for increasing public service pensions and have decided in principle that public service pensions (i.e., those of retired civil servants, local government employees, teachers, National Health Service employees, police, firemen, members of the Armed Forces and many smaller groups) shall in future be increased on a new basis designed to give regular and automatic compensation for increases in the cost of living. For the future, these pensions will be adjusted biennially in proportion to the change in the cost of living during the two preceding years. In addition the next Pensions (Increase) Bill will provide that those pensions which, under the operation of earlier Acts, have received less than full compensation for increases in the cost of living, shall be restored to their original real value before applying the biennial adjustment. Pensions increase will normally be payable, as now, from the age of 60 onwards.
CABINET

THE PROTECTION OF THE ENVIRONMENT;
THE FIGHT AGAINST POLLUTION

Note by the Secretary of State for Local Government and Regional Planning

1. The Cabinet discussed on 17 May the desirability of publishing a White Paper on environmental pollution before the Dissolution (CC(70) 23rd Conclusions). An ad hoc meeting of Ministers under the Prime Minister's chairmanship has considered the text and I now attach the final version.

2. With the approval of my colleagues, I propose to present the White Paper to Parliament, jointly with the Secretaries of State for Scotland and Wales, on Thursday 28 May.

C A R C

Storey's Gate SW1

26 May 1970
THE PROTECTION OF THE ENVIRONMENT:
THE FIGHT AGAINST POLLUTION

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I INTRODUCTION

1. This White Paper is about man's impact on his environment, and specifically about the pollution of his environment. The degree of control we can exert over that pollution is a major factor in the quality of our civilisation. To exert a proper control, three things are needed. First, scientific and technological knowledge - knowledge of ecology, which is the science of the way the animal and vegetable worlds interact with each other and with the physical environment; and knowledge of the technology to control pollution at source. Secondly, we need the right framework of economic analysis and economic priorities. Thirdly, we need the right legal and administrative framework to translate priorities and decisions into action.

Knowledge

2. Profound changes in ecological systems have occurred in the hundreds of millions of years which make up geological time. But the changes were slow, and even after man's emergence about a million years ago, change continued to be very slow. Human beings were few in number and scattered, and they did not do much to their surroundings. With the explosive population growth and industrialisation of the last hundred years, all this has changed. Vastly increasing numbers of people, on a vastly increasing scale, now dig the earth to take and make what they want; they cut down forests, breed animals, grow crops, and fish the seas; and from everything that is made or eaten, pollution is generated.

3. We need research both into our environment as such and the different parts of it, and into methods of pollution control, if we are to appreciate the full nature of the problem and make sensible plans to deal with it. Some of this research must be directly on pollutants themselves: on where they come from, and how they are dispersed in the environment. Some of it must be on how they affect human health, influence the lives of plants and animals (especially those on which we depend for food), and harm amenity and our enjoyment of life. Because ecological systems are complicated and change continually in response to many factors other than pollution, we need a background
background of basic and often long-term ecological knowledge before we can accurately interpret all the actions of pollutants.

4. Research into pollution is carried out in a large number of Government, industrial and university laboratories. Much of the Government's work is supported through five Departments, the Ministry of Technology, the Ministry of Housing and Local Government, the Ministry of Agriculture, Fisheries and Food, the Department of Agriculture and Fisheries for Scotland, and the Department of Education and Science (which supports the work of the Research Councils and Universities). The laboratories actively working on pollution problems include the Water Pollution Research Laboratory, the Warren Spring Laboratory (air pollution, oil pollution and solid waste disposal), the fisheries and pest infestation laboratories of the Ministry of Agriculture, Fisheries and Food and the Department of Agriculture and Fisheries for Scotland, and the laboratories of the Natural Environment Research Council and Medical Research Council, working respectively on the ecological and medical effects of pollutants. The manner in which all this research is administered and co-ordinated will be described in more detail in a future publication.

Economics

5. It is now widely realised that increase in material goods brings with it certain "diseconomies" in terms of health, amenity and the attractiveness of the environment. Sometimes these diseconomies can be measured in monetary terms; and many cost-benefit studies attempt to do this. But sometimes the damage is indirect and intangible, and cannot be brought into relationship with the measuring rod of money. Society must then make a value judgment on how much it is prepared to spend on preserving and protecting the environment. Having decided how much to spend, it must then select the most economic method of achieving the desired result; and it must take account of the way in which different methods allocate the burden to different groups in society - consumers of the products concerned, or producers, or the tax-payer in general. There is no uniquely right answer to any of these questions. Government and an informed public opinion must continuously search for
the best answer in each particular case.

Legal and Administrative Framework

6. In this country the legal and administrative system of control over environmental pollution is by no means new. Clean air legislation existed in the early fourteenth century; a man was hanged under it for burning sea coal in London, and thus making smoke. It fell into disuse (perhaps because the penalty was felt to be excessive) but the modern system of clean air law already dates from the first Alkali Act of 1863. The first modern water pollution legislation was introduced as early as 1848 and since then in both these fields the system of control has been continuously developed.

7. Until October 1969, responsibilities for the control of environmental pollution in the United Kingdom were distributed among 10 different ministers. In October 1969 the new post of Secretary of State for Local Government and Regional Planning was created with the responsibility, among others, for co-ordinating government action on the control of environmental pollution. While his co-ordinating function relates to Great Britain as a whole, direct Ministerial responsibility in Scotland and Wales rests with the respective Secretaries of State. The Secretary of State for Local Government and Regional Planning is assisted in his role as co-ordinating minister by a central scientific unit located in his own Office.

8. In February 1970 a standing Royal Commission was set up with the following terms of reference:

"To advise on matters, both national and international, concerning the pollution of the environment; on the adequacy of research in this field; and the future possibilities of danger to the environment."

Over the coming years the Royal Commission will be the main source of independent advice to the Government.

9. One aspect of the legal framework should be mentioned here, as it is common to all the particular problems. The penalties for breaching any of the numerous laws which govern the pollution of the environment are written into those laws;
they have therefore grown up over the years in a piecemeal fashion as the laws were introduced or amended. The British system of law in this, as in related fields, does not traditionally rely on the very heavy penalty as the main deterrent. It relies rather on persuasion and the belief that, especially to industrial firms, it is the disgrace that counts and not the fine; the weapon of prosecution has in the past been sparingly used.

10. But the Government now believe that the present penalties are both incoherent and generally too low. They stem from at least 20 Acts of Parliament, of which the oldest dates back to 1804. Typical summary penalties are £100 for emitting dark smoke from a factory chimney, £20 for installing a new furnace without notice to the local authority, £100 for knowingly making an illegal discharge to a river, and so on. The Government are now examining the scale of penalties, and will in due course amend the law where necessary to bring them into line with the realities of modern life.

The Content of this White Paper

11. This White Paper is a progress report, setting out in broad outline the nature of the problems, the current situation, and proposals for Government action. The remaining chapters consider severally pollution of the air, of land, of fresh water, and of the sea. Pollution of all these by radioactive materials is dealt with in a separate section, as are noise and the international aspect of pollution control work.
II POLLUTION OF THE AIR

12. The Ministers generally responsible for the Government's clean air policy are for England the Minister of Housing and Local Government, and for Scotland and Wales the respective Secretaries of State. There are separate statutory Clean Air Councils covering England and Wales and Scotland, the former of which is chaired by the Minister of Housing and Local Government. In this chapter the term Ministers refers to the three responsible Ministers.

13. The control of pollution of the air by matter falls into four main parts:

   (i) pollution by domestic smoke;
   (ii) industrial pollution under local authority control;
   (iii) industrial pollution under central government control;
   (iv) pollution by motor vehicle exhausts.

Air pollution by domestic fires

14. Domestic coal fires are still the worst source of smoke in this country. Coal smoke has been proved to aggravate respiratory disease; and when it comes out of the chimneys of ordinary houses it hangs about at low level and so people breathe more of it.

15. Under the Clean Air Acts 1956 and 1968 the local authorities have power to declare "smoke control areas", within which it is illegal to create smoke in heating a house (or any other building). Within these areas consumers must therefore switch to smokeless fuels - electricity, gas, oil, and manufactured or natural solid smokeless fuels. The 1968 Act makes it illegal to sell unauthorised fuels in these areas and also empowers the Ministers to require local authorities to declare such areas.

16. In order to help people in smoke control areas to convert their open grates to smokeless heating arrangements a local authority grant of 70% is payable, of which the Exchequer bears four sevenths. In 1964-65 public expenditure in Great Britain on this smoke-control grant was £2,200,000. In 1969-70 it was £5,120,000. One-quarter of the houses in the country are covered.
covered by this control. It is not necessary to envisage a time when all houses should be covered; there are places where so little coal is burned that smoke is no problem.

17. Last winter there was a tight situation in the supply of solid smokeless fuels. The other producers could not for a variety of reasons increase their production of manufactured solid smokeless fuel sufficiently to make good the fall in the output of gas coke. The Government have taken the following action to meet this situation. Certain unprofitable older gas works will be specially kept in production. The National Coal Board will increase their supplies; for example, 150,000 tons of briquettes will be made from Welsh anthracite duff. Steps are being taken in the public sector, notably in schools, to convert coke-burning boilers to other forms of heating. As a result of these actions more coke will be available for the domestic sector.

18. When this temporary difficulty has been overcome the Government will intensify the drive for cleaner air, to which they are fully committed. Additional money will then be allocated for grants for smokeless areas, and the Ministers concerned will be ready at the appropriate moment to use their powers to compel laggard local authorities in badly polluted areas to make smoke control orders.

Industrial Air Pollution under Local Authority Control

19. This covers all industry not included in paragraphs 22 and 23 below. The Public Health Acts and Clean Air Acts give the local authorities power to proceed in the Courts against the emission of grit, dust, and dark smoke from industrial and trade premises; and authorities also have control over the height of chimneys when new furnaces are built. In practice, many authorities prefer to use their power of prosecution as a long-stop to campaigns of persuasion backed by their powers of entry and inspection. The widespread introduction of mechanical stoking for solid-fuel-fired boilers has led to a large reduction of dark smoke, and by far the greater part of industrial smoke now arises during the short periods of start-up and shut-down.
20. The Government will shortly introduce regulations prescribing limits for the amount of grit and dust which may be emitted from various types of furnace chimney.

21. Local authority control covers more than 30,000 industrial premises. Crown buildings and hospitals are not bound by the Clean Air Acts 1956 and 1968. New Crown buildings of course observe modern standards of smoke control. But there is a backlog of old Crown buildings and hospitals with antiquated heating boilers. Within the general programmes for rebuilding and modernisation of such premises, the Government will continue to improve standards of smoke emission.

Air Pollution under Central Government Control

22. The Alkali Inspectorate exercises broadly analogous functions in respect of the "scheduled processes" which are carried out in some 2,200 registered industrial premises. The main industries concerned are electricity generation, cement, ceramics, petroleum and petro-chemicals, other chemicals, and iron and steel. It is because the technology of these industries is generally of an advanced nature that control over them is reserved to the Alkali Inspectorate, who are able (as the 1,600 local councils are not) to deploy the necessary highly skilled staff. During 1968, the Alkali Inspectorate enquired into the amounts being spent by scheduled industry on air pollution control. The figures for England and Wales are set out in Table 1, which is reprinted from the 1968 Report of the Chief Alkali Inspectors. In Scotland about £20 million of capital expenditure has been incurred by industry over the same period for the same purposes.
Table 1: Cost of Air Pollution Control for Scheduled Processes 1958-1968 (England and Wales)

<table>
<thead>
<tr>
<th>(a) Works</th>
<th>(b) Capital Costs</th>
<th>(c) Research &amp; Development Costs</th>
<th>(d) 10-Year Working Costs</th>
<th>(e) Latest Year's Working Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity</td>
<td>75,731,000</td>
<td>856,000</td>
<td>126,691,000</td>
<td>15,300,000</td>
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<tr>
<td>Cement</td>
<td>6,216,000</td>
<td>301,000</td>
<td>6,442,000</td>
<td>1,000,000</td>
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<tr>
<td>Petroleum</td>
<td>6,822,000</td>
<td>536,000</td>
<td>11,667,000</td>
<td>1,788,000</td>
</tr>
<tr>
<td>Gas*</td>
<td>2,839,000</td>
<td>-</td>
<td>4,474,000</td>
<td>350,000</td>
</tr>
<tr>
<td>Coke Ovens</td>
<td>2,909,000</td>
<td>242,000</td>
<td>6,126,000</td>
<td>710,000</td>
</tr>
<tr>
<td>Lime</td>
<td>975,000</td>
<td>4,000</td>
<td>707,000</td>
<td>118,000</td>
</tr>
<tr>
<td>Ceramics</td>
<td>2,090,000</td>
<td>163,000</td>
<td>3,011,000</td>
<td>382,000</td>
</tr>
<tr>
<td>Iron &amp; Steel</td>
<td>26,130,000</td>
<td>1,235,000</td>
<td>93,351,000</td>
<td>10,364,000</td>
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<tr>
<td>Non-Ferrous Metals</td>
<td>5,762,000</td>
<td>656,000</td>
<td>16,449,000</td>
<td>2,262,000</td>
</tr>
<tr>
<td>Chemical</td>
<td>20,527,000</td>
<td>952,000</td>
<td>55,516,000</td>
<td>6,782,000</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td><strong>150,302,000</strong></td>
<td><strong>4,945,000</strong></td>
<td><strong>324,434,000</strong></td>
<td><strong>39,056,000</strong></td>
</tr>
</tbody>
</table>

*The gas industry is spending less now than hitherto because less gas is being made from coal.

23. The Government propose shortly to lay before Parliament Orders to schedule under the Alkali Act processes in primary aluminium works, acrylics works, di-isocyanates works, mineral processing, and certain processes not now scheduled in the petroleum industry. This extension of central Government control will be accompanied by a gradual tightening up of the standards required of scheduled industry as a whole by the Alkali Inspectorate.

24. Now that smoke is coming under more and more effective control, concern is being expressed over the emission of sulphur dioxide. This is a matter on which the Government are keeping a vigilant watch. But it may be noted that total sulphur dioxide emission has steadily fallen since it reached a peak of 6½ million tons in 1963-65. This downward trend is expected to continue. The Clean Air Council estimated last year that emissions over the next 15 years would fall as follows:—

<table>
<thead>
<tr>
<th>Year</th>
<th>Emissions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970</td>
<td>5.9 million tons</td>
</tr>
<tr>
<td>1975</td>
<td>5.5 million tons</td>
</tr>
<tr>
<td>1980</td>
<td>5.1 million tons</td>
</tr>
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</table>
Concentrations of sulphur dioxide at low level have fallen even more sharply; over the past decade, the average concentration in towns has fallen by some 33 per cent.

Air Pollution by Motor Vehicle Exhausts

25. The control of air pollution by motor vehicle exhausts is an exceptionally complicated matter because of the number of substances involved, and the danger that the imposition of a low permitted level of one such substance may entail an increased production of others.

26. For many years there have been regulations requiring vehicles to be constructed so that they do not emit any "avoidable smoke", and prohibiting the use of vehicles which smoke in a way which is likely to "cause danger" to other road users. The Minister of Transport has worked out with the diesel engine manufacturing industry a British standard (BS/AU 141) which is now being met by most new vehicles and which permits less smoke from heavy vehicles than any standard in operation in Europe. The Minister of Transport will shortly lay regulations to make this standard obligatory for all diesel engines installed in new vehicles, and he is now discussing with the industry and the British Standards Institute a tightening of the standard which will in due course still further reduce the permitted intensity of smoke.

27. At present the annual check on the maintenance of heavy goods vehicles, which is primarily directed to safety and on which the operators' licence depends, includes a visual check on their smoke emissions. The Government are now developing a method of using instruments for this check instead of the naked eye. As soon as this is developed, the regulations will be amended so that instruments can be used instead of the present visual check.

28. Among the substances emitted by cars are hydrocarbons from unburnt and partly burnt fuel. The evidence is that these do not harm health, but they certainly smell. They can be reduced by fitting to the engine a simple "breathing" device which will feed the crank case emissions back into the air intake to the cylinders. This reduces hydrocarbon emissions by 25 to 30 per cent. About half the current output of cars are already fitted with this device, and the Minister of Transport will shortly lay statutory regulations to require that all new vehicles sold in this country should be fitted with it.
29. The unusual climate of Los Angeles is such that car exhaust creates smog. This has led the US Government to require new vehicles sold in the United States to conform to strict standards of emission of both hydrocarbons and carbon monoxide. To meet these standards, British export models to North America are fitted with special equipment; and a typical after-burning system adds £30 to £40 to the price of the car. For the future, the United States Government has announced a series of increasingly stringent standards to be met in 1973 and 1975. These will reduce the emission of hydrocarbons, carbon monoxide and oxides of nitrogen to below one fifth of their 1969 levels. Still higher standards may be made possible by completely re-designed engines now being developed which will run on lead-free petrol.

30. In Europe, due to the difference in climatic conditions, air pollution from petrol-engined vehicles presents a different and less acute problem, and the development of a completely pollution-free car might not be the most sensible use of resources. But the Economic Commission for Europe has prepared a standard which member countries may adopt to control emissions from petrol-engined vehicles. This standard includes the crank case control device referred to in paragraph above, but no further reduction in hydrocarbons. Its other main effect would be to require a reduction of carbon monoxide by about 10 per cent; this could be achieved in most British cars by improvements to the carburettor and other minor modifications which might cost an average of £5 per vehicle. There is in fact no evidence that the carbon monoxide in our streets has any adverse effects on health or environment. The Government will consider carefully all aspects of this question before deciding whether to introduce this standard.

31. To-day's petrol engines are designed to burn fuel containing lead, and future engines would have to be re-designed if lead were to be eliminated. Lead is a well-known poison, but the amount that is emitted from motor vehicle exhausts is, in this country, trivial. The air in the most congested street contains far less lead for people to breathe than is safely permitted inside factories. There is no evidence that cars add significantly to the lead which occurs naturally in the soil or in the vegetable food we eat. The Government will nevertheless continue to keep this matter under review.
32. There are four possible lines of development towards reduced vehicle pollution levels. The first and most promising is the improvement of the internal combustion engine along the lines discussed in the preceding paragraphs. The other three are described below.

33. The combustion efficiency of external combustion engines such as the steam engine and the Stirling engine (a type of hot air engine invented in the early nineteenth century) is potentially better than that of the internal combustion engine, and so their exhausts would give rise to less pollution. For this reason much research has been undertaken, notably in the United States, to try to develop an external combustion engine suitable for motor vehicles. But unless there is some unforeseen breakthrough, it seems unlikely that such an engine can soon become acceptable as an alternative to the internal combustion engine.

34. The gas turbine has advantages over the diesel from the point of view of pollution and noise, and is a possible alternative to it for heavy commercial vehicles.

35. The fourth possibility is a battery-powered electric car. This would create little noise, and pollution from the vehicle would be transferred to the power station where it is more easily controlled. The main constraint on the development of the electric car is the limitation in range imposed by the existing types of battery. With rising population and living standards, the number of cars may be expected to increase for a considerable period ahead. It is the Government's aim progressively to reduce and where feasible to eliminate the substances in vehicle exhausts which are harmful to the environment. This will take many years end, in the meantime, a steady tightening up of standards of pollution control, beyond the measures described above, will be undertaken.

Global Air Pollution

37. There is currently some discussion of the possibilities, apparently conflicting, that on the one hand the increase of carbon
dioxide in the atmosphere which has been brought about by advancing industrialisation may cause a slight general warming of the earth (the so-called green-house effect), and that on the other hand increasing amounts of dust in the upper atmosphere and vapour trails from high flying aircraft may cause a slight general cooling of the earth. Both these must be a matter for further research. The Government have called for the opinion of the Royal Commission on the adequacy of the research at present being conducted and they will play an active part in the international organisations considering these matters.
III POLLUTION BY NOISE

38. An Advisory Council on Noise has been set up this year under the chairmanship of the Secretary of State for Local Government and Regional Planning to advise the Government on all forms of noise.

39. Any noise can be the subject of a civil action for nuisance at common law, and local authorities also have statutory powers to require the abatement of noise through the Courts. In England and Wales, however, (in contrast to Scotland), an abatement notice granted by a Court to a local authority could not be served on the party who was making the noise unless he was actually making it at the moment of service; the law was thus difficult to administer. But this loophole has now been closed by the Public Health (Recurring Nuisances) Act 1969.

40. The most pervasive and vexatious noises are clearly those from aircraft and traffic. The right of action in the Courts for noise nuisance caused by aircraft is severely restricted, and for this reason the Government have taken a wide range of powers to deal with it.

Aircraft

41. The Airports Authority Act 1956 included powers for the Board of Trade to give directions to the British Airports Authority on noise abatement measures and for the Board to require the Authority to introduce a sound-proffing scheme.

42. Requirements at Authority Airports under this Act include:

1. Maintenance of height on approach;
2. Minimum noise routes after take-off;
3. Prior approval before a new type of aircraft is allowed to operate at an airport;
4. Aircraft to reach 1,000 feet before built-up areas and then throttle back;
5. Imposition of monitored noise limits after take-off, lower by night than by day;
6. Severe restrictions on night jet movements at Heathrow.

/In 1966
43. In 1966 grants for sound-proofing houses near Heathrow were introduced, and in the same year the British Government convened the first International Conference on Aircraft Noise.

44. The Civil Aviation Act 1968 empowered the President of the Board of Trade to require the management of certain airports to provide facilities for consultation with representatives of the local community on all matters concerning the management of the airport, including noise, which might affect them. He has now required 33 airports to do this.

45. In March of this year the Government laid before Parliament an Air Navigation (Noise Certification) Order. This Order is the fruit of the 1966 International Conference mentioned above, and anticipates an international aircraft noise certification scheme in the formulation of which the United Kingdom continues to play a leading part. The scheme provides that with a few minor exceptions sub-sonic jet aircraft developed from now on will not be allowed to land or take off in the United Kingdom unless they have a certificate from the Government of the country of registration that they comply with certain defined noise standards. These standards permit a level for each class of aircraft by weight and size which is only about half that now produced by aircraft of that class. The Government are also examining the possibility of requiring the noisiest existing aircraft to be modified to make them quieter.

Supersonic Aircraft

46. Apprehension has been expressed about the nuisance and damage which might be caused by sonic booms when supersonic civil airliners, the first of which in the western world will be the Anglo-French Concorde, come into service. The Government have taken powers in the Civil Aviation Act 1968 to regulate or prohibit flights of aircraft over the United Kingdom at supersonic speeds. True, Britain is a small country, and supersonic speeds are not attained within about the first hundred miles after take-off, nor maintained for about the last hundred miles before landing. Nevertheless, it is the Government's view that commercial supersonic flights which could cause a boom to be heard on the ground should be banned.
and they intend to publish draft proposals to this effect with a view to consultation with all those concerned.

47. The Ministry of Technology is currently spending about £1 million a year on a wide range of aircraft noise research projects. The work is done at the Ministry's research establishments, by universities, and by manufacturers under contract; these firms also have research programmes of their own. This work will assist the development of a new generation of markedly quieter engines, of which the RB 211-22 is the best known. This is only one example of the many wide ranging research programmes into different aspects of environmental pollution.

Traffic

48. Car, motor cycle, and lorry engines are becoming more powerful and, other things being equal, more power means more noise. In 1968 the Government announced that they would for the first time lay down precise noise maxima to which manufacturers must design their vehicles. This announcement has already resulted in modifications to what the manufacturers then intended for certain sports cars and heavy lorries. The new regulations came into effect in April 1970, and the trend towards increasing noise has thus already been halted.

49. Recent research has shown that it should be possible to produce heavy lorries which make no more noise than the average car today, to produce cars of all types that make no more noise than the quietest of current models, and to make some improvement in respect of motor cycle engines. The Minister of Transport is now discussing with the motor manufacturing industry a phased and precise programme of noise reductions which can be progressively implemented during the 1970s to achieve these aims.

1970
The 1970 permitted noise level for lorries is 89 dBA, for motor cycles 86 dBA and for cars 84 dBA. Some further reductions are possible during the next few years using existing techniques. The Government's long term aim, in which they expect to obtain the willing co-operation of the industry, is to reduce the levels for lorries to 80 dBA and for cars to 75 dBA. In judging the effect of this, it should be noted that a reduction of 9 or 10 dBA means a reduction of one half in the noise which people subjectively experience.

50. These proposals for new vehicles go further than anything that has been proposed in any other European country.

51. The Government also intend to include a noise check in the present annual checks on heavy vehicle maintenance, and thereby to ensure that bad maintenance does not allow a vehicle which started quiet to become noisy as it ages.

Other Noise

52. Noise from industrial processes, both inside and outside the industrial building, can only be reduced by successive advances in design techniques, and in this matter the Factory Inspectorate of the Department of Employment and Productivity

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* The standard unit for the measurement of sound is the decibel (dB). For traffic noise, it is however better to use a special scale, called the 'A' weighting scale, which relates to the band of frequencies to which the human ear is most sensitive. The dBA is the basic unit on this scale. Decibels work on a logarithmic scale, and this means that a vehicle that is producing 80 dBA, is creating 10 times as much noise as one producing 70 dBA. An increase of 3 dBA corresponds roughly with a doubling of the noise energy. But because the human ear does not judge increases in noise with the same precision as a motor, it takes an increase of about 9 dBA to create a sound that seems twice as loud to the ear.
continuously advise industry on what is possible. The Advisory Council on Noise also have this matter under consideration.

53. Planning authorities should increasingly be aware of the need to separate noisy industry from places where other people live and work, and the Government will foster the development of good practice in this matter.
IV POLLUTION OF THE LAND

54. Land may be polluted by solid wastes from homes, farms and industry, by the application of chemicals to farmland and forest, by the settlement of particles from industrial and domestic chimneys, and by the descent of noxious gases from the air as solutions in rain.

55. A Working Party on the Disposal of Solid Toxic Wastes and another on the Disposal of Household Refuse will be reporting later this year. From their reports the Government will be able to judge the adequacy of the present system of control over local authority refuse tipping, and over the disposal of industrial wastes in general. Many of these wastes have a potential for recovery and economic re-use. Following these Working Party reports, the Government will propose to Parliament such improvements in the law as they consider to be desirable.

Pesticides and Fertilisers

56. Of all the substances which may pollute the land, pesticides used in agriculture and industry have given rise to the greatest public anxiety. The consequences of the increased use of artificial fertilizers, and the problems that can be created by the great bulk of manure produced by modern intensive farming methods, have also caused concern. These matters are being considered by the Minister of Agriculture, Fisheries and Food's Agricultural Advisory Council in its current urgent enquiry into the effects of modern farming practices on the structure and fertility of the soil. The problem of farm effluent disposal is particularly acute where the volume of manure produced exceeds the capacity of neighbouring land usefully to absorb it.

57. Many fertilizers include a high proportion of nitrogen, and some of this nitrate is in due course washed off the land by rain into rivers and lakes where it could cause the overgrowths of weed and algae known as 'blooms'. This run-off is now being studied, and it appears that natural processes contribute as much as, or more than, artificial fertilizers to the nitrate content of rivers and lakes. Industry is conducting research to find new and more efficient fertilizers that are retained in the ground and can be fully utilized by the growing crop.
Levels of nitrate in rivers are being continuously watched, and should the situation become serious the Government will take immediate action.

58. To be useful, pesticides must obviously be poisonous, and some of them may harm forms of life other than those which they are meant to control. In the late 1950s, the use of the insecticides aldrin, dieldrin and heptachlor for dressing spring-sown seeds was withdrawn because they were shown to kill some seed-eating birds and the predators and scavengers that fed on the victims. More recently further restrictions on these substances and on DDT have been proposed, partly because DDT has been shown to have some biological effects which were not foreseen when it came into general use, and partly because it is now possible to replace them for some uses by less persistent pesticides whose residues are less likely to spread widely in the environment.

59. The Advisory Committee on Pesticides and other Toxic Chemicals, whose members include independent specialists and representatives of interested Departments, have the duty of advising Ministers on the safe use of existing pesticides and the acceptability of new ones, and the appropriate Minister then issues recommendations accordingly. This system, which has hitherto been voluntary and has depended on the co-operation of the agro-chemical industry and farmers, is now to be replaced by statutory controls, and may be extended, after consultations with industry, to allow some non-agricultural uses of pesticides to be regulated.

Antibiotics

60. The use of antibiotics to promote growth in livestock can lead to the development of antibiotic resistance in the intestinal bacteria of animals and so interfere with the treatment of human illness. The Swann Committee on the Use of Antibiotics in Animal Husbandry and Veterinary Medicine has advised the Government on how to avoid these dangers and their recommendations have in general been accepted. The Government are taking steps to amend the controls operating under the Therapeutic Substances Act, 1956, on the lines recommended by the
by the Committee. These controls and the present voluntary Veterinary Products Safety Precautions Scheme, which is similar to the voluntary scheme for pesticides, will be superseded by new arrangements under the Medicines Act, 1968.

61. The fall-out from the atmosphere of pollutant particles and of gases dissolved in rain can best be controlled under clean air legislation, and this matter is discussed in Chapter II above.

Dereclit Land

62. Britain still retains the scars of the first industrial revolution in the form of mineral waste tips and industrial dereliction of all kinds. From 1951 to 1959 no Government grants were available for clearing this dereliction. In the early 1960s grants were available only on a modest scale. Since 1966 the Government have greatly improved the system of derelict land clearance grants by which local authorities receive Exchequer assistance to clear up these scars. In the development areas the Exchequer grant is now 85 per cent; and since many local authorities in these areas have a low rateable value base and thus receive high rate support grant, Exchequer assistance often works out in practice as high as 95 per cent. In the intermediate and derelict land clearance areas, the Exchequer grant is now 75 per cent; and in the rest of the country it is 50 per cent. The value of schemes approved for these grants has built up steadily from a negligible amount five years ago. Approvals for local authority schemes in England are now running at about £3m a year, and the Secretary of State for Local Government and Regional Planning recently announced that Government grants would be available to match double this rate of spending by local authorities within three years. At the same time he set a ten year target for the clearance of derelict land in the areas worst affected and announced the appointment of a central group for derelict land reclamation, with local authority participation, in the Ministry of Housing and Local Government.

63. In Scotland, a similar ten year programme is envisaged and a derelict land unit is already assisting local authorities
to achieve this target. Approvals for local authority schemes are currently running at £1m a year and this expenditure is expected to increase substantially.

64. The Welsh Office set up a special Derelict Land Unit at the end of 1966; this has already had remarkable success in stimulating local authorities' efforts in the clearance of derelict land. Approvals of schemes in Wales are running at well over £1m a year. 1,750 acres have been approved for clearance at a gross cost of £3.5m attracting over £2.6m in grant.

65. Where the dereliction consists of colliery shale tips, clearance can often be helped and speeded by using the shale for road-fill in the motorway programme or for other construction purposes. The Government have set up an inter-departmental working party to find means of encouraging the use of this and other forms of industrial waste.

66. The Finance Act 1970 will provide that only half the royalties paid to owners of the tip by contractors who move mineral waste will continue to be treated as taxable income, the other half being treated like capital gains under special rules. The Government also intend to revise the provisions governing the rating of the exploitation of minerals, including mineral wastes; this will have the effect of broadly halving the rate liability.
67. The condition of many of our rivers has been improving for some years. In the 19th century, it was not unknown for both Houses of Parliament to have to adjourn because of the smell from the Thames; but now the Thames in central London is clean enough for fish to have returned after many years of absence. In the 1870s it was a favourite occupation to ignite the methane gas rising from the Bradford Canal in Yorkshire, and to "see blue flames arise some 6 feet in height and envelope the barges in their course, as they ran like gunpowder a distance of 100 yards along the water".

68. A survey in 1958 showed that about three-quarters of the length of non-tidal rivers in England and Wales, and more than half the length of the canals, was unpolluted. Although no statistics were available for Scotland, the position there was certainly as good, and probably better.

69. Scotland is able to rely almost exclusively on pure upland sources of water, but about one third of public water supplies for England comes from rivers which receive treated sewage and industrial effluent. It must be a first priority to protect the quality of these waters, not only for reasons of water supply, but also because rivers provide pleasure and recreation—for example, to hundreds of thousands of anglers.

70. River quality may be improved in three ways: first, certain industrial pollutants can be removed or rendered harmless before they are discharged into the public sewers and thence to the sewage treatment works; secondly, wastes can be purified at sewage treatment works before they are discharged into the river; and thirdly, the flow in rivers can be regulated so that there is always ample oxygen-rich water to dilute incoming pollutants.

71. Probably about 70 percent of industrial liquid waste is at present discharged into public sewers, and that percentage is increasing.

72. In the next thirty years, the total volume of effluent is likely to double. So, even if we are to do no
more than maintain the present condition of our rivers, we shall need sewage works with capacity for dealing with twice the present volume of effluent and (since the volume of water in the rivers, and therefore their capacity to absorb and dilute effluent, will hardly change), the effluent will also have to be treated to a substantially higher standard. If the rivers are to be made cleaner than they are today (for example, so that they can be used as a source of water and not just as carriers of liquid waste) even more refined and expensive treatment will be needed.

73. In certain rivers it will be necessary to increase the summer flow either by the use of regulating reservoirs (which does not always mean new reservoirs - some old storage reservoirs can be converted for this purpose) or by pumping up underground water to maintain river flows in summer, allowing the storage to refill at the expense of high river flows in winter.

74. There will have to be greater care in reducing organic residues which may make their way into drinking water, which are not removed by present methods of sewage or water treatment, and which may have long term effects even though ingested in only small quantities.

75. Finally, the Government must continue to be on the alert for substances whose use should be discouraged. There has been good experience with the phasing out of "hard" detergents, which are not broken down in ordinary sewage treatment, and their replacement by other types which are. There may in the future have to be more "phasings out" of this nature.

76. To advise them on all these matters, the Government set up in 1969 a Working Party under the chairmanship of Mrs. Lena Jeger, M.P., to examine the public health, amenity and economic aspects of the various methods of sewage disposal. The Working Party's report has now been received and will shortly be published. The Government will announce decisions on its recommendations as soon as possible.

77. A survey of river conditions in England and Wales, which is much more detailed and thorough than the 1958 survey referred /to
to at paragraph 68 above, will become available to the
Government in part later this year and in full early next year.
These results, together with the Jeger Report and the Water
Resources Board's surveys, will enable the Government and the
River Authorities to develop policies for each length of river
throughout the country.

78. Also in 1969, the Minister of Housing and Local Government
reconstituted the Central Advisory Water Committee to advise
him on the reorganisation of the water and sewage industry.
Their report is expected later this year. The industry will
in any case have to be reorganised at the same time as local
government. Any new distribution of functions in the control
of fresh water pollution will be part of this major restructuring
of the industry. In Scotland studies of the reorganisation of
river-purification and water-supply are being made in connection
with the proposals for the reorganisation of local government.
The Scottish River Purification Advisory Committee has also,
following a broad survey of river conditions, proposed a ten­
year programme of capital expenditure to treat pollution.

79. With these reports in hand, the Government will be in a
position to undertake a national Clean Rivers Programme.

80. Local authority expenditure on sewerage and sewage
disposal has been increasing and will continue to increase.
Since 1964/65 capital expenditure has risen by 40 per cent in
real terms. In 1968 local authorities were advised, as a
result of the general economic difficulties then prevailing,
to limit expenditure on sewage works to schemes needed for urgent
reasons of health or for new industrial or housing development.
This advice was subject to the proviso that no action should
be taken or omitted which would actually worsen the condition
of any river; such action or omission would, in any case, be
contrary to Statute Law. In the improving economic circumstances
of today, the Government have now withdrawn that advice in order
to allow the river authorities and local authorities once again
to undertake measures for the positive purification of our
rivers.

81. Some of the schemes which are already being prepared and
will now come forward will be extremely expensive; one can
envisage expenditure of the order of £30m. on a single
scheme. This is and will remain a rapidly growing programme.
82. Well over 90 per cent of all dwellings have access to main drainage, and most of the rest will have in a few years. But during the recent period of economy in Government expenditure a number of small sewerage schemes, especially in country areas, have been held up and people have had to continue to rely on earth or pail closets. The Government are now allocating an extra £7m. in 1970/71 and £5m. in 1971/72 to enable this backlog of small sewerage schemes in England to be undertaken. In Wales local authorities are being authorised to proceed with all deferred schemes of this sort; some 60 schemes costing £1.5m are involved. In Scotland there will be available over the same two years a further £1m. for sewerage schemes generally.

83. But sewage and industrial discharges are not the only things which pollute our streams, rivers and lakes. There is also the danger of accidents and carelessness, whether it be road tankers falling off bridges, leaks in riverside storage tanks of petroleum or chemicals, accidents to river and canal vessels, or even the dumping of pollutant wastes on the gathering grounds of reservoirs. The Government are not satisfied that the present law on these matters is sufficiently comprehensive, and will in due course introduce legislation further to reduce these risks.

84. Nor is surface water the only source of our water supply: it is also pumped from underground water-bearing strata. Here too the Government are not satisfied that the existing law to prevent the accidental or inadvertent contamination of these strata is sufficiently comprehensive and they will in due course introduce legislation to strengthen it.

85. These measures - structural reorganisation of the water industry, improved techniques, higher standards, more money, and more comprehensive legislation - will make possible a significant improvement to the condition of our streams, rivers, lakes and reservoirs during the 1970s.
VI POLLUTION OF THE SEA AND THE BEACHES

Oil

86. Of all pollutants of the sea, oil has received the greatest publicity in recent years due to the wreck of the Torrey Canyon, the almost ubiquitous presence of small quantities of oil on the beaches, and the lethal effects on sea-birds. The Government have two concerns: first, to see that oil is not discharged by ships at sea; secondly, to see that, if a discharge does occur, the oil is disposed of either by dealing with it on the surface of the sea, or by cleaning up the beaches after it has come ashore.

87. Within the Inter-Governmental Maritime Consultative Organization (IMCO), a number of international conventions have been negotiated which are bringing under increasingly stringent control the operation of tankers and other ships at sea and the liability of their owners to pay for the damage caused by oil spills. In the achievement of all of these conventions, the British Government have played a leading role. The 1954 International Convention for the Prevention of Pollution of the Sea by Oil lays down conditions under which oil may be discharged into the sea; in particular, limitations are placed on discharges within the prohibited areas (which include the whole North Sea and English Channel and much of the North Atlantic). In 1969 amendments to the 1954 Convention were negotiated which make the whole sea a prohibited area and limit discharges to a minimum amount which has been experimentally shown not to give rise to persistent oil slicks. Most oily residues will have to be kept on board or discharged to shore installations; and the Convention provides for a system of records and inspection to assist enforcement.

88. The Government intend to ratify these amendments. They are enforcing them for the UK in the Oil on Navigable Waters Bill which has already been presented to Parliament. This Bill also provides for the present maximum fine of £1,000 on summary conviction for the master of a ship which illegally discharges oil into the sea to be increased to £5,000.
Another IMCO Convention agreed in 1969, which has already been ratified by the UK, makes it easier for governments to intervene to protect their coasts when an accident like that to the Torrey Canyon takes place. A third Convention tightens up the insurance cover which oil tankers are obliged to have. Tanker owners will now be strictly liable for a much greater proportion of the damage caused by an oil spill than was formerly the case; indeed, that proportion is now the most that the insurance market as it is at present constituted will bear. The Government have recently announced their decision to ratify this Convention. They will shortly introduce legislation to enable that ratification to take effect in this country. It is to be hoped that the action of so large a tanker-owning and oil-importing country as the UK will bring nearer the day when the Convention has enough ratifications to bring it into worldwide effect.

IMCO is now examining the possibility of establishing a fund to meet any part of the costs of cleaning up after an accidental discharge of oil which might not be covered under the liability imposed by the 1969 Convention, and in these discussions, also, the British Government intend to play a leading part. The oil industry are willing to bear their fair share of the cost of oil pollution damage and have set up a representative body which has offered assistance to IMCO in connection with the establishment of the compensation fund. The tanker owners themselves have already set up a special voluntary compensation scheme which provides, in certain circumstances, compensation for damage up to £2.2m per incident.

In 1969, an agreement on regional co-operation to deal with major oil pollution in the North Sea was signed by this country and the other States bordering the North Sea. It divides the North Sea into areas, in each of which the relevant signatory State is responsible for reporting and tracking oil slicks.

Much work is in progress to reduce the risks that accidents at sea may cause pollution. It embraces routeing in crowded waters, the training of crews, the use of modern navigational equipment, the manoeuvrability of tankers, and the design of
tankers to limit the outflow of oil if there is an accident.

93. When oil is released it is sometimes best to sink or disperse it at sea, if this can be done without harming fisheries. Research on the best methods of treating floating oil is still going on. The responsibility for deciding what action to take falls on the Board of Trade, which has established an organization for this purpose based on the Marine Survey Offices at Ports.

94. If oil comes ashore on to the beaches that people use, the beaches must be cleaned. The Government have provided for an interlocking system of local authority plans and provisions for beach-cleaning. The Exchequer bears 50 per cent of the cost of this, the rest falling on the rates. In the case of major accidents, the Government will consider meeting more than 50 per cent of the cost. Experience since the Torrey Canyon disaster has shown that this new system is working well. Local authorities are provided with advice on the best methods and best substances to be used to remove oil of a given type from various kinds of beach, and with maps showing where there are areas of scientific or fishery interest which require special treatment.

95. The Government control the conditions under which oil is searched for around the coasts of Great Britain. If oil in commercially exploitable quantity is found there, the Government will (through the Minister of Technology's petroleum inspectors) control and supervise the conditions under which it is produced and distributed. An important object of this control and supervision will be to guard against the possibility of oil leaks of the kind which have unfortunately occurred in other parts of the world. The Government will continue, in consultation with the oil industry, to regulate the conditions of oil exploration and production so as to prevent accidents of this kind arising.

Pollution of the Sea by pollutants other than oil

96. Sewage and industrial wastes are discharged into the sea, just as they are discharged into rivers. The open sea has of course a vastly greater capacity to dilute and purify them than a river does, but it is not infinite and cannot receive limitless quantities.
quantities of wastes. Inshore waters and estuaries – many of which support important fisheries – afford much less dilution than is often thought. The water sometimes circulates so that untreated or partly treated sewage washes back on beaches, and industrial pollutants remain concentrated near the point of discharge.

97. Certain seas and parts of seas, notably in the Baltic, Oslo Fiord and a small area of the Atlantic Ocean off the coast of New Jersey, have become so polluted from a variety of sources that their ecology has been changed considerably. None of the seas around Britain is near that condition. Nevertheless, they are shallow, partly enclosed, and contain some of our most important fisheries; and a careful watch must and will be kept on them.

98. Eleven sea fisheries committees make byelaws (confirmed by the Minister of Agriculture) about the pollution of territorial waters around the shores of England and Wales. There are no sea fisheries committees in Scotland, but river purification authorities are extending their control over estuaries and certain coastal waters where major polluting discharges generally occur. The Government exert a limited control over the way in which local authorities discharge sewage to the sea, in that Ministers must sanction loans to be raised by those authorities constructing new sewage works: they can therefore refuse their sanction if the design of the works and the siting of the outfall do not satisfy them. This matter has been considered by the Jeger Committee on Sewage Disposal, and the Government will, if necessary, introduce new provisions based on the recommendations of that Committee.

99. To guard against possible harm to fisheries, the Minister of Agriculture, Fisheries and Food and the Secretary of State for Scotland operate voluntary schemes to control the disposal of toxic industrial wastes outside territorial waters.

100. Pollution of the sea by ships with substances other than oil is being examined by IMCO. IMCO is also working on precautions in the carriage of dangerous substances and the design of bulk chemical carriers to limit the damage to the environment in the event of a casualty.
VII POLLUTION BY RADIOACTIVITY

101. It is convenient to consider radioactivity separately because the appearance of man-made radioactive substances in nature and in the economy arrived suddenly at a late stage in the process of industrialisation, and the system of control was swiftly constructed by a state already well versed in the mechanisms of control.

102. Throughout his evolution man has been exposed to low levels of ionising radiation from natural sources. When nuclear weapons were first used, and for a decade and a half thereafter while successive generations of them were being tested in the atmosphere without inhibition, he was exposed to fairly sharply increasing levels. During the later 1960s these levels have decreased as a result of the Partial Test Ban of 1963, which in addition to its value as a measure of arms control is perhaps the greatest international public health measure yet to have been achieved.

103. It was during the period of nuclear weapons testing, in the 1940s and 1950s, that levels of radiation to which man could safely be exposed in different circumstances, from civilian sources, were being laid down by international agreement. The Government control the nuclear power stations and their attendant fuel treatment plants which are the main civil sources of radioactive waste. Within this industry, the handling of radioactive materials is under the control of the Minister of Technology. When the substances are finished with, their disposal has to be authorised by the Minister of Housing and Local Government in England, by the Secretary of State in Wales, and in most cases by the Minister of Agriculture, Fisheries and Food also. In Scotland these functions are exercised by the Secretary of State for Scotland. Many different techniques are used, including indefinite storage in tanks underground. Slightly radioactive liquid wastes may, under strict control, be piped into rivers or the sea, and a certain amount of solid waste is dumped in long-life canisters in the ocean deeps. This last is carried out in accordance with internationally agreed procedures. Continuous monitoring and research have shown that no significant effect can be detected on man or his environment.
104. Only once in the last six years has the Ministry of Housing and Local Government had to prosecute for an unauthorised disposal of radioactive waste which could have given rise to appreciable contamination. The Ministry has also successfully prosecuted several firms for failing to comply with regulations in a manner which might have, but did not, give rise to contamination.

105. Because the problem of disposing of radioactive waste was well understood from the moment it became necessary to take action, the control of radioactive pollution from this source has perhaps been the most successful of all anti-pollution measures, and is least in need of improvement during the next few decades. The quantity of radioactive waste to be dealt with in this country will increase substantially in the long term because of the increasing number of nuclear power stations and increases in the number of fuel elements sent here from overseas for re-processing. But the Government do not foresee any difficulty either in storing or disposing of this additional waste, and are confident that the existing legislative and institutional framework of control in the United Kingdom is adequate. The position will, of course, be kept under review.
VIII INTERNATIONAL WORK

106. International work on the control of environmental pollution falls into five broad categories:

(i) The co-ordination of research and the sharing of its results.

(ii) Metrology: the discussion, standardisation and adoption of the terms in which various types of pollution may usefully be measured.

(iii) The preparation of declarations commending good aims and good attitudes to governments and peoples.

(iv) The discussion and adoption of agreed standards and agreed procedures for combating pollution. The standards and procedures may govern the management of physical resources common to two or more countries (for instance, an international river, a sea, or the air over a continent or part of a continent), or they may govern industrial practices in the interests of fair competition.

(v) The enforcement of such agreements.

107. At present the bulk of international work falls in the first three of these categories. Although all the categories are necessary, it will not be until the international community is able to proceed on a broad front to categories (iv) and (v) that international work will make its full contribution to the problem of combating pollution. Until then progress will be mainly national, though there are also useful opportunities for effective bilateral discussions.

108. Numerous international programmes of work on environmental pollution are being carried out in different organisations, and there is some danger of overlapping work and wasted effort.

109. The policy of the British Government towards international work in this field can be summarised as follows:

(a) To take part in all the categories of work listed above in the organisation most appropriate to each project.

/(b)
(b) To encourage a progressive rationalisation of this work so as to avoid duplication of the same work in different organisations.

(c) To establish common ground with other industrial countries on the problems and methods of environmental pollution control which are common to these countries.

(d) To do what is possible by trade, by aid and by advice, to assist the developing countries to expand their economies and handle their environment without repeating the mistakes which have been made by the developed countries over the last 150 years.

(e) To seek international standards for pollution control which will help to smooth the flow of international trade and to avoid interruptions of normal trading patterns through sudden and unexpected changes.
IX CONCLUSION

110. 1970 is a year of intense activity for the many international organisations concerned with the control of environmental pollution. Governments and specialised agencies are already preparing for the United Nations Conference on the Environment in Stockholm in 1972. 1970 is also European Conservation Year. As this White Paper shows, the United Kingdom is active both in this international work and in attending to its own environmental defences.

111. The administrative machinery for controlling pollution has been developing continuously in the United Kingdom over the past 120 years. The great epidemics of the 19th century - typhoid and cholera - which caused the first anti-pollution measures to be taken, are things of the past. Bronchial disease, which is virtually endemic and is aggravated by pollution, is not. The Government are constantly alert to the possibility that other forms of ill-health may be caused by pollutants of the environment.

112. Although public health must be the most important criterion in determining the priorities for action, it is not the only one. Increasingly we must pay attention to pollution which, while it does not harm public health, yet does harm amenity and the enjoyment of life. It is not necessary that people should be made ill by pollution before the Government act; Government must also increasingly act where people are offended or annoyed by pollution and this new phase of Government activity is already well under way. The priorities of the Government are: first, to take such action as will maintain and improve the health of the public where this is demonstrably affected; secondly, to safeguard the health of the public where it may or may not be affected (because there are many fields where certainty in this question is not possible) and thirdly, to act where pollution affects the ordinary pleasure and contentment of people in the quality of their life.

113. In the first Chapter of this White Paper three factors were listed as being necessary for improved environmental pollution control: better scientific and technological knowledge, economic priorities and economic decisions, and the correct legal and administrative
administrative framework. There is also a fourth, and that is the will to do the job. Government can and must give a lead. But success will also depend on an increasingly informed and active public opinion. The Government hope that this progress report on action so far, which will be followed later by more detailed publications on particular aspects of the problem, will contribute to the growing public debate on this crucial issue.
THE QUEEN’S SPEECH ON THE PROROGATION
OF PARLIAMENT

Memorandum by the Lord President of the Council

1. I attach a draft of The Queen’s Speech on the Prorogation of Parliament, which has been prepared by the Group of Ministers considering arrangements for the Dissolution of Parliament and takes account of the views expressed by Ministers in charge of Departments.

2. In some cases the draft assumes the completion of business which at present is still unfinished. The only substantial uncertainty concerns the reference in paragraph 31 to increasing the security of occupants of tied cottages. This will have to be deleted if we find that we must accept an Opposition amendment made in the Lords on the subject, which is likely; we shall know later today.

3. In order that the Prime Minister may submit a final draft for The Queen’s approval this evening, I should be grateful if colleagues would let me have any final comments by 5.00 pm today, 27 May. I am sorry that the timetable does not allow for a more leisurely consideration.

TFP

Privy Council Office SW1

27 May 1970
MY LORDS AND MEMBERS OF THE HOUSE OF COMMONS

1. My husband and I and The Princess Anne had the great pleasure of visiting New Zealand and Australia and of attending the Cook Bicentenary Celebrations in both countries. We were also very pleased to visit Fiji and Tonga. The Prince of Wales was able to accompany us to New Zealand and on part of our tour to Australia.

2. My Government have maintained their application for membership of the European Communities, and negotiations to this end are likely to open shortly.

3. My Ministers have made a full contribution to the North Atlantic Alliance, which is the foundation of our security, and have sought to develop better understanding between East and West.

4. My Government have continued to play an active part in the disarmament negotiations and have followed up with vigour their proposals for a complete ban on biological methods of warfare. They welcome the entry into force of the Treaty on the Non-Proliferation of Nuclear Weapons.

5. My Government have urgently pursued their efforts to promote through the United Nations a settlement to the dispute between the Arab states and Israel, and have continued their efforts to help bring peace to the countries of Indo-China.

6. My Government welcomed the end of hostilities in Nigeria, and have made a substantial contribution to post-war relief and rehabilitation.
7. My Government have welcomed the condemnation by the Security Council of the latest racist policies of the illegal regime in Southern Rhodesia. They have worked to make existing economic sanctions more effective.

8. My Government welcomed the peaceful settlement, through the good offices of the Secretary-General of the United Nations, of the longstanding difference with the Imperial Iranian Government over Bahrain.

9. New Constitutions have been introduced in the British Solomon Islands Protectorate and the Seychelles. Tonga will cease to be a Protected State on 4 June and My Government look forward to welcoming her as a Commonwealth partner.

10. In this 25th Anniversary Year of the United Nations My Government is taking a leading part in promoting its work.

11. My Government have announced substantial increases in overseas aid for the next three years.

12. My Ministers have continued their efforts to promote peace and harmony in Northern Ireland. Acts have been passed to establish the Ulster Defence Regiment and to enable police forces in Great Britain to be more closely associated with the Royal Ulster Constabulary.

13. I thank you for the provision which you have made for the public services.
MY LORDS AND MEMBERS OF THE HOUSE OF COMMONS

14. My Government have pursued successful policies to strengthen the economy and the balance of payments so as to provide the basis for sustained and accelerating growth in conditions of high employment. A large surplus in the balance of payments has been achieved, and external indebtedness has been greatly reduced.

15. My Government have continued to work with other governments to improve the international monetary system.

16. A statement has been presented to you on My Government's future plans for public expenditure.

17. The pay structure of my Armed Forces has been radically revised to give proper recognition to their qualifications and responsibilities.

18. An Act has been passed providing for equal pay for men and women.

19. My Government have proposed major reforms to modernise industrial relations.

20. Legislation was introduced to establish a Commission for Industry and Manpower to take over and develop the work of the National Board for Prices and Incomes and the Monopolies Commission.

21. A Bill was introduced to make certain reforms relating to industrial safety and health and an inquiry into all aspects of the subject has been set up.
22. Acts have been passed to promote greater safety and improved living conditions for those serving in the Merchant Navy and fishing fleets.

23. An Act has been passed to assist the film industry.

24. Regional economic development has been further encouraged, especially in the development areas, and legislation has been passed to assist intermediate areas and to encourage the speedy clearance of derelict land.

25. Bills were introduced to reorganise the electricity supply industry and the gas industry, and to enable the Gas Council to search for, market and refine petroleum.

26. A Bill was introduced to continue the Government's powers to assist the coal industry.

27. Legislation was brought forward to raise the limit on guarantees under the Shipbuilding Credit Scheme.

28. A Bill was introduced to transfer the nuclear fuel and radiochemical business of the United Kingdom Atomic Energy Authority to Government-controlled companies.

29. A Bill to reorganise the ports was presented to you.

31. My Government have continued to encourage the selective expansion of home agriculture. An Act has been passed introducing new arrangements for the marketing of eggs; rationalising the grants payable to assist fixed capital investment in agriculture; and increasing the security of occupants of tied cottages.

32. My Government have continued to take steps to restrain increases in food prices and to promote the safety of food for the consumer.

33. My Government have brought forward a measure to provide strong, comprehensive and flexible powers to control the availability of dangerous drugs and to check their misuse.

34. A Bill was presented to advance further the reorganisation of secondary education on comprehensive lines. Progress has been made in replacing old schools, increasing the numbers of qualified teachers and reducing oversized classes.

35. The expansion of higher education has continued, and student places provided have far exceeded the forecasts of the Robbins Committee on Higher Education.

36. My Government have announced further proposals to intensify the fight against the pollution of the environment, and measures were introduced to reduce aircraft noise and to discourage pollution of the sea by oil. I have appointed a Commission on Environmental Pollution.

37. My Government have put forward proposals to reform local government in England and Wales.

38. An Act has been passed to limit increases in rents of local authority and private tenants. Assistance to home buyers under the option mortgage scheme has been increased, and other measures have been taken to provide more and better homes. Orders have been made to raise the income limits which govern the entitlement to rate rebate.
39. Proposals for controlling labour-only sub-contracting in the construction industry were laid before you.

40. An Act has been passed to reorganise local authority personal social services. New proposals have been made for the future administration of the National Health Service in England and in Wales.

41. Improvements in existing health and welfare services have continued, with special emphasis on hospitals for the mentally handicapped and other long-stay patients.

42. Proposals have been put before you for new schemes of national superannuation and social insurance based on earnings-related contributions.

43. My Government have taken steps to make further improvements in the levels of benefits provided under the Supplementary Benefits Scheme.

44. Legislation has been passed to reform the feudal system in Scotland and the Scottish law of heritable conveyancing.

45. An Act has been passed to modernise the law relating to the construction of highways in Scotland.

46. An Act has been passed to reconstitute the High Court with a Family Division; to extend the power to dispense with the holding of assizes; and to improve the arrangements for the recovery of civil debts.
47. Further advances have been made in the reform of the law. Legislation has been passed to extend the powers of the courts to make financial provision in matrimonial disputes and to give effect to various proposals of the Law Commission.

MY LORDS AND MEMBERS OF THE HOUSE OF COMMONS

I pray that the blessing of Almighty God may attend you.