51 - Replacement of the "Queens". Memorandum by the Chancellor of the Exchequer and the Minister of Transport and Civil Aviation.

52 - Voluntary Schools: Increased Aid. Memorandum by the Minister of Education.

53 -

54 - Report of the Estimates Committee on Treasury Control. Memorandum by the Chancellor of the Exchequer.

55 - Pensions (Increase) Bill. Memorandum by the Chancellor of the Exchequer.

56 - Possibility of Disturbances in East Africa. Memorandum by the Secretary of State for the Colonies.

57 -

58 - Nyasaland Emergency. Memorandum by the Secretary of State for the Colonies.

59 - Farm Price Review, 1959. Note by the Minister of Agriculture, Fisheries and Food.

60 - Egypt: Foreign Compensation Commission. Note by the Chancellor of the Exchequer.

61 - Unemployment Benefit for Workers on Short Time. Memorandum by the Minister of Pensions and National Insurance.


63 - The Maldives: Negotiations for the Gan Air Staging Post. Memorandum by the Secretary of State for Commonwealth Relations.

64 - North Atlantic Council. Memorandum by the Secretary of State for Foreign Affairs.

65 - International Development Association. Memorandum by the Chancellor of the Exchequer.

66 - John Waters. Memorandum by the Secretary of State for Scotland.

67 - Future Status of the Post Office. Memorandum by the Chancellor of the Exchequer and the Postmaster-General.

68 - Pensions of the Higher Judiciary. Memorandum by the Chancellor of the Exchequer.

69 - Malta Dockyard. Memorandum by the Secretary of State for the Colonies and the Civil Lord of the Admiralty.

70 - Liberalisation of Dollar Imports. Memorandum by the Chancellor of the Exchequer.

71 - Arms for the Caribbean. Memorandum by the Secretary of State for Foreign Affairs.
C.(59) 72 - Indus Waters. Memorandum by the Secretary of State for
Commonwealth Relations.

73 - Space Research. Memorandum by the Lord President of the
Council.

74 - Liberalisation of Dollar Imports. Memorandum by the
Chancellor of the Exchequer.

75 - Commonwealth Education Conference. Memorandum by the
Secretary of State for Commonwealth Relations.

76 - Space Research. Memorandum by the Minister of Defence.

77 - Control of Government Expenditure. Memorandum by the
Chancellor of the Exchequer.

78 - Book Exports. Memorandum by the Chancellor of the Duchy
of Lancaster.

79 - Aircraft Industry: Replacement of the Dakota. Memorandum
by the Prime Minister.

80 - Retirement Pensions and National Assistance. Memorandum by
the Secretary of State for the Home Department and Lord
Privy Seal.

81 - Limitation on German Arms Production in the Revised
Brussels Treaty. Memorandum by the Secretary of State
for Foreign Affairs.

82 - Teachers' Salaries. Memorandum by the Minister of Education.

83 - Aircraft Industry: Replacement of the Dakota. Memorandum
by the Minister of Supply.

84 - Rural Bus Services. Memorandum by the Minister of Transport
and Civil Aviation.

85 - Teachers' Salaries. Memorandum by the Chancellor of the
Exchequer.

86 -

87 - International Labour Organisation. Memorandum by the
Minister of Labour and National Service.

88 - Teachers' Salaries. Memorandum by the Minister of
Education.

89 - Klaus Fuchs. Memorandum by the Secretary of State for the
Home Department and Lord Privy Seal.

90 - Fuel Policy: The Coal Problem. Memorandum by the Minister
of Power.

91 - Commercial Policy: Horticulture. Memorandum by the Minister
of Agriculture, Fisheries and Food.

92 - H bla Detention Camp. Memorandum by the Minister of State
for Colonial Affairs.

93 - Proposed Changes in National Assistance. Memorandum by the
Minister of Pensions and National Insurance.
C.(59) 94 - Education: Teachers’ Salaries. Memorandum by the Minister of Education.

95 - Proposed Hilton Hotel, Park Lane. Memorandum by the Secretary of State for the Home Department and Lord Privy Seal.

96 - Book Exports. Memorandum by the Chancellor of the Duchy of Lancaster.

97 - Kenya: Rehabilitation Policy and the Use of Forced Labour. Memorandum by the Secretary of State for the Colonies.

98 - Hola Detention Camp. Memorandum by the Secretary of State for the Colonies.

99 - Incident at Thiba Detention Camp. Memorandum by the Secretary of State for the Colonies.

100 - Education: Teachers’ Salaries. Memorandum by the Minister of Education.
CABINET

REPLACEMENT OF THE "QUEENS"

MEMORANDUM BY THE CHANCELLOR OF THE EXCHEQUER AND THE MINISTER OF TRANSPORT AND CIVIL AVIATION

In May, at their Annual General Meeting, the Cunard Steamship Company have to announce a decision on a most difficult problem with regard to their weekly Atlantic passenger service. Queen Mary is now 23 years old and is near the end of her economic life. Queen Elizabeth is 19 years old and has about eight years' further service. The decision Cunard have to take is whether to announce that they are going progressively to close down their North Atlantic operations based on the "Queens" or whether they will announce a programme of replacement.

When the "Queens" were built at a total cost of about £11 millions, a sum of about £9 millions was loaned by the Government of the day and was in due course repaid with interest. To-day the magnitude of the problem is, of course, quite different. Replacement costs may be as high as £30 millions for each ship, but it will not be possible to be certain about this or about final size and design until Cunard have had talks with their shipbuilders, John Brown and Company. We have so far stopped them doing this because such talks would be bound to become public and would provoke questions about the Government's intentions. However, if the "Queens" are to be replaced Cunard claim that they cannot provide from their own resources more than £12 millions towards the cost of the first ship, leaving around £18 millions to be found, spread over the period of the building of the ship. Once Queen Mary was replaced, Queen Elizabeth would have to follow in order to keep a weekly service going. Cunard might be able to provide more than £12 millions out of their own resources towards the cost of the second ship but this is not yet certain. They say it would be impossible to raise the balance through a commercial loan because prospective earnings from the replacements would not be sufficient to service it. The Company have, therefore, asked the Government for a commitment to provide the difference between what they can put up and the eventual cost of the ships.

Their proposal is that this money should be made available by way of a capital grant, to be repaid if earnings of the replacement exceed an agreed figure. The Company would retain this agreed amount to cover depreciation and remuneration of their capital employed; and 80 per cent. of any excess over this would be paid to the Government, leaving 20 per cent. with the Company. (The Government's payment would be by way of dividend on the £20 share which it owns in the Company.) There would of course be no liability on Her Majesty's Government to cover operating losses.

This is not a proposition that we could recommend to our colleagues on financial grounds. Even on the Company's estimates the prospects of repayment of a significant proportion of the capital grant, still less any return of income thereon, appear slight. Her Majesty's Government will be participating with the Cunard Company in the North Atlantic service against growing competition both from new foreign ships (the majority are heavily subsidised) and more aircraft. On the other hand, if the service were to be closed down there would be a loss of
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foreign currency receipts, mainly in dollars, and probably some damage to our

1. We are satisfied that Cunard cannot continue this service without help from the Government and we believe that the balance of advantage lies in assisting the Company. We should thereby also be giving a considerable fillip to the shipbuilding industry at a time when it views its future with growing disquiet. We do not, however, ask our colleagues at this stage for more than a decision in principle to accord aid to the Company, provided a scheme that is fair both to the Company and the Government can be devised. We should then be in a position to inform Cunard that they may approach John Brown and have the necessary discussions which would enable the Company to make detailed proposals to the Government as to type and financing of the Queen Mary replacement. No final commitment would be accepted by the Government until we had this further information. It may, however, be necessary for the Government to make a statement in Parliament fairly soon, as it is unlikely that the talks between the Company and John Brown can be concealed. This statement should only say that the Government was discussing the matter with Cunard. We should be relieving ourselves, however, if we thought that once any public announcement was made we could easily avoid giving substantial assistance to Cunard. However, it must be our object to drive the best bargain we can to secure replacement of the ships while limiting the Government's commitments and improving its chances of securing repayment.

6. We ask our colleagues to agree:—

(i) In principle, that aid to the Company should be given for the purpose of replacing Queen Mary and subsequently Queen Elizabeth, provided a scheme that is fair both to the Company and the Government can be devised.

(ii) That the Minister of Transport should be authorised to inform the Cunard Company that, with the object of seeing whether a satisfactory scheme can be worked out, they may approach John Brown and Company for the purpose of drawing up detailed plans and estimates.

(iii) That for the present any statement made in Parliament about the replacement of the "Queens" should be limited to saying that the Government is discussing the matter with the Cunard Company.

D. H. A.

H. W.

12th March, 1959.
VOLUNTARY SCHOOLS: INCREASED AID

MEMORANDUM BY THE MINISTER OF EDUCATION

On 12th February the Cabinet agreed that I should continue to negotiate with the interests concerned on the basis that—

(i) The maximum rate of grant on the categories of voluntary school building work now eligible for grant should be increased from 50 to 75 per cent.

(ii) A maximum grant of 75 per cent. should be payable for the provision of new secondary schools needed to match aided primary schools of the same denomination that exist at present (C.C. (59) 8th Conclusions, Minute 2).

The Cabinet also invited me to arrange for the necessary legislation to be drafted and agreed to consider at a subsequent meeting the appropriate time for its introduction.

2. The attitude of the Free Churches remains substantially unchanged. They are opposed to both my proposals, but especially to (ii). They regard it as a substantial departure from the "settlement" of 1944 and believe that it will open the way for the Roman Catholics to press successfully, possibly within a few years, their demand for grant for all new schools.

3. The Church of England initially had similar doubts about this particular proposal, though they saw its educational advantages. I have now been able to remove their doubts and I have been assured of the Church's support for my proposals.

4. The Roman Catholics have not abandoned their aim of securing grant on all voluntary school building and they will, when they judge the time ripe, press this claim. But they acknowledge that my proposals will be a real help and their representatives have assured me that they will commend them to the Hierarchy.

5. In the light of these exchanges I consider that we should be justified in going ahead. Even if the Free Churches press their opposition I do not believe that they will carry much weight, either in the country or in the House. Other educational opinion, though not unanimous, is for the most part disposed to put the educational needs of the children first.

6. I accordingly ask my colleagues to agree that, subject to its detailed terms being approved by the Legislation Committee, the necessary legislation should be introduced immediately after the Easter recess and passed into law as quickly as possible.

G. L.

Ministry of Education, W. I,
12th March, 1959.
13th March, 1959

CABINET

DIARIES OF ROGER CASEMENT

Memorandum by the Secretary of State for the Home Department and Lord Privy Seal and the Secretary of State for Commonwealth Relations

Diaries kept by Roger Casement, which came into the possession of the police in connection with his trial for treason in 1916, have been in the custody of the Home Office since 1925. Successive Home Secretaries for the last thirty years have refused to say whether the diaries were or were not in existence or allow any access to them. The questions on which we now wish to consult our colleagues are:

(a) should the existence of the diaries now be disclosed; and
(b) should research workers and journalists be allowed access to them.

2. The history of the diaries is set out in Annex A to this memorandum. They belong to the years 1903, 1910 and 1911, and were found by the police in a trunk handed over by Casement's landlord after his arrest in 1916. Typescript copies of the diaries were made at the time, and in 1922 a set of these copies came into the hands of a journalist, Mr. Singleton-Gates, who has recently published them in a book called "The Black Diaries". The New York edition of this book contains the diaries for 1903 and 1910, both of which contain indecent material indicating that Casement was a practising homosexual. A few copies of this edition have reached this country. A limited edition, published in Paris, is said to contain also one of the diaries for 1911 described in the introduction as "the cash register". It is possible that the book will also be published in this country.

3. The official policy of silence about the diaries was adopted, and has been adhered to in the face of increasing difficulties, in the hope of limiting controversy both about the character of Casement and about the use made of the diaries, and in the belief that if the existence of the diaries were acknowledged the Government would be compelled to allow access to them and would be accused by the Irish Government of further blackening Casement's name. In recent years this policy has exposed the Home Secretary to considerable criticism in and out of Parliament, and has not prevented a lively controversy about the authenticity of the diaries, which Irish nationalists believe to have been forged. It has been freely suggested that the policy of silence is designed to cover up evidence of the forgery. We believe that the publication of the diaries has removed the last justification for this policy and has provided a means of escape from a position which had become untenable; and we think that the Home Secretary must now admit that the diaries exist and are in his custody.
4. If this is agreed, it is for consideration whether the Government should itself take the initiative in seeking to establish the authenticity of the diaries by appointing a committee of enquiry or should simply allow access to them by historians and others who can form their own conclusions. We do not think it would be possible simply to admit the existence of the diaries and refuse to do one or other of these things.

5. In our view a committee of enquiry would do no good and might do harm. It is unlikely to be possible to assemble a committee whose findings would be accepted by Irish nationalists; the committee might comment adversely on the use made of the diaries in 1916; and it might refuse to conclude categorically that the diaries are not forgeries.

6. We accordingly recommend that the diaries should be placed in the Public Record Office and that access to them should be allowed to bona fide research workers and journalists. [We do not think, however, that the relevant Home Office files should be made available, even to this limited extent. They belong to a class of documents which will not be opened to the public for 100 years after their creation, and though there is discretion under the Public Records Act, 1958, to allow individuals to have access to the files at any time, it is not proposed to exercise this discretion in relation to files about capital cases. Refusal to open the file may be regarded by the Irish nationalists as confirmation of their belief that there is something to hide, but the diaries speak for themselves and are likely to convince all but fanatics of their genuineness. The file shows that some official use was made of the diaries after Casement's conviction to prevent his being regarded by public opinion, particularly in America, as a martyr. This is already apparent from extracts from a Cabinet memorandum quoted by Mr. Montgomery Hyde, M.P. in the House of Commons on 3rd April, 1956, and reproduced in "The Black Diaries"; but to provide confirmation from official sources that the diaries were so used might, we think, do harm to Anglo-Irish relations.] We suggest that if it is decided to give limited access to the diaries a statement should be made in the House about their history in order, among other things, to refute the story which has gained some currency that they came into the hands of the police long before Casement's arrest, and that there was, therefore, ample opportunity for indecent matter to be interpolated in them. This statement might be on the lines of the draft at Annex B.

7. It is possible that the disclosure of the diaries will produce a protest from the Irish Republican Government. The Ambassador can, however, point out that for many years Her Majesty's Government have preserved a policy of silence in the face of great difficulty in their anxiety to do nothing detrimental to Anglo-Irish relations: that the hands of the Government have been forced by the publication of the diaries; and that it would be absurd either to continue this silence or to admit the existence of the originals but refuse to allow access to them.

Conclusion

8. We accordingly recommend:—
(i) that the existence of the original diaries should be admitted in a statement in the House before Easter on the lines of Annex B;

(ii) that the diaries should be sent at once to the Public Record Office and made available to bona fide research workers and journalists authorised by the Home Secretary to have access to them; and

(iii) that the relevant Home Office files should remain closed.

R.A.B.

H.

13th March, 1959

ANNEX A

HISTORY OF THE CASEMENT DIARIES

The documents described as the Casement diaries consist of five books:

(a) an Army book 153 (a field service pocket book);
(b) a Letts' pocket diary and almanack for 1903;
(c) a Dollards' office diary for 1910;
(d) a Letts' desk diary for 1911;
(e) a ledger containing accounts relating to dates in 1911.

The Army book contains a few jottings apparently relating to 1901 when Casement was H.M. Consul-General in the Congo. The Letts' Diary for 1903 also relates to Casement's work in the Congo and contains a few entries indicating his homosexual proclivities. The Dollards' Diary for 1910 and the Letts' Diary for 1911 both relate in part to Casement's investigation of the atrocities which were alleged to be committed against the natives of the Putumayo region of South America by the employees of the Peruvian Amazon Company. Both diaries contain indecent material interspersed among normal entries, that for 1911 in greater quantity than that for 1910. They leave no doubt that Casement was becoming increasingly obsessed by his perversion. The ledger is principally devoted to notes of personal expenditure, but also contains notes about homosexual activities and payments made to homosexual partners.

2. Casement was arrested in Ireland on 21st April, 1916, and arrived in London on 23rd April. On 25th April the landlord of his lodgings in Ebury Street handed over to the police, at their request, certain property which Casement had left in his charge in 1914. This property included a trunk in which the diaries were found. Typescript copies of the diaries were made at Scotland Yard for transmission to the Director of Public Prosecutions. The copying of those for 1911 was completed on 24th June.
3. Casement was convicted on 29th June and the appeal was dismissed on 18th July. The next day the Cabinet considered the question of reprieve. They had before them memoranda by Sir Ernley Blackwell, then Assistant Under-Secretary of State at the Home Office, dated 15th July, 1916, in which he described the nature of the diaries and which contained the following passages:

"There are obviously grave objections to any sort of official or even inspired publication of such facts while the man is waiting trial or appeal, or even waiting execution."

"So far as I can judge, it would be far wiser from every point of view to allow the law to take its course and by judicious means, to use these diaries to prevent Casement attaining martyrdom."

(The second passage was quoted by Mr. Montgomery Hyde in an adjournment debate in the House of Commons on 3rd April, 1956, and is reproduced in the recently published book "The Black Diaries").

4. Rumours of Casement's depravity were by then already circulating in London. It appears from a Press report that before he landed in Ireland a story had been current that he had been arrested in Germany for an offence of indecency. The first Press reference to the diaries and their character appeared in the Daily Express the day after his conviction. There is no record on the Home Office papers of the diaries or the copies having been shown to anyone outside the Government service before Casement's trial. After the trial extracts were shown to two alienists, who were asked to express an opinion on the mental condition which they disclosed; the possibility of a reprieve on grounds of insanity was then under consideration. After the dismissal of the appeal a typescript copy was shown, on the Home Secretary's instructions, to Mr. (later Sir John) Harris, whose personal knowledge of Casement in the Congo the Archbishop of Canterbury had commended to the Home Secretary's attention. Either copies or the diaries themselves were also shown by Mr. (later Sir Basil) Thomson, Assistant Commissioner, Scotland Yard to the United States Ambassador, apparently at the Ambassador's request. The Ambassador was given photographs of two passages. Telegrams from the British Embassy in Washington, of which there are copies on the Home Office papers, suggest that the Embassy had copies or extracts from the diaries but did not refer to them until after Casement's execution. Five days after the execution the Embassy reported "We are using the Journal, not for publication, but to warn politicians, the Press and the Church against running Casement as a martyr".

5. Casement's biographers have stated, on the authority of Casement's Counsel, Serjeant Sullivan, and his junior Counsel, Artemus Jones, that the Attorney-General offered copies of the diaries to the defence as a possible basis for a plea of insanity. The Home Office papers contain no reference to this.

6. After Casement's execution his solicitor pressed for the diaries to be handed over to the family, but was told categorically that "the prisoner's diaries and certain other papers which came into the hands of the police in connection with the criminal charge must be retained by them". Casement's executrix, Mrs. Parry, applied again in 1922 without success, but in 1924 obtained from the then Prime Minister, Mr. Ramsay MacDonald, a promise that the diaries should never be opened except by order of the Prime Minister of the day. Mr. Baldwin was advised by the Home Secretary in 1925 not to renew this pledge.
7. In 1925 Mr. Singleton-Gates, then a journalist, proposed to publish a book containing bowdlerised extracts from the diaries. He has since claimed to have obtained typescript copies from "a person of some authority in London". He has never disclosed the name of this person, but it is believed to have been Sir Basil Thomson. He was seen by the then Home Secretary, Sir William Joynson Hicks, threatened with prosecution under the Official Secrets Acts and required to surrender those parts of his book dealing with the diaries and with the verbatim record of Casement's interrogation at Scotland Yard, of which he had also obtained possession. Neither the original copy of the diaries nor the record of the interrogation was asked for. Mr. Singleton-Gates has stated that a few days later he was shown the diaries themselves at Scotland Yard.

8. Mr. Ramsay MacDonald appears to have expressed a wish that the diaries should be in the custody of the Home Secretary, and after the Home Secretary's interview with Mr. Singleton-Gates the diaries were transferred to the Home Office, where they have remained. Since at least 1930 successive Home Secretaries have declined to say whether the diaries exist or not. After the war there was little interest in the subject until 1955, since when there have been several requests from authors and journalists for information about, or access to, the diaries. Questions have been asked in the House and the Government's policy has been questioned on the adjournment by Mr. Montgomery Hyde. The interest has been maintained by two biographies of Casement and a stream of articles in the Press.

9. It was suggested as early as July, 1916, that the Government was circulating false information about Casement's character (by Mr. M.F. Doyle, an American barrister who had come over to assist in Casement's defence). About that time a note of the references in the diaries to Casement's visits to, and correspondence with, the Foreign Office was checked with the Foreign Office and found to be accurate. Since 1916 Irish nationalists have convinced themselves that the diaries were forged, either by representing as Casement's own a copy said to have been made by him of the diary of one of the persons whose activities he investigated in Putumayo, or by the interpolation of indecent material into a genuine diary. The first theory will have been demolished by the publication of the diaries, which both relate to the period before Casement went to South America and contained references to his activities in other places. The diaries have recently been submitted to examination by Dr. W.R. Harrison, Director of the South Wales and Monmouthshire Forensic Science Laboratory, an acknowledged handwriting expert, to see whether there is any evidence to support the theory of interpolation. Dr. Harrison reported:-

"I have compared the handwriting in the diaries and in the ledger with that of that attributed to Roger Casement in letters and documents in a Foreign Office file for 1911 and a Home Office file for 1916. In my opinion there is ample evidence to show that all the entries in the diaries and in the ledger were made by the person who wrote the documents attributed to Roger Casement referred to above."

Dr. Harrison has stated, however, that some of the entries in the diaries were added or amended at a later date by Casement himself. These entries include both ordinary and indecent material.
For some thirty years successive Home Secretaries of both parties have thought it right, for reasons which were fully explained to the House in the debate on 3rd May, 1956, to refuse to say whether the Casement diaries exist or not. With the publication of the diaries abroad the policy of silence has ceased to serve any useful purpose, and I am now able to say that the original diaries are in existence.

The diaries consist of five books:

1. A field service note book containing a few jottings apparently relating to Casement's service in the Congo in 1901 and 1902;
2. A Letts' pocket diary and almanack for 1903;
3. A Dollards' office diary for 1910;
4. A Letts' desk diary for 1911;
5. A ledger containing accounts relating to dates in 1911.

Casement was brought to London under arrest on 23rd April, 1916. On 25th April the landlord of his lodgings in Ebury Street handed over to the police at their request property which Casement had left in his charge in 1914. Among this property was a trunk in which the diaries were found.

The diaries were retained at Scotland Yard until 1925, since when they have been in the custody of the Home Office.

I propose now to place them in the Public Record Office and to allow research workers and others with legitimate reasons for studying them to have access to them.
One of the subjects chosen for examination by last Session's Estimates Committee was "Treasury Control of Expenditure," and their report was published last autumn (6th Report from the Select Committee on Estimates, Session 1957–58).

2. The Sub-Committee which conducted the examination was not a strong one, and their report, on which the Treasury must now seek in their observations, is not in truth a very valuable document. Many of their comments and criticisms are based on misapprehension or lack of perspective, some are inconsistent with each other, and some are unsupported by the evidence which they received. There will be no difficulty about making appropriate observations on these in the ordinary way.

3. I should like, however, to consult my colleagues about the answer to be given to one particular recommendation, which forms the last sentence of the report (there is no summary of recommendations), and which attracted considerable attention in the Press: —

"They recommend that a small independent Committee, which should have access to Cabinet Papers, be appointed to report upon the theory and practice of Treasury control of expenditure."

4. This recommendation did not really emerge from the evidence. It was put to two of the Sub-Committee's witnesses, both of whom advised against it, but the Treasury witnesses were not told of the idea, and their evidence on it was not sought. I understand that it was something of an afterthought.

5. It was obvious that an outside Committee could not properly be given access to Cabinet Papers. But I have carefully considered whether an outside Committee or Commission could usefully be appointed: I have reached the conclusion that this would be a mistake.

6. First, I think it is clear that any thorough examination of financial control must range beyond Treasury control in its limited sense. It would have to take account also of Parliamentary control, because that determines a good deal of the framework within which Treasury control has to operate. It would also have to consider financial control exercised by Departments themselves, for the control of expenditure is in fact a matter of partnership between the Treasury and the spending Departments, and neither partner's role can sensibly be considered in isolation from that of the other. I do not think that the House of Commons would be willing that an outside Committee, however knowledgeable and distinguished, should be given the task of reviewing Parliamentary procedure in financial matters. Changes in Parliamentary procedure have always been regarded as the business of the House itself, though the initiative for changes has often been taken by the Government of the day. Nor do I think that an outside Committee could, within a reasonable time, review all the financial processes of the Treasury and the spending
An immense amount of labour would be necessary to provide them with the information from which to start their review, and I doubt if they would ever really get inside the subject.

7. Again, the control of Government expenditure is very largely a matter of Government policy, and it is not possible to form a judgment on the efficacy of the Government’s control of finance without considering the relations between Ministers and the processes of interdepartmental discussion at all levels up to that of the Cabinet itself, from which financial decisions emerge. None of this seems to me proper matter for an outside Committee.

8. Nevertheless, a flat negative to the Estimate Committee’s recommendation would not be likely to have a good reception, either in Parliament or in the Press, particularly since many of their minor recommendations are also unacceptable. And indeed, I believe that a review of the Government’s control of expenditure would be a worth-while undertaking. This review should, I think, be conducted internally by the Government itself. A considerable effort would be needed, both in the Treasury and in the spending Departments, and I think it would be right to enlist the help, on a confidential basis, of one or two outside persons with suitable experience—such for instance as Sir Jeremy Raisman. A retired Permanent Secretary might be enlisted to direct work at the official level.

9. From this work would emerge a report, or series of reports, to Ministers, ranging over the whole subject of financial control, not excluding the possibility of alterations in Parliamentary procedure. These reports would not be designed for publication, but from them might be distilled, if Ministers saw fit, a White Paper describing such measures as the Government decided to adopt.

10. If my colleagues agree, I would propose that the Treasury’s observations on the Estimate Committee’s Report should conclude with an indication that, while the Government do not accept the Estimate Committee’s recommendation in the form in which it was made, they are nevertheless undertaking a general review of existing practice and procedures in the control of expenditure (going wider than mere Treasury control) with the advice and assistance of one or two outside people whose qualifications and experience would enable them to make a valuable contribution to these problems; and that they will report the results of this review to Parliament in due course.

D. H. A.

Treasury Chambers, S.W. 1.
16th March, 1939.
16th March, 1959

CABINET

PENSIONS (INCREASE) BILL

Memorandum by the Chancellor of the Exchequer

I have now given further thought to the possibility of early legislation to increase the pensions (including widows' pensions) of retired public servants - civil servants, teachers, police, firemen, National Health Service employees, etc. Retired members of the Armed Forces would be covered by corresponding Prerogative Instruments. The Act would not apply to the nationalised industries: whether their pensioners should receive increases is primarily for the Boards concerned, subject to Ministerial approval. There would no doubt be pressure for them to follow suit.

Should there be a Pensions (Increase) Bill?

2. Since the Pensions (Increase) Act, 1956, took effect on 1st April, 1956, the cost of living has risen by only about 7 per cent, and on the policy followed by successive Governments over many years that is not sufficient to justify fresh legislation. Each Pensions (Increase) Act has been assumed to have dealt adequately, or as adequately as possible, with the situation up to its passing, nothing more being justified unless and until there has been a subsequent further severe fall in the value of money. But I am impressed by the fact that, under the 1956 Act, of those on smaller pensions no one who retired after 31st March, 1952 got the full increase of 10 per cent; and since March, 1952 the cost of living has risen by 27 per cent. Of those who retired on salaries of £1,500 or more, only those who had retired before the end of 1947 got the increase; and since the end of 1947 the cost of living has risen considerably more. Retired public servants feel strongly about the extent to which the real value of their pensions has been eroded by inflation and several well organised campaigns are under way. The Public Service Pensioners' Council, for example, which claims to represent half a million of them, is bringing pressure to bear on all Members of Parliament. There are also specific campaigns on behalf of the oldest retired teachers, retired policemen, and so on.

3. I have come to the conclusion that the strict merits of the position tend increasingly to favour some further assistance for retired public servants, and that it would be unwise to ignore this growing pressure. Provided that my colleagues agree that we can do so without making any concessions in other directions, except the one already proposed by the Minister of Pensions and National Insurance in respect of war widows at a cost of £1.6 millions (to which I am prepared to agree), and are satisfied that we can, otherwise, hold the front on National Insurance and National Assistance benefits and on war pensions, I should be prepared to introduce a Pensions (Increase) Bill this session with the object of obtaining the Royal Assent by the end of July.
4. I understand that such a Bill would have to be introduced before the Whitsun recess, that is, not later than the week beginning 11th May. This gives far less time for its preparation than has ever been allowed in the past for one of these complex and controversial measures. We must therefore aim at — and persuade all interested parties to accept — as simple a measure as the subject will allow.

A scheme for civil pensioners

5. The doctrine underlying public service pensions is that they are related to length of service and pay at the end of service; and once awarded are not normally varied thereafter. But when there have been severe falls in money values special increases are given by the Government, as by other good employers, to relieve the worst hardship, particularly among those with the smallest pensions. The 1956 Act, like its predecessors, was based on this philosophy. Its distinguishing features were that it did away with means tests and for the first time brought the bigger pensions within the scope of the increases. I am sure that we should not and cannot attempt any reconsideration of basic principles and must resist in particular all pleas that old pensions should, as a matter of principle, be brought up to the level of current ones. But I am also sure that we should not go back on the more liberal approach of the 1956 Act. That is, we should not reimpose means tests and we should cater for the bigger pensions as well as the smaller.

6. I propose that we should have a scheme the backbone of which would be the following percentage increases applied to the total pensions now in payment, including increases under earlier Acts:

<table>
<thead>
<tr>
<th>For retirements before 1st April, 1952</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>'' '' in 1952-3</td>
<td>12</td>
</tr>
<tr>
<td>'' '' in 1953-4</td>
<td>10</td>
</tr>
<tr>
<td>'' '' in 1954-5</td>
<td>8</td>
</tr>
<tr>
<td>'' '' in 1955-6</td>
<td>6</td>
</tr>
<tr>
<td>'' '' in 1956-7</td>
<td>4</td>
</tr>
</tbody>
</table>

About 400,000 pensioners (apart from Forces pensioners) would benefit. The only ones who would not would be those who have retired since 1st April, 1957.

7. The percentage increases would be applied to the total pensions now in payment, including any increases granted under earlier Acts. This would be a new departure: under earlier Acts the percentage increases have applied to the basic pension, that is the pension as originally awarded. There are advantages in abandoning this and working on the pension actually in payment. To do so strikes me as reasonable in itself; and certainly it is likely to appear eminently reasonable to the pensioner who already has increases and who inevitably sees his pension as a whole. It also makes for ease of calculation by the paying authorities and so speeds up the working out of the increases and getting them into payment. But, most importantly, it has the effect of boosting the increases for the older pensioners relatively to those for the newer ones. The effect is clear in the annexed table. It will be seen, for example, that the increase proposed for a postman who retired in 1939 represents one of 21 per cent on the basic pension — as compared with the 4 per cent increase on basic (and total) pension of the postman.
who retired in 1955-56. This is as it should be; and there are advantages in achieving it without specifically providing in the legislation for increases of this size.

8. My colleagues will note that I do not propose repeating the discrimination in the 1956 Act against those retiring on salaries of over £1,500 a year. There was then a cut-off date for them some years earlier than for their colleagues who retired on lower salaries. This was all very well in 1956, when, for the first time, we were taking the revolutionary step of bringing in the higher pensioner at all. But it is now, I think, generally accepted that it is right that they should benefit and I see no justification for any discrimination as regards the date of retirement. Neither am I proposing that there should be a ceiling to the amount of increase payable as there is in the 1956 Act. I deal with this more fully in a later paragraph.

9. This part of the scheme is designed for the services where pensions are related to pay, so that pension levels have risen continually as pay has risen. These cover the vast majority of cases; but there are a few civilian pensions, such as those of Colonial Governors, Indian civil servants and some members of the Judiciary, which are fixed (or have in the past been fixed) so that the levels change only at long intervals. For these pensions which are at flat rates the main scheme will need to be modified, probably by regulations under the Act.

A scheme for the Armed Forces

10. Retired members of the Armed Forces (including widows who are eligible for pension) are invariably granted pension increases at the same time as the civilians and, as nearly as may be, of the same order. But Forces pensions resemble the civil pensions referred to in the previous paragraph which remain at the same level for long periods. They do not vary when pay is changed, but are fixed according to the Pension Code in force at the date of retirement. Thus, for example, an officer retiring from the Armed Forces in 1955 received retired pay on the 1950 Pension Code (with the benefit, if he is over 60, of the 1956 pensions increase), whereas an officer retiring in 1956 received retired pay on the 1956 Code. In these circumstances I think that the right principle to follow is to increase pensions payable under each of the Forces Codes by the amount which a civilian pensioner will receive if he retired on the date on which the Code in question took effect. This seems the most straightforward way of applying the new measure to the Armed Forces and will give them benefits as good as or better than their civilian counterparts. I propose that officials of the Treasury and the Service Departments should work out details of a scheme on this basis. About 110,000 Forces pensioners, including existing widows, will benefit.

Should there be a maximum increase?

11. In theory my plan could produce extreme cases (for example, a Permanent Secretary, retiring before 1952 with 40 years' service) of increases of as much as £250. But in practice anything more than £200 would be very rare. Under the 1956 Act there was a maximum of £100 for new increase; but, in addition, increases arising from the removal of restrictions under the earlier Acts could produce a further £86. The practical effect would therefore be much the same.
Nevertheless I have considered whether we should impose a maximum again this time, for the point may have political significance. The difficulty is that if it were put at more than £100 it would look high to the majority of pensioners while penalising the more senior officers. Moreover, we must bear in mind that higher salaries for senior civil servants under the Coleraine recommendations will leave those who retired from corresponding posts several years ago with pensions far below the new level. In this situation it seems to me that the right course is not to have a maximum.

Minimum age for increases

12. I propose that we should maintain the principle that pensions increase is not normally payable before age 60, notwithstanding that under some schemes, such as those for police, firemen, and of course, for the Armed Forces, the pension itself may be payable at an earlier age. To abandon this limitation would go a long way towards undermining the hardship philosophy which we must maintain. It would also add several millions to the cost of the scheme; and the taxpayer ought not to be asked to foot a bill for increasing the pensions of people of working age who can get jobs at current rates of pay.

Financial effects of the scheme

13. Under the scheme I have outlined a postman who retired in 1939 after 40 years' service on a pension of £98 (increased under earlier Acts to £173) will have it brought up to £194. A male teacher who retired in the same year with the same length of service on a pension of £181 (already increased to £280) will now get £314. The effect in a number of other typical cases drawn from the main public services is shown, in simple tabular form, in the Annex to this paper. The total cost would be about £10½ millions in the first twelve months, decreasing as time went on. About 75 per cent of this would be a charge on the Exchequer; the rest would fall - and remain - on the rates.

Some comments

14. The simple scheme I propose would relieve the worst hardship and reduce the worst disparities, but it would perpetuate and even accentuate many of the smaller anomalies which result from the varying pay histories of different public services and the varying incidence of previous Pensions (Increase) Acts. Moreover the picture varies from service to service. For instance, there might be room for larger increases for teachers and police who retired before 1946 without raising the pre-1946 pensioners well above the later pensioners. But there would be no room for such increases for large sections of the Civil Service and local government staff, particularly where service has been short; nor for the Armed Forces. These differences are inevitable in any simple scheme for general application and quick effect, but they may lead to complaints and demands for more equitable treatment. These could not be met (any more than was possible in earlier Acts) without going for a far more complicated scheme and, hence, a far more complicated Bill than we have time to prepare or to get through.
There would be criticism too from those who say that the right course is to bring all old pensions up to the level of those being awarded today. The Public Service Pensioners' Council urge this in the letter which they have sent to all M.P.s., and they made the point when the Financial Secretary to the Treasury received a deputation recently. The main objections to such a course are that:

(i) it would involve a fundamental change in the principles on which public service pensions are based;

(ii) it would be far more expensive, both immediately and in future, than what I propose in this paper; and

(iii) it would have the effect of automatically insulating public servants - as distinct from, and partly at the expense of, all others on small fixed incomes - from the effects of inflation.

Announcement and Consultations

Although pressure for a new measure (including pressure from our own supporters) is considerable, it is not as yet unmanageable. I therefore propose that our intention to introduce a Bill should be announced in my Budget Speech on 7th April. We shall then get representations from interested bodies on what should go in the Bill and we shall be obliged to consult the Local Authority Associations, for part of the cost of the new measure will fall on local authorities. My colleagues will remember that, even with the less exacting timetable for the preparation of the 1956 Bill, we were only able to give Local Authority Associations short notice of our proposals, and that this gave rise to complaints. There may well be difficulty in carrying out more extended consultations with them this time. We must therefore be as sure as we can be that the scheme outlined above would not produce special difficulties for them.

I know that the scheme I have outlined is not perfect and it will not please everyone. But it will give relief where relief is most needed - and give it quickly because it will be simple to administer. I am afraid that the Bill itself is bound to be complicated because of the labyrinth of statutes to which it applies. Nevertheless if it is confined to essentials it should not be unmanageable.

Conclusion

I ask my colleagues to agree that a pensions increase measure can be undertaken without offering any concessions on the existing level of National Insurance and National Assistance benefits and war pensions, other than those to war widows already proposed by the Minister of Pensions. If this is approved, I will arrange for the preparation by the Treasury, in consultation with other Departments responsible for both civil and Armed Forces pensioners, of a Bill providing for pensions increase on the lines set out in paragraphs 5-13 above. I will, of course, lay before them at the earliest possible moment a draft of the Bill for further consideration.
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of its content, but I must emphasise that if the time-table before us is to be met it will not be possible to depart significantly from decisions which we take now on the main features of the scheme.

D.H.A.

Treasury Chambers, S.W.1.

15th March, 1959
Example of original, present and proposed pensions after a full career in the civil service, local government, teaching and the police.

<table>
<thead>
<tr>
<th>Year of retirement</th>
<th>1939</th>
<th>1944</th>
<th>1948</th>
<th>1952</th>
<th>1956</th>
<th>1958</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Civil Service (40 years)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Postman</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Original pension</td>
<td>98</td>
<td>173</td>
<td>198</td>
<td>151</td>
<td>177</td>
<td>230</td>
</tr>
<tr>
<td>(b) Present pension</td>
<td>175</td>
<td>192</td>
<td>219</td>
<td>252</td>
<td>256</td>
<td>252</td>
</tr>
<tr>
<td>(c) Proposed pension</td>
<td>194</td>
<td>273</td>
<td>299</td>
<td>296</td>
<td>311</td>
<td>269</td>
</tr>
<tr>
<td>Clerical Officer</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Original pension</td>
<td>175</td>
<td>271</td>
<td>284</td>
<td>330</td>
<td>352</td>
<td>403</td>
</tr>
<tr>
<td>(b) Present pension</td>
<td>307</td>
<td>307</td>
<td>307</td>
<td>307</td>
<td>307</td>
<td>307</td>
</tr>
<tr>
<td>(c) Proposed pension</td>
<td>323</td>
<td>449</td>
<td>507</td>
<td>545</td>
<td>583</td>
<td>623</td>
</tr>
<tr>
<td>Higher Executive Officer</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Original pension</td>
<td>323</td>
<td>449</td>
<td>497</td>
<td>545</td>
<td>583</td>
<td>623</td>
</tr>
<tr>
<td>(b) Present pension</td>
<td>497</td>
<td>545</td>
<td>583</td>
<td>623</td>
<td>662</td>
<td>702</td>
</tr>
<tr>
<td>(c) Proposed pension</td>
<td>545</td>
<td>583</td>
<td>623</td>
<td>662</td>
<td>702</td>
<td>742</td>
</tr>
<tr>
<td>Assistant Secretary</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Original pension</td>
<td>750</td>
<td>526</td>
<td>926</td>
<td>926</td>
<td>926</td>
<td>926</td>
</tr>
<tr>
<td>(b) Present pension</td>
<td>1,037</td>
<td>1,037</td>
<td>1,037</td>
<td>1,037</td>
<td>1,037</td>
<td>1,037</td>
</tr>
<tr>
<td>(c) Proposed pension</td>
<td>1,037</td>
<td>1,037</td>
<td>1,037</td>
<td>1,037</td>
<td>1,037</td>
<td>1,037</td>
</tr>
<tr>
<td>Local Government (40 years) (Pensions based on 40/60ths)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Division (now Higher General Division)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Original pension</td>
<td>173</td>
<td>268</td>
<td>335</td>
<td>335</td>
<td>335</td>
<td>335</td>
</tr>
<tr>
<td>(b) Present pension</td>
<td>268</td>
<td>335</td>
<td>335</td>
<td>335</td>
<td>335</td>
<td>335</td>
</tr>
<tr>
<td>(c) Proposed pension</td>
<td>335</td>
<td>335</td>
<td>335</td>
<td>335</td>
<td>335</td>
<td>335</td>
</tr>
<tr>
<td>Administrative Professional and Technical Grade (V) (Subsequently A.P.T. III, now A.P.T.II)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Original pension</td>
<td>323</td>
<td>352</td>
<td>393</td>
<td>433</td>
<td>473</td>
<td>513</td>
</tr>
<tr>
<td>(b) Present pension</td>
<td>352</td>
<td>393</td>
<td>433</td>
<td>473</td>
<td>513</td>
<td>553</td>
</tr>
<tr>
<td>(c) Proposed pension</td>
<td>393</td>
<td>433</td>
<td>473</td>
<td>513</td>
<td>553</td>
<td>593</td>
</tr>
<tr>
<td>Highest A.P.T. Grade</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Original pension</td>
<td>659</td>
<td>712</td>
<td>765</td>
<td>793</td>
<td>793</td>
<td>793</td>
</tr>
<tr>
<td>(b) Present pension</td>
<td>712</td>
<td>765</td>
<td>793</td>
<td>793</td>
<td>793</td>
<td>793</td>
</tr>
<tr>
<td>(c) Proposed pension</td>
<td>765</td>
<td>793</td>
<td>793</td>
<td>793</td>
<td>793</td>
<td>793</td>
</tr>
<tr>
<td>Teaching (40 years)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Men, qualified teacher</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Original pension</td>
<td>185</td>
<td>230</td>
<td>285</td>
<td>340</td>
<td>395</td>
<td>450</td>
</tr>
<tr>
<td>(b) Present pension</td>
<td>230</td>
<td>285</td>
<td>340</td>
<td>395</td>
<td>450</td>
<td>505</td>
</tr>
<tr>
<td>(c) Proposed pension</td>
<td>285</td>
<td>340</td>
<td>395</td>
<td>450</td>
<td>505</td>
<td>560</td>
</tr>
<tr>
<td>Police (30 years)</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Constable</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Original pension</td>
<td>165</td>
<td>258</td>
<td>298</td>
<td>358</td>
<td>369</td>
<td>422</td>
</tr>
<tr>
<td>(b) Present pension</td>
<td>258</td>
<td>298</td>
<td>358</td>
<td>369</td>
<td>422</td>
<td>422</td>
</tr>
<tr>
<td>(c) Proposed pension</td>
<td>298</td>
<td>358</td>
<td>369</td>
<td>422</td>
<td>422</td>
<td>422</td>
</tr>
</tbody>
</table>
CABINET

POSSIBILITY OF DISTURBANCES IN EAST AFRICA

MEMORANDUM BY THE SECRETARY OF STATE FOR THE COLONIES

There is no evidence that the disturbances in Nyasaland and other parts of the Central African Federation are part of a co-ordinated plan by the African Nationalists aimed at subverting British authority in both Central and East Africa. On the other hand, even if there is no deliberate plan for extensive action, there still remains the danger that the events in Nyasaland may touch off trouble in one or more of the East African territories where in any event there are potential threats to order arising from the domestic political situation in each. In that event co-ordinated action between the leaders might well develop.

Kenya

2. In C. (59) 42 I reported that the Governor, with my support, was about to take certain action in the interests of security. These measures have been taken and, so far, have passed off reasonably well. The most influential African leader, Mboya, sent me a telegram vigorously criticising the banning of his newspaper, *Uhuru* and the putting under restraint of some of his party members. There have been Press reports of some reaction on the part of some Europeans to the banning of the European-owned publication, *Comment*, but there has been no violence. Events in Nyasaland have been closely followed by Africans in the Colony but again without positive reaction. Apart from Mboya's condemnation of the use of Tanganyika police in Nyasaland, this operation has caused little comment. Mboya himself is reported to have said that he is anxious to avoid any action which might result in his being unable to carry out visits to the United States and Ghana due to begin at the end of March. Nyerere, the leader of the Tanganyika African National Union, has recently spent a few days in Kenya with Mboya—see paragraph 8 below.

3. On the general political front, there is still very little indication that the Africans are willing to enter into informal discussions on constitutional matters, and the situation of deadlock remains. Some of the Africans are suggesting that they should come home to see me in company with a few of their Asian and European supporters to discuss constitutional matters. The Governor and I are trying to hold off their coming in the very near future as we are at the moment considering the possibility of issuing a statement on the future of Kenya which would have the object of rallying support amongst, in particular, loyalist Africans and Asians.

4. My own judgment is that, although Mboya will do all he can to intensify the war of nerves on which he is engaged, it is not likely that he will commit himself to a campaign of violence at any rate in the immediate future. But I may be wrong about this; and, in any case, should there be trouble in Tanganyika (see paragraph 8 below) there might be attempts at strong demonstrations in Nairobi and elsewhere in support and these might be a potential danger to peace in the Colony.
Uganda

5. Two weeks ago the Governor reported a deterioration in the political and security situation as a result of steps being taken by the Kabaka of Buganda, in concert with the Omukama of Toro, to sabotage, by boycott, the operations of a Constitutional Committee which has recently been set up to study the possibility of introducing a common roll system in the Protectorate. This campaign is, to some extent, supported by some of the political parties, and, to the extent that this represents the formation of a sort of common front by the "traditionalists" and the "democrats" against the central Government, it is a dangerous development. The Governor feared that after the Queen Mother's visit (which, as in Kenya, went off with marked success) there would be unpleasant incidents which might degenerate into violence. Since making this report he has had a further discussion with the Kabaka on constitutional matters and is now hopeful that, if he can succeed in having further talks with the Kabaka and his Ministers, there might be a chance of reaching a concordat with the Kabaka which would put matters again on a fairly even keel. There is, as yet, no strong monolithic nationalist party in Uganda approaching in any degree the influence of the Tanganyika African National Union. This is partly because the interests of the African politicians have conflicted with those of the traditional elements. There is also no love lost between the Uganda politicians and Mboya and his followers in Kenya; but a new party, the Uganda Nationalist Movement, is giving cause for concern to the Governor, in that it is rather like the Tanganyika African National Union and may command country-wide support.

6. In my judgment the risk of there being serious violence in Uganda in the present context is slight; though there is the danger that any success attending the outbreaks of civil disturbance in Tanganyika might stimulate this new party into taking similar action in Uganda. I have so far seen no report of repercussions in Uganda of the events in Nyasaland.

Zanzibar

7. There is at present little reaction to the Nyasaland disturbances though they are being followed with interest. But (see paragraph 8) some of the nationalists are showing considerable interest in how the nationalists in Tanganyika will react to the Governor's statement to the Legislative Council on Tuesday, 17th March. Reports indicate that any "positive action" in Tanganyika would be supported by similar action in Zanzibar. If, therefore, the Tanganyika African National Union decide on positive action the position in Zanzibar might well become tense. The British Resident is inclined to doubt whether in fact serious trouble would occur in Zanzibar but he realises that this assessment may well be falsified by events. If serious trouble occurred he would need help from Kenya.

Tanganyika

8. To my mind this represents the most serious danger spot. The Tanganyika African National Union won a sweeping success in the elections and dominate the political scene. A Constitutional Committee will start work in July to study (in effect) ways of increasing the number of Africans on the representative side of the Legislative Council and some broadening of the franchise. Nyerere wants the very early introduction of responsible Government (unofficial majorities in both the Executive and the Legislature), the introduction of universal adult suffrage and the abolition of the tripartite vote. He is particularly concerned that, while the Committee is making its study, the Governor should be making plans for the early introduction of these unofficial majorities. On Tuesday, 17th March, the Governor will be announcing the terms of reference of the Committee. He will also state that he will be simultaneously considering with his advisers questions relating to the Executive and the Legislature and will undertake to make decisions known on these matters when decisions on the work of the Committee are also made known. He will express the hope that at that time (i.e., January 1960) he will also be able to say when it is expected that unofficial majorities will be introduced into the Executive and the Legislature. He will, moreover, also announce in March the fact that he intends to appoint four unofficial Ministers (two Africans, one Asian and one European, drawn, he hopes, from the Elected Members) to the Executive as from 1st July. The question is
whether Nyerere will be disposed to accept these proposals next week. The Governor was originally reasonably confident that he would but has recently shown some anxiety on the question. The Chiefs have now come out with a resolution endorsing all the demands made by Nyerere's party and it is quite clear that they have now elected to toe the party line.

9. After discussion with Nyerere on 10th March the Minister of State for Colonial Affairs gained the impression that Nyerere would like to accept the proposals but fears to do so lest he should lose support in his party. This is a severe disappointment. The Governor had already warned Nyerere that the very early introduction of responsible Government was not a realistic proposition and I had hoped that Nyerere would feel that a decision to go ahead more or less immediately with the appointment of some unofficial Ministers, coupled with the promise of a statement which would indicate when responsible Government can be achieved, indicated a not unreasonable response by Her Majesty's Government to his own sweeping demands. But the Governor rates the chances of acceptance at no more than 10 per cent, and I must accept that.

10. The Governor's latest assessment is that Nyerere will reject the proposals but at the same time stress the importance of avoiding violence. Although he also rates at no more than 10 per cent the chance of non-acceptance being accompanied by positive action organised from the Centre the Governor thinks that sporadic disorders are now inevitable. In addition the leaders of the Tanganyika Federation of Labour are threatening a general strike unless the nationalist demands are met. As mentioned above, there may be some action in sympathy in Zanzibar if there is trouble in Tanganyika. Moreover, Nyerere has recently visited Mboya in Kenya and it seems safe to assume that the possibility of some co-ordinated action was discussed.

11. Reactions in Tanganyika to the events in Nyasaland have been rather more positive. In the south the activities of Congress have been applauded by the Africans though relations with Government officials have not deteriorated. In some other districts African sympathy for Congress action has also been inflamed. Nevertheless, there is some anxiety among Africans lest the disturbances should be repeated in Tanganyika and some thoughtful leaders in Dar-es-Salaam, for example, consider that the Congress leaders have acted unwisely in using violence in that it may lead to increased control from Salisbury. Africans in general in Dar-es-Salaam have commented adversely on the use of Tanganyika police in Nyasaland, and the matter will be raised in Legislative Council. It is suspected, however, that they are less concerned with casualties inflicted on the rioters than on the possibility of casualties among their own police.

12. I have paid particular attention to Tanganyika in this paper partly because the Governor's speech next week may be the occasion for trouble and partly because both the Governor and I are seriously concerned at the state of the police force in Tanganyika.

13. One of my Inspectors-General has recently returned from an exhaustive inspection of the force. Although he has reported favourably on the morale and the efficiency of the existing force (and the recent successful operation by a detachment of the police in Nyasaland bears witness to this) he has said that it is numerically inadequate for current needs. I have asked the Governor to let me know what he wants done so that we can put in the necessary programme of expansion without delay. I have also asked him to let me know at the earliest possible moment if, having regard to what other police or forces can be made available from within East African resources, he is likely to need British reinforcements. He has not had time to reply to this enquiry but when making the assessment referred to in paragraph 10 above, the Governor stated that it is fairly certain that he will have to ask for the reserve (King's African Rifles) Battalion to come in on probably 19th or 20th March and to stay for some six months. I am, of course, keeping the Service authorities informed of developments not only in regard to Tanganyika but also to the whole of the area generally.

SECRET
C(59) 57,

RETAI NHED BY DEPARTMENT
UNDER SECTION 3 (4)

(date) 23/11/89
(Signed)
CABINET

NYASALAND EMERGENCY

MEMORANDUM BY SECRETARY OF STATE FOR THE COLONIES

Since our discussion on 11th March (C.C. (59) 16th Conclusions, Minute 3) I have been in consultation with some of my colleagues, and the Commonwealth Secretary and I have been in touch with Sir Roy Welensky, Prime Minister of the Federation of Rhodesia and Nyasaland, and the Governors of the two Northern Territories respectively about the proposal to publish a White Paper on the Nyasaland emergency and the proposal for an enquiry into that emergency.

2. We all think that an enquiry is necessary. A local enquiry, though preferable from certain points of view, would not satisfy public opinion here. The Governor of Nyasaland was at first inclined to favour a Parliamentary Commission owing to the political nature of some of the issues involved but would I think now be disposed to agree that a non-political form of enquiry into the Nyasaland emergency is preferable provided that there is no unnecessary delay in proceeding with some form of political fact-finding on the issues affecting the future of the Federation.

3. The Secretary and I are now both convinced that an enquiry by a commission rather on the lines of the Indian Statutory Commission will be necessary before we can go into any conference on the future of the Federation. It will however take some time to work out this proposal in all its aspects, obtain the agreement or acquiescence of the Federal Government and mount it. We have therefore abandoned an idea which had occurred to me that the Nyasaland emergency might be dealt with in an interim report by a commission of this kind. At the same time it seems very important that the suspicions of Federation held by the majority of Nyasaland Africans, which are bound to be revealed by an enquiry into the Nyasaland emergency, though they are one of the factors which must affect consideration of the future of the Federation, should not come to be regarded as the only such factor. We have accordingly come to the view that the Commission of Enquiry into the Nyasaland emergency should be a separate commission but that at the same time as we announce it, or as soon as possible thereafter, we should also announce our intention to appoint a wider commission to look into the working of Federation and to make recommendations for its future.

4. For the Nyasaland commission I am now thinking in terms of a commission which would not carry out a judicial enquiry in the technical sense of that term but which would have as its chairman a judge from this country; there might be two other members of the commission one of whom might be an ex-Colonial Governor. The commission should include someone (whether chairman or member) who would command respect in Scotland where there is such a deep interest in the affairs of Nyasaland. I have had some preliminary discussion of personalities with the Lord Chancellor and with the Commonwealth Secretary and will have some suggestions to put forward when we discuss this matter in Cabinet.
5. It is important that the terms of reference of the Nyasaland enquiry should be such as to encourage the proposed commission to restrict its report to the facts. I accordingly propose the following terms of reference:

"To enquire into the recent disturbances in Nyasaland and the events leading up to them and to report thereon."

6. It is possible that the Federal Government may make difficulties about the proposal that we should announce in the near future our intention to appoint the wider commission referred to above. The Commonwealth Secretary is in communication with Sir Roy Welensky about this and expects to have his first reaction before tomorrow's Cabinet. I also hope by then to be in possession of the latest views of the Governor of Nyasaland, of the Minister of State for Colonial Affairs who is with him and of the Governor of Northern Rhodesia.

7. Following our last discussions I arranged for the preparation in my Department of the first draft of a White Paper on the events leading up to the Nyasaland emergency; and a copy of this draft reached Nyasaland to-day. Meanwhile the Governor of Nyasaland has suggested that our White Paper should take the form of a despatch from him and the draft of such a despatch which he has prepared also reached London to-day.

8. If our White Paper takes the form of a despatch from the Governor of Nyasaland I think it will be less likely to be misinterpreted as an attempt to prejudice the findings of the proposed Nyasaland commission. I accordingly consider that our White Paper should take this form and I will circulate a draft to my colleagues as soon as I have had time to examine the Governor's draft and to compare it with the draft White Paper which had been prepared in my Department.

9. To sum up I ask my colleagues to agree:

(a) That a Commission of Enquiry into the Nyasaland emergency should be appointed with membership and terms of reference on lines suggested in paragraphs 4 and 5.

(b) That if Sir Roy Welensky's reply is favourable we should announce our intention of appointing a wider commission, perhaps termed a Preparatory Commission, to look into the working of the Federation and to make recommendations in regard to its future at the same time as, or as soon as possible after, our announcement of the enquiry into the Nyasaland emergency.

(c) That a despatch from the Governor of Nyasaland describing the events leading up to the declaration of the emergency in that territory should be published as soon as possible.

A. L.-B.

Colonial Office, S.W. 1,
16th March, 1959.
CABINET

FARM PRICE REVIEW, 1959

NOTE BY THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD:

I circulate for the information of my colleagues the final revise of the White Paper on the Annual Review and Determination of Guarantees, 1959. The text was agreed with the Chancellor of the Exchequer, my Agricultural Colleagues and the other Ministers most directly concerned.

2. I shall be announcing the Determination tomorrow after Questions.

J. H.

Ministry of Agriculture, Fisheries and Food, S.W. 1,
16th March, 1959.
Annual Review and Determination of Guarantees, 1959
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AGRICULTURE ACTS, 1947 AND 1957
ANNUAL REVIEW AND DETERMINATION OF
GUARANTEES, 1959

I. Introduction

1. The 1959 Annual Review of the economic condition and prospects of the agricultural industry has now been held in accordance with Section 2 of the Agriculture Act, 1947. In the light of it, and of the long-term assurances provided for in the Agriculture Act, 1957, the Government have determined the guarantees for livestock and livestock products for the year April, 1959, to March, 1960, and for crops from the 1959 harvest. These are set out in Appendix V.

II. Economic Condition of the Agricultural Industry

The Course of Production

2. Agricultural net output is being maintained at the high level reached during the two preceding years. For 1958/59 it is forecast at 61 per cent above pre-war. This is the same as the figure for 1956/57 and one point below the revised figure of 62 per cent for 1957/58. But for the bad weather net output in 1958/59 would probably have shown a slight increase on last year's record figure.

3. The total arable area was maintained in 1958; there was virtually no change in the total acreage of either tillage crops or temporary grass. Cereal and potato crop yields have been lower than they would have been given normal weather, though total production of cereals is estimated to be slightly higher than in 1957/58, when yields were also below normal. Production of milk has fallen, mainly because of lower yields. Production of beef and lamb has also fallen temporarily, but there has been a continued increase in the number of calves retained for beef and in the sheep breeding flock. Production of pigmeat has increased, but the pig breeding herd has been declining. There has been a further substantial increase in production of eggs.

Changes in Income

4. Actual net income is forecast to have fallen as compared with last year. The forecast for 1958/59 is £327 million: the revised figure for 1957/58 is £354½ million: the figure for 1956/57 was £319½ million. The fall of £27½ million this year is due to the weather and in particular to its effect on the feed bill for milk production. When adjusted for normal weather conditions, net income is forecast to show an increase over last year—£360½ million as compared with a revised figure of £355 million for 1957/58 and with £339 million in 1956/57. This confirms the Government's assessment last year that the trend of net income, on a normal weather basis, was a rising one.

Efficiency

5. The effects of the increasing efficiency of the industry have in recent years been assessed broadly at something like £25 million a year for review commodities. In the Government's view efficiency is continuing to increase on this scale, although in the current year the effects have in part been masked by the bad weather.

Changes in Costs

6. There has been a further net increase during the past year in the prices of goods and services used in agriculture, but the only large item is the increase in wages. The net increase for review commodities is about £11½ million, after
excluding feed costs for pigs and eggs which are reflected automatically in adjustments to the guarantees for those commodities. This is about the same as the net increase last year.

III. Production and Guarantee Policies

7. Production and guarantee policies have been reviewed in the light of developments during the past year and of the prospects for the industry and for the nation.

8. Satisfactory features of the recent course of production are the approximate maintenance of the arable acreage, with a wheat acreage less than in 1956/57; the continued increase in breeding and rearing of beef animals; the reduction in the supply of milk surplus to liquid requirements, especially in so far as this is due to an increase in liquid milk consumption and to a switch from milk to beef; and the decline in the pig breeding herd from an excessive level, indicating that some of the high-cost production, with its demands for imported feedingstuffs, is being eliminated. The trend of production of sheep is still upwards but any further expansion of production will need to be considered in the light of market prospects, including the expectation of more plentiful supplies from Australia and New Zealand. Features of particular concern are the further rise in imports of feedingstuffs, from 5.4 million tons costing nearly £120 million in 1957/58 to 6.1 million tons which may cost about £140 million in 1958/59, though this is partly due to the effects of the weather; and the continued increase in egg production despite the reductions in price determined after the last two annual reviews which were intended to check the expansion of production.

Production Policy

9. The general policy objectives stated in the 1958 Annual Review White Paper (Cmnd. 390) remain unchanged. The aim must still be a steady improvement in the competitive position of the industry, and in its adaptation to the needs of the market. On present prospects no further expansion of gross output is required. Any further expansion of net output, if it is to be of real value, must be achieved through reducing unit costs by means of improved techniques and better farm management. The importance that the Government attach to better management of the farm as a whole has been emphasised during the past year in the new measures of special assistance for small farmers.

Commodity Objectives

10. Within these general objectives the particular aims should be as follows:—

(i) maintenance of the arable acreage at roughly its present size, but with less emphasis on wheat and rye than on barley and other feed crops;

(ii) greater reliance on home-grown feed for livestock;

(iii) production of more beef of the quality wanted by the market;

(iv) for lamb the primary aim in view of market prospects is to get down costs;

(v) continued reduction in the costs of production of pigmeat, and further effort to satisfy market requirements;

(vi) production of less eggs, and of less milk than is at present in prospect.

Cost of Agricultural Support

11. There has been a welcome reduction in the cost to the Exchequer of the support to agriculture. The total for 1958/59 is estimated at about £248 million, as compared with £284 million last year. This fall in cost is due
mainly to higher market prices but also to the reductions in the guarantees determined after the 1958 Annual Review. At the present level of cost, however, the support to agriculture is still a heavy burden on the taxpayer.

12. The level of agricultural support also affects relations and trade with Commonwealth and other traditional food-exporting countries. There is increasing concern about the effects on international trade of the agricultural protection that is provided in nearly all countries.

IV. Long-Term Assurances

13. The Agriculture Act, 1957, requires the Government to make determinations after each annual review such as to maintain the total value of the guarantees at not less than 97 1/2 per cent of their total value in the preceding year, after allowing for cost changes that have occurred on review commodities since the last annual review. In addition the guaranteed price for each commodity must be maintained at not less than 96 per cent of that determined after the preceding annual review.

14. The total value of the guarantees (including relevant production grants) for this purpose at the 1959 Annual Review was calculated to be £1,228 million, and 97 1/2 per cent of this is £1,197 million. After the addition of the relevant cost increase of about £11 1/2 million, the lower limit for the Government's determination is a reduction of about £19 million in the total value of the guarantees.

V. Government's Conclusions

15. The inflationary pressures in the national economy have been reduced in the past year. The cost to the Exchequer of support for agriculture, although still high, has fallen. On the other hand, the wider interests of the national economy and of international relations, especially with the Commonwealth, require that the industry's dependence on support should be kept as low as possible.

16. There is still a tendency for over-production of some commodities. There is a general need to keep down costs and to improve returns from the market by meeting the requirements of the consumer. The industry is continuing to do this successfully. Together with the Exchequer support for the industry this is one of the main reasons for the upward trend in net income, on a normal weather basis.

17. But this upward trend has been masked in part by adverse weather conditions. The actual financial strength of the industry at the present time, therefore, is not as great as it would otherwise have been. Although farmers expect to bear the risks of the weather, the Government think it right on this occasion to take account of the fact that during the last five years adverse weather conditions have substantially outweighed favourable conditions. The industry's actual net income in that period has been on average between four and five per cent below what it would have been under normal weather conditions.

18. On a balance of these considerations the Government have concluded that there should this year be a small net increase in the total value of the guarantees.

VI. Determination of Guarantees

19. The determinations to be made were those for livestock and livestock products for the year April, 1959, to March, 1960, and those for crops of the 1959 harvest. The determinations for the particular commodities are set out in Appendix V. The main features are as follows.
Milk

20. Production of milk has fallen by about 5 per cent, due mainly to the effects of the weather on milk yields but also to a reduction in the milking herd. After the temporary fall in 1958/59 the trend in production is likely to be upward in 1959/60, given normal weather, even if there is some further reduction in the size of the milking herd. Production, even at this year's level however, is still above what is needed for the liquid milk market, after allowing for a liberal reserve. Reductions in the quantities that can only be used for manufacture into milk products are to be welcomed. In general the production of milk beyond what is necessary for the liquid milk market is not economic at anything like present costs of production and reduces the average return per gallon to producers. The Government have concluded that, despite the fall in production, no increase in the guaranteed price would be justified and that the price should be left unchanged.

21. The industry will need to continue its strenuous efforts to encourage liquid milk consumption. There has been a net increase in sales for liquid consumption in England and Wales since marketing powers were restored to the Milk Marketing Board in 1954, and a substantial increase in the last year. In consideration of this, the Government have decided that the standard quantity for England and Wales for 1959/60 should be increased by 7 million gallons. The decision is without prejudice to the more general consideration of the policy to be adopted in future for making alterations in the standard quantities for the various milk marketing areas in the United Kingdom. This raises important issues which the Government have agreed to discuss further with representatives of the producers before the next annual review.

Eggs

22. After the 1957 Annual Review and again last year the guaranteed price for eggs was reduced with the object of stopping the expansion of production. Despite this there has been a substantial increase in production in 1958/59 and a further increase is in prospect for 1959/60. The guaranteed price is much above the market price and subsidy expenditure, although reduced this year, is still as high as one-third of the market value. It has therefore been decided to reduce further the guaranteed price for hen eggs by 1d. per dozen.

Fat Cattle

23. Output of beef has fallen temporarily, but the number of calves retained for beef continues to rise and a renewed expansion of output is expected in 1959/60. There is still room for increasing home production of beef. The increase in calf retentions and the strong demand for store cattle indicate that, at the present guaranteed price for fat cattle, beef production is generally profitable and the Government have decided that the guaranteed price should be left unchanged. In order to provide further encouragement to the rearing of beef store cattle, however, the rate of hill cow subsidy will be increased by £2 to £12 a head for the year 1959; and the rate of calf subsidy will be increased by 15s. Od. to £9 5s. Od. a head in respect of steer calves born on or after 1st April, 1959.

24. Although the Government consider that emphasis should continue to be placed on quality production, they have accepted the view of the Farmers' Unions that the present differential of 8s. 0d. per live cwt. in favour of Grade I fat cattle under the guarantee arrangements may tend to discourage continued expansion in the production of beef from the dairy herd. It has therefore been decided that, with effect from 29th June, 1959, the differential should be reduced to 5s. 0d. per live cwt. The maximum weight for Grade I steers will be increased from 11 cwt. to 11½ cwt. as from the start of the 1959/60 guarantee year.
25. At the 1958 Annual Review the Government's aim as regards fat pigs was to reverse the trend of output, which was increasing, and the guaranteed price was therefore reduced. Output of pigmeat has increased in 1958/59, but the breeding herd has declined and output in 1959/60 is expected to be at about the level of 1957/58. In these circumstances, although the cost to the Exchequer is still high, no further reduction has been made in the guaranteed price for fat pigs.

26. Continued improvement in quality standards is of vital importance to the entire pig industry. The Government recognise that this has been encouraged by the quality premiums on pigs sold by grade and deadweight at bacon factories. But the present arrangements are not in all respects satisfactory. In particular, the premiums are financed from within the guarantee for all pigs so that a large part of their cost has fallen on producers of other types of pigs for which it has not been possible to introduce similar premiums. The Government have decided, therefore, to reduce the quality premiums by 6d. per score. This will not affect the value of the guarantee to pig producers as a whole. At the same time the guarantee arrangements will be modified so as to ensure greater stability of returns for all types of producers. Details of the revised arrangements are given in Appendix V. The Government also intend to invite the Pig Industry Development Authority, in consultation with representatives of the interests concerned in Northern Ireland, to advise on the whole question of quality standards for pigs.

27. No change is being made in the guaranteed price for fat sheep, but the maximum weights in respect of which guarantee payments may be made are to be reduced. The Government propose to examine, in consultation with the representatives of producers before the 1960 Annual Review, the possibility of providing within the guarantee arrangements some further encouragement to the marketing of fat sheep and lambs at lighter weights.

28. The Government's policy, as stated in the 1956 Annual Review White Paper (Cmd. 9721), is that taking one year with another the wool guarantee should not require continuing Exchequer payments. The guaranteed price has remained above the market price since the first year of the present guarantee arrangements, and the present prospect is of continuing subsidy. World prices are considerably lower than a year ago, and the Exchequer cost has risen sharply. The Government have therefore decided to reduce the guaranteed price by 2d. per lb.

29. The subsidy on wheat is still high in relation to market value and world wheat surpluses are increasing. Wheat is less useful for animal feeding than barley and other grain crops. A reduction of 6d. per cwt. is therefore being made in the guaranteed price for wheat. A reduction of 6d. per cwt. is also being made in the guaranteed price for rye.

30. The guaranteed prices for barley, oats and sugar beet have been left unchanged.

31. As already announced, the Government have decided to introduce a new guarantee system for potatoes for the 1959 crop which substitutes for the purchase of surplus potatoes on Government account arrangements that assure a minimum return to the industry as a whole related to the requirements
of potatoes for human consumption. The Government have agreed with the representatives of producers that a guaranteed price of £12 14s. 0d. per ton under the new guarantee system is equivalent to the support price determined at the 1958 Annual Review under the present system. The acreage expected to be planted for the 1959 crop should, with normal yields, give a sizeable surplus. No further encouragement to the growing of potatoes is required. Accordingly, it has been decided that for potatoes sold for human consumption from the 1959 crop the price guaranteed to the industry as a whole should be £12 14s. 0d. per ton. Details of the new system have been worked out with the co-operation of the producers' representatives and are set out in Appendix V.

**Production Grants**

32. The implementation of the Government's proposals in the White Paper on Assistance for Small Farmers (Cmnd. 553) has been taken into account in the Annual Review determination. It involves a net increase in the total value of the guarantees of £6 million, being the estimated net cost in the first full year of operation of the new schemes. The Government have reviewed the other relevant production grants and have decided to increase the rates of subsidy for steers calves and hill cows as indicated in paragraph 23 above.

**VII. Effect of Determinations**

33. The determinations now made result in a net increase of £3 million in the total value of the guarantees. They provide for the cost of the new assistance schemes for small farmers and for some reduction in the level of the guarantee for those commodities where this is most required at the present time. The industry will accordingly be able to retain most of the value of its increasing efficiency. At the same time the new assistance schemes will make it possible for many small farmers to start on plans for improving the profitability of their farm businesses. The net income of the industry as a whole is affected by many factors apart from the level of the guarantees. But the Government are satisfied that these determinations should enable the industry to maintain a fair and reasonable level of remuneration in accordance with the Agriculture Act, 1947.
Some of the figures given in these Appendices differ from those in previous White Papers on Annual Reviews because of later information, improvements in methods of estimation and changes in the sources of data.

### APPENDIX I

**Table A**

_Agricultural Production in the United Kingdom_

_Years beginning 1st June_

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<th>1957/58</th>
<th>1958/59 (forecast)</th>
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<tr>
<td>Wheat</td>
<td>'000 acres 1,856</td>
<td>2,062</td>
<td>1,948</td>
<td>2,293</td>
<td>2,113</td>
<td>2,208</td>
</tr>
<tr>
<td>Rye</td>
<td>&quot; 16</td>
<td>55</td>
<td>19</td>
<td>26</td>
<td>26</td>
<td>23</td>
</tr>
<tr>
<td>Barley</td>
<td>&quot; 929</td>
<td>2,211</td>
<td>2,296</td>
<td>2,323</td>
<td>2,622</td>
<td>2,756</td>
</tr>
<tr>
<td>Oats</td>
<td>&quot; 2,403</td>
<td>3,567</td>
<td>2,581</td>
<td>2,564</td>
<td>2,348</td>
<td>2,220</td>
</tr>
<tr>
<td>Mixed corn</td>
<td>&quot; 97</td>
<td>458</td>
<td>463</td>
<td>418</td>
<td>336</td>
<td>283</td>
</tr>
<tr>
<td>Potatoes</td>
<td>&quot; 723</td>
<td>1,423</td>
<td>874</td>
<td>921</td>
<td>811</td>
<td>822</td>
</tr>
<tr>
<td>Sugar beet</td>
<td>&quot; 335</td>
<td>436</td>
<td>424</td>
<td>426</td>
<td>430</td>
<td>439</td>
</tr>
<tr>
<td>All tillage</td>
<td>&quot; 8,907</td>
<td>13,300</td>
<td>11,301</td>
<td>11,485</td>
<td>11,176</td>
<td>11,172</td>
</tr>
<tr>
<td>Temporary grass</td>
<td>&quot; 4,180</td>
<td>5,679</td>
<td>6,241</td>
<td>6,125</td>
<td>6,348</td>
<td>6,354</td>
</tr>
<tr>
<td>Total arable</td>
<td>&quot; 13,088</td>
<td>18,980</td>
<td>17,542</td>
<td>17,610</td>
<td>17,524</td>
<td>17,526</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Crop production:</th>
<th>'000 tons</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat</td>
<td>1,651</td>
<td>1,967</td>
<td>2,599</td>
<td>2,845</td>
<td>2,683</td>
<td>2,710</td>
</tr>
<tr>
<td>Rye</td>
<td>10</td>
<td>39</td>
<td>19</td>
<td>25</td>
<td>24</td>
<td>21</td>
</tr>
<tr>
<td>Barley</td>
<td>765</td>
<td>1,963</td>
<td>2,936</td>
<td>2,800</td>
<td>2,957</td>
<td>3,173</td>
</tr>
<tr>
<td>Oats</td>
<td>1,940</td>
<td>2,903</td>
<td>2,709</td>
<td>2,486</td>
<td>2,145</td>
<td>2,143</td>
</tr>
<tr>
<td>Mixed corn</td>
<td>76</td>
<td>350</td>
<td>510</td>
<td>407</td>
<td>325</td>
<td>277</td>
</tr>
<tr>
<td>Potatoes</td>
<td>4,873</td>
<td>10,166</td>
<td>6,278</td>
<td>7,533</td>
<td>5,691</td>
<td>5,556</td>
</tr>
<tr>
<td>Sugar beet</td>
<td>2,741</td>
<td>4,522</td>
<td>4,556</td>
<td>5,169</td>
<td>4,539</td>
<td>5,602</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Livestock products:</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Milk</td>
<td>mill. gals. 1,556</td>
<td>1,653</td>
<td>2,206</td>
<td>2,359</td>
<td>2,392</td>
<td>2,252</td>
</tr>
<tr>
<td>Eggs (i)</td>
<td>'000 tons 385</td>
<td>322</td>
<td>581</td>
<td>636</td>
<td>660</td>
<td>695</td>
</tr>
<tr>
<td>Beef and Veal</td>
<td>&quot; 578</td>
<td>537</td>
<td>687</td>
<td>849</td>
<td>887</td>
<td>783</td>
</tr>
<tr>
<td>Mutton and Lamb</td>
<td>&quot; 195</td>
<td>141</td>
<td>191</td>
<td>197</td>
<td>208</td>
<td>200</td>
</tr>
<tr>
<td>Pigmeat (i)</td>
<td>&quot; 435</td>
<td>211</td>
<td>659</td>
<td>641</td>
<td>690</td>
<td>726</td>
</tr>
<tr>
<td>Wool (clip)</td>
<td>&quot; 34</td>
<td>27</td>
<td>31</td>
<td>31</td>
<td>35</td>
<td>36</td>
</tr>
</tbody>
</table>

(i) Includes estimated production from units under one acre.
**TABLE B**

*Volume of Agricultural Output in the United Kingdom*  
(Pre-war average = 100)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Agricultural holdings (i)</strong></td>
<td>123</td>
<td>138</td>
<td>141</td>
<td>142</td>
<td>147</td>
<td>151</td>
</tr>
<tr>
<td><strong>Total (ii)</strong></td>
<td>128</td>
<td>140</td>
<td>144</td>
<td>145</td>
<td>149</td>
<td>153</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Agricultural holdings (i)</strong></td>
<td>155</td>
<td>151</td>
<td>155</td>
<td>160</td>
<td>160</td>
<td>159</td>
</tr>
<tr>
<td><strong>Total (ii)</strong></td>
<td>156</td>
<td>152</td>
<td>156</td>
<td>161</td>
<td>162</td>
<td>161</td>
</tr>
</tbody>
</table>

(i) In Great Britain holdings of over one acre only; in Northern Ireland one acre and over from 1954/55, for earlier years ¾ acre and over.  
(ii) Includes estimated production from units under one acre.

**TABLE C**

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

<table>
<thead>
<tr>
<th>Million tons</th>
<th>Years beginning 1st June</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Farmers’ Purchases</td>
<td>9.2</td>
</tr>
<tr>
<td>2. Home-grown concentrated feeds retained on farm of origin</td>
<td>3.1</td>
</tr>
<tr>
<td>3. Total consumption on farms</td>
<td>12.3</td>
</tr>
<tr>
<td>4. Current home crop production for feed (ii)</td>
<td>6.0</td>
</tr>
<tr>
<td>5. Balance of farmers’ purchases to be met from mainly imported supplies (iii)</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 D mainly because of (a) the exclusion from Table C of quantities consumed on holdings of less than one acre; (b) the inclusion of home-produced fish 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 D

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Imports of concentrated feedingstuffs (i)</td>
<td>5.4</td>
<td>4.8</td>
<td>4.7</td>
<td>5.4</td>
<td>6.1</td>
</tr>
<tr>
<td>2. By-products from imported grains and seeds</td>
<td>1.8</td>
<td>1.8</td>
<td>2.0</td>
<td>1.9</td>
<td>1.9</td>
</tr>
</tbody>
</table>

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

### Aggregate Farming Net Income in the United Kingdom

#### TABLE A

"Departmental" Calculation

<table>
<thead>
<tr>
<th>Years beginning 1st June</th>
<th>£ million</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Actual</td>
</tr>
<tr>
<td>1937/38</td>
<td>56</td>
</tr>
<tr>
<td>1946/47</td>
<td>191</td>
</tr>
<tr>
<td>1947/48</td>
<td>223½</td>
</tr>
<tr>
<td>1948/49</td>
<td>291</td>
</tr>
<tr>
<td>1949/50</td>
<td>305</td>
</tr>
<tr>
<td>1950/51</td>
<td>268½</td>
</tr>
<tr>
<td>1951/52</td>
<td>323½</td>
</tr>
<tr>
<td>1952/53</td>
<td>333</td>
</tr>
<tr>
<td>1953/54</td>
<td>331</td>
</tr>
<tr>
<td>1954/55</td>
<td>295</td>
</tr>
<tr>
<td>1955/56</td>
<td>329</td>
</tr>
<tr>
<td>1956/57</td>
<td>319½</td>
</tr>
<tr>
<td>1957/58</td>
<td>354½</td>
</tr>
<tr>
<td>1958/59 (forecast)</td>
<td>327</td>
</tr>
</tbody>
</table>

#### TABLE B

"Raised Sample" Calculation

<table>
<thead>
<tr>
<th>£ million</th>
</tr>
</thead>
<tbody>
<tr>
<td>1937/38</td>
</tr>
<tr>
<td>1946/47</td>
</tr>
<tr>
<td>1947/48</td>
</tr>
<tr>
<td>1948/49</td>
</tr>
<tr>
<td>1949/50</td>
</tr>
<tr>
<td>1950/51</td>
</tr>
<tr>
<td>1951/52</td>
</tr>
<tr>
<td>1952/53</td>
</tr>
<tr>
<td>1953/54</td>
</tr>
<tr>
<td>1954/55</td>
</tr>
<tr>
<td>1955/56</td>
</tr>
<tr>
<td>1956/57</td>
</tr>
<tr>
<td>1957/58</td>
</tr>
<tr>
<td>1958/59</td>
</tr>
</tbody>
</table>

**Note (i).** The estimates of aggregate farming net income in Tables A and B are arrived at after making provision for depreciation. Net income can be 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 (ii).** These two series of aggregate farming net income are calculated in fundamentally different ways. The "Departmental" estimate is built up from statistics of income and expenditure for the whole "national" farm, whereas the "raised sample" is based on some 3,600 actual farm accounts, which are expanded or "raised" to give an aggregate for all farms in the United Kingdom. There are a number of reasons why the levels of aggregate net income shown in these two series should vary but it is difficult to make a quantitative assessment of the individual causes. Both series are of value in indicating the general trend in the level of income.
Note (iii). The figures for aggregate net income in Table A include as profit in recent years about £11 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 (iv). From the figures for aggregate net income given in Table A certain sums should have been appropriated by farmers to cover the excess of replacement cost over original cost of certain assets (slaughter stock, cultivations, growing crops, etc.) used up in the course of the year's production and trade. These sums are:

<table>
<thead>
<tr>
<th>Year</th>
<th>£ million</th>
<th>Year</th>
<th>£ million</th>
</tr>
</thead>
<tbody>
<tr>
<td>1937/38</td>
<td>1½</td>
<td>1952/53</td>
<td>21½</td>
</tr>
<tr>
<td>1946/47</td>
<td>23</td>
<td>1953/54</td>
<td>14</td>
</tr>
<tr>
<td>1947/48</td>
<td>23½</td>
<td>1954/55</td>
<td>18½</td>
</tr>
<tr>
<td>1948/49</td>
<td>17</td>
<td>1955/56</td>
<td>27½</td>
</tr>
<tr>
<td>1949/50</td>
<td>29½</td>
<td>1956/57</td>
<td>31½</td>
</tr>
<tr>
<td>1950/51</td>
<td>41½</td>
<td>1957/58</td>
<td>12½</td>
</tr>
<tr>
<td>1951/52</td>
<td>40</td>
<td>1958/59</td>
<td>22 (forecast)</td>
</tr>
</tbody>
</table>

**TABLE C**

Details of the "Departmental" Calculation for 1958/59 (forecast) compared with the Calculation for 1957/58 (revised)

<table>
<thead>
<tr>
<th>Years beginning 1st June</th>
<th>£ million</th>
<th>£ million</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1957/58 (revised)</td>
<td>1958/59 (forecast)</td>
</tr>
<tr>
<td></td>
<td>1958/59 (forecast)</td>
<td></td>
</tr>
<tr>
<td><strong>Farm Expenses:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Labour</td>
<td>304½</td>
<td>314½</td>
</tr>
<tr>
<td>Rent and Interest</td>
<td>87½</td>
<td>89½</td>
</tr>
<tr>
<td>Machinery</td>
<td>212½</td>
<td>220½</td>
</tr>
<tr>
<td>Feedingstuffs</td>
<td>328</td>
<td>348½</td>
</tr>
<tr>
<td>Fertilisers</td>
<td>93½</td>
<td>93½</td>
</tr>
<tr>
<td>Other</td>
<td>179½</td>
<td>180½</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,205½</td>
<td>1,247</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>354½</td>
<td>327</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,560</td>
<td>1,574</td>
</tr>
<tr>
<td><strong>Production grants, sundry receipts and other credits</strong></td>
<td>83½</td>
<td>88</td>
</tr>
<tr>
<td><strong>Increase in the value of farm stocks and work in hand</strong></td>
<td>12</td>
<td>35½</td>
</tr>
</tbody>
</table>
### APPENDIX III

Aggregate Cost Changes taken into account at the Annual Review
(a minus sign denotes a cost decrease)

<table>
<thead>
<tr>
<th></th>
<th>All Products</th>
<th>Review Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labour</td>
<td>10.92</td>
<td>8.48</td>
</tr>
<tr>
<td>Rent and Interest</td>
<td>-2.01</td>
<td>-1.56</td>
</tr>
<tr>
<td>Machinery expenses</td>
<td>2.53</td>
<td>1.97</td>
</tr>
<tr>
<td>Feedingstuffs</td>
<td>-1.21</td>
<td>-1.18</td>
</tr>
<tr>
<td>Seeds</td>
<td>3.78</td>
<td>2.93</td>
</tr>
<tr>
<td>Fertilisers</td>
<td>-1.12</td>
<td>-0.87</td>
</tr>
<tr>
<td>Imported livestock</td>
<td>1.43</td>
<td>1.42</td>
</tr>
<tr>
<td>Haulage and Marketing</td>
<td>-0.01</td>
<td>-0.04</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>0.53</td>
<td>0.41</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>14.84</td>
<td>11.56</td>
</tr>
</tbody>
</table>

**Note (i).** These estimates are made on the assumption that any increase (or decrease) in the cost of an item of expenditure will continue for a full year and that there will be no change from the current usage of that item.

**Note (ii).** The figures given above exclude plus £2.25 million in respect of changes in feedingstuffs costs which are dealt with automatically by the feed formulae relating the guarantees for pigs and eggs to the cost of standard rations.

**Note (iii).** The expression “Review Products” means the commodities, of the grades and descriptions for which guaranteed prices are provided, listed in Tables A and B in Part I of Appendix V.
## APPENDIX IV

### University Agricultural Economists' Data

**Specimen Net Incomes for Different Types of Farming, 1957/58***

<table>
<thead>
<tr>
<th>Type of Farming</th>
<th>Average Size of Farm (acres of crops and grass)</th>
<th>Average Income per Farm (£)</th>
<th>Income per £100 Rent (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mixed farming types, England and Wales:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mixed with substantial dairying</td>
<td>208</td>
<td>1,272</td>
<td>306</td>
</tr>
<tr>
<td>General mixed</td>
<td>214</td>
<td>1,758</td>
<td>407</td>
</tr>
<tr>
<td><strong>Dairying types, England and Wales:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dairying</td>
<td>116</td>
<td>1,204</td>
<td>409</td>
</tr>
<tr>
<td><strong>Livestock types, Scotland:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stock-rearing</td>
<td>114</td>
<td>1,061</td>
<td>808</td>
</tr>
<tr>
<td>Stock-rearing and feeding</td>
<td>163</td>
<td>1,405</td>
<td>708</td>
</tr>
<tr>
<td><strong>Arable types:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alluvial arable, England</td>
<td>114</td>
<td>1,641</td>
<td>445</td>
</tr>
<tr>
<td>Arable with stockfeeding, Scotland</td>
<td>243</td>
<td>2,445</td>
<td>565</td>
</tr>
<tr>
<td><strong>Northern Ireland:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mixed livestock</td>
<td>57</td>
<td>849</td>
<td>—</td>
</tr>
<tr>
<td>Mainly pigs and poultry</td>
<td>51</td>
<td>931</td>
<td>—</td>
</tr>
</tbody>
</table>

*These figures are a selection of those examined at the Annual Review. The average size of the sample farms for each type-group illustrated is rather larger than the average size of all farms in each group.
**APPENDIX V**

Guaranteed Prices determined in the light of the Annual Review, 1959

**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.)</td>
<td>157s. 0d.</td>
<td>No change</td>
<td>157s. 0d.</td>
</tr>
<tr>
<td>Fat Sheep and Lambs (per lb. estimated dressed carcase weight)</td>
<td>3s. 3½d.</td>
<td>No change</td>
<td>3s. 3½d.</td>
</tr>
<tr>
<td>Fat Pigs (per score deadweight)</td>
<td>44s. 9d. (subject to a reduction of 1d. per score in Northern Ireland and, for part of the year, in Great Britain) related to a feed price of 26s. 3d. per cwt.</td>
<td>No change</td>
<td>46s. 9d. (subject to a reduction of 1d. per score in Northern Ireland; see note (a) below). This guaranteed price for pigs is related to a feed price of 28s. 3d. per cwt. and is equivalent to 44s. 9d. per score related to the 1958/59 feed price.</td>
</tr>
<tr>
<td>Eggs—hen (per dozen)</td>
<td>4s. 0·95d. (subject to a small reduction in Northern Ireland; see note (b) below). 2s. 5·70d.</td>
<td>−1d.</td>
<td>4s. 0·95d.</td>
</tr>
<tr>
<td>Eggs—duck (per dozen)</td>
<td>These prices were related to a feed price of 25s. 9d. per cwt.</td>
<td>−0·70d.</td>
<td>2s. 6d.</td>
</tr>
<tr>
<td>Wool (per lb.)</td>
<td>4s. 8½d.</td>
<td>−2d.</td>
<td>4s. 6½d.</td>
</tr>
<tr>
<td>Milk (average per gallon)</td>
<td>3s. 1·70d.</td>
<td>No change</td>
<td>3s. 1·70d.</td>
</tr>
</tbody>
</table>
### Guaranteed Prices for Crops

<table>
<thead>
<tr>
<th>Commodity</th>
<th>(i) Guaranteed Prices for 1958 Harvest determined after the Annual Review, 1958</th>
<th>(ii) Price change compared with the 1958 Annual Review Guarantee</th>
<th>(iii) Guaranteed Prices for 1959 Harvest determined after the Annual Review, 1959</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat (per cwt.)</td>
<td>28s. 1d.</td>
<td>-6d.</td>
<td>27s. 7d.</td>
</tr>
<tr>
<td>Barley (per cwt.)</td>
<td>29s. 0d.</td>
<td>No change</td>
<td>29s. 0d.</td>
</tr>
<tr>
<td>Oats (per cwt.)</td>
<td>27s. 5d.</td>
<td>No change</td>
<td>27s. 5d.</td>
</tr>
<tr>
<td>Rye (per cwt.)</td>
<td>22s. 1d.</td>
<td>-6d.</td>
<td>21s. 7d.</td>
</tr>
<tr>
<td>Potatoes (per ton)</td>
<td>229s. 0d. which on the new basis (see note (c) below) is equivalent to 254s. 0d.</td>
<td>No change</td>
<td>254s. 0d. on new basis</td>
</tr>
<tr>
<td>Sugar Beet (per ton, 16·5 per cent sugar content)</td>
<td>130s. 6d.</td>
<td>No change</td>
<td>130s. 6d.</td>
</tr>
</tbody>
</table>

#### Notes on Price Tables

(a) As in 1958/59, the guaranteed price for pigs for 1959/60 in Northern Ireland is subject to a reduction of 1d. per score, to take account of certain expenditure incurred on pig progeny testing stations in that country.

(b) The guaranteed price to the British Egg Marketing Board for hen eggs qualifying for the guarantee in Northern Ireland was subject to a small reduction in 1958/59 in order to recover from the industry certain costs incurred on a poultry progeny testing scheme in that country.

(c) As already announced the support price of £11 9s. per ton for the 1958 crop is equivalent to a guaranteed price of £12 14s. per ton under the new guarantee system that is to be introduced for the 1959 crop (see paragraph 15 of Part II of this Appendix).

(d) The guaranteed prices for fat cattle, fat sheep and wheat are average prices subject to variation seasonally; the guarantee payments for fat cattle and some fat pigs are subject to variation according to quality; and the method of calculating fatstock guarantee payments involves an element of estimation. Because the marketings of fatstock and wheat cannot be accurately forecast, producers' average returns under the guarantees for those products in any year may be a little more or less than the guaranteed prices. The prices guaranteed to the British Egg Marketing Board for hen and duck eggs are subject to a profit and loss sharing arrangement in accordance with the terms of a financial agreement between the Government and the Board.
PART II. ADDITIONAL DETAILS OF GUARANTEES

FATSTOCK

1. The guaranteed prices for fat cattle, fat sheep and lambs and fat pigs for 1959/60 are on the basis of a deficiency payments scheme similar to that in operation for 1958/59, except as stated in the following paragraphs.

2. With effect from 30th March, 1959, the maximum weight for steers (other than those which have grown not more than two broad teeth and have retained six calf teeth) that may qualify as Grade I for the higher rate of guarantee payment will be increased from 11 cwt. to 11 1/4 cwt. liveweight (from 720 lbs. to 750 lbs. deadweight). With effect from 29th June, 1959, the present differential of 8s. 0d. per live cwt. between the rates of guarantee payments for the two Grades will be reduced to 5s. 0d. per live cwt. In the period 30th March to 28th June, 1959, therefore, the differential will be applied by increasing the average rate of guarantee for home-bred stock by 3s. 3d. per live cwt. for Grade I and reducing the average rate by 4s. 9d. per live cwt. for Grade II; after 28th June, 1959, the increase for Grade I will be 2s. 0d. per live cwt. and the reduction for Grade II will be 3s. 0d. per live cwt. If, however, in respect of any week the average rate of guarantee payment is less than the specified reduction for Grade II, there will be no guarantee payment for Grade II and the rates for Grade I will be as follows:

<table>
<thead>
<tr>
<th>Home-bred Stock</th>
<th>Rate of guarantee payment for Grade I</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calculated average rate of guarantee</td>
<td>per live cwt.</td>
</tr>
<tr>
<td>4s. 6d.</td>
<td>(a)</td>
</tr>
</tbody>
</table>

(a) Applicable only in the period 30th March to 28th June, 1959.

3. As in previous years, there will be no upper limit to the weight at which live sheep or their carcases may be certified, but with effect from 29th June, 1959, the maximum weights in respect of which guarantee payments may be made will be reduced as follows:

<table>
<thead>
<tr>
<th>Dressed Carcase Weight*</th>
<th>30th March, 1959 to 28th June, 1959</th>
<th>On and after 29th June, 1959</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lambs</td>
<td>70 lb.</td>
<td>60 lb.</td>
</tr>
<tr>
<td>Hoggets</td>
<td>76 lb.</td>
<td>70 lb.</td>
</tr>
<tr>
<td>Other clean sheep</td>
<td>86 lb.</td>
<td>80 lb.</td>
</tr>
</tbody>
</table>

(* In the case of liveweight certification—estimated d.c.w. In the case of deadweight certification—actual d.c.w.)

4. The fatstock guarantee scheme for 1959/60 will provide for stabilising arrangements similar to those operative in 1958/59. For the purposes of the guarantee for pigs, however, the average return to producers will be calculated separately for:

(i) pigs sold to bacon curers by grade and deadweight and certified at approved bacon factories;

(ii) other eligible pigs.

The provisional rate of guarantee for pigs, which will be calculated and announced each week as at present for all eligible stock, will be subject to adjustment in respect of either or both of the descriptions (i) and (ii) above in any week in which this is necessary to secure that the average returns (calculated to the nearest 1d. per score deadweight) on each of the two descriptions do not differ from the standard price by more than 3s. 0d. per score deadweight.
5. The guarantee arrangements for pigs for 1959/60 will provide for two rates of quality premium under broadly the same conditions as in 1958/59. The existing rates of quality premium will, however, be reduced by 6d. per score to 3s. 0d. and 2s. 0d. per score deadweight respectively. As in previous years, the quality premiums will be financed out of the guarantee for all pigs. Accordingly the rates of premium specified above may be reduced, or may not be paid, in respect of any week for which the average market price for the purpose of calculating the provisional rate of guarantee exceeds the guaranteed price, after taking account of any feed adjustment.

6. The guarantee price for pigs shown in col. (iii) of Table A is related to a price of 28s. 3d. per cwt. for the prescribed basic ration of feedingstuffs. As in previous years, the rates of guarantee payment in 1959/60 will take account of variations in feed prices as compared with the standard feed price.

EGGS

7. The guarantee for eggs in 1959/60 will be on substantially the same basis as in 1958/59. Flat rates of subsidy will be calculated by subtracting from the guaranteed prices, shown in column (iii) of Table A of this Appendix, the estimated average selling prices to be determined by Ministers on a similar basis to that adopted in 1958/59. Such flat rates of subsidy will be payable to the British Egg Marketing Board in accordance with the provisions of a financial agreement to be concluded between the Government and the Board.

8. As in previous years, the guaranteed prices for eggs in 1959/60 will be subject to adjustment in accordance with the operation of a feedingstuffs formula. For this purpose the guaranteed prices for 1959/60 are related to a standard feed price of 26s. 11d. per cwt.

9. The guaranteed price to the Board for hen eggs qualifying for the guarantee in Northern Ireland was subject to a small reduction in 1958/59 in order to recover from the industry certain costs incurred on a poultry progeny testing scheme in that country. After the guarantee year 1958/59 the industry’s contribution to such costs will be the subject of an agreement between the Government of Northern Ireland and the Board. Accordingly no reduction will be made on this account in the price guaranteed to the Board for 1959/60.

WOOL

10. The guaranteed price for 1959/60 will be an average price per lb. to be received by the British Wool Marketing Board for wool (other than skin wool) produced in the United Kingdom and tendered to the Board during the twelve months commencing 1st May, 1959. As in previous years, the guarantee will be implemented in accordance with the provisions of the financial agreement concluded in November, 1955, between the Government and the Board.

MILK

11. The guarantee for milk in 1959/60 will be on the same basis as in 1958/59, except as stated in the following paragraph.

12. As in previous years, the average guaranteed price for the United Kingdom will be broken down into separate guaranteed prices for each of the five milk marketing scheme areas in the United Kingdom; and the guaranteed price for each area will again be related to a standard quantity of milk for that area. The standard quantity for England and Wales will be increased for 1959/60 from 1,654% million gallons to 1,661½ million gallons; the standard quantities for the other areas for 1959/60 will be the same as for 1958/59.

13. For each area the guaranteed price will be broken down into a higher price for a primary proportion and a lower price for the remainder of the milk. The higher and lower prices will be specified later. The primary proportions in 1959/60 will be the same as in 1958/59.

CEREALS

14. The guaranteed prices for cereals for 1959/60 are on the basis of a deficiency payments scheme similar to that in operation for 1958/59.
POTATOES

15. As already announced, a new system for implementing the guarantee for potatoes will be introduced for the 1959 crop. If, in respect of any guarantee year (1st August to 31st July), the average market price for home-produced potatoes (other than new potatoes) for human consumption is less than the guaranteed price, a deficiency payment will be made by the Government in respect of the tonnage of home-produced potatoes (other than new potatoes) estimated to have been sold for human consumption through the channels specified in paragraph 16 below. (From any crop, potatoes delivered before 1st August in the year of harvesting will be deemed to be new potatoes.) Seven-eighths of the total deficiency payment for the United Kingdom in any year will be paid to the Potato Marketing Board in Great Britain, in accordance with the terms of a financial agreement to be concluded between the Government and the Board; one-eighth of the total deficiency payment will be put at the disposal of the Ministry of Agriculture in Northern Ireland (where there is no such Board) for the benefit of growers in that country.

16. For the purpose of paragraph 15 above, the tonnage of home-produced potatoes (other than new potatoes) sold for human consumption will include the tonnage of:

(a) In Great Britain
   (i) sales by growers (including licensed grower-salesmen) to licensed merchants;
   (ii) sales by licensed grower-salesmen other than to licensed merchants;
   (iii) other sales by growers for human consumption specially licensed by the Board.

(b) In Northern Ireland
   Sales by growers through wholesale channels and to persons buying for resale. Arrangements will be made to include any other growers' sales of a wholesale nature, e.g. to hospitals, public institutions, etc.

The relevant tonnages will be calculated from returns by merchants and (in respect of certain sales) by growers and, where necessary, from information supplied by the Board in respect of sales specially licensed. A deduction from the total tonnage so calculated will be made at the end of the season in respect of any potatoes for human consumption which may have been exported from the United Kingdom. The procedure for obtaining the necessary returns is being worked out in consultation with representatives of producers and trade interests.

17. As a transitional arrangement for the first year of the new system, i.e. for the 1959/60 crop year only, the tonnage of potatoes sold as in paragraph 16 above will be estimated to be 3,809 thousand tons.

18. The average market price will be calculated from returns made by merchants of the prices per ton paid to growers for potatoes purchased for human consumption. Prices will be taken on ex-farm or free on rail basis, the merchant providing sacks.

19. Provision will be made under the new system for the continuation (with appropriate modifications) of the arrangements under which a transport subvention may be paid by the Exchequer on shipments to Great Britain of potatoes grown in Northern Ireland. For the time being arrangements will also be made, if that should be necessary in a year of heavy surplus, to process potatoes in factories in Northern Ireland. In that event the difference between the purchase price of potatoes for processing and the price realised for the processed product will be met from the Northern Ireland share of the total deficiency payment.

SUGAR BEET

20. As in previous years, the guaranteed price shown in column (iii) of Table B of this Appendix is related to beet of 16·5 per cent sugar content. The price differential, plus or minus for each one per cent sugar content, will continue to be 7s. 6d. per ton.
21. The guarantee will continue to apply to the produce of the acreage contracted for by the British Sugar Corporation, in agreement with the Government: and for the 1959 harvest, as in recent years, this acreage will not exceed 400,000 acres in England and Wales and 14,600 acres in Scotland.

22. In England and Wales the British Sugar Corporation will bear rail transport costs, for delivery to factories of sugar beet from the 1959 crop, in excess of such sum as may be declared by the Corporation on 1st September, 1959, to represent the average cost per ton of sugar beet of rail freight for 40 miles; but, as in 1958/59, the Corporation will bear no part of the cost of transporting sugar beet by road. As in previous years, to take account of the transport terms in the Corporation's contract for the purchase of sugar beet for processing at its Scottish factory, the price on which this contract will be based will be 1s. 9d. per ton less than the guaranteed price.
CABINET

EGYPT: FOREIGN COMPENSATION COMMISSION

Note by the Chancellor of the Exchequer

I attach the draft of an Order in Council providing for the registration and determination of claims against the £27½ millions compensation to be paid by Egypt. I am sorry to have to ask my colleagues to consider this at such short notice, but it is very desirable that the Order should be issued as soon as possible, and arrangements have been made for its submission to a special Privy Council meeting immediately after Easter.

2. The draft Order reflects, of course, the terms of the Agreement between the United Kingdom and the United Arab Republic. It therefore provides for claims in respect of:

(a) property which has been Egyptianised and is not to be returned;

(b) loss, injury or damage to property which is to be desequestrated and given back to the British owners.

The Order does not in itself provide for payment in respect of the claims; this will be governed by a subsequent Order to be issued later.

3. I should like to draw attention to two points of difficulty which have arisen in the drafting of the Order and which may give rise to some political controversy. The first is over the position of the Ottoman Bank, and the second over cases where property formerly owned by a British national in Egypt has subsequently been acquired by a non-British national.

Ottoman Bank

4. The Ottoman Bank operates under a Turkish Charter and is not a British national. It could, therefore, be held that it does not come within the scope of the United Kingdom/United Arab Republic Agreement and does not rank for compensation out of the lump sum. On the other hand, the Bank is largely managed from London, has a British chairman and holds its annual meeting in London; it registered a claim with the Foreign Office for about £2 millions; and this claim was taken into account by both sides in the negotiations which led to agreement on the basis of a payment of £27½ millions compensation. It would be a breach of faith with the Egyptians if we were now to decide
that the claim is not to be regarded as covered by the lump sum.

5. In these circumstances, after discussing the position with the Attorney-General and with the Minister of State at the Foreign Office, I feel that the Order must be drafted in such a way as to cover the registration and determination of the Ottoman Bank's claim. The question then arises whether there are any organisations or individuals in a similarly ambiguous position whose claims may call for similar treatment. No such cases are known, but it is impossible to be quite sure that they do not exist. On balance the best course seems to be to have a provision which will refer specifically to the Ottoman Bank, but to be prepared to give an assurance, if it is alleged that there are other claims which are essentially similar, that they will, if necessary, be considered on their merits, with the implication that an Amending Order will be issued.

Nationality

6. There are probably very few cases where British property in Egypt has - since Egyptianisation or sequestration - been acquired by a non-British national, though such a change could have taken place in a number of different ways, apart from ordinary sale, e.g., by a change of nationality on marriage or by inheritance on the death of the original British owner. It is arguable that title to compensation should go with the property. On the other hand, the United Kingdom/United Arab Republic Agreement was explicitly limited to property belonging to British nationals at the date of signature; and indeed we were not in a position to give a discharge to the Egyptians in respect of the claims of owners who were non-British at that date. On the whole, therefore, it seems better that the scope of the draft Order should be limited accordingly. Here again, I see no objection to an assurance in Parliament, if the occasion arises, that, should any cases of hardship emerge in this way, we should be quite ready to look into them.

Recommendation

7. I should be glad of my colleagues' approval for the submission of the Order as now drafted to the Privy Council.

D. H. A.

Treasury Chambers, S. W. I.

24th March, 1959
Whereas Her Majesty is authorised to make provision by Order in Council under the Foreign Compensation Act, 1950 (hereinafter referred to as "the Act") for the determination by the Foreign Compensation Commission (hereinafter referred to as "the Commission") of claims to participate in compensation received under agreements with foreign Governments:

And Whereas an Agreement (hereinafter referred to as "the Agreement") entered into between Her Majesty's Government and the Government of the United Arab Republic, on the 28th day of February, 1959, provides that

(a) 14 Geo. 6. c. 12.
that the Government of the United Arab Republic shall pay to the United Kingdom Government the sum of £27,500,000 sterling in full and final settlement of the claims referred to in paragraph (1) of article IV of the agreement:

And whereas it is expedient that provision should be made with regard to sums received from the Government of the United Arab Republic and for the registration, assessment and determination of claims in respect of British property in Egypt:

Now, therefore, Her Majesty, by virtue and in exercise of the powers in that behalf by the Act or otherwise in Her Majesty vested, is pleased, by and with the advice of Her Privy Council, to order, and it is hereby ordered as follows:—

Part I

Interpretation

1. (1) The Interpretation Act, 1889, shall apply to the interpretation of this Order as it applies to the interpretation of an Act of Parliament, and as if this Order were an Act of Parliament.

(2) In this Order:

"British nationals" means
(a) citizens of the United Kingdom and Colonies, citizens of Rhodesia and Nyasaland, citizens of Southern Rhodesia, British subjects without citizenship, and British protected persons belonging to any of the territories for whose international relations the Government of the United Kingdom were
United Kingdom were on the 28th day of February, 1959, responsible, and
(b) corporations and unincorporated associations constituted under the laws in force in the United Kingdom of Great Britain and Northern Ireland or in any territory for whose international relations the Government of the United Kingdom were on the 28th day of February, 1959, responsible, and
for the purposes of Part III of this Order includes the Ottoman Bank.

"Egyptian measures" means all measures of sequestration taken by the Government of the Republic of Egypt and by the Government of the United Arab Republic against property between the 30th day of October, 1956, and the 28th day of February, 1959, and all restrictive measures taken against British nationals during the same period in accordance with the provisions of Egyptian Proclamation No. 5 of November 1, 1956.

"Property" includes all rights or interests of any kind in property.

"Shares" includes stock. Shares in corporations and unincorporated associations constituted under the laws in force in Egypt shall be deemed to be situated in Egypt.

Part II
The Fund

2. The Commission shall pay into a fund to be called the Egyptian Compensation Fund (hereinafter referred to as "the Fund") all such sums as may be paid to them by Her Majesty's Government, being sums received under the Agreement.

3. (1) Any sum standing to the credit of the Fund may be temporarily
may be temporarily invested by the Commission in such manner as the Treasury may authorise.

(2) All interest, dividends and other sums received by the Commission as a result of any investment made by them of any sum standing to the credit of the Fund shall be paid into the Fund.

Part III

Claims in respect of property sold between October 30, 1956, and August 2, 1958, under Egyptian Proclamation No. 5 of November 1, 1956.

4. The Commission shall treat a claim under this Part of the Order as established if the applicant satisfies them of the following matters:

(1) that his application relates to property in Egypt which was sold between the 30th day of October, 1956, and the 2nd day of August, 1958, under the provisions of Egyptian Proclamation No. 5 of November 1, 1956;

(2) that the property at the time of such sale was owned by a British national;

(3) that the property is referred to in Annex E to the Agreement;

(4) that he was the owner at the time of such sale or is the successor in title of such owner; and

(5) that the owner at the time of such sale and his successor in title, if any, were British nationals on the 31st day of October, 1956, and the 28th day of February, 1959. For the purposes of this paragraph, a British national who died, or in the case of a corporation or association ceased to exist, between the 31st day of October, 1956, and the 28th day of February, 1959, shall be deemed to have been
have been a British national on the latter date.

5. (1) The Commission shall assess the amount of loss with respect to each claim established under this Part of the Order.

(2) The amount of loss so assessed shall be such amount as seems just and equitable to the Commission having regard to all the circumstances.

6. If the applicant satisfies the Commission of all the matters specified in Article 4 of this Order other than that the property is property referred to in Annex E to the Agreement, the Commission shall register the claim and report thereon to Her Majesty's Principal Secretary of State for Foreign Affairs in such manner as he shall direct.

7. An application under this Part of the Order shall not be entertained by the Commission unless notice thereof has been received by the Commission on or before the 29th day of September, 1959.

Part IV

Claims in respect of property lost, injured or damaged as a result of Egyptian measures

8. The Commission shall treat a claim under this Part of the Order as established if the applicant satisfies them of the following matters:

(1) that his application relates to property in Egypt to which Part III of this Order does not apply and which has been lost, injured or damaged before the 28th day of February, 1959, as a result of Egyptian measures;
(2) that he was the owner at the time of such loss, injury or damage or is the successor in title of such owner; and
(3) that the owner at the time of the loss, injury or damage and his successor in title, if any, were British nationals on the 31st day of October, 1956, and the 28th day of February, 1959. For the purposes of this paragraph, a British national who died, or in the case of a corporation or association ceased to exist, between the 31st day of October, 1956, and the 28th day of February, 1959, shall be deemed to have been a British national on the latter date.

9. (1) The Commission shall assess the amount of loss with respect to each claim established under this Part of the Order.
(2) The amount of loss so assessed shall be such amount as seems just and equitable to the Commission having regard to all the circumstances.
(3) The Commission shall separately record the amount of any sequestration charge imposed on the person making application by the Government of the Republic of Egypt or the Government of the United Arab Republic.

10. If the applicant satisfies the Commission of all the matters specified in Article 8 of this Order other than that the loss, injury or damage was the result of Egyptian measures the Commission shall register the claim and report thereon to Her Majesty's Principal Secretary of State for Foreign Affairs in such manner as he shall direct.

/Part V
Part V

General

11. An application shall not be entertained by the Commission for the purposes of this Order unless it is made in accordance with the rules for the time being of the Commission and each application shall be determined by not less than two members of the Commission.

12. In assessing the amount of any loss in accordance with Articles 5 and 9 of this Order the Commission shall have regard to any compensation or recoupment in respect of that loss that the person making the application has received, or is entitled to receive, from any source other than the Fund.

13. This Order shall come into operation on the day of , 1959, and may be cited as the Foreign Compensation (Egypt)(Determination of Claims) Order, 1959.
EXPLANATORY NOTE

(This Note is not part of the Order, but is intended to indicate its general purport.)

This Order provides for the determination by the Foreign Compensation Commission of certain claims to participate in compensation received by Her Majesty's Government from the Government of the United Arab Republic under the Agreement between the two Governments of February 28, 1959, concerning Financial and Commercial Relations and British Property in Egypt (Cmd. 629).

The Order also provides for the Foreign Compensation Commission to register certain other claims to participate in that compensation and to report thereon to Her Majesty's Principal Secretary of State for Foreign Affairs.
CABINET

UNEMPLOYMENT BENEFIT FOR WORKERS ON SHORT TIME

MEMORANDUM BY THE MINISTER OF PENSIONS AND NATIONAL INSURANCE

On 19th February, 1959, the Cabinet gave me authority, if, as the result of pending cases before the National Insurance Commissioner, unemployment benefit would otherwise be withdrawn from workers who had been on short time for a year, to make regulations to secure the continuance of the present position (C.C. (59) 11th Conclusions, Minute 5).

2. On 31st March the Tribunal of Commissioners gave their decision on the two cases of prolonged short-time working to which I referred in paragraph 5 of my memorandum C. (59) 30. This decision would, if no steps were taken, result in withdrawal of benefit after a year on short time.

3. I am therefore making the necessary amending regulations. These will be published on 7th April and take effect on 8th April.

J. A. B.-C.

CABINET

ASSISTANCE FOR THE COTTON TEXTILE INDUSTRY

MEMORANDUM BY THE CHANCELLOR OF THE EXCHEQUER

The scheme for assisting the cotton textile industry which is set out in this memorandum reflects the views of the Ministerial Committee on the Cotton Industry. We have been able to reach a large measure of agreement: the two points where there is still some conflict of view are specifically mentioned in paragraphs 11 and 15.

Principles of the Scheme

2. We are agreed on the main principles of the proposed scheme, namely that there should be Government grants for the elimination of redundant capacity and for re-equipment and modernisation. We are also agreed that legislation would be necessary for these purposes.

3. The main objectives of the scheme are to use Government assistance—
(a) to eliminate surplus capacity in the industry and thus accelerate the inevitable process of contraction;
(b) to mitigate the hardship caused to both employers and workpeople by this accelerated contraction;
(c) to stimulate the re-equipment of that part of the industry which remains after the process of contraction has taken place.

4. There are economic and social arguments in favour of the objectives at (a) and (b) above: the redundancy grants are designed to bring these about. A compact and efficient industry would be a source of strength to the nation's economy.

5. The economic and social arguments in favour of seeking to achieve the objective at (c) above by means of re-equipment grants are much less compelling. Indeed, it can be argued that to offer the industry special re-equipment grants, after it has been given Government assistance to reduce itself to a more efficient size, betrays a lack of confidence in its future ability to stand on its own feet. Moreover, there are obvious dangers in the Government's appearing to assume responsibility for determining the appropriate size of the industry: the possibility of redundancy occurring again at a later date—as a result of the grant-aided installation of new capacity—cannot be excluded. If this were to happen, the Government would probably be faced with further demands to organise a redundancy scheme. On the other hand, a scheme containing no provision for re-equipment grants would probably be unacceptable to the industry, and its public presentation would be very difficult. Critics would no doubt make considerable play of the fact that the Government were prepared to offer assistance only for the truncation of the industry: they would draw a sharp contrast between this particular policy and our general philosophy of economic expansion. It is possible, too, that without
any assistance for re-equipment the industry will fail to modernise itself on the
scale necessary to ensure its efficiency and survival. Grants for both redundancy
and re-equipment would therefore make a more balanced and attractive package.
But it is primarily on presentational and political grounds that provision for
re-equipment is included in the scheme.

6. Provided that the rates of grant are generous enough, there is reason to
believe that a scheme on these lines will be acceptable to the industry. Whether
it will be feasible to devise a scheme which will be both economically defensible
and will also command a positive welcome from Lancashire is another matter.

7. We consider it unlikely that a scheme on these lines will have extensive and
unwelcome repercussions on the two other main industries which are in process
of contraction, namely shipbuilding and aircraft. The reasons for this view are
set out in Annex A.

Redundancy Grants

8. We propose that Government grants should be available to meet a
specified proportion of the costs of scrapping surplus capacity. The grants would
be payable for a limited period only: the precise period would need to be settled
after further discussion with the industry. The Government would also have to
be satisfied—

(a) as to the amount of scrapping which was aimed at;
(b) that a minimum amount of scrapping would in fact take place;
(c) that the industry would contribute the remaining part of the cost, probably
by means of a compulsory levy;
(d) about the rate of compensation to be paid for buying out the surplus
capacity; it might, perhaps, take the form of fixed amounts per unit
or be left to the discretion of the Agency within broad limits.

9. The Government grants would relate to plant only. But there is also
the problem of redundant workpeople. We are agreed that it would set a most
undesirable precedent to relieve the industry of the responsibility for providing
compensation in this field. An essential prerequisite of the Government agreeing
to pay redundancy grants would therefore be an undertaking that the industry
would work out, and agree with the Trades Unions, the principles of a plan for
making compensation payments to redundant workpeople; these payments would
have to be found by the industry. (It might be necessary to set up in due course
an ad hoc body to arbitrate on the details of such a plan. This should not,
however, be mentioned to the industry at the present stage, since any premature
reference to the establishment of an arbitral body would open up the possibility
dangerous repercussions elsewhere and might prejudice the chances of the two
sides evolving a satisfactory plan.) We understand that the employers are
reasonably confident about the possibility of working out an acceptable
arrangement.

10. These redundancy proposals would apply to all four sections of the
industry. In the case of the finishers, however, we are prepared to consider giving
them a grant towards the cost of reorganisation other than scrapping: the finishers
are thinking not only of scrapping, but also of reorganising their plant and
machinery into fewer units: they are not asking for assistance towards re-equipment.

11. The industry tentatively estimates that the cost of eliminating surplus
capacity could be a maximum of £30 millions (this includes the cost of the finishers'
reorganisation plans). A figure of this order is however probably well on the high
side. They have asked for a Government grant of 80 per cent.—i.e., up to
£24 millions. The President of the Board of Trade feels that they will probably
accept a 66½ per cent, grant, i.e., up to £20 millions. I do not feel able at the present
stage, however, to agree to more than 50 per cent.—i.e., up to £15 millions.

Re-equipment Grants

12. We propose that Government grants should be available to meet a
specified proportion of the cost of re-equipment. This assistance would be provided
for the modernisation of existing equipment, as well as the installation of new
equipment: it would not, however, extend to buildings. It would be subject to the following conditions:

(a) no grants would be payable on account of past re-equipment. This would tend to penalise the more efficient firms who have already re-equipped themselves out of their own resources: but their resentment would be tempered to some extent by the fact that the inefficient elements in the industry were being bought out;

(b) the financial assistance would not become available until a reasonable minimum of scrapping either had taken place or was certain to take place under the arrangements for eliminating redundancy;

(c) a time limit of, say, five years, after which no payments would be authorised. The aim should be to complete the job within the shortest practicable time, and there should be power to bring the scheme to an end earlier if desirable.

13. Re-equipment plans initiated after the scheme has been announced, but before it comes into operation, should be eligible for the grants.

14. It is for consideration whether the grants should be payable only after stringent criteria have been satisfied. For example, firms might be required to submit projects for which they are seeking grant assistance to a panel, which would need to satisfy itself that the proposals were technically sound and in accordance with the accepted best practices of the industry. This might provide a useful weapon to instil a more progressive attitude into the industry and to improve its technical quality: there is ample room for this. On the other hand, there might be difficulties in manning such panels with suitable experts; and some firms might be reluctant to disclose their projects to bodies on which representatives of their competitors might be serving. Furthermore, the industry might well resent detailed examination of the technical soundness of projects for which they themselves were contributing by far the greater part of the finance.

15. The industry tentatively estimate the total cost of re-equipment at a maximum of £80 millions. They have asked for a 50 per cent. Government grant (with a measure of retrospection in the case of the weavers) and also for loans at Government rates of interest: this has probably influenced their estimated figure, which is clearly very high. We are agreed that special loans are out of the question. As regards the rate of grant, the President of the Board of Trade wishes to offer 25 per cent., costing up to £20 millions, which he feels is the lowest likely to be acceptable to the industry in the absence of special loan facilities. I do not feel able, however, at present to go beyond 20 per cent. This would cost up to £16 millions spread over five years.

Taxation points

16. The industry have made two proposals for discriminatory tax relief, namely:

(i) exemption from tax of redundancy grants;

(ii) exemption from the specified provisions of existing tax law that any Government subsidy towards capital expenditure is deducted from the amount of investment on which capital allowances are due.

17. We are agreed that there are compelling arguments against accepting these. Our reasons are set out in Annex B.

18. It can be expected that payments made by the industry under any compulsory levy for a redundancy scheme which has been certified by the Board of Trade would rank for taxation relief.

The Agency

19. An Agency will need to be set up to supervise and operate the scheme. Its precise status and composition—in particular, its relationship with the Government and with the Cotton Board—will need further consideration after consultations with the industry. We are agreed, however, that it should be at one remove from the Government, but should be subject to any necessary control by
the Treasury and the Board of Trade. If it is decided that re-equipment projects must be scrutinised before they qualify for grant, it might be necessary to set up sub-committees or panels for each of the four sections of the industry. These would need to be manned by experts: it might be desirable to include on them representatives of the appropriate Research Associations.

Legislation

20. The Government will need to assure the industry that the necessary legislation to set up the scheme will be introduced. Such an assurance, however, would be conditional on the industry accepting the scheme and on the Government being satisfied with the industry's own proposals, as revised in the light of it.

21. The legislation may be controversial and, if it is to be enacted this summer, instructions will need to be given to Parliamentary Counsel by early May. The nature of the Bill, and the possibility of fitting it into the existing legislative programme without disruption, will need further consideration.

22. In reaching decisions on the timing of the legislation, much will clearly turn on domestic political plans. The following possibilities can be envisaged, in descending order of attraction:

(i) to enact a Bill this summer;
(ii) to introduce a Bill and let it fall if there is a Dissolution;
(iii) to announce the scheme, coupling with it an assurance that it is the Government's intention to introduce the necessary legislation in a future Parliament.

Procedure

23. If a scheme on the above lines is approved it will be necessary, before making any public announcement, to have further consultations with representatives of the industry both to secure their general reactions to the scheme and to discuss with them a number of detailed points.

D. H. A.

Treasury Chambers, S.W.1,
3rd April, 1959.
ANNEX A

REPERCUSSIONS ON THE SHIPBUILDING AND AIRCRAFT INDUSTRIES

Shipbuilding.—There are big differences between conditions in this and the cotton industry. Shipbuilding is suffering mainly from the difficulties of shipping and can be expected to benefit when the latter revives. Nor is there any need for the industry to contract, though there is a good deal of inefficiency in it and widespread restrictive practices. It would probably not be easy to sustain a case for Government aid for re-equipment and difficult to ask for aid to eliminate redundancy. On the whole there would not seem to be serious danger of provoking embarrassing demands for Government assistance.

2. Aircraft.—The main point here is that the Government is already giving massive assistance, both directly and indirectly, and it is unlikely that the industry could use any support the Government might give to cotton to justify a demand for additional assistance. The aircraft industry needs to contract and reorganise itself; but there is no reason to believe that it needs re-equipping on any large scale or that the necessary contraction will not come about. All these factors differentiate it from the cotton industry and make it unlikely that aid to the latter would lead to pressure for similar action for the aircraft industry that could not be effectively resisted.

ANNEX B

TAXATION CONCESSIONS

Two of the taxation concessions for which the industry have asked are:—

(i) exemption from tax of redundancy grants;
(ii) exemption from the specified provision of existing tax law that any Government subsidy towards capital expenditure is deducted from the amount of investment on which capital allowances are due.

2. There are very serious objections to any form of discriminatory tax relief. This apart, the provisions of tax law, both regarding compensation receipts and regarding the treatment of subsidies for the purpose of capital allowances, were specifically directed towards the sort of situation now envisaged in the cotton industry.

3. As regards (i), to exempt compensation receipts from tax is likely to lead to excessive tax relief, first, because any loss to which taxable compensation is related will be taken into account in settling taxation liabilities and, secondly, because to some extent the compensation may represent refunding of a contribution which gets tax relief.

4. Exemption as at (ii) would mean that the trader would have allowed for taxation purposes more than he actually spent on his equipment; and it would thus represent a concealed addition to the subsidy in an uncertain amount depending on the taxation position of the recipient. It would in any case hardly seem possible to treat subsidies for the cotton industry in a different way from other subsidies in relation to taxation.

April, 1959.
CABINET

THE MALDIVES

NEGOTIATIONS FOR THE GAN AIR STAGING POST

MEMORANDUM BY THE SECRETARY OF STATE FOR COMMONWEALTH RELATIONS

In view of the publicity being given to our relations with the Maldives, my colleagues may welcome a brief account of how things stand.

2. On 17th March, the Maldivian Government suspended the negotiations which had been continuing in Colombo since January. They have since carried on a bitter propaganda campaign against us, in particular accusing us of promoting a revolt in the three southernmost atolls, including Addu Atoll in which Gan is situated.

3. At the same time, they have sent a Ceylonese lawyer, Mr. Nadarajah, to London to explore the possibility of re-opening negotiations. He has emphasised that the Maldivians are unsophisticated and highly suspicious people and that we should discount the extravagance of their statements. He also thinks that an increased financial offer would be likely to carry weight with the Maldivian Government.

4. We have reiterated to Mr. Nadarajah our readiness to see the talks re-opened, and have informed the Maldivian Government that we will be glad to receive a delegation as guests of the United Kingdom Government in London. But we have made plain that, if their wholly unfounded allegations against us continue, the climate for successful negotiation will be prejudiced. Their reply is awaited.

5. The present situation, following the breaking of the news of the revolt in the southern atolls and the suspension by the Maldivian Government of negotiations, is in our favour in that—

(i) Work has gone ahead well meanwhile on Gan and we have unrestricted possession and use of the airfield.

(ii) Relations with the local Maldivians on Addu Atoll and the neighbouring atolls have remained excellent and we have their full co-operation in carrying on the work at Gan.

(iii) Although they have attacked us unrestrainedly, the Maldivian Government have not in fact requested our departure from Gan nor sought to abrogate the Protection Agreement.

6. Factors on the debit side are—

(i) The Maldivian propaganda campaign against us is inevitably attracting attention to Gan airfield, which we would prefer to avoid.

(ii) The uncertainties surrounding our position at Gan are unsatisfactory, and there remain a number of administrative problems, e.g., the resettlement of displaced islanders, which it will be embarrassing to have to settle unilaterally without the co-operation of the Maldivian Government.
There is a constant risk that, if we fail to patch up the quarrel with the Maldivian Government, they will eventually feel obliged to demand our departure from Gan and seek to end the Protection Agreement. They have no legal right whatever to do this, but politically it could cause us considerable difficulties.

As explained below, the revolt of the southern atolls could in time become an acute embarrassment to us.

The most satisfactory result for us is still the negotiation of an agreement covering all we need. Our best policy is therefore to continue to adopt a conciliatory attitude while publicly refuting the Maldivian Government’s allegations against us. We should avoid becoming committed to the revolutionary Government in the southern atolls. Unless we are prepared to support them economically and in other ways (e.g., against punitive expeditions by the Maldivian Government, such as that recently conducted against Fua Muluku, some 35 miles north of Gan) they can have no future as a separate State. They would be a constant irritant to the Maldivian Government at Male, and we would be involved in a running dispute, which might conceivably come to a climax in an expedition from Male against the Island of Gan itself. Nor can we rely indefinitely on the friendship of the local people at Addu. The possibility would always remain that a local faction might find it in its own interest to throw in its lot again with Male, and the obvious way for them to do this would be to agree with Male in a policy of non-co-operation with us.

I hope that the Maldivian Government will accept our invitation to come to London. If they do come, it has been made clear that they must be prepared to negotiate seriously on the basis of the last document handed to them by us which contained all our requirements. We should, however, be prepared to offer them as rent for Gan a sum considerably in excess of the present figure of £2,000 per annum if it proves, as their lawyer has suggested, that this could be a decisive factor.

In response to numerous requests, we hope shortly to arrange visits by selected correspondents to Gan Island to see the Royal Air Force installations. But facilities for visits to Male, the capital, or other areas must be settled by the correspondents themselves with the Maldivian Government.

Commonwealth Relations Office, S.W. 1,
16th April, 1959.
CABINET

NORTH ATLANTIC COUNCIL

MEMORANDUM BY THE SECRETARY OF STATE FOR FOREIGN AFFAIRS

I hesitate to inflict one of my speeches upon my colleagues, but I think they may be interested to see the following extracts from my speech in the Council of the North Atlantic Treaty Organisation (NATO) on Thursday, 2nd April.

S. L.

Foreign Office, S.W. 1,
7th April, 1959.
1. Do We Want a Continuation of the Cold War?

I think it is wise for us to try to project ourselves into the future to some extent and to see what hope there is of a real change in the situation. One course of action is that tension should be maintained and the cold war should be continued. There are some people who say that from the Western point of view that would be a good thing; that it would be easier to raise money for defence if there is tension; that common fear keeps the Alliance together; that if there is a reduction of tension, it will give the Soviet Union possibilities of penetration by the peaceful means of trade, economic aid, culture and the rest of it; and that if tension is reduced, neutralism will become more popular.

On the other side, the arguments are that even the maintenance of tension or the continuation of tension has not prevented Soviet progress in areas like the Middle East. It imposes a burden upon our military resources and our defence budgets, which is subject to challenge and which prevents as much being devoted to other means of meeting Soviet progress. There is always the danger that in a world governed by tension, there may be global war owing to miscalculation or drift. We have to consider whom the maintenance of tension really helps. I think that, in many ways, the Soviet have much more to fear from a reduction of tension than we have.

The problems facing the Soviet Union can be put fairly simply. We all acknowledge that their transformation in one generation has been remarkable. They are the second industrial Power in the world. They are still far from their objective of overtaking the United States but the gap is closing. In the fields which they regard as important to their objective, that is to say rapid industrial growth, the creation of facilities for scientific and technological development, the provision of an educational system centred on science, in those fields their achievements have been most impressive.

But all this has happened deliberately at the cost of the welfare and standard of living of the Soviet people. Even in the urban part of the community real wages are, I am told, at half the British level and in matters like personal transport, decent houses, labour saving devices, holidays, foreign travel, variety of food, good clothing, consumer goods, reduction of manual toil, the protection of the worker, particularly women and children, all these are fields in which their system really so far has failed compared with the Western system. The Russian performance in matching us in heavy industry and in science and technology, education, I think we must admit has been very successful, but they have failed so far to match the West in the provision of human well-being and that is quite apart from the cost in the destruction of the liberties, happiness, freedom of thought and culture.

The success in the one field and the failure in the other field is going to present the Government of the Soviet Union with massive problems in the future. I think any reduction of tension and consequent greater intercourse between the Soviet Union and the other nations of the world is going to accentuate these problems for them.

During the visit which the Prime Minister of the United Kingdom and I recently paid to the Soviet Union, we got some idea of the immensity of these domestic problems and the feeling of the pressures which they are going to create upon the Soviet leadership. There is just beginning to be the signs of some attempt to cater for the consumer demand. I think it is going to pose the most tremendous problems of organisation for them. Now I think for that reason, and really the Soviet leaders talked about it at great length, for that reason, and also because they realise what war would mean, this is a stage at which the Soviet leaders genuinely want a negotiation.

They certainly want it about Berlin. There is no doubt that the reason why they want to challenge our position in Berlin is that they regard it as a centre of espionage, for the gathering of military intelligence, behind what they regard as
their lines, and also the obvious fact is that it is a shop-window of the Western world, illustrating those differences in standards to which I have just been referring; standards of human comfort. And I have no doubt that they want, if they can, gradually to squeeze West Berlin into the Soviet orbit. That is a conclusion which we are determined to prevent.

Well whether I am right or wrong in this thinking of the problems of the Soviet Union in the future, my conclusion is, and I think it is the conclusion of the Government which I represent, that this is a time when the Soviets do want a serious negotiation and that if there can be a reduction in tension as a result of that negotiation then, because of the pressures which will be forced upon the Soviets for domestic reasons, it is in our own interest to make a success of those negotiations.

2. Summit Conference

The Four Foreign Ministers certainly agreed that we should approach these negotiations with the intention of taking them seriously and constructively. These negotiations begin with a meeting of the Foreign Ministers. I want to explain, if I may, to my Ministerial colleagues our attitude with regard to a Summit meeting. We favour a Summit meeting after the meeting of Foreign Ministers for the following reasons:

We think that Mr. Khrushchev is the only man in the Soviet Government who would take the major decisions. We also believe that the Foreign Ministers are more likely to make progress if it is known that they are preparing for a Summit meeting. And if it is known there is going to be a Summit meeting it is less likely that unilateral action will be taken by the Soviet Union before that Summit meeting.

We hope that the Foreign Ministers will make progress so that the task of the Summit meeting will be to complete or to carry forward that work. But if, however, the Foreign Ministers do not succeed we shall have to face very serious situations in which decisions will have to be taken by Governments on physical preparations for war. Then, in our view, it would be all the more necessary that a further attempt should be made to get agreement at the Summit. I believe that our public opinion will really demand, before we embark on the physical preparations for war, that the final effort is made to reach agreement at the Summit.

I know that some of our Allies do not see the matter precisely in this light, and do not attach the same weight as we do to some of the factors which I have mentioned. I certainly don't wish to exaggerate the differences of opinion or emphasis which may exist. We have fully accepted and will stand by the terms of our latest reply, our agreed reply, to the Soviet Government.

3. German Problems

Now, I come to the main topics for the negotiations and those are the problems of Germany. I think upon certain points we have to be absolutely firm. We are going to preserve the free existence of West Berlin and the freedom of its people to choose their way of life and we are prepared for heavy sacrifices and to run great risks in that cause. Not only because of the people of West Berlin themselves, but because of the obvious reason—if West Berlin goes, who goes next? Therefore, it is not only our wish to preserve freedom in West Berlin but it is because we wish to preserve freedom in the rest of free Europe, we have to preserve the free existence of West Berlin.

Secondly, in any plans or proposals to deal with the German problem, we think that we have to avoid certain dangers. In our view, a neutralised Germany is the worst solution to the problems of Germany. It is full of danger because, I believe, in fact the Russians would only accept a neutralised Germany which would be within the Russian orbit, and Germany, neutral in the centre of Europe, for reasons which have been debated many times in the NATO Council, is the worst answer.

Next, I think that what is called disengagement (or what should be called disengagement, because there is a good deal of misunderstanding about the word) that disengagement also is highly dangerous because it would result, could only
result, in a neutralised Germany. By disengagement, I mean the pulling apart of the forces of the two sides whether by saying that all foreign troops would leave Germany or by saying that Germany and Poland and Czechoslovakia should be a denucléarised zone, or however it may be, disengagement, either of nuclear weapons, the pulling apart of nuclear weapons or the pulling apart by the taking out of foreign troops, that kind of disengagement is a grave danger to the strength of our Alliance.

Next, in any proposals we put forward, I think we must be very careful to see that they don't alter the balance of military security to our disadvantage. We must be quite certain they do not weaken NATO and finally that they do not cause the United States and other Western troops to leave Germany. I believe that the consequences of them leaving Germany would be that they would leave the mainland of Europe.

I now want, as I have just been talking about disengagement, to say something about the British idea for inspection and limitation of armaments in an agreed area. These ideas are not particularly new, but they have given rise to a good deal of misunderstanding and have been quite wrongly represented as being a form of disengagement. In our view, in any such plan of inspection or of the fixing of ceilings for forces or armaments, there should be no discrimination against the troops of particular countries, nor should there be discrimination against particular weapons.

The ideas which we have put forward were not a means of preventing the unification of Germany as has been suggested. The purpose, in fact, was just the contrary. Nor were they a means of preventing German forces being armed with nuclear weapons. What we have suggested is not, and nothing like, disengagement because much as we should like to see Soviet troops taken out of Poland and Czechoslovakia and East Germany, the price that the Alliance would have to pay for that in present and foreseeable circumstances is the removal of United States, British and other Western forces from Germany and so, as I said, from Europe; that is a price much too heavy to pay for the withdrawal of the Russians. Therefore, for the present, and in foreseeable circumstances, we think that solution would be a very bad thing for the Western Alliance.

You may ask what would be the advantages of having a system of inspection and limitation of armaments.

On the question of inspection, General Norstad spoke very convincingly within the last few days. The advantages we would see in some such arrangements is that they would provide a safeguard against surprise military action by the other side. They would also provide for the establishment of a control system which would be of value in itself, but also, I think, could lead to increased confidence if it worked and were seen to work effectively. And, I think, there is another point of view. There is a good deal of propaganda on behalf of what is called disengagement. There are many parties and many individuals who have given that idea their support. One has to have a positive and not simply a negative answer in order to counter this propaganda for the dangerous concept of disengagement.

On the question of German reunification, I don't propose to add anything to what is contained in the Four-Power Report, nor will I add anything on the question of a peace treaty, except to say that I think we are all aware of the need for our proposals when they become known to win a response from our public opinion. In other words, we must give great care to their presentation.

4. Berlin

I now come to the question of Berlin. Our thoughts, at the moment, run along these lines: these are not conclusions, these are thoughts. The optimum solution is that Berlin should be the capital of a reunited Germany and any arrangement other than this must be of an interim character, pending reunification. Meanwhile, we stand by the position of last December: we are determined to uphold our rights.

In practice, the present position in Berlin has worked tolerably well for the past 10 years and there is no reason, if it were not for Soviet actions, why it should not continue without involving any threat to peace. But, on the other hand, I think it would be wrong for us to be too complacent about the situation which has existed these last 10 years, or to assume that it is, in any sense, perfect from our point of
view. Owing to the geographical position of Western Berlin which we can't alter, we have to recognise that the Russians or the East Germans, acting under their orders, can at any time put pressure on the city. They can do this without taking any action against the position of the three Western Allies in Berlin and without any interference with Allied access to the city. It is within their power by administrative obstruction and delays to cripple the economic life of West Berlin by holding up the import of raw materials or the export of manufactured goods, and this could all be done without the use of force and in such a way that it would be very difficult to identify any single act in this process upon which, we, the Western Powers, could make a stand.

I also think that we should recognise that our rights of occupation, though they are legally sound, are not the ideal ground from the point of view of world opinion. To some it does not seem altogether convincing that we should continue to insist on the right of conquest 14 years after the war ended. There is equally some difficulty from the point of view of presentation in arguing that the right of the population in West Berlin to have unimpeded access with the West depends on the legal case that the West Berliners are the subjects of the sovereign occupying Powers. If some of these arguments are difficult to present to-day, they will certainly not become easier to present as time goes on.

So it is for these reasons that, in our view, we feel that we should take a good look at the status quo, that we should not assume that it's perfect from our point of view, simply because we have got along reasonably well over the past 10 years. We should not abandon our present title in any way but we should see whether the present position can be improved and whether by some new agreement, which would not invalidate our existing rights, we could, in fact, give greater security to our own position and to that of the West Berliners.

In this connexion, during these negotiations, we have got to probe the various statements which Mr. Khrushchev has made about the possibility of some new agreements, about the possibility of neutral or United Nations participation. We must not give up what we have, but we should see whether some new arrangement might be superimposed upon it which would reinforce the capacity of West Berlin to remain free.

5. Conclusions

That is our thinking, that along those lines studies should be made, that we should review our position and see whether that is a promising line of approach to the part of these negotiations which will be about Berlin.

I said, Mr. Chairman, at the beginning that these thoughts are being put together in a rather disjointed manner but they are matters upon which we do very much want the views of our allies. We are very conscious of the responsibility which we face and the grave issues which are involved. There are plenty of pitfalls ahead; we have to avoid the danger of war by miscalculation or by drift and we have to avoid putting ourselves in a position in which the choice suddenly becomes one between war or a resounding diplomatic defeat. We mustn't bluff and then have our bluff called. Global war would be a disaster, but something which would be very nearly as disastrous to the Western position would be to indicate that we were prepared to fight about something and then have our bluff called and to climb down—because then it seems to me that our deterrent has gone and gone for good. If we are prepared to fight, we must take the necessary action and be seen to be taking it. That would involve very serious decisions for all of us and I therefore hope that we shall have a frank discussion of how these vital negotiations should be approached. Having exchanged our points of view, the one thing we must seek to preserve at all costs is our unity in dealing with the Soviets at the negotiations.

April 1959
CABINET

INTERNATIONAL DEVELOPMENT ASSOCIATION

MEMORANDUM BY THE CHANCELLOR OF THE EXCHEQUER

The Cabinet asked me to arrange for a further study to be made of the advantages and disadvantages of United Kingdom membership of the proposed International Development Association (I.D.A.) on the lines indicated by the Prime Minister at an earlier discussion of this matter on 17th March, 1959 (C.C. (59) 17th Conclusions, Minute 5). The points which I have had examined, and the results of the examination are as follows—

A.—Whether the United Kingdom’s membership of the proposed Association would prejudice our ability to discharge our existing obligations.

2. It was made clear in C. (59) 50 that on the most optimistic assumptions a new International Development Association could not be operating until 1960 and that it could hardly hope to spend an initial capital contribution of $2,000 millions (£715 millions) in less than three to five years. Thus the United Kingdom contribution of £100 millions would involve additional external investment at the rate of some £20 millions—£30 millions a year from 1960. There would be no additional commitment in 1959. If the initial capital were to be less the United Kingdom’s contribution would also be less. The Secretary of the United States Treasury, Mr. Anderson, told the Prime Minister recently in Washington that he was thinking of an initial capital of $1,000 millions (£357 millions). The State Department on the other hand appear to be thinking of a figure of $2,000 millions (£715 millions). The latter figure appears in fact to be a more realistic estimate, given the magnitude of the problem. If the lower figure were adopted it is probable that the Fund would as a result need to be replenished sooner. Given that the United Kingdom hopes to gain in exports more than the amount of its subscription, our own interest would be on the side of choosing the larger figure. There might also be a better chance of securing a substantial United States contribution by a single approach to Congress. If, however, further discussion with the Americans shows that agreement can more easily be reached on the basis of the smaller figure, the figures given in this paper should in each case be divided by two.

3. Officials have recently been reviewing prospects for the United Kingdom’s external investment in 1959–62. It has been estimated that new lending by the Government and new London Market loans will together average £60 millions per annum. In addition, in the light of the commitments made during the Montreal Conference, capital assistance may have to be provided to Commonwealth Governments on the scale of about £40 millions a year. If all the United Kingdom’s present and prospective capital commitments are to be met and the reserves are to be rebuilt to the level at which they stood at the end of 1958, officials have concluded that a current surplus of the order of £450 millions per annum will be required for the years 1960–62 (assuming a figure of £285 millions for 1959).
4. To achieve such a surplus is not an impossible task but it would depend
both on our avoiding inflation at home and on other countries following policies
conducive to the expansion of world trade. It would be most important that other
countries should expand their external investment in step with the United Kingdom.

5. The great potential advantage of channelling loans or grants to under-
developed countries through an international institution such as the proposed
International Development Association, to which the aggregate contributions of
other countries greatly exceed our own, is that we ought to be able to gain exports
from the contributions of other countries. Indeed, we ought to gain in additional
exports more than the amount of our own initial contribution, in which case the
balance of payments would be actively assisted.

6. My conclusion is that we could afford this further capital commitment
provided that our contribution is matched by adequate contributions from other
countries. At the same time we should take special care to ensure that the
contributions made by others are as far as possible additional to their existing
levels of external investment and are freely convertible.

B.—Whether we should seek to ensure that at least half the capital of the Association
is contributed by countries other than the United States

7. The proposal originally made by Senator Monroney was that I.D.A.
subscriptions should be based on subscriptions to the International Bank for
Reconstruction and Development (I.B.R.D.). On this basis an initial capital of
$2,000 millions for the I.D.A. would fall to be subscribed as follows:

<table>
<thead>
<tr>
<th>Country</th>
<th>Per cent</th>
<th>$ millions</th>
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<tr>
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<tr>
<td>Japan</td>
<td>3-5</td>
<td>70</td>
</tr>
<tr>
<td>Netherlands</td>
<td>3</td>
<td>60</td>
</tr>
<tr>
<td>Sixty other countries between them</td>
<td>73-5</td>
<td>1,470</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>2,000</td>
</tr>
</tbody>
</table>

8. The Secretary of the United States Treasury sets much store by getting
every country to make some contribution in convertible currencies, however small,
but it is clearly not realistic to expect anything more than small amounts from the
mass of under-developed countries. No doubt some of the Six (France, Germany,
Italy, Belgium, Luxembourg and the Netherlands) will also claim that their
preoccupations with the Common Market preclude them from putting up large
sums.

9. I very much doubt therefore whether it will be possible to secure general
acceptance of the I.B.R.D. basis of subscription. On the other hand it would be
inequitable and unwise if almost the whole burden fell on the two countries whose
currencies are the key reserve currencies, and it is essential that at any rate the
Germans should take a full share. We should certainly try to ensure that countries
other than the United States accounted for not less (if very little more) than 50 per
cent. of the initial capital without ourselves accepting an unduly heavy burden,
and I think this might be possible. A notional distribution might be as follows:

<table>
<thead>
<tr>
<th>Country</th>
<th>Per cent</th>
<th>$ millions</th>
</tr>
</thead>
<tbody>
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<td>980</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>14</td>
<td>280</td>
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<tr>
<td>Germany</td>
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<tr>
<td>Canada</td>
<td>3.75</td>
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<td>Japan</td>
<td>3.75</td>
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<td>Remaining 62 countries averaging $5 millions each</td>
<td>15.5</td>
<td>310</td>
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<tr>
<td>Total</td>
<td>100</td>
<td>2,000</td>
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CONFIDENTIAL
This would not necessarily commit us on voting powers. The principle has been accepted in the United Nations Special Fund that voting powers need not arithmetically reflect the size of the contribution of each member country (the Governing Body is equally divided between industrial and under-developed countries, each member having one vote).

C.—Should we stipulate that investment by I.D.A. in the Commonwealth should not be less than the amount of the United Kingdom Contribution?

10. I have examined this suggestion and have come to the conclusion that it would be unwise to make any such stipulation. This might well provoke other countries to make similar restrictive stipulations. The Commonwealth would suffer severely if the Latin Americans, for example, were to persuade the United States to stipulate that the major part of her contribution was to be spent in Latin America; or the Six were to stipulate that their contributions, including the German money, were to be spent in their overseas territories.

11. In actual fact the I.B.R.D. has so far lent to the Commonwealth as a whole nearly $1,400 millions (£500 millions), which is more than five times the amount of the United Kingdom's subscription to the Bank. It may be claimed that our experience with the I.B.R.D. is not reassuring with regard to the Colonies, as distinct from the independent Commonwealth. Whatever the reasons for this, we could not ensure more favourable treatment by the I.D.A. without earmarking part of our contribution specifically for the Colonies, and this would, as I have said, be damaging for the Commonwealth as a whole. We should stipulate nevertheless that the principles adopted for lending by the I.D.A. should be such that Colonial territories received a reasonable share. And we should make it clear from the start that if this result is not in practice achieved we reserve the right to review the arrangements including the basis of the United Kingdom's contribution.

D.—How would the I.D.A. be related to the various United States Foundations?

12. Among the American philanthropical institutions are a number of foundations which are active in under-developed countries. The most important of these are the Ford and Rockefeller Foundations and the Carnegie Corporation. In general, the activities of the foundations include initiating and encouraging new research projects and investigations, supporting new educational endeavours and training programmes helpful to national development. The Rockefeller Foundation makes grants to advance public health. The Carnegie Corporation (and the Carnegie Endowment for International Peace) specialises in education, including research and conferences to discuss such subjects as the way to meet the needs of the emerging States of tropical Africa. The Ford Foundation supports, among others, projects in Asia, the near East and Africa intended to help to raise the standard of living. These include basic research into economic and social problems, vocational training, village development and leadership training.

13. The interests and activities of the foundations thus lie in humanitarian and technical assistance and are of a kind which cannot replace but can usefully supplement the capital development with which the I.D.A. will be concerned.

Conclusion

14. In view of the above considerations I again commend to my colleagues the recommendations in paragraph 10 (a) and (b) of C. (59) 50, namely, that:

(a) We should be prepared in principle to contribute to an International Development Association on the scale and the conditions proposed.

(b) I should authorise the Ambassador and the Economic Minister in Washington, against this background, to continue their discussions with Mr. Anderson and Mr. Dillon, the Under-Secretary of State, and with Mr. Black, President of the I.B.R.D., but not at this stage to disclose the amount of any contribution which the United Kingdom might be prepared to make.

D. H. A.

Treasury Chambers, S.W. 1,
8th April, 1959.
CABINET

JOHN WATERS

MEMORANDUM BY THE SECRETARY OF STATE FOR SCOTLAND

The Waters Tribunal have now reported to me and a copy of their report is attached.

2. The Tribunal's remit was in two sections: the allegation of assault upon John Waters; and the actions in connexion therewith of the Caithness police.

3. With regard to the first part of their remit, the Tribunal are of opinion that there is no evidence which could convict the two constables in a criminal court (paragraph 16). But they find that Constable Gunn, being "sorely tried by the provocative behaviour and language" of the boy (paragraph 15), hit him a blow (paragraph 13) which they accept from the doctor was moderate (paragraph 14). They say that what he did was for a policeman unquestionably wrong, and that they must unquestionably condemn it. They also express disapproval of the fact that the two constables left the boy in the alley next to Peterkin's shop unattended after he had received an injury (paragraph 15). In addition the Tribunal make the following criticisms of the constables—

   (i) They describe a threatening remark made by Constable Harper to one of the boys in the Bay-Café as highly improper, though they attribute no sinister significance to it (paragraph 9).

   (ii) They say that the taking of John Waters into the lane opposite the Bay Café and into the alley next to Peterkin's shop were errors of judgment, although they indicate that these were not serious (paragraphs 9 and 15).

   (iii) They say that it was wrong for Constable Harper to have attempted to get the complaint withdrawn for a money payment (paragraph 17).

4. With regard to the second part of their remit, the Tribunal find the action taken by the Caithness police to have been all that it should have been (paragraph 22).

5. The following aspects of the matter seem to require consideration—

   (a) Publication of Report and Evidence

      I propose that the report and evidence should be published on Wednesday, 15th April. It would not be in accordance with precedent to make any Government statement on the day of publication, and one possibility might be simply to announce in reply to a written Question on the previous day that the report and the evidence would be published next day, leaving any statement of the Government's attitude to be made either in reply to a later Question or in the course of any debate on the report. In view, however, of the nature of the findings and the desirability of making clear with whom the responsibility for any further action lies, on balance it seems a short statement should be made on the day of publication and I append a draft of what I should propose to say (Annex A). I assume that a corresponding statement should be made in the House of Lords.
(b) Form of any Debate

There may be pressure for a debate both on the report and possibly on the general question of proceedings under the Tribunals of Inquiry (Evidence) Act, 1921. Since any debate would be bound to range over the merits of the case, it may be desirable that it should not take place until the Chief Constable has had an opportunity of considering what action, if any, he should take.

(c) Future Action

The question will arise whether some disciplinary action should be taken against both constables in the light of the findings of the Tribunal. Disciplinary proceedings could be taken only under the Police (Discipline) (Scotland) Regulations, which provide that the bringing of any disciplinary charge is decided on by the Deputy Chief Constable and the case is then heard by the Chief Constable, who is the disciplinary authority. It is thus for the Chief Constable to decide whether the charge is proved and to fix the punishment. I cannot forecast whether it will be decided to take disciplinary action or, if action is taken, how the charges would be framed; and, in view of my position as appellate authority, it seems to me that I could not properly intervene in these matters. Although some people may expect disciplinary action to be taken, there will undoubtedly be a strong body of opinion to the effect that the constables have already suffered enough. It may be that the disciplinary authority will take the view that no proceedings should be taken because the findings of the Tribunal were, at least in part, based on evidence given by the constables on an assurance by the Lord Advocate that he would not institute criminal proceedings against them in respect of their conduct in relation to the matters under investigation; and that, although legally this assurance was confined to criminal proceedings, morally it might be regarded as applicable also to disciplinary action. Moreover, if disciplinary proceedings are taken, I am advised by the Scottish Law Officers that it would be impossible for the disciplinary authority to proceed on the basis that the findings of the Tribunal showed that the constables were guilty of discreditable conduct; and they consider that it would therefore be necessary to traverse again, at any rate in part, the ground covered by the Tribunal. The position is further complicated by the fact that advice was given in Departmental Circulars in 1943 and 1955 to the effect that, where it has been decided by the Crown authorities that there is insufficient evidence to justify the institution of criminal proceedings for an alleged criminal offence, the disciplinary authority will have no option but to decide that no charge should be brought under the disciplinary code in respect of that offence. The relevant passages are attached at Annex B. This advice might be thought to preclude disciplinary action at least so far as the blow is concerned, but if I were asked, as I may well be, whether I regarded it as precluding a disciplinary charge against Constable Gunn, I should feel bound to say that strictly I did not. On the other hand, I should feel inclined to point out to him that Constable Gunn in giving evidence to the Tribunal may well have assumed that in view of the Circulars there could be no question of disciplinary action against him in respect of the striking of the blow. The statement which I propose to make merely says that it will be for the Chief Constable, as the disciplinary authority for the men of his force, to consider the conclusions reached by the Tribunal under the first part of their remit. I do not think I can say less than this, but in view of the considerations set out earlier in this paragraph I should not propose to give the Chief Constable any guidance on whether or not disciplinary proceedings should be initiated, although I should if asked be prepared to advise on the application of the Circulars.

6. I should be glad to know whether my colleagues agree to the publication of the report and evidence on Wednesday, 15th April and to the terms of the statement which I propose to make.

J. S. M.

Scottish Office, S.W.1.

10th April, 1959.
ANNEX A

WATERS TRIBUNAL

DRAFT STATEMENT FOR THE SECRETARY OF STATE TO MAKE AFTER QUESTION TIME

1. On 18th February, 1959, in pursuance of resolutions passed by both Houses of Parliament I appointed a Tribunal under the Tribunals of Inquiry (Evidence) Act, 1921, to inquire into a definite matter of urgent public importance, namely, the allegation that John Waters was assaulted on 7th December, 1957, at Thurso and the action taken by the Caithness police in connexion therewith. I have now received the report of the Tribunal and the House will, I am sure, wish to join me in thanking Lord Sorn and his colleagues, Sir James Robertson and Mr. Dandie, for the thorough and prompt way in which they have carried out their task. Copies of the report and of the evidence given before the Tribunal are available in the Vote Office.

2. As to the first part of the remit, the Tribunal are of opinion that there is not sufficient evidence on which the two constables concerned could be convicted in a criminal court. But they find that one of the two constables struck the boy Waters a blow of moderate severity. They go on to say that no doubt the constable was sorely tried by the boy's provocative behaviour and language but that what the constable did was for a policeman undoubtedly wrong. They also draw attention to one or two respects in which the conduct of the two constables, though not constituting a criminal offence, was open to criticism. It will be for the Chief Constable, who is by law the disciplinary authority for the men of his force, to consider the conclusions reached by the Tribunal under this part of their remit.

3. As regards the second part of the remit, the Tribunal find that the action taken by the Caithness police was all that it should have been.
ANNEX B

EXTRACT FROM SCOTTISH HOME DEPARTMENT CIRCULAR NO. 5338
OF THE 15TH APRIL, 1943

2. All criminal offences by a police officer against the person or property of a person outside the Police Service, and any other criminal offence by a police officer which appears to the Chief Constable to be too serious to be dealt with by disciplinary proceedings instead of by criminal proceedings, should be reported to the Procurator Fiscal of the Sheriff Court.

4. If the Procurator Fiscal decides that criminal proceedings are not to be instituted because of the lack of sufficient evidence, the alleged criminal offence should not be made the basis of a charge of breach of the Discipline Code.

5. The criminal offence reported to the Procurator Fiscal may have been accompanied by action, or failure to take action, which, though not criminal, constitutes a breach of the Discipline Code. In such cases the charges in respect of breaches of the Discipline Code should be formulated and notified to the man but in general no steps should be taken to proceed with the charges until either the Procurator Fiscal has intimated that there are to be no proceedings on the criminal charge, or the result of the criminal proceedings is known.

EXTRACT FROM SCOTTISH HOME DEPARTMENT CIRCULAR NO. 8550
OF THE 8TH MARCH, 1955

. . . . In cases which involve both an alleged criminal offence and misconduct which could properly be made the subject of a disciplinary charge, the amendments do not affect the procedure recommended in Circular No. 5338 of the 15th April, 1943. In cases involving an alleged criminal offence but no other alleged misconduct which could properly be made the subject of a disciplinary charge, the disciplinary authority will have no option but to decide that the member shall not be charged with an offence against discipline as soon as it becomes apparent (e.g., by reason of the withdrawal of the criminal charge, or the acquittal of the member) that a disciplinary charge cannot be preferred under paragraph 17 of the First Schedule to the Police Discipline (Scotland) Regulations, 1952. [being convicted by a court of law of a crime or offence.]
TRIBUNALS OF INQUIRY (EVIDENCE) ACT, 1921

REPORT
Proceedings of the Tribunal appointed to inquire into

The allegation of assault on John Waters

Presented to Parliament by the Secretary of State for Scotland by Command of Her Majesty April 1959

EDINBURGH
HER MAJESTY'S STATIONERY OFFICE
Cmnd.
REPORT
PROCEEDINGS OF THE TRIBUNAL APPOINTED TO
INQUIRE INTO THE ALLEGATION OF ASSAULT
ON JOHN WATERS

TO: THE RIGHT HONOURABLE JOHN S. MACLAY,
Secretary of State for Scotland.

1. We were appointed by you on 18th February, 1959 to be a tribunal under the Tribunals of Inquiry (Evidence) Act, 1921 for the purpose of inquiring into a definite matter of urgent public importance, that is to say, the allegation that John Waters was assaulted on the 7th December, 1957 at Thurso and the action taken by the Caithness police in connection therewith.

2. Our first step was to invite the Dean of Faculty, Mr. C. J. D. Shaw, Q.C., Mr. D. Y. Abbey, Advocate, and Mr. D. C. McConnachie, W.S. to act as counsel and solicitor to the tribunal. The invitation was accepted and we appointed these gentlemen to act in that capacity. Our instructions to them were to make a full and independent investigation into the matters covered by our terms of reference; to recover all relevant documents and to present the evidence to us at our public sitting by examining the witnesses and, if necessary, by cross-examining them also.

3. We held our public inquiry in Inverness on the 17th, 18th, 19th, 20th, 21st and 23rd March, 1959, and heard evidence on oath from 38 witnesses. In addition to counsel for the tribunal there were the following appearances: on behalf of John Waters and his father Mr. J. D. Waters, Mr. J. O. M. Hunter, Q.C., and Mr. R. A. Bennett; on behalf of Constable Harper and Constable Gunn (the two constables involved in the allegation) Mr. M. Kissen, Q.C., and Mr. E. G. F. Stewart; and on behalf of the Chief Constable and the Caithness Constabulary Mr. H. R. Leslie, Q.C. and Mr. J. S. Mowat. All the witnesses were called to the witness box by counsel for the tribunal who examined and, where necessary, cross-examined them. Thereafter they were questioned by the other counsel in whatever seemed to us to be the fairest order, regard being had to the nature of the evidence given. When the two constables involved in the allegation were called to the witness box they were each told by the tribunal that they were not compelled to answer questions if the answers would incriminate them. To each of them the Dean of Faculty intimated that he was authorised by the Lord Advocate to state that the Lord Advocate would not institute criminal proceedings against the witness in respect of his conduct in relation to the matters under investigation. The procedure adopted proved satisfactory and we believe that we have heard all there is to hear about the subject matter of our inquiry.

4. Our terms of reference cover two matters which can be treated separately. First there is the allegation that John Waters was assaulted on 7th December, 1957, and the question of what happened on that occasion. Then there is the question of what action the Caithness police took in connection therewith and the question whether that action was, or was not, all that it should have been. We propose to deal with each of these matters separately and in the above order.
5. We should begin with a short description of the locus. The Bay Café, in which the story begins, is situated in Swanson Street. The High Street of Thurso runs north and south and Swanson Street runs into it from the west. The distance from the Bay Café to the High Street is some ten or fifteen yards. If you go from Swanson Street into High Street and turn right (southwards) and follow the west side pavement you come after about a hundred yards to Peterkin’s Chemist shop. At this point there is a break in the regularity of the shop frontages and the next shop (Allan’s Toy shop) is set back some fifteen feet further from the carriageway. Moreover, Allan’s shop does not adjoin Peterkin’s, there being a narrow passage two feet nine inches in width between the two buildings. After a distance of ten feet this passage widens slightly to a width of four feet four inches and after a further distance of some fourteen feet it opens into a courtyard on the other side of which is the door of a house occupied by Mr. and Mrs. MacPhee. The passage is the means of access to this house and it is unlit. It was into this passage or alley that the two named constables ultimately took John Waters.

6. The story begins with the entry of Constables Harper and Gunn into the Bay Café at about 10.30 p.m. on Saturday 7th December, 1957. This they did in the ordinary course of their duty. We were told that when construction began on the Dounreay atomic power station near Thurso some years ago there was an influx of population which led to an increase in rowdiness and drunkenness in the town, and the statistics of convictions fully bear this out. Provost Sinclair drew the attention of the police to this state of affairs while presiding over the Licensing Court in 1956 and requested them to exercise supervision over licensed premises and cafes. The police acted upon this request and it became a standing instruction for constables on the beat to visit such premises from time to time. In the case of the Bay Café, in which rowdiness was not unknown, one of the partners in the business had added his own request for police supervision and visits by the constables on the beat were a regular thing, particularly on Saturday nights.

7. Among others present in the Bay Café on the occasion in question there was a group of six boys which included John Waters. The boys ages ranged from fourteen to eighteen and John Waters himself was fifteen years of age. Before describing the events which took place it will be convenient to deal here with a matter which runs through the whole incident, namely, the kind of language used by John Waters. The evidence of the two constables is to the effect that throughout the whole incident Waters used obscene—indeed very obscene—language. This is denied by Waters and, so far as the events took place in the Bay Café, by those of the other boys in the group who were called as witnesses. Three of them gave evidence and they did not make a favourable impression on us as regards reliability. In cross-examination their denial of the use of bad language by Waters tended to take the form of a statement that he might have used bad language but that they did not hear it. Then it came out in cross-examination that, after the Tribunal’s solicitor had precognosced the boys, they had a meeting together at which one of the subjects discussed was the question of what they were to say if they were asked about Waters using obscene language. The significance of this is obvious. If this matter depended solely on the credibility of the two constables on the one hand and the boys on the other we should prefer the evidence of the two constables for, although, as will later be seen, we reject some of the evidence
by the constables with regard to the concluding phase of the incident, we formed the impression that the evidence given by them up to that point was in substance truthful and accurate. But the question of language does not rest solely upon this estimate of relative credibility because we have the evidence of the two proprietors of the Cafe, Mr. Cardosi and Mr. Craig. Mr. Cardosi’s attitude was that he did not hear what passed between the policemen and the boys. He was an unsatisfactory witness and his demeanour and hesitation in the witness box left us with the impression that he could have told us more than he did. Having committed himself to the statement that he had never heard Waters use bad language he had later to admit that a week before the sitting of the Tribunal he had made a contrary statement and had mentioned a specific instance of Waters making an obscene and offensive remark. Mr. Craig, on the other hand, heard what passed between the two constables and the boys and his evidence, which we regard as reliable, fully corroborates what the constables say as to the language used by Waters. We have no doubt that both in the Cafe and in the succeeding stages of the incident the language used by Waters to the constables was obscene and offensive.

8. When Constables Harper and Gunn entered the Cafe one of the boys, probably Leslie Ross, made the remark “Here’s our friends” with the addition, perhaps, of the phrase “two smart guys”. The remark at all events was uttered sarcastically and was greeted with laughter from the group of boys. The constables heard the remark, as they were no doubt intended to do, and Constable Harper addressing himself to the boy Ross said “If there’s any more cheek, I’ll mark you for life”. At this Waters uttered a derisive ejaculation or grunt and, turning to him, Constable Harper asked for his name. Waters remained silent and, upon again being asked for his name, made an obscene and offensive remark. Constable Harper then asked Waters to come outside and, when the boy did not move to comply, took him by the arm and led him out of the Cafe. The other boys followed to the door to see what happened. Once outside the Cafe the constables took Waters across the road into a dark lane leading to the back of some premises opposite the Cafe and Constable Harper again asked the boy for his name which this time he gave. Constable Harper then warned him not to be cheeky and told him that he should not be using language such as he had used. Waters then returned towards the Cafe and the two constables moved off towards High Street. As the boy approached the Cafe door he called out to the constables “You buggers think you can do anything because you have a blue uniform” or words to that effect. At this Constable Harper remarked to Constable Gunn “Never heed it” and the two constables resumed their patrol. So far as they were concerned the incident was closed.

9. Before going on with the second chapter of the story we pause to make certain observations. The remark which Constable Harper made to the boy Ross was a highly improper remark and, in view of what is to follow, our first impression was that there might well be something sinister in it. At the end of the day, however, we are satisfied that this is not so. The remark was made simply for effect in an attempt to quell the boys. Moreover the evidence of the boys themselves makes it plain that they did not take the remark seriously. Then there is the taking of the boy off the street into a
dark lane. The view held by Constables Harper and Gunn is that if a boy is to be spoken to it is desirable, if possible, to take him off the street and out of sight of others. The more senior officers who appeared before us were inclined to take a different view. We would think that the propriety or otherwise of taking a boy aside must depend on the particular circumstances of the situation and, in the present case, if the constables made any error in judgment in taking the boy into the lane we do not think it was a serious one.

10. After Waters had returned to the Cafe one of the other boys drew his attention to the fact that the stitching of the outside seam of the left sleeve of his jacket was torn near the shoulder for a length of two and a half inches. This may or may not have been due to Constable Harper holding his arm as there is no suggestion that force was used. It was no great matter but it excited Waters. As we read the situation, he had lost face by being led out of the Cafe and he saw in this an opportunity to turn the tables against the constables. He exclaimed (according to the witness Mr. Craig) "I must get after them bastards" and ran out of the Cafe. Three of the other boys followed him and went as far as the junction of Swanson Street and High Street. The constables by this time, having entered High Street from Swanson Street and turned southwards along the west pavement, had reached a point a little way short of Peterkin's shop and it was there that Waters, still running, overtook them. For what ensued from this point until the taking of the boy into the alley we depend substantially upon the evidence of the two constables and the boy himself. The accounts given on either side have a good deal in common but we are satisfied that the account given by the boy minimises the part he himself played. The probabilities are against the boy's story being a complete account because, taken by itself, it would make the actings of the constables inexplicable. The constables say that when the boy overtook them he thrust himself between them and said "You bastards tore my jacket" and we believe this. Constable Harper replied to this by saying he didn't think he had done so but, if he had, he was sorry. There is no doubt about this being the reply that Constable Harper made, since Waters himself so says. Constable Harper then added, with reference to the boy's present behaviour, that if he didn't behave he would lock him up for a breach of the peace. This remark, which Waters himself states as having been made in the statement he gave to Inspector Carter immediately after the incident, had no effect and the boy said "You think you're a smart bastard". By this time the constables were on the move again and Constable Gunn intervened once and possibly twice to tell the boy to go away and leave them and to say that he would be in serious trouble if he did not. In spite of this the boy still came on and made an obscene and offensive reply. Constable Gunn then decided that things had gone too far and took the boy by the arm. Constable Harper evidently assented to this and took the other arm. By this time they were at or about Peterkin's shop and when they reached the alley immediately beyond it Harper told Gunn who was on the inside of the pavement to take him in there. The alley being so narrow as to make single file necessary Gunn let the boy go first and then followed himself. Constable Harper brought up the rear. At this point in the story the question naturally arises: what was in the minds of the two constables when they took the boy into the alley? This is an important question and we will return to it; but in the meantime we will continue the narrative.
1. As regards what happened in the alley we think it best to begin by referring to the account given by each of the three persons concerned. The account given by Waters is that he had only gone a few steps up the alley when he received a blow in the face. He did not see which of the two policemen hit him but he heard Constable Harper say “You shouldn't have done that, boy”, a remark which he understood as being addressed to Gunn. He states that he then tried to run back down the alley but was stopped by Constable Harper who placed a packing case in the courtyard and said “Sit down, you will be O.K. soon”. Shortly thereafter he says that Mrs. MacPhee came to her door and took him into the house. Our only comment at the moment is that this account, like the rest of Waters’ evidence, is somewhat compressed and leaves out the part which he himself played. Constable Harper says that after he had done a few steps up the alley he heard Constable Gunn tell Waters that he was going to book him and heard him ask for his father’s name and other particulars. He also heard the boy make offensive replies including the use of the phrase “Gestapo bastards”. He says that he then heard a commotion and put on his torch by the light of which he saw the boy with his hands over his face moving towards the courtyard. He agrees that he make the remark “You shouldn’t have done that, boy” but says that it was addressed not to Constable Gunn but to Waters. He then followed the boy and made him sit on the packing case as already described. Constable Gunn’s account is that he told Waters he was going to book him and asked for particulars. He says that Waters made offensive replies, which he quotes, and used the phrase “Gestapo bastards”. He says that he had his left hand on Waters’ right shoulder and that, at this point, Waters struggled and made a rush to get past him and out of the alley. He says that, in order to stop the boy, he thrust his right hand out to the wall and the boy’s face came in contact with it either as it was moving towards the wall or after it had got there. In cross-examination he said that it was his wrist with which the boy’s face came into contact. He confirms that Harper made the boy sit down as described. Both Constables say that after the boy had been seated he was formally cautioned and charged by Constable Gunn first with using obscene language and, secondly, with molesting the police. They also said that Constable Harper offered the boy his handkerchief and that the boy refused assistance and abusively called on them to go away, which they then did.

12. We shall briefly conclude the narrative of events and then return to the question of what really happened in the alley. Mrs. MacPhee’s attention had been attracted by the sound of raised voices in the alley and she called to her husband who was in bed. He rose to see what the disturbance was about but by the time he and Mrs. MacPhee opened their door there was no one but the boy in the courtyard. When he saw that the boy was injured Mr. MacPhee’s somewhat surprising reaction was that he himself might get blamed for it and so, to keep himself right, he went at once to report the matter at the police station. Mrs. MacPhee found the boy with a bleeding nose and took him to the kitchen sink where she washed him. He said to her that he had been hit by two policemen. By this time there was quite a little crowd of young people at the entrance to the alley, consisting of some who had seen the constables taking Waters in and of some others who had gathered. The crowd included a number of Waters’ relations and one of these,
Andrew Manson, went into Mrs. MacPhee’s house and accompanied her from there to the house of his aunt Mrs. Campbell. Mrs. Campbell says that Waters was crying and trembling and that he was still bleeding. She helped to wash him up and on her advice he went to call on Dr. Fell the family doctor. To both Andrew Manson and Mrs. Campbell Waters stated that he had been hit by a policeman and to Mrs. Campbell he said that it was Constable Gunn who hit him because Constable Harper had remarked “You shouldn’t have done that.” While Waters was with Dr. Fell he was joined by his father who had received word of the incident. On leaving the doctor Mr. Waters and his son went to the police station and lodged a complaint of assault against Constables Harper and Gunn with Inspector Carter. As regards the movements of the two constables after leaving the alley, they completed their patrol and returned to the police station. Later that night Constable Gunn made some notes in his notebook as to a charge against Waters in respect of using obscene language and molesting the police and these notes together with statements obtained from Mr. Craig and Mr. Cardosi were later embodied in a formal report handed in on Tuesday 10th December, 1957.

13. To return now to the alley. We are prepared to believe that after entering the alley Constable Gunn told Waters that he was going to book him and that he asked for particulars; we are prepared also to believe that the boy was still unsubdued and that he gave truculent and obscene replies; but we cannot accept Constable Gunn’s account of the way in which the boy sustained his injuries. Our opinion is that Constable Gunn became exasperated by the boy’s behaviour, and perhaps by a struggle on the part of the boy to get away, and that he struck him an impulsive blow. The account given by the boy is clear and is to the effect that it was a blow he received and this account was repeated de recenti to several witnesses. As already indicated, we are far from regarding Waters as a wholly reliable witness but on this point we believe he was telling the truth. The nature of the injury is consistent with a blow and in the circumstances as we know them it is, to say the least of it, highly improbable that it could have been caused by the boy colliding with a fist or arm. Then there is the remark “You should not have done that, boy” made by Constable Harper to Constable Gunn. This remark conveys that Constable Harper understood that Constable Gunn had hit the boy and that is what it must have conveyed to Constable Gunn. To this remark Constable Gunn made no demur. On behalf of the constables it was suggested that the remark was addressed not to Constable Gunn but to Waters and that the use of the word “boy” indicated this. We cannot, however, entertain the suggestion. In Caithness the use of the word “boy” as a form of address between one adult and another is not uncommon and, moreover, in the story as told by Constable Harper himself there was no occasion for him to have made a remark like this to the boy at the moment when it was uttered. We should add that Constable Harper’s credibility is shaken by the fact that at least on one occasion, to which we will refer later, he gave an account of what took place in the alley differing from the account given by him in the witness box. We therefore find it proved that Constable Gunn hit the boy. We are confirmed in this conclusion by the subsequent actings of Constable Harper, later referred to, which are not consistent with there being nothing to hide.
14. As regards the injury to the boy we had the evidence of Dr. Fell who examined him within a short time of the event. By this time the boy's nose had stopped bleeding and the only injury he found was that the upper lip was slightly swollen on the right side and that there was a corresponding abrasion on the inside of the lip. There was an area of tenderness on the right cheek. The boy was distressed and shaking when the doctor saw him. No treatment was required or given. On the following Tuesday (10th December) the boy called on Dr. Fell complaining of nervousness and sickness and the doctor prescribed a mild sedative. He called again on 14th December with a more or less similar complaint and was similarly treated. The boy was kept from school for a week but not upon the doctor's advice. We, have thought it right to rehearse this medical evidence in detail but in doing so we do not intend to convey that the injury was in any way a serious one. There was, we think, a tendency to make the most of the injury and Dr. Fell himself was surprised at the boy coming back twice to see him. The blow made his nose bleed and caused a slight abrasion to the inside of his upper lip and that is all there was to it. We do not criticise Mrs. Campbell for sending him to Dr. Fell but it was not the kind of injury for which the ordinary parent or schoolmaster would have thought of calling in a doctor at all. As regards the way in which the blow was delivered we cannot be certain. There was only one blow and it may have been delivered with the fist or, having regard to the area of tenderness, it may more probably have been a cuff delivered with the open hand. As regards the force behind the blow we adopt the view expressed by Dr. Fell who described it as moderate.

15. We should now offer our appreciation of the actions of the two constables and the boy Waters. As regards Waters, we have heard a good deal about him in connection with this incident and otherwise. We do not think he is in any way a bad or vicious boy and he gets a good word from his teachers and from an officer of the Boys Brigade for his behaviour in school and while with the Brigade. On the other hand there is no doubt that he is an extremely cheeky boy and, on the occasion in question, his behaviour and language can only be described as shocking. As regards Constable Gunn, who was twenty-two years old at the time, there is no doubt that he was sorely tried by the provocative behaviour and language of this excited boy, and we can understand how it came about that he yielded to the temptation of striking him. But that is as far as we can go. What he did was, for a policeman, unquestionably wrong and we must unquestionably condemn it. As regards Constable Harper, he only becomes implicated if he is to be regarded as acting in concert with Constable Gunn at the time when the blow was struck and to that question we should now address ourselves. In the circumstances of the present case that question really resolves itself into this question: when the constables took the boy into the alley, was there a common purpose to inflict chastisement of one kind or another upon him? If all that one knew about the case was that the two constables had taken the boy into an alley and that, after they had left, the boy was found there suffering from the effects of a blow it might be natural to draw
the inference that they had acted in concert. But that is not the position we are in. Having heard the evidence and seen the witnesses we do not think there was any such common purpose in the minds of the two constables when they took the boy into the alley. They were being pestered by the boy in a street in which there was quite a number of people and they had, we think, decided to take him up on a charge. The move into the alley was made, we consider, not for the purpose of getting him into the alley but for the purpose of getting him off the street and it was, in effect, a repetition of what they had earlier done when they took the boy into the lane opposite the Bay Cafe. We believe that an attempt was made to "book" the boy and this too negatives the idea of a concerted purpose to chastise him. Further, we think that the remark made by Constable Harper to Constable Gunn is quite inconsistent with the idea. Immediately the blow has been struck Constable Harper rebukes Constable Gunn and dissociates himself. If Constable Harper had been party to a common purpose to punish the boy we do not see how this remark could come to have been made. If more were needed, it could be found in a consideration of the probabilities. If two constables were deliberately minded to inflict punishment on anyone, is it likely that they would take him into an alley in full view of at least six persons? We accordingly hold that there was no concerted purpose and we exonerate Constable Harper from any complicity in the striking of the blow. As regards more general criticism of the conduct of the two constables, the opinion expressed by the senior officers who gave evidence was that the constables should have brought the boy to the station and charged him there instead of attempting to do so in the alley. Again it is a question of circumstances, and there may be something to be said against the idea of leading a protesting boy through the public streets, but we think an error of judgement was made. Then it was said that the constables should not have left the boy injured and unattended in the courtyard and we agree with this. They say that the boy abjured them to go away and leave him, which may well be true, but we think their action in leaving him was simply a sequel to the blow and was due to a desire to get away from an embarrassing situation.

16. Having described what actually took place in the alley and found that Constable Gunn assaulted Waters we have, on the face of it, fulfilled the first branch of our inquiry. But there is a question which naturally arises at this stage and which, in case our report is thought to be incomplete, we think we should attempt to answer. We also think the question has to be mentioned in fairness to Constable Gunn. Does it necessarily follow from what we have found that, if the two constables had been prosecuted in a court of justice, there would have been a conviction? The answer is that it does not. In the proceedings before the Tribunal we were able to, and did, call the two constables to the witness box and it is in part upon the evidence given by them that we base our finding against Gunn. What would have been the position in a prosecution? In a court the two constables could not have been called to the witness box and they could have remained silent without prejudice to their defence. Suppose that they had chosen to do so, what would the position have been? The evidence of Waters and those witnesses who saw the policemen take him into the alley combined with evidence of the injury might have sufficed to establish
had been assaulted by one or other of the constables but that in itself would not have led to a conviction. If it is proved that a crime has been committed and all that is known is that it was committed by one or other of two persons, not acting in concert, there can be no conviction (Docherty v. H.M. Advocate 1945 7.89). In other words it would have been necessary in the present case either to identify the assailant or to prove that the two constables had acted in concert. How, then, would the question of identification have stood? Waters gives evidence of a remark made by Constable Harper immediately after the blow had been struck and (although the point is open to argument) we shall assume that this amounts to an identification of Constable Gunn as the assailant by Waters. But is there anything to corroborate this identification? It is just here that a prosecutor would have run into difficulty. By the law of Scotland no person can be convicted upon the uncorroborated testimony of a single witness and this rule is extended to cover proof of a major fact such as identification. The rule is deeply embedded in our practice and it is based upon the fear of a miscarriage of justice. The price we pay for the rule is that from time to time a suspected person—even a strongly suspected person—escapes prosecution or conviction. In the present case there would appear to be no corroboration of Waters' identification and, if that was how the matter stood, there could have been no conviction of Constable Gunn as the assailant. Could it have been held proved that the two constables were acting in concert? No doubt there would have been an initial inference to that effect but then there would have been the remark which Waters attributes to Constable Harper to consider. In the face of that remark could it have been held proved—and proved beyond reasonable doubt—that the two were acting in concert? We cannot speak too categorically about a situation which is not before us and which has not been fully explored in argument, but our opinion is that, if these two constables had been brought to trial in a court, the Crown evidence would not have sufficed for a conviction.

Before leaving this branch of our inquiry we should allude to certain events which occurred after the incident of 7th December, 1957, and which were explored at great length in the evidence. For the most part, they relate to allegations made by Mr. Waters to the effect that he was approached by, or on behalf of, Constable Harper and offered money to drop the complaint. On the other hand there were counter allegations to the effect that it was Mr. Waters who made the proposition that he would drop the complaint in exchange for a sum of money. In our view the evidence relating to these matters was relevant only in so far as it reflected light upon the events of 7th December, 1957, and from that angle we have had it in mind in reaching the conclusions already announced. The first incident concerns Miss Sinclair, a district nurse and a sister of Mrs. Harper. She called at Mr. Waters' house on 9th December, 1957, and Mr. Waters says that, while they were alone with each other, she appealed to him to drop the complaint and offered to provide a new suit of clothes for the boy. Miss Sinclair denies this but we are inclined to think that an appeal was in fact made. There is no evidence that Constable Harper instigated the visit and our view is that it was probably planned between Miss Sinclair and her sister, Mrs. Harper, without the constable's knowledge. There
is nothing in this incident. Next there is the evidence of Mrs. Campbell, a sister of Mr. Waters. All she effectively says is that Constable Harper called on her after the incident and asked her whether she could do anything about the complaint—and this is denied by Constable Harper. In connection with her evidence, however, there is a point which we must mention. In the course of narrating what passed between herself and Constable Harper she purported to repeat a statement made by Constable Harper as to what happened in the alley. The statement was to the effect that Constable Gunn had struck the boy. We shall revert to this point in the course of what we have to say about the next incident. The next incident concerns Mr. and Mrs. Banks who are neighbours of the Harpers. Mrs. Banks also knew Mrs. Waters who was an employee in her grocer's shop. On the evening of 11th December, 1957, Mr. and Mrs. Banks called at the Waters' house and a conversation took place between them and Mr. and Mrs. Waters. Mrs. Banks said that she was very sorry for Mrs. Harper and appealed to Mr. Waters to drop the complaint. In the course of the visit Mr. Waters had occasion to go to a nearby telephone kiosk and Mr. Banks accompanied him. Mr. Waters says that while they were alone Mr. Banks offered him £50 to drop the complaint and Mr. Banks denies this. As the conversation in the house developed it would seem that the attitude taken up by Mr. Waters was to the effect that, if Constable Harper wanted him to drop the complaint, he should come to see him himself. and he indicated that, if Constable Harper did so, it might make a difference. Mr. Banks ultimately went off to fetch Constable Harper but he did so unwillingly and only after extracting a solemn promise from Mr. Waters that what passed at the meeting would never be revealed. Mr. Banks found Constable Harper unwilling to come but he finally persuaded him to do so. Then followed a long and no doubt repetitive conversation, punctuated by cups of tea, which lasted into the small hours of the morning and of which completely conflicting accounts were given. Mr. and Mrs. Waters maintained that Constable Harper offered them money to drop the complaint and said that he would go the length of £100. Mr. Banks and Constable Harper (Mrs. Banks was unable to attend as a witness owing to illness) maintained that it was Mr. Waters who raised the question of money and who said that, if it was a question of money, if would be £1,000 he was needing. We consider that the probabilities are that Constable Harper did offer to pay money for the dropping of the complaint and we so find. Mr. Waters' final attitude seems to have been that he was prepared to drop the complaint against Constable Harper but only on condition that Constable Harper would give evidence against Constable Gunn and this Constable Harper declined to agree to. Our view of the incident is that it was wrong for Constable Harper to have attempted to get the complaint withdrawn for a money payment. It is fair to point out that Constable Harper was not attempting in any way to tamper with evidence but was approaching the injured party (for the father represented the son) in an attempt to get him to remit his injury. If he had confined himself to making an appeal we might have had no comment to make but it was certainly wrong for him to have attempted to buy Mr. Waters off. We pass now to another point arising out of this incident. Both Mr. and Mrs. Waters say that in the course of the conversation Constable Harper made a statement about what happened.
in alley similar in terms to the statement which Mrs. Campbell says was made to her, that is to say, a statement exculpating himself and inculpating Constable Gunn. Although the evidence of Constable Harper and Mr. Banks was to the contrary effect we are disposed to believe that such a statement was in fact made. In so far as the statement constitutes hearsay evidence against Constable Gunn we have disregarded it entirely. On the other hand, the fact of the statement having been made may legitimately be taken into account in assessing Constable Harper’s credibility when making a different statement in the witness box. The next incident relates to a conversation which took place shortly after 7th December, 1957, between Constable Harper and Mr. Mackay, the stepfather of Mrs. Waters. Mr. Mackay says that Constable Harper asked him to see Mr. Waters with a view to getting him to drop the complaint and Constable Harper denies this. That is all the evidence and we consider that nothing was proved. Finally there is an incident connected with Mr. Elder, a cousin of Mr. Waters. Constable Harper says that on a date early in February, 1958 (by which time the case was out of the hands of the police) while he was on patrol with Constable McBeath, Mr. Elder stopped his car and got out to speak to him. He quotes Mr. Elder as saying, “Rattles (Mr. Waters) wants you to give Margaret (Mrs. Waters) £60 and he will drop the case against both of you” and Constable McBeath who overheard the conversation corroborates this. Constable Harper says that he brusquely told Mr. Elder to go away and Constable McBeath corroborates. Mr. Elder denies the whole incident and says there never was an occasion such as the constables describe. We believe that this incident did take place as described by the constables but we have no proof that Mr. Elder was acting on the instruction of Mr. Waters and we therefore refrain from comment.

18. We pass now to the second branch of the inquiry and to the action taken by the Caithness police. Inspector Carter, who is the officer in charge at Thurso, was on duty on the night of 7th December, 1957 and first heard of the alleged assault at 11 p.m. when Mr. MacPhee (already referred to) called at the police station to report it. Inspector Carter took a statement from Mr. MacPhee and while doing so received a telephone call from Mr. Campbell, to whose house Waters had been taken, reporting the alleged assault and giving the names of Constables Harper and Gunn as the two policemen concerned. Inspector Carter finished taking Mr. MacPhee’s statement and shortly afterwards, when he was preparing to leave in order to see the boy and make investigations, Mr. Waters arrived at the police station with his son. The Inspector took them to his private room and took a statement from the father and also, in the presence of the father, a full statement from the son. By the time Mr. Waters and his son left, Constables Harper and Gunn were in the police station. Inspector Carter informed them that he had received a complaint from Mr. Waters alleging that they had assaulted his son and that he had further investigations to make. He warned them that they were not obliged to make a statement and they made no reply. This procedure was the correct procedure. Immediately after this the Inspector telephoned to Chief Constable Georgeson at Wick, to whom he reported the case and asked for instructions. The Chief Constable instructed Inspector Carter to conduct the investigation and, when that had been completed, to send the report not to him but to the
Deputy Chief Constable. This instruction was a perfectly correct one and we should perhaps explain why. A complaint of crime made against a policeman has two aspects. In the first place it is a suspected crime which has to be investigated in just the same way as a crime committed by any other person; but it is, or may be, also an offence against discipline under the Police Discipline Code. It is for that reason that the Chief Constable cuts himself off from the investigation. The disciplinary machinery is held in abeyance while the case is being dealt with as a crime and until the case is disposed of in one way or another, but ultimately it will, or may, come up as an offence against discipline. When that happens the matter is brought up for trial before the Chief Constable who has to act in a judicial capacity. For that reason the rule very properly is that, where a policeman is involved, the Chief Constable stands aside from the investigation.

19. On the following day being a Sunday Inspector Carter confined himself to visiting the locus. In the succeeding days he proceeded to trace witnesses and take statements until 20th December by which time he had taken statements from 24 witnesses. Allowing for the other duties which the Inspector had to perform we consider that the investigation was conducted with reasonable despatch. The Inspector had to do his own typing and the report with typed statements attached was not ready until 23rd December. On that day he took it to Wick and handed it over to Deputy Chief Constable Sutherland. The Deputy Chief Constable questioned Inspector Carter about the investigation, read the report and was satisfied with it. We have mentioned earlier that Constable Gunn made out a report charging Waters with using obscene language and molesting the police and this report reached Inspector Carter’s hands on 10th December. Being aware that this report related to the same matter that he was investigating he judged, quite rightly, that the two reports should go forward together and kept it until the 23rd December when he took it to Wick with the other report. Constable Gunn’s report went to the Chief Constable. On 24th December both reports were passed to Mr. Campbell the Procurator Fiscal. The Procurator Fiscal gave evidence to the effect that he was perfectly satisfied with Inspector Carter’s report.

20. Having held a full inquiry into the events of 7th December we are in a position to say that Inspector Carter succeeded in tracing all the material witnesses. We have seen Inspector Carter's notebook and we have seen the statements as originally taken down by him and as appended in type to his report. Having heard the evidence of the witnesses we are satisfied that the statements were fully and fairly taken. The report itself is just what such a report should be. The Dean of Faculty did not address us on this branch of the inquiry, saying that he could find no criticism to make, and we can find none either. The only criticism of Inspector Carter’s work that we can recall came from Mr. Waters who said, in the first place, that his son’s statement was not read back to him but his son, on the other hand, said that it was read back and added that “all that was in the statement was right.” We have no doubt whatever that Inspector Carter read back this statement as well as all the other statements taken by him. In the second place Mr. Waters stated emphatically that a second tear situated in the armpit of his son’s jacket was shown to Inspector Carter and that the Inspector had failed to include a reference to this tear in his
son's statement; but this was a manifest lie, the truth being that this second
statement—which is not shown to have anything to do with the case)—was only
discovered by the son after he got home, as the son himself says.

21. We should perhaps refer specifically to the statements which Sir
David Robertson was instrumental in obtaining because we know there was
a good deal of publicity about this and it may have created an impression
that the police had been slack. We have seen these statements and there
are 17 of them. Statements from 15 of the persons concerned had already
been taken in fuller form by Inspector Carter and were included among the
statements appended to his report. The evidence spoken to by the other
two persons was immaterial and added nothing to the information already
obtained.

22. We accordingly report that we have found the action taken by the
Caithness police to have been all that it should have been. The conduct
of the Chief Constable was in all respects correct and as regards Inspector
Carter, who has undeservedly been under a cloud for some considerable
time, we feel that it may not be out of place for us to say that we consider
the investigation he made, and the report in which he embodied the result
of that investigation, to have been an excellent bit of work.

23. In conclusion we must acknowledge our indebtedness to the Dean
of Faculty and those associated with him for their work in collecting and
presenting the evidence, and to our Secretary, Mr. J. M. Macdonald, for
the efficiency with which he made all the numerous arrangements which
had to be made in connection with our Sittings.

J. G. McIntyre
James J. Robertson
James N. Dandie

7th April, 1959.
CABINET

FUTURE STATUS OF THE POST OFFICE

Memorandum by the Chancellor of the Exchequer and the Postmaster-General

We have agreed between ourselves the general line of proposals to give the Post Office the commercial freedom of a public corporation whilst retaining direct control by a Minister responsible to Parliament. They are summarised in this paper but are repeated more fully and discussed in the Annexes to this paper.

2. In 1955 the Government granted a measure of self-contained finance to the Post Office. The arrangements were described in the "Report on Post Office Development and Finance" (Cmd. 9576), presented by the present Chancellor of the Duchy of Lancaster when he was Postmaster-General. Commercial Accounts were to govern Post Office financial policy. The Exchequer's claims were limited to £5 millions a year.

3. But these changes brought no alteration in Parliamentary and accounting procedures in accordance with the concept of the Post Office as a trading concern. All revenue is still paid to the Exchequer. All expenditure has to be voted by Parliament in annual Estimates and the Treasury retains, at any rate in theory, its power of control over it. Cash accounts still have to be presented even though they differ widely from the Commercial Accounts and do not reflect the true financial position of the Post Office.

4. These requirements stem from two causes:
   (a) since 1787 all Government receipts from taxation or other sources have had to be paid into the Consolidated Fund;
   (b) no Government expenditure for any purpose can be incurred save with the specific authority of Parliament.

Proposed changes

5. The 1955 principles have proved sound. We suggest they should now be taken to their logical conclusion.

6. The heart of our proposals is the establishment of a statutory Trading Fund for the Post Office. This Fund would be separate from the Exchequer. It would be managed by the Postmaster-General, who alone would be accountable for it to Parliament. All Post Office revenues...
would be paid into it. All Post Office expenses would be met out of it. The confusion caused by dual accounting would be removed. Post Office policies would not only be decided, but could be seen to be decided, on their commercial merits.

7. The year’s financial record would be shown solely in the Commercial Accounts. A report from the Postmaster-General would accompany them. This lines up with modern commercial practice.

8. The Post Office would be required to pay its way, taking one year with another, after paying the Exchequer contribution. We are agreed that for the time being this contribution should remain at its present level, which amounts roughly to what the Post Office would pay the Exchequer if, like the other nationalised industries, it were liable to taxation. The question of assessment of the contribution in the long term is more fully considered in Annex A (paragraphs 8 and 9).


10. Post Office staff would remain civil servants.

Parliamentary control

11. There would be no annual authorisation of Post Office expenditure by Parliament through Estimates. But each year:-

(a) Parliament would authorise by Vote the salaries of Post Office Ministers in accordance with the normal procedure;

(b) the Postmaster-General would be under statutory obligation to present a Commercial Account and Report (it is the intention that this should be in greater detail than at present);

(c) the Postmaster-General would also give Parliament -

(i) a statement on Post Office prospects for the ensuing year;
(ii) the investment programme and the intentions for financing it;
(iii) particulars of staff employed;

(d) the Post Office Commercial Accounts would be subject to audit by the Comptroller and Auditor-General and to scrutiny by the Public Accounts Committee as at present.

In addition:-

(e) the provision of new capital would have to be authorised by the passing of Money Bills;

(f) all tariff changes would be subject to negative resolution. (Hitherto not all Post Office tariff changes have required the assent of Parliament.);

(g) Post Office Ministers would continue to answer Questions to the same extent as now.
12. The opportunities listed above seem ample, but there is some risk of criticism of what would be a major constitutional innovation. It might on this account be expedient to add a provision that the Postmaster-General's powers to draw on the Post Office Fund should lapse annually unless renewed by affirmative Resolution. As will be seen from paragraph 6 of Annex A, in which the matter is more fully set out, we are not wholly agreed as to the need for this and would welcome the views of the Cabinet.

Treasury control

13. Treasury control of the Post Office would cease except in relation to:

(a) pay, grading and conditions of service of staff;
(b) investment control (as for the nationalised industries);
(c) foreign exchange control.

Proposed action

14. The implementation of the proposals would require legislation, which would take some time to draft. But we should like to announce them in a White Paper at an early date. It would show continued vitality of Government thinking in the field of nationalised enterprise.

D.H.A.
E.M.

10th April, 1959
ANNEX A

COPY OF MINUTE FROM THE CHANCELLOR OF THE EXCHEQUER TO THE PRIME MINISTER

PRIME MINISTER

The Future of the Post Office

I have discussed the attached Report by officials with the Postmaster General. I fully accept the conclusions that:

(i) the Postmaster General’s proposals would give the Post Office freedom to run its services on commercial lines in a way not provided for by the existing statutory and accounting procedures;
(ii) the proposals are fully appropriate to the running by the State of a monopoly trading concern under a Minister responsible to Parliament.

2. Present procedures are based on the long standing principle that all revenues of the Crown, including Post Office revenue, should be paid into the Exchequer. The expenses of the Post Office, like those of any other Government Department, then have to be voted by Parliament in Annual Estimates. Expenditure is therefore subject to Treasury control—though in recent times that control has been lightly exercised.

3. The Postmaster General feels that these arrangements are not adapted to the running of a business on commercial lines. He proposes therefore that Post Office revenue should in future be paid into, and its expenses met—from a Trading Fund quite separate from the Exchequer. This Fund would be managed by the Post Office, who alone would be accountable for it. The Post Office would be expected so to manage its affairs as to pay its way after making an appropriate contribution (see paragraph 8) to the Exchequer. This separation of Post Office finances from the Exchequer is the hub of the Postmaster General’s proposals. Subject to a satisfactory settlement of certain issues discussed in later paragraphs (6–9) I can see no reason why it should not take place.

4. The proposals do not make the Post Office into a Nationalised Industry. They leave it as a Government Department directly under the control of a Minister. Treasury control of Post Office expenditure would, however, cease, except for:

(a) pay, grading and conditions of service of staff;
(b) investment control (as for the nationalised industries);
(c) foreign exchange control.

Apart from these matters there is no real need for Treasury intervention in Post Office affairs.

5. Acceptability of the proposals depends on Parliament’s being satisfied, in the special circumstances of the Post Office, with the opportunities which would remain for it to debate Post Office finance and policies. The House of Commons would still have ample opportunities for considering Post Office affairs:

(i) it would have to authorise by Vote the salaries of Post Office Ministers in accordance with the normal procedures;
(ii) it could if it desired hold a debate on the Post Office when passing this Vote; or on another occasion when the Postmaster General fulfilled the statutory obligation which would be placed on him to present annually a Commercial Account and Report (it is the intention that this should be in greater detail than at present);
(iii) the Postmaster General would also give the House annually:

(a) a statement on Post Office prospects for the ensuing year including a forecast of the commercial out-turn;
(b) the investment programme and the intentions for financing it;
(c) particulars of staff to be employed;

CONFIDENTIAL
(iv) Parliament would have to pass a periodic Money Bill to authorise the provision of capital;
(v) all tariff changes would be subject to negative resolution. (This is not required at present for all changes.)

Post Office Ministers would continue to answer Questions in Parliament as at present. The Post Office Commercial Accounts would be subject to audit by the Comptroller and Auditor General and to the normal scrutiny and report by the Public Accounts Committee.

6. I agree with the proposals in the previous paragraph and think that they should give Parliament a better understanding of Post Office finance and policies. But I feel bound to warn you that they would represent a major constitutional innovation and a departure from the long-established principle that (with the exception of certain charges on the Consolidated Fund for debt service, judicial salaries, &c.) the Government cannot spend any part of the public revenues without the annual authority of Parliament. The proposal might indeed be criticised by the theorists as a retrograde step towards the conditions before Parliament had won its long struggle for supremacy over the Crown in financial matters. I feel that we ought not to run the risk of this sort of criticism if we can avoid it. I believe that we could do so, by providing that the Postmaster General’s powers to draw on the proposed Post Office Fund should lapse annually unless renewed by affirmative resolution. This would not need any extra Parliamentary time, since it could be debated in conjunction with the Post Office Commercial Account and Report. The Postmaster General does not welcome this proposal since he regards it as unnecessary and, to some extent, inconsistent with the concept of the Post Office as a trading concern. But if our colleagues feel that the proposed changes would otherwise be likely to open the Government to criticism, he is prepared to accept it.

Exchequer Contribution

7. There is one important point which officials reserved for Ministers and on which I think we ought to clear our minds before final decisions are taken on the future status of the Post Office. That is how the annual contribution to the Exchequer should be fixed. The Postmaster General and I are agreed that a State monopoly such as the Post Office, which constitutes a sector of our national economic activity comparable with other great industries, both public and private, ought to make a fair contribution towards the expenditure of central Government. The Postmaster General would fix this contribution at the broad level of what the Post Office but for its exemption would pay in the way of national taxation.

8. This would put the Post Office in the same position in this respect as the nationalised industries; and it would at present produce an annual contribution much like the existing one of £5 millions. My own view is that it is in principle inappropriate in the case of a State monopoly to fix the contribution by reference to the taxation which would fall on its profits if it were liable—since it is largely free to determine its own profits and has neither an obligation nor normal incentives to do more in the long run than to pay its way. It seems to me more logical to expect the Post Office, and indeed the other nationalised industries, to contribute to the Exchequer a sum which is proportionate to that paid in direct taxation by the general run of private industry and commerce. This proportion should be measured by the dimensions of the business, in terms of its turnover. On this basis the Exchequer contribution would be fixed as a percentage of Post Office turnover, the percentage figure being the total direct taxation borne by the totality of private industry and commerce expressed as a percentage of its total turnover.

9. Nevertheless I recognise that to adopt this alternative principle forthwith would be a matter of great difficulty, since it would at least double the present contribution and would be bound to lead to an immediate and substantial increase in Post Office charges. In these circumstances I should be ready to see the contribution fixed initially in accordance with the Postmaster General’s proposal—in effect at about its present level—provided that it was recognised that the ultimate aim in respect of all the nationalised industries, including the Post Office, should be to adjust the level of contribution as and when possible to the level deriving from the principle of assessment which I have put forward.
Basis for Payment for Agency Services

10. Another point which officials left unresolved was the basis on which agency services rendered by the Post Office to other Government Departments (or vice versa) should be paid for. It is agreed that they should be paid for in cash and that public tariffs would apply wherever they exist. The question is whether in other cases the Post Office should undertake agency services at cost or whether it should be free to negotiate terms with other Departments. Hitherto it has been the accepted principle that transactions between Departments should be charged at cost, and the Public Accounts Committee has recently reaffirmed its agreement with this principle. The Postmaster General feels that, whatever may have been the case hitherto, his concept of the Post Office as a business would justify greater freedom. I am prepared to consider whether the charge made in such cases might at any rate take account of the Post Office obligation to make a contribution to the Exchequer. Before reaching a firm view, however, I should like to give further thought both to this and to the idea that the Post Office might be allowed to include an actual element of profit in its charges to other Departments. At present I am not very sympathetic to that suggestion. This need not stand in the way of approval of the Postmaster General's proposals in other respects.

11. These proposals do not take us very far towards solving the problems of the other nationalised industries; but they may help. If the new relationship with Parliament were tried out and proved satisfactory and if the Exchequer contribution were settled on a basis of principle, the new arrangement might well provide some guide for the development of the other nationalised industries. It would prove concrete evidence of fresh thinking in the field of nationalised industries generally and would demonstrate our readiness to adapt our arrangements to changing conditions. You may wish to consult some of our colleagues about the outstanding points mentioned above. Subject to this, I suggest that the Postmaster General should be authorised to prepare a White Paper describing the proposals.

D. H. A.

Treasury Chambers, S.W. 1,
3rd April, 1959.
THE FUTURE OF THE POST OFFICE

Joint Memorandum by the Treasury and the Post Office

General Background

The Post Office is constitutionally a Revenue Department. Throughout the greater part of the past 150 years the Exchequer has gained to the extent that Post Office revenues exceeded expenses. The Bridgeman reforms in 1932 put a limit on the use of the Post Office in this way by fixing a definite contribution to the Exchequer beyond which any net earnings were at the disposal of the Post Office.

2. This arrangement, suspended during the War, was reintroduced by the White Paper published in 1955 (Cmd. 9576). The annual contribution to the Exchequer was then set for an initial period of five years beginning in 1956 at £5 million. At the same time particular emphasis was laid on the Post Office Commercial Accounts as the basis of Post Office budgetary policy. These accounts were brought more closely into line with normal commercial practice.

3. Parliamentary accounting requirements, common to all Government Departments, were not, however, modified to take account of the position of the Post Office as a trading concern. Whilst framing its policies as if its finances were self-contained, it has continued paying all its revenue into the Exchequer. All its expenses have had to be voted by Parliament in Annual Estimates, subject to the normal Treasury control. These arrangements were, of course, designed for the purpose of controlling the general expenditures of Government; and they are not well adapted to the running of the Post Office as a business.

4. The Post Office feels strongly, therefore, that new arrangements should be sought which would:

   (i) make the principle of "self contained finance" a reality by giving the Post Office power to operate
independently on a commercial basis, while at the same
time maintaining full accountability through its
Ministar to Parliament and the public;

(ii) make the true position of the Post Office, as a
commercial organisation running services that are paid
for by its customers, clearer to Parliament and to the
general public;

(iii) eliminate the confusion and waste of effort entailed by
the present system of dual accounting.

The Postmaster General’s proposals

5. The Postmaster General has put forward proposals designed to
meet these desiderata and to blend the advantages of direct
Ministerial responsibility to Parliament and of Public
Corporation status. Their essential features are:-

(i) the Postmaster General (who would continue to be a
member of the Government) would remain responsible for
Post Office policy and the running of its services;

(ii) Post Office staff would remain Civil Servants

(iii) all Post Office revenues would be paid into, and
expenses met out of, a Trading Fund quite separate from
the Exchequer. The Post Office would be expected to
pay its way on a commercial basis, taking one year with
another, after making an appropriate contribution to
the Exchequer. All services to and from other
Government Departments would be paid for in cash;

(iv) the Commercial Accounts of the Post Office would form
the essential record of the year’s business. Audit by
the Comptroller and Auditor General and scrutiny by the
Public Accounts Committee would continue;

(v) arrangements for making tariff changes would be
tightened up so that all were subject to negative
resolution of the House of Commons;
(vi) Treasury control over Post Office expenditure would be discontinued except in the cases of:

(a) pay, grading and conditions of service of Post Office staff;
(b) investment control (as for the nationalised industries);
(c) foreign exchange control.

It is a consequence of this proposal that existing Treasury control over the numbers of Post Office staff would disappear. The question whether this freedom would extend to sections of the Post Office (e.g. the Savings Certificate Division) wholly engaged on work carried out on behalf of other Departments has been left over for further consideration.

6. Before examining these proposals we looked briefly at the question whether there would be advantage in converting the Post Office, or some part of it, into a orthodox Public Corporation. We felt bound to reject the idea of the postal services being undertaken by a Public Corporation on the grounds among others that the community in this (as in most) countries expects its mails to be carried by State servants under the direct control of the Government. Although we have not examined the question in detail we feel that, at any rate for the present, the telecommunication services should be kept together with the mails in a single Post Office organization.

Removal of Post Office Revenue from the Exchequer

7. The proposal that Post Office revenue should be paid into and expenditure met from a statutory Trading Fund under the control of the Postmaster General represents a major departure from long established constitutional practice. In the latter part of the 18th century the Commissioners of Public Accounts strongly advocated the formation of a single Exchequer Fund into
which all Government revenues should be paid. Legislative effect was given to this recommendation in the Consolidated Fund Act of 1816 which provided that "All rates, duties, taxes, receipts, sums of money, and revenues of what nature or kind so ever shall be carried to and shall be and become and shall form and constitute one general fund, to be called the Consolidated Fund of the United Kingdom of Great Britain and Ireland". At about the same time it was also finally established that Government expenditure could be incurred only with the specific authority of Parliament. The establishment of these two principles was, of course, the culmination of Parliament's long struggle to establish its financial ascendancy over the Crown. The proposed divorce of Post Office finance from the Exchequer therefore depends on Parliament being willing to accept, in the special circumstances of this Department, a departure from these long-established arrangements and a different means of securing control over Post Office expenditure. It is also necessary that Parliament should be willing to see Treasury control over the Post Office abolished save in the matters referred to in paragraph 5 (vi) above.

Parliamentary Control

8. It is suggested by the Post Office that provision for annual authorisation by Parliament of expenditure is inappropriate to the running of a business in which income and expenditure are complementary. It also seems to them unnecessary since Parliament would, under the Postmaster General's proposals, be provided with full opportunities for debating Post Office finance on the following occasions:

(i) it would have to authorise by Vote the salaries of Post Office Ministers in accordance with the normal procedures;
(ii) the Postmaster General would be under statutory obligation to present annually a Commercial Account and Report (it is the intention that this should be in greater detail than at present);

(iii) the Postmaster General would also give the House annually:

(a) a statement on Post Office prospects for the ensuing year including a forecast of the commercial out-turn;

(b) the investment programme and the intentions for financing it;

(c) particulars of staff to be employed;

(iv) Parliament would have to pass periodic Money Bills to authorise the provision of capital;

(v) all tariff changes would be subject to negative resolution.

It is also intended that the present practice of Post Office Ministers answering Questions in Parliament would remain unaltered. Parliament would thus have no less opportunity than in the past to examine the finances of the Post Office. It should have a better understanding of Post Office policies and methods.

9. Nevertheless for Parliament to give a Minister in perpetuity the resources to meet expenditure of several hundred million pounds each year would be a constitutional innovation. Although consideration of Estimates may have become somewhat of a formality, Parliament might be reluctant to go so far as the proposals contemplate in abandoning the instrument of control provided by the annual voting of money.

10. On the assumption that Parliament would be willing to forgo the submission of detailed estimates, the Treasury feel that the House of Commons might reasonably expect to retain the
power to limit the total volume of Post Office expenditure in each year. This might be achieved by providing that Post Office revenue should be paid into a Post Office Fund, but that the total amount which could be paid out of the Fund in any year would require to be voted by Parliament on an Estimate presented by the Postmaster General and not requiring Treasury assent. If this were no less of a formality than present Estimates procedure the Post Office agrees that it need not in practice hamper the ready adjustment of Post Office expenditure in accordance with the needs of its business. If it were otherwise, it could be serious, and they argue that it would be clearly inconsistent with the concept of the Post Office as a business concern, answerable in terms of its results. If some positive authority, beyond what is outlined in paragraph 8, were required annually the Post Office would prefer to explore the possibility of a procedure under which the Postmaster General's powers to use Post Office Funds "for the purposes of the Post Office" would expire each year unless continued by a special Act, or preferably by a Parliamentary resolution.

Treasury Control

11. It is agreed that Treasury control should continue over the conditions of service of Post Office staff and over investment and foreign exchange as part of the Government's control over the civil service and over general economic policy. The Post Office attaches importance to achieving complete independence from Treasury control in all other respects. The Treasury recognise that this is indeed an integral part of the Postmaster General's proposals. They are conscious, however, that in discharging its own responsibilities Parliament customarily relies to a considerable extent upon the control exercised by the Treasury. They do not feel confident that Parliament would be willing to see all Treasury control over Post Office revenue and expenditure
relinquished. If it were necessary to meet Parliament in this matter, the Treasury suggest that much of the substance of the Post Office objective might in practice be achieved by retaining the present system of Post Office finance, while further extending the already wide delegation of spending authority to the Post Office. But they recognise that this would fall short of and would not really be in conformity with the proposals which the Postmaster General has in mind.

Contribution to the Exchequer

12. A further question is the contribution which the Post Office should make to the Exchequer. Under present arrangements, the Post Office (like other Government Departments) is exempt from national taxation in all but a few cases. We recommend that this exemption should continue, if only because it would be embarrassing if a dispute were to arise on an assessment to tax made by one Government Department (the Inland Revenue) on another (the Post Office). But if so the Post Office ought, in keeping with its commercial status, to make a cash payment to the Exchequer in lieu of, and approximately equivalent in amount to, the national taxation from which it is exempt. This contribution could probably best be assessed annually.

13. The Treasury question whether the Post Office should be exempted from making an additional contribution to the Exchequer over and above this. They argue that a State monopoly such as the Post Office is an obvious, flexible, convenient and generally acceptable instrument for securing at least a modest contribution towards the general requirements of public expenditure, and that it was so used in past times. Moreover, they see no reason why such a contribution, if fixed for a period of years ahead, should in practice prove detrimental to the management of Post Office services on a commercial basis.

14. On the other hand the Post Office argue that it would be quite inconsistent with their functioning as a trading
organisation, analogous with the nationalised industries, if they were expected to make arbitrarily fixed contributions to the national revenue over and beyond the equivalent of normal taxation. They hold strongly that if the Government find it necessary to raise additional revenue from the users of Post Office services, it should be done by levying a tax openly and directly on the services concerned in the same way as taxes are levied on other goods and services.

Financial arrangements between the Post Office and other Government Departments

15. The Post Office undertakes many services on behalf of other Government Departments as being the most convenient piece of machinery available for the purpose. These include the payment of family allowances and pensions, the selling of national health insurance stamps and many licences, the administration of national savings securities etc. Under the present proposals the Post Office would continue to carry out these and other agency services as Government policy might require. Cash payment would need to be made for such services by the Departments on whose behalf they were carried out. The Treasury consider that, according to the normal practice of transactions between one Government Department and another, any such services should be rendered at a charge which was accepted by the Treasury as representing the costs involved, or, in cases where use was made of a public Post Office service, at the tariff charge. The same principle would apply in the case of services received by the Post Office from other Government Departments. The Post Office disagree in respect of those services which are not the subject of a public tariff. Most of these, such as the payment of pensions, involve remittance or banking operations analogous with those which the Post Office performs in the course of its own business. They constitute a large part of the Post Office
counter business and therefore the Post Office considers that it should have the right to negotiate with Government Departments the terms on which they should be provided. At the same time the Post Office would recognise that the reasonableness of the terms it offered might be a matter for decision by the Government as a whole.

Responsibility for Broadcasting questions

16. The Postmaster General is at present responsible for broadcasting matters, a responsibility which embraces not only the Government's powers and functions in relation to the B.B.C. and I.T.A., but also licensing, the allocation of frequencies, control of radio interference, etc. These functions are quite extraneous to the running of the postal, telecommunications and other services forming the Post Office business. It seems probable that as a matter of Ministerial convenience it would be thought right that the Postmaster General should retain these responsibilities. But, if so, they ought not to be regarded as functions carried out by the Post Office in the course of its commercial business and the expenditure involved ought to be met from the Broadcasting Vote.

Legislation

17. Implementation of the proposals discussed in this report would require legislation. It is difficult to estimate what would be involved in its preparation, but it is clear that much detailed work would be necessary in advance of the presentation of a Bill. This could not be done quickly.

Conclusions: The Post Office

18. Ministers will wish to form their own conclusions as to the likely reaction of Parliament to the suggestion that it should entirely relinquish its traditional form of control over the Government by voting funds (in this case provided by the public in payment for services), and to the suggestion that the Treasury
should no longer exercise its role as "watchdog" on expenditure. Retention of either of these features would subtract from the near Public Corporation status proposed for the Post Office.

19. Subject to this, the Treasury and the Post Office agree that:

(i) the Postmaster General's proposals would give the Post Office freedom to run its services on commercial lines in a way not provided for by the existing statutory and accounting procedures;

(ii) they are fully appropriate to the running by the State of a monopoly trading concern under a Minister responsible to Parliament;

(iii) although the proposals described in paragraph 8 would involve constitutional changes, the control by Parliament envisaged by the Postmaster General could be accomplished by means which are not novel to Parliament;

(iv) apart from the matters detailed in paragraph 5 (vi), there is no real need for Treasury intervention in Post Office affairs.

The Nationalised Industries

20. In view of the terms of the Prime Minister's Minute of 16th December, 1958, we have given some thought to the question whether adoption of the Postmaster General's ideas for the Post Office would be likely to provide lessons which might later be applied to the general problem of nationalisation.

21. For present purposes the problem can be considered in two parts, i.e. the relationships of the nationalised industries with Parliament and with the Executive.

22. As regards the first of these, the relationship of the Post Office with Parliament would, if the present proposals are adopted, continue primarily to be determined by the fact that it
would remain a Government Department headed by a Minister answerable to Parliament for the running of the business. If it would in no circumstances be thought appropriate for any of the Public Boards to be correspondingly headed by a Minister, obviously the system adopted in the Post Office would not be relevant. If, however, this were not regarded as a closed question, and if the Post Office could show that good business management was not incompatible with direct responsibility to Parliament, the evidence would be useful to the general question.

23. Post Office relations with Parliament through the Comptroller and Auditor General and the Public Accounts Committee would continue substantially unchanged under the present proposals, although the proposed concentration on commercial accounting would call for a materially different approach by these authorities to the Post Office as compared with ordinary Government Departments. The question here is whether it would be desirable to bring the Public Boards into a similar relationship; it has hitherto been felt by successive Governments that it would not.

24. The relationship of the Post Office with the Executive would be determined largely by the fact that under these proposals its head would continue to be a Member of the Government (and its staff members of the Civil Service). This means that the relationship of Government to Post Office remains an internal relationship within a single body - the Government. And the major policies of the Post Office - although determined primarily by the Postmaster General - remain policies of the Government itself and therefore within the collective responsibility of Ministers.

25. The situation of the Nationalised Industries in this respect is quite different. The Government's relationship to them is an external relationship with separate authorities
entirely responsible for the day-to-day conduct of their business which, unlike the Post Office, is not the concern of a Minister. Unless it is thought to be within the bounds of possibility that they should be converted into Government Departments headed by Ministers, it is difficult to see, whatever changes it may be thought desirable to make in their relationship with Government and in the control which Government exercises over them, that the situation of the Post Office could have much relevance to the matter.

26. Nevertheless, the proposals described in this memorandum have interesting possibilities, in so far as they represent an attempt to adapt to the ministerial system the circumstances of what is in substance a nationalised industry. The Post Office wish to add that the more closely any experiment undertaken with them is in accordance with the Postmaster General's proposals the more useful might the lessons be.

29th January, 1959

T.161-59
In this memorandum I deal with two separate but related questions affecting the pensions of the higher judiciary. The first is whether an improvement is needed in the pensions of members of the higher judiciary retiring in future. The second is whether those who have already retired should be brought within the scope of the forthcoming Pensions (Increase) Bill.

Future Pensions

2. The pensions of the English higher judiciary are statutory amounts not related to salary. They have remained substantially unchanged since the early 19th century; but in 1950 provision was made for a quarter of the pension to be exchanged for a lump sum and widows' and orphans' benefits. The pension of the High Court Judge, for example, which was £3,500 became £2,625 with these benefits. When the salary of the High Court Judge was increased from £3,500 to £8,000, in 1954, the pension of £2,625 was left unchanged.

3. This figure can hardly be considered adequate now in the light of upward movements since 1954 in salaries and other pensions. Further I understand that the existing gap between the salary and the pension of the higher judiciary discourages retirement and so militates against efficiency.

4. For these reasons I am satisfied that an improvement in the pensions of the higher judiciary should not be deferred and I seek authority to consider with the Lord Chancellor and the Secretary of State for Scotland what improvements should be made, with a view to the submission of detailed proposals to Ministers collectively as soon as possible. These proposals may include other changes, e.g., provision for graduated pensions and a retiring age. All changes in higher judiciary pensions will require legislation.

Pensions Increase

5. If it is decided not to improve future pensions there can, of course, be no question of giving increases on existing pensions. But a decision to improve the pensions of members of the higher judiciary who retire in future would not necessarily involve improving the pensions of those who have already retired. On the other hand, given that the pensions are in effect the same as they were over 100 years ago, that those who retire in future will have bigger pensions, and that the decision to introduce a Pensions (Increase) Bill has been announced, it is clear that the point has to be considered.

6. There are two possible ways of improving the pensions of those who have already retired. The first would be to give retrospective effect to whatever rates were adopted for the future. This would offend against a fundamental principle of superannuation that improvements in basic pensions do not apply to those who have already retired. A breach of that principle for the judges would make it more difficult to hold the position against, for example, the Public Service Pensioners' Council, who have urged—and will no doubt continue to urge during the passage...
of the Pensions (Increase) Bill—that the pensions of those who have retired in the
past should always be kept at the level of those retiring currently. I therefore do
not feel able to contemplate this solution to the problem.

7. The second possibility would be to bring the higher judiciary within the
scope of the forthcoming Pensions (Increase) Bill. The higher judiciary (but not the
lower judiciary) were excluded from the 1956 Pensions (Increase) Act. There were
two main reasons for this. First, although the 1956 Act was extremely liberal
compared with any of its predecessors, it was not thought at the time that those with
pensions of £2,625 a year could be regarded as suffering even relative hardship.
Secondly, to give pensions increase to judges who had already retired might have
implied reversal of the decision taken only two years before that there should be no
improvement in basic pensions.

8. Subject to one point there would have been no technical difficulty about
applying the 1956 Act to them; and there is no technical difficulty this time. The
main scheme could be modified by regulations so that, like others on flat rate
pensions fixed many years ago, they would receive an increase on their basic
pensions at the maximum rate, that is, 12 per cent. It would not be possible to do
this for those retiring after the operative date of the Pensions (Increase) Act but
before new basic rates were introduced. There might therefore be three categories
of retired judges of whom the middle one—those retiring between, say, 1st July,
1959, and the introduction of the new basic pensions—would receive less than those
retiring either before or after them. But I understand that it is unlikely that a judge
will retire during that period and if any were to do so it might be possible to make
the new basic pensions retrospective sufficiently to cover them.

9. But unless the Bill were otherwise drawn, and special (and conspicuous)
provision made for the higher judiciary, their pensions increase would come from
voted moneys and not from the Consolidated Fund. This, and the fact that the
modification would be carried out by delegated legislation, is a point of some
constitutional significance. But my colleagues may feel that it would be acceptable,
on the ground that the arrangement would apply to a limited class for a limited
period. Difficulty was not seen in a similar arrangement for the lower judiciary in
1956; and if a different view were taken now, that arrangement would have to be
altered too—a further complication of the Bill.

10. I see a greater objection in the size of the increases which the higher
judiciary would receive. In my paper proposing a Pensions (Increase) Bill (C. (59) 55)
I recommended that there should be no maximum increase this time. I said that
my plan could produce extreme cases (for example a Permanent Secretary retiring
before 1952 with 40 years service) of increases of as much as £250; but that
in practice anything more than £200 would be very rare. In fact the largest increase
of which I have definite knowledge is one of £253 for a Permanent Secretary who
retired in 1950.

11. If the higher judiciary were brought into the Bill some much larger figures
would result. The extreme case would be that of Lord Wright, former Master of the
Rolls and Lord of Appeal, who retired in 1947 with a pension of £3,750. He would
receive £450. Sir Henry Slessor, a former Lord Justice, who retired in October 1940,
would (with one or two others) receive £420. Lord Goddard, who retired in
September 1958, would receive £360. I am not suggesting that this is unreasonable.
But to the many thousands on small pensions who will receive small amounts under
my proposals these figures will seem very large if they become known—and it is
virtually certain that they will. The only remedy would be to prescribe a maximum
increase in the Bill (as was done in 1956). I did not recommend this in my original
proposals because—

(a) Whatever figure was written into the Bill (say, £150 or £200) would
complicate it quite considerably, would still look high to the majority
of pensioners, and might lead to controversy.

(b) It would add to the already heavy administrative task of putting the new
increases into payment. I think we would all see advantage in their
coming into effect as soon as possible. The imposition of a maximum
would slow down the process for a significant proportion of pensioners—
not only those with high basic pensions but those who draw smaller ones
from different sources and for whom a cross check would be necessary.

(c) It would penalise the more senior officers (as well, of course, as the judges).
12. There is a further complication to which I must draw my colleagues' attention. The Lord Chancellor has suggested to me that if retired Lords of Appeal and Judges of the Supreme Court were to have their pensions increased it would be unfair not to give the same addition to his only surviving predecessor, Lord Simonds. He left the Woolsack in October 1954, but remains a Lord of Appeal. His pension as a retired Lord Chancellor is therefore in suspension at present, but when it became payable he would be entitled to a pension increase of £450. From one point of view it would be reasonable that he should be regarded for this purpose as a member of the higher judiciary. But it would be equally reasonable to regard him as a former Minister. If one former Minister were to receive a pension increase it would be difficult to answer those who might say that former Prime Ministers (who now receive £2,000 a year) should also have it. And it might be held that Mr. Speaker Morrison (for whose pension provision a special Bill will be required at the beginning of next session) should have some increase on the figure of £4,000 which has stood for many years. Clearly we must consider very carefully whether it would be expedient to give a pension increase to Lord Simonds.

13. For completeness I should mention two other points. First, no difficulty will in any event arise as regards the widows of retired members of the higher judiciary. They have been covered by previous Acts and will be covered by the one now proposed even if the higher judiciary itself is not. Secondly, although I have given examples only for England and Wales what I have said above applies to the higher judiciary of Scotland and Northern Ireland.

14. We shall need to consider, in the light of our discussion, the timing of any announcement.

Conclusion

15. I invite my colleagues to—

(i) Agree that I should submit to them, after consultation with the Lord Chancellor and the Secretary of State for Scotland, detailed proposals for legislation to improve the pensions of the higher judiciary.

(ii) Consider whether the higher judiciary should be brought within the scope of the Pensions (Increase) Bill; and, if so, whether its benefits should extend to Lord Simonds.

(iii) Consider the timing of any announcement.

D. H. A.

Treasury Chambers, S.W. 1, 16th April, 1959.
CABINET

MALTA DOCKYARD

MEMORANDUM BY THE SECRETARY OF STATE FOR THE COLONIES AND THE CIVIL LORD OF THE ADMIRALTY

On 24th July, 1958, the Cabinet approved the transfer of Malta Dockyard to a company to be formed in Malta by Messrs. C. H. Bailey (Newport, Mon.) (C.C. (58) 64th Conclusions, Minute 6). More detailed investigations showed a need for a more extensive and better scheme for developing the Dockyard for commercial use, with consequential changes in the financial arrangements originally contemplated. The new scheme should have a reasonable chance of commercial success and will ensure as far as possible continuity of employment. In February the Prime Minister agreed to the proposed modifications subject to the approval of the Chancellor of the Exchequer. The Chancellor approved the final scheme, the lease of 99 years was signed in Malta on 29th March and Messrs. Bailey took over the Dockyard on 30th March. The following summary of the main provisions of the agreement with Baileys is reported for information.

2. Lease

To facilitate the transfer, the Governor of Malta on 26th March enacted a comprehensive ordinance to unite under one title all the categories of land involved. One half of the rent is paid to the Government of Malta. Under the ordinance the whole dockyard will become the property of the Government of Malta on 30th March, 2058.

3. Financial Agreement

(i) The total initial capital has been increased from £5.5 millions to £6.75 millions made up of:—

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity</td>
<td>750,000</td>
</tr>
<tr>
<td>Debenture</td>
<td>2,000,000</td>
</tr>
<tr>
<td>Unsecured Loan</td>
<td>4,000,000</td>
</tr>
</tbody>
</table>

The £6 millions will be found from the total of £29 millions approved for development in Malta over the next five years.

(ii) No dividends will be paid on the equity capital during the first three years, but at the end of that period the capital will be increased by £250,000 by capitalisation of reserves.

(iii) Interest payments on the Debenture will be limited in the first three years to 2½ per cent. in cash, but if payment cannot be made in cash when due the rate will be 4 per cent., the total on this basis to be funded and added to the principal for repayment over 50 years. After the first three years, interest is payable at 5 per cent. per annum and the servicing of the Debenture will be a prior charge after depreciation.
(iv) Interest on the unsecured loan will be excused for the first three years. After that period interest will be payable at 5 per cent., but actual servicing (whether of principal or interest) will depend on the profitability of the enterprise and will be established at periodic reviews.

(v) Dividend on the equity will be restricted to 12\% per cent. until net profits exceed £250,000 above which level the excess has to be shared between Her Majesty's Government and the company.

These financial arrangements are designed to encourage the firm to put back into the business the profits of the early years and generally to assist them in converting and developing the dockyard as rapidly as possible for optimum commercial use.

4. Board
The firm have accepted that their Board must be strengthened by a director of standing in the City who will command the respect of Her Majesty's Government and the general public.

5. Maltese Participation
Messrs. Bailey intend to include on their Board a prominent Maltese business man, Mr. A. Cassar Torreggiani, but in view of 3 (ii), they have not considered the time opportune to seek equity capital in Malta. The need to secure Maltese capital is accepted as an essential aim, but it has not been considered necessary to get the firm to commit themselves on timing or on the amounts. They have in mind an issue of Preference Shares at 6 per cent. to 7 per cent. possibly convertible later to ordinary shares. It has been agreed that if these shares were issued in the first three years they would not be subject to dividend standstill.

6. Admiralty Plant and Machinery
The agreed total price for this is £765,000 of which £230,000 will be paid shortly, and the balance in equal annual instalments between the fourth and tenth years of the enterprise. This concession has been made in order to make it more certain that the firm can convert a third dock (No. 2) at an early date. This conversion is now included in the development plan.

7. Pension Scheme
A contribution, probably between £200,000 and £250,000 will be made to the firm's pension fund in respect of the older unestablished men taken over from Admiralty service. The cost will be borne on the Admiralty's Non-Effective Vote. This has been notified to Parliament by means of an arranged Parliamentary Question and Answer (Official Report 20th March, 1959).

A. L.-B.
T. G.

16th April, 1959.
CABINET

LIBERALISATION OF DOLLAR IMPORTS

MEMORANDUM BY THE CHANCELLOR OF THE EXCHEQUER

At Montreal last September the President of the Board of Trade, after announcing a number of immediate measures of liberalisation, outlined the future programme as follows:

"The next move will be to make a start in freeing our imports of consumer goods and the remaining foodstuffs. Exactly what we shall be able to do and when will depend on certain well-known conditions. I have in mind the need to be sure both that world trade is expanding and that we are free from inflation at home.

But broadly speaking this is what we would propose to do. All being well we hope to make a start next year. First, we should remove the controls on as wide a range of consumer goods and foodstuffs as we could. Secondly, we should establish, or increase, quotas for items where, in our judgment, the cost of total liberalisation might be greater than we could afford at that time. The next stage would be progressively to increase these quotas until the items were completely free. Thirdly, there would remain a limited number of items presenting special difficulties. Each of these would be considered over a period of time on merits."

2. The Economic Policy Committee have been considering the steps to be taken to give effect to this pledge. It is proposed to liberalise a wide range of consumer goods, including foodstuffs, at present liberalised from Western Europe where the net cost of additional imports is expected to be comparatively small—many items negligible and none apart from books and periodicals costing more than £1 million. In addition it is proposed that the United States and Canada should have access to existing quotas for Western Europe and other sources of supply. These quotas would be enlarged so that Western Europe would not be able to complain that we were reducing their trade with us. Finally, some increases are proposed for existing dollar quotas and one new dollar quota—canned meat—is suggested. The total cost of additional imports is not likely to exceed £17 millions. Switches from the sterling area to other sources of supply should be less than £500,000. We think it would be desirable at the same time to offer to negotiate with Japan on a number of items in which they have a trading interest with us. The Committee have considered the proposals in detail, and I do not think my colleagues need be concerned with them.

3. At the same time it will be necessary to give greater freedom to the Colonies in their import licensing from the dollar area and it is intended to allow them to import dollar goods with the same freedom as they import from the Organisation for European Economic Co-operation area. (There is no satisfactory intermediate step.) This may lead to some switch from the United Kingdom as a source of supply and might affect our balance of payments up to perhaps £5 millions a year.

SECRET
Economic Considerations

4. There is no reason for refusing to allow people to buy from Canada and the United States (the one a Commonwealth country, the other our principal ally) goods which they can buy freely from, say, France and Germany, at a time when sterling acquired by France and Germany can be freely converted into dollars.

5. The step is not a concession to the United States and Canada. It is carrying out a long-standing international commitment and a specific pledge made at Montreal. We have been and shall be under continuing pressure to do it; both the Canadian Prime Minister and the President of the United States raised the subject with the Prime Minister and there have been a number of other approaches by the United States both in London and Washington. We shall certainly be pressed both in the General Agreement on Tariffs and Trade (GATT) session in May and at the meeting of Commonwealth officials immediately before it to say what we intend to do. Moreover, discussion is already beginning about the timing of a general move from the transitional post-war provisions of the International Monetary Fund to the permanent provisions under which countries will not be entitled to maintain discriminatory restrictions on trade and current payments. We shall not be able to defer this move for long and we should not wish to see other countries (e.g., Germany) make it before us. But we should like to do the necessary removal of discrimination against dollar imports in stages.

6. Given the small cost of what is proposed in relation to our total trade and the small fraction of this cost for each individual item I feel sure that we ought to make the move.

Political and Other Considerations

7. Nevertheless the change is liable to lead to political misunderstanding. Both the Opposition and some of our own back-benchers still think in terms of "dollar scarcity," though this is something which disappeared from economic reality some time ago and over the years 1953–56 there was a net outflow of funds from the United States averaging $11 billions a year; in 1958 the outflow was about $3 billions and it is expected to be much the same in 1959. Moreover, an increasing proportion of the aid made available by the United States to the rest of the world is being spent on foreign goods (whereas in fiscal 1955, 79 per cent. was spent on United States goods, in the first half of fiscal 1959 it was only 47 per cent.). There is talk about the weakness of the dollar. The danger is that the United States may try to rectify their position by steps which will be damaging to our own trade, and the right course will be for us to continue to urge on them the importance of expanding and freeing world trade.

8. Public opinion may look askance at a liberalisation of imports from the United States at a time when they have appeared to be damaging our trade (e.g., restriction of oil imports, the Decca navigational aid problem, the wool tariff and tendering for public contracts). The fact, however, is that the policy of the United States Administration has on the whole been very liberal; it is only the exceptions that receive comment. Moreover, the measures taken by the United States have been of general application and not directed solely against us, whereas our discrimination is directed solely against the United States and Canada. If we continue to restrict imports from the United States in a discriminating way it strengthens the hands of those in the United States who want to impose restrictions on trade and weakens our friends there who want to continue liberal policies.

9. Our restrictions against the United States are far greater than their own restrictions. We have a wide area of trade where there are no quotas at all and a substantial area still on quota whereas they have, apart from a range of agricultural products in which we have little interest, very few restrictions (oil, lead, zinc and wool fabrics). An interesting case is motor cars where our exports in 1958 to the United States were worth £63 millions with £19 millions to Canada whereas we were only prepared to license the import of 650 cars from North America. In fact only 203 came in from the United States (value £260,000) and 188 from Canada. It is quite extraordinary that the American motor industry should have tolerated the inroad which we have made on their domestic market while we have been restricting their market here; the fact that at present they are not even able to sell the very small number of cars which we allow them to send is regarded by the Americans as a reason for general suspicion of our intentions, since clearly the complete removal of the quota would be very unlikely to damage our own industry.
10. The United States Economic Minister in London has now told the Parliamentary Secretary to the Board of Trade that the Americans are proposing to take three steps—

(a) a reassessment of their basis for tendering for public works contracts which will give much better opportunities to the United Kingdom;
(b) to send over a representative to negotiate about the Decca navigational aids;
(c) to adjust the wool tariff quota arrangements in a way which will assist the United Kingdom.

The President of the Board of Trade is to see the American Ambassador on Monday, 20th April, to seek to confirm that this is so. If it is, it is a most desirable development which we should do everything in our power to encourage and it would seem to remove a political difficulty which has raised doubts about the wisdom of further liberalisation of our own dollar imports.

Conclusion

11. I believe that failure to carry out our obligations by removing existing discrimination against Canada and the United States would be a false step not only contrary to our economic interest, but having grave repercussions on our relations with the United States, on which so much of our policy depends, and with Canada, a member of the Commonwealth divided from the rest by quota discrimination for twenty years. I therefore conclude that, if the talk between the President of the Board of Trade and the American Ambassador confirms the information which has been given to the Parliamentary Secretary of the Board of Trade, we should take further steps to liberalise our dollar imports on the lines indicated in this paper.

We should, of course, need to consult other members of the Commonwealth and the Colonies in the ordinary way, but I should like to get this done in order that our policy may be announced before the G.A.T.T. session in May. Otherwise we shall find ourselves exposed to severe criticism which it will not be possible to answer effectively.

D. H. A.

Treasury Chambers, S.W. 1,
16th April, 1959.
CABINET

ARMS FOR THE CARIBBEAN

MEMORANDUM BY THE SECRETARY OF STATE FOR FOREIGN AFFAIRS

On 17th February my colleagues invited me, in consultation with the President of the Board of Trade, to circulate a memorandum on the scope for the export of arms and civil equipment to the Dominican Republic (C.C. (59) 10th Conclusions, Minute 4).

2. This question must be considered in the context of the tense situation in the Caribbean arising from the revolution in Cuba. Although the Prime Minister of Cuba, Dr. Fidel Castro, has said he will not lead liberation movements, his victory, and his pronouncements since, have resulted in Cuba becoming a centre for activities directed especially against the dictatoral regimes of General Trujillo in the Dominican Republic, and President Duvalier in Haiti. Dr. Castro has lost prestige because of the executions, his own arbitrary behaviour and his lack of coherent policy. But he still commands great emotional support, not only in Cuba, and feelings against dictatorships remain strong, practically throughout Latin America and particularly in Venezuela and Mexico.

3. In the Dominican Republic, General Trujillo is trying to buy arms wherever he can, in self defence against the danger of an invasion, whether launched direct or through Haiti. His régime is ruthless and the sale of “sharp” arms by the United Kingdom would arouse strong hostile reactions both here and in Latin America. Nevertheless General Trujillo’s overthrow would in all probability lead to chaos in the Dominican Republic and even greater instability in the area as a whole.

The United States Attitude

4. The United States Government have decided to suspend the supply of arms to the area for the time being, and are now pressing all friendly supplying countries, including the United Kingdom, to do likewise. On the other hand between 1st January and 10th February they approved the export of various items, mainly aircraft spares to the Dominican Republic, and more recently six small trainer aircraft and a C.74 Globemaster and a C.74 V.I.P. aircraft to Cuba. The United States Government hope to avoid driving either side into purchasing from the Soviet bloc by explaining that their policy is not an embargo but a practice subject to continuous review in consultation with the other Governments concerned.

Anglo-Dominican Trade

5. The United Kingdom has an adverse trade balance (£10 millions in 1958 and almost £20 millions in 1957). There is little prospect of our being able significantly to increase exports of traditional lines of goods (motor vehicles,
industrial machinery), but the Dominican Government are considering electrification schemes covering the whole country (a total figure of £100 millions has been mentioned) and have suggested the possibility that large-scale orders for electrical equipment might be placed here (C.C. (59) 3rd Conclusions, Minute 5). Various British firms including Associated Electrical Industries and International Combustion Limited are showing great interest. Although the Dominicans would prefer to place their main civilian orders with any country which will also supply arms, as a Government-to-Government transaction, it is hoped that even if the United Kingdom supplies no arms some big contracts may come our way. Nevertheless a change in régime might prevent their fulfilment and lead eventually to losses for British firms.

6. In reply to insistent pressure to supply them with a wide range of arms, the Dominicans have been told that it is politically impossible for us to do so at present, although the position might be reconsidered in a few months' time. We have suggested however that they should supply us with a list of marginal items and civilian requirements. This list has not yet reached us, and meanwhile the Dominicans are believed to be buying arms elsewhere, particularly through Spain, France, Belgium, Sweden and Holland. The United States appeal for a suspension of supplies has been addressed to all these countries.

7. Marginal items might include helicopters, patrol vessels (if unarmed) and possibly aircraft spares. Approval has already been given to the sale of four unarmed helicopters fitted out for air-sea rescue work. There is a case for supplying aircraft spares when the aircraft are of British design, and United Kingdom manufacturers have been penalised by the complete ban we have maintained in recent months; but the United States would strongly object if we did this and it would make it more difficult for them to restrain other countries. But the release of a few unarmed patrol vessels, for which the Dominicans have been pressing hard, would be less objectionable and together with the sale of the helicopters might notably improve our prospects of obtaining a share of the large civil orders. It was originally proposed that the release of patrol vessels from stocks should be accompanied by the placing of orders for further small ships of a similar type in British yards, which would be particularly welcome from the point of view of employment. But it is desirable that any exceptions to the embargo should be on a once-for-all basis and exceptions relating to the fairly distant future would be likely to prejudice the success of the United States proposal.

Anglo-Cuban Relations

8. Dr. Fidel Castro has ambitious plans for the economic development of Cuba, and our prospects of securing a fair share of any large civil orders that may materialise are good. But he has been pressing us for the release of the five Sea Furies which were sold to the former Government under General Batista, and whose delivery was stopped last December. On 17th February the Cabinet approved the release of these aircraft at an appropriate moment. In accordance with the undertaking given on 15th December, Parliament may have to be informed before they are despatched. It may therefore be impossible to avoid some publicity. Release of the aircraft would:

(a) run contrary to the United States' policy of suspending all arms supplies;
(b) have to be balanced by sales of comparable importance to the Dominican Republic if strong reactions there are to be avoided.

9. There are no strong grounds for making any further exceptions to the embargo in respect of Cuba. Imperial Chemical Industries Limited have been pressing for the reinstatement of a licence revoked in December for the export of sporting ammunition to Cuba, but the ammunition is mainly rifle cartridges and could obviously be used for military purposes.

Conclusions

10. The Caribbean is an area where the United States have the primary concern and responsibility. In the interests of Anglo-American relations it would be most undesirable for the United Kingdom to oppose United States policy in this area if vital British interests are not affected. The unrestricted sale of arms is likely
to prejudice stability and a suspension would at least have some advantage in our
particular relations with Cuba and the Dominican Republic, in so far as sales to
either would antagonise the other. Sales to the Dominican Republic might arouse
great criticism both at home and throughout Latin America. The circumstances
surrounding the release of the five Sea Furies to the Cubans, however, and a
balancing sale of small ships to the Dominicans are exceptional. Their release,
alone, should not prejudice stability in the area nor the United States efforts to
bring about a general suspension of supplies. Our case is much strengthened by
the fact that other countries including the United States have sold military
equipment to the area while we have been imposing an embargo since the beginning
of the year. We could justifiably expect the Americans to accept the exclusion
of the items in question from any suspension.

11. Exceptions could not however be so easily justified for certain other items
such as aircraft spares and sporting ammunition which have been proposed as
marginal nor for contracts for future deliveries of ships to the Dominican Republic.

Recommendations

12. I therefore recommend to my colleagues:—

(i) Acceptance of the United States proposal for a general suspension of arms
deliveries for the time being; the position to remain under continuous
review in consultation with the United States and other Governments.

(ii) As the only exceptions to the above, the early release to Cuba of the five
Sea Furies and to the Dominican Government of up to four small
unarmed patrol vessels; in both cases assurances that these items would
be used for defensive purposes only should be sought.

S. L.

Foreign Office, S.W. 1,
20th April, 1959.
The Indus waters dispute has been one of the two major irritants to Indo-Pakistan relations which have resulted in disproportionate expenditure on arms by both countries and at times to a threat of war between them. Direct negotiations following Partition in 1947 were abortive and since 1951 the International Bank for Reconstruction and Development has been trying without success to secure a settlement. The Bank has now decided that, as a last resort, it must put forward its own compromise plan for a solution of the problem on a "take it or leave it" basis, making it clear that if the plan is not accepted by both parties the Bank will withdraw its good offices.

2. The Bank's plan will be communicated to the Indian and Pakistan Governments by the President of the Bank, Mr. Eugene Black, during visits to Delhi and Karachi beginning on 10th May. In the meantime the Bank has given the outline of the plan confidentially to the United States, Canada, Australia and the United Kingdom and has asked whether it can be assured, before Mr. Black presents the plan to the Indians and the Pakistanis, that these countries would be willing to find certain foreign exchange contributions suggested by the Bank.

3. The total cost of the Bank's plan, at present costs, but with an element for contingencies, is $985 millions. Of this the United Kingdom, Canada and Australia, are between them asked to contribute $70 millions ($25 millions) in grants to Pakistan over the next ten to twelve years. This contribution is small in comparison with the sums to be contributed by the United States and the Bank and would be a price well worth paying for a settlement of this issue, even though for us to make grants to an independent Commonwealth Government would create a precedent and costs during the progress of the plan are likely to rise and our eventual commitment may therefore be substantially higher than the figure which the Bank is asking.

4. The Bank has not made any recommendation on the division of the £25 millions as between the United Kingdom, Canada and Australia but it would seem reasonable for the United Kingdom to contribute 60 per cent, Canada 24 per cent and Australia 16 per cent (i.e. £15 millions, £6 millions and £4 millions respectively).
5. A decision on a United Kingdom commitment is extremely urgent since Mr. Black arrives in London on 4th May and it would be desirable before that date to secure agreement with Australia and Canada on the size of their contributions. The Australian Prime Minister leaves Australia on 28th April and it is most desirable to secure his personal support. We also intend to ask New Zealand to make a small contribution.

6. The Bank’s plan is essentially a compromise one which will not be entirely satisfactory to either India or Pakistan. It is to be presented as a package and the Bank has not given us the full engineering details. They have, however, been advised by consultants in the United States, Canada and the United Kingdom and by a former British irrigation official, and their plan has been approved by General Wheeler, who is their chief engineering consultant. There is, therefore, no reason to think that a better plan could be devised which, given the historical and political background, would stand any chance of acceptance.

7. If we and the other proposed contributors are not prepared to support the Bank’s plan or if it is rejected by India or Pakistan, the consequences will be extremely serious since India is committed to withdraw waters at present available to Pakistan for her own new irrigation schemes in Rajasthan and if no provision for replacement is made a large part of the Pakistan Punjab will be starved of water supplies. Pakistan has made no secret of the fact that if necessary she would fight in such an eventuality. Thus, if the Bank’s plan is not accepted, we can anticipate at best a rapid and critical deterioration of Indo-Pakistan relations and probably, as a result of the inevitable recourse to the United Nations Security Council, a major weakening in relations between the West and India. On the other hand a settlement should go a long way towards creating a new atmosphere between the two countries in which some of the other but less vital problems (such as refugees and arms supplies) might likewise be solved. The reduced tension between the two countries should also take some of the heat out of the Kashmir dispute.

8. I have consulted the Chancellor of the Exchequer on this matter and we are agreed in recommending to our colleagues that the United Kingdom should agree to contribute £15 millions in grants over the next ten to twelve years provided that India and Pakistan accept the plan and provided also that Canada and Australia are willing to make contributions of the order of £6 millions and £4 millions respectively.

H.

Commonwealth Relations Office, S.W.1.

22nd April, 1959
CABINET

SPACE RESEARCH

MEMORANDUM BY THE LORD PRESIDENT OF THE COUNCIL

We have been under pressure for some time to define our attitude to space research. The object of this paper is to report to my colleagues the present situation, and to make proposals.

The Present Position

2. British scientists have already made notable contributions in this field. Our universities, the Radio-Telescope at Jodrell Bank, Ministry of Supply Establishments, and the Slough Radio Research Station of the Department of Scientific and Industrial Research (D.S.I.R.) have shown that we are in the lead in "tracking" the satellites already put up by the United States and Russia. Our programme of SKYLARK rockets launched at Woomera, for taking measurements by "vertical sounding" of the atmosphere and stratosphere, has gone very well. Our objective should, I suggest, be to develop a space programme designed to give the highest possible scientific dividends consistently with reasonable cost, in a field where, of course, expense as well as research tends to be astronomical. I do not think that in a matter of this kind we should primarily be concerned with considerations of national prestige. As the Advisory Council on Scientific Policy (A.C.S.P.) have observed, scientific prestige is obtained only through research of real scientific importance. It does not depend on the size or spectacular nature of the project. Projects designed primarily for prestige are likely to fail in their main objective.

3. With this general end in view, a group of members of the Royal Society recently worked out, in collaboration with experts from the Ministry of Supply, a programme of experimental work with earth satellites which, on present knowledge, they consider likely to be most valuable scientifically. The programme is, in essence, one for the design and construction of instruments to be "flown" in earth satellites launched in suitable rocket vehicles. The instruments will be used to make a wide variety of measurements, for instance, of the atmosphere, ionosphere, and magnetic field of the earth, long-term meteorological research, astronomical observations and measurements of radiations inaccessible at the surface of the earth, and the study of cosmic radiation and interplanetary dust.

4. I arranged for this programme to be referred to the A.C.S.P. They have now recommended that there is a strong case, on scientific grounds, for a carefully planned programme of research of this type, requiring initially perhaps five earth satellites. They consider that such earth satellites provide a means of enlarging considerably our knowledge of the planet on which we live, and from that point of view are more important than the more ambitious type of space exploration. On the other hand, the A.C.S.P. have expressed the definite opinion that schemes of research involving lunar, planetary or solar probes are for us unwarranted because their cost is likely to be disproportionate to their scientific value, and that the financial and other scientific resources which such schemes would entail could be put to far more rewarding scientific purpose.
5. The work involved to perform the kinds of experiments recommended by the scientists falls under three main, technically interconnected, heads, namely, the provision of instruments, the provision of satellites to carry the instruments, and the provision of rockets to launch the satellites.

**Instruments**

6. The instruments required must be designed to meet the needs of the specific experiments proposed. I am advised that the design and manufacture of the instruments required by the proposed programme would cost a sum of the order of £100,000 to £200,000 a year. I am further advised that the instruments could be designed and produced within two or three years. Clearly, the provision of such instruments is a fundamental requirement of any United Kingdom space research programme, and I therefore recommend that we should agree to this programme of instrumentation and that we should provide the funds. An early announcement of our intention is important in order to end uncertainties in the Universities and, as explained later, for the negotiations about satellites and launching arrangements. I therefore advise that our public commitment to such a programme should be made known without delay.

7. I should emphasise that the instrument programme of £100,000 to £200,000 a year does not include the satellites themselves, still less the launching rockets, and it would be unrealistic to think that our financial commitment might not eventually be much larger. Moreover, there would be many serious difficulties, partly political but mainly technical, in arranging a co-operative programme with other nations to incorporate our instruments in satellites provided and launched by someone else. I believe we must recognise now that such provision as I propose above is only a first instalment of what might ultimately become a more costly space research programme.

**Rockets and Satellites to Carry the Instruments**

8. The performance of the United States and Russia up to date shows that a wide variety of rockets can be used for launching earth satellites, and that the satellites to carry the instruments can be of widely differing designs. But it is obvious that in practice there must be close collaboration between the designers of instruments, satellites and rockets.

9. Here we have to consider the politically and technically complex question of possible international, or Anglo-American-Commonwealth, collaboration. On this, the A.C.S.P. commented that it would, of course, be simplest for the United Kingdom to launch its own satellites. According to the A.C.S.P. this could be done with American-built rockets or by some modification of BLUE STREAK. On the assumption that BLUE STREAK continues to be developed for military purposes, the Ministry of Supply estimate that this alternative would cost us between £10 millions and £20 millions spread over five years, and that this sum would include the provision of five satellites and their launching vehicles. But the A.C.S.P. considered that there are obvious dangers in tying to a military project a scientific programme which as yet is of no definable military value and which would not, under any circumstances, warrant the expenditure necessary for the complete development of a rocket vehicle. The A.C.S.P. were also not prepared to say that they could regard a programme for five terrestrial satellites, to carry the instruments recommended in the scientific programme, as justifying the expenditure of £10 millions to £20 millions as an addition to our civil science research budget. Other projects could well have a higher priority if such an additional sum were to become freely available for civil science. The A.C.S.P. therefore recommended that, as a first step, an immediate approach be made to the United States to ascertain under what terms suitable rockets might be made available, since, if they were obtainable cheaply, this might offer the cheapest and quickest solution. The A.C.S.P. also considered it desirable that the possibility of Commonwealth (or United Kingdom-Canada-Australia), or Commonwealth-United States, co-operation in the launching of satellites be explored at once. There might be both technical and financial reasons for doing this.

10. I should record here that there already exists an international scientific organisation in this field, the Committee on Space Research known as COSPAR (set up by the International Council of Scientific Unions as the focal point for
The collaboration between the international learned organisations for physics, chemistry and the other scientific disciplines. The British end of this scientific activity is looked after by the British National Committee on Space Research, convened by the Royal Society, containing the leading scientific and official experts on space research. The Chairman of this Committee is Professor H. S. W. Massey, Professor of Physics, University College, London, who, in practice, acts as a central point for most of the United Kingdom scientific activity in this field. The Russians are, at present, collaborating in COPSP.

The Recent United States Offer

11. As a coincidence, very shortly after the A.C.S.P. reported, a United States representative informed COPSP that the United States had offered to undertake, free of charge, the launching of satellites instrumented by scientists of other countries. This fits in well with the A.C.S.P.'s recommendation referred to above.

12. Recent discussions in the United States have shown lack of precision about the imaginative offer, to "fly" other countries' instruments, made by the Americans. The United States civilian agency concerned, the National Aeronautics and Space Administration (N.A.S.A.), plan to use a new rocket, the SCOUT, which is not yet operational. We do not yet know what proportion of the experiments recommended by our scientists, and the instruments which we shall develop for them, can, in practice, for technical reasons, be flown by the Americans. We do not know what restrictive, or other, conditions the Americans may impose, though it is fair to say that the American approach seems very flexible. They would be ready to "fly" instruments, or even "black boxes," or complete satellites made by us, or might sell us rockets for launching ourselves. They would apparently consider both an Anglo-American operation, and an entirely international one, under COPSP. Needless to say, complete international collaboration in this field might prove very difficult to negotiate and organise.

13. The only possible conclusion on the American offer, at this stage, would seem, therefore, to be that a party of experts should be sent to the United States at once—armed with our decision to go ahead with the instrument programme—and report back about what proportion of this programme could, if this is acceptable politically to us, be "flown" by United States rockets, and what the technical and financial implications would be.

A British, or Commonwealth, Programme of Launchings

14. As indicated in paragraph 9, the Ministry of Supply have estimated that the cost of modifying BLUE STREAK to provide five satellites and launching vehicles would be of the order of £10 millions to £20 millions over five years. I should like to make it clear that I have a completely open mind on the extent to which we should go along this road. A BLUE STREAK satellite programme may prove in the end—especially if it has a strong Commonwealth element—to be desirable both technically and politically. But what does seem clear is that we cannot, at this stage, come to any decision on this matter until we know what are the technical, financial and political implications of the United States offer. I think that we should be quite frank on this in any statement we make. In coming to a final decision on the launching aspects of our programme, we may well need more information as to the potential importance from the point of view of British "know-how," industrial development, &c., of being "in on" launching rockets, satellite design, &c., as well as on the planning of the instruments to carry out the actual experiments.

Questions of Organisation

15. This paper has been prepared after discussion among senior officials, and, at this point, I should like to record their recommendations on various administrative points—

(a) I understand that the consensus of official opinion is that, as the basic object of this exercise would be the advancement of scientific knowledge, it would be right for the Lord President of the Council, as the Minister generally responsible for civil science, to be regarded as the Minister primarily responsible for the space programme. If my colleagues agree, I am ready to accept this view.

SECRET
(b) But the subject is, of course, of close concern to a number of Departments and other bodies, spanning a much wider field than the organisations under the Lord President. I recognise particularly that the Ministry of Supply, quite apart from what I might call the BLUE STREAK element, have already made, and must continue to make, a massive contribution in this whole field.

(c) In view of the wide range of interests concerned, officials think that there is a need for what we might call a Steering Group. This would include senior representatives (i) of the bodies with executive parts to play in the space programme, e.g., the Ministry of Supply, the Air Ministry, the D.S.I.R., and the British National Committee on Space Research (an important source of scientific advice, and providing a link with COSPAR), and also (ii) of other bodies with a more general interest, e.g., the Royal Society, the Treasury, the Ministry of Defence and the Foreign Office. The choice of Chairman will be important. I endorse the officials' recommendation as to the need for a Steering Group on Space Research, and I think we should proceed to set it up at once.

(d) On the matter of Vote accountability, the different Departments concerned, e.g., Ministry of Supply and D.S.I.R., would finance their components of the programme from their respective Votes. Much of the proposed expenditure on the development of instruments would consist of grants to teams in Universities and these could conveniently be administered through the D.S.I.R.'s existing organisation. I believe that the Royal Society would prefer to be given a block grant by the Treasury, which they could themselves disburse to the Universities but this seems inappropriate for a Government programme of this kind. We must, however, secure the full co-operation of the Royal Society, and they should therefore be given adequate representation on the Steering Group.

(e) The Foreign Office has recalled that the United Nations General Assembly, in the autumn of 1958, set up an ad hoc Committee on the Peaceful Uses of Outer Space, which the Soviet Union has, unfortunately, indicated it will boycott. One of the tasks of the ad hoc Committee is to recommend the form of United Nations organisation required to handle the United Nations aspects of peaceful collaboration on space research in the future. The Foreign Office have been advised that international scientific activities in this field could best be handled by COSPAR. The United Kingdom representative on the Committee, which meets in May, is being briefed in this sense, and also to resist any proposal for setting up at any rate at present, a United Nations Specialised Agency; but he could support a recommendation by the present United Nations ad hoc Committee that a continuing Committee of the United Nations should be created to carry on the work for the time being.

Summary and Suggested Government Announcement

16. My recommendations can be summarised as follows—

(1) We should take a decision to embark upon a space programme, the objective of which would be the obtaining of scientific information, and confined, at present at any rate, to experiments with earth satellites (excluding "probes" to the moon, the planets, or further).

(2) The first step in such a programme must be the design, by the scientists, of instruments to make the measurements. Such an instrument programme, estimated to cost a figure of the order of £100,000 to £200,000 a year, has been recommended by the scientists and blessed by the A.C.S.P. I advise that we should accept this programme, provide the funds for it, and announce this publicly.

(3) The Americans have recently offered to "fly" instruments designed by other countries. We cannot come to final conclusions about the technical, financial and political implications of this offer until we have much more detailed information about it. An expert team should therefore be sent to the United States at once.
SECRET

(4) Until we have much more information about the American offer, we cannot decide to what extent we should ourselves plan to embark on launching instruments and satellites by an adaptation of our own BLUE STREAK rockets. If we decide to embark on such an adaptation, it may cost £10 millions to £20 millions over five years, above the cost of BLUE STREAK attributable to defence.

(5) In order to co-ordinate the United Kingdom work on the space programme, a Space Research Steering Group should be set up, with representatives of the Departments and expert bodies concerned, under the general aegis of the Lord President.

17. As I have explained, there are a number of reasons, including the need to clear up the position about the instrument programme well in advance of the university academic year, which I consider make it desirable for an immediate announcement to be made. I attach a draft.

HAILSHAM.

Office of the Lord President of the Council, S.W. 1,
23rd April, 1959.

BRITISH SPACE RESEARCH PROGRAMME

DRAFT STATEMENT BY THE PRIME MINISTER IN THE HOUSE OF COMMONS
AND THE LORD PRESIDENT IN THE HOUSE OF LORDS

British scientists are already playing a distinguished part in space exploration, through our programme of SKYLARK rockets fired at Woomera in collaboration with the Australians for the "vertical sounding" of the atmosphere and stratosphere, and in our achievements in the accurate tracking of United States and Russian satellites by the Jodrell Bank Radio-Telescope and elsewhere. For some time our scientific experts have been planning a more ambitious programme of experimental work with instruments designed and constructed in this country and flown by satellites orbiting the earth. The programme will be designed to increase our scientific knowledge of our own planet and its surrounding atmosphere, stratosphere and ionosphere. It should also enable us to make observations of the heavenly bodies and cosmic rays in ways impracticable from the earth's surface. The Advisory Council on Scientific Policy have recommended that this experimental programme should be proceeded with at once, in the interests of scientific progress. They also consider that the probable scientific advantage to this country to be obtained from lunar or planetary probes or excursions would not at present be likely to be commensurate with the cost.

The Government accept these recommendations. We agree that our basic objective should be the potential contribution to scientific knowledge, and that we should not approach the matter as contestants in a so-called "space race."

The scientific programme for designing and manufacturing instruments is likely to cost some £100,000 to £200,000 a year. This sum the Government have decided to make available, and the scientists concerned in the Universities and elsewhere will be authorised to go ahead with the work immediately.

This design work on instruments will inevitably take some time and can, we are advised, proceed in advance of a final decision as to the rockets necessary to fly them. As to this the Government have a choice between either or both of two possibilities. Either we can, at any rate in the first instance, seek to employ American-built rockets, or we can develop rocket vehicles of our own construction either by ourselves or in conjunction with other Members of the Commonwealth. The United States have recently made a generous offer to fly instruments or satellites designed by other countries by means of their own rocket launchers.
This offer was made to COSPAR, the International Scientific Committee on Space Research, established under the auspices of the International Council for Scientific Unions, in liaison with which the Royal Society have established a British National Committee on Space Research, which is planning the details of the instrument programme.

The Americans have made their offer in general terms, and the next step, as we see it, must be detailed technical discussions between the experts as to the scientific, technical and financial implications. In particular, of course, we shall desire to study the technical feasibility of the different instruments, planned under our experimental programme, being launched with American rockets. These technical discussions may well take some time. Only after this can the Government come to a decision about our response to the American offer. In the meantime, as is well known, the BLUE STREAK programme, which could be adapted to provide an initial launcher, is going ahead.

A number of bodies in the United Kingdom are already playing a considerable part in space research matters. These include the Royal Society, the British National Committee on Space Research under the chairmanship of Professor H. S. W. Massey, the Ministry of Supply, several of whose establishments are making big contributions quite apart from their responsibility for BLUE STREAK, and the Department of Scientific and Industrial Research, particularly through its Radio Research Station. The Government propose that this matter should be treated primarily as one of civil scientific research and I have asked the Lord President [the Prime Minister has asked me] to exercise general supervision of the programme, in close consultation with the Minister of Supply and the other Ministers concerned.
CABINET

LIBERALISATION OF DOLLAR IMPORTS

MEMORANDUM BY THE CHANCELLOR OF THE EXCHEQUER

I do not wish to burden my colleagues with another lengthy paper on this subject. I would, however, like to emphasise the following points:

(a) General Agreement on Tariffs and Trade (GATT) and the International Monetary Fund (I.M.F.)

We must not under-estimate the importance internationally of our failure to take this further step towards liberalisation. It is not that it will be helpful to us in the GATT and the I.M.F. if we take it; it is that we shall come in for very severe criticism indeed if we do not. At the GATT meeting in May we shall be in the dock, compelled to justify our remaining restrictions and discrimination, under procedures which we have been foremost in establishing because of the importance to us of securing the maximum freedom of trade and payments. We have no answer to make. There is no justification we could offer for failure to take this further limited step in the removal of restrictions; and the damaging conclusion might be drawn that all is far from well in the United Kingdom, or that we are taking offensive action in breach of specific commitments against the United States. This would have most serious repercussions. It could well put at risk our rights of access to the Fund’s resources.

(b) Effect on the Balance of Payments

The proposals are estimated to involve at the outside an addition of perhaps £17 millions to our import bill. This has to be measured against the yearly bill of around £4,000 millions. The effect of these proposals and those for the Colonies together on the balance of payments may be perhaps £20 millions. This is well covered by the estimated surplus on current account this year of the order of £250 millions, after allowing for Budget reflation.

(c) Reciprocity

The United States has no quota restrictions at all on United Kingdom exports; the present proposals for liberalisation themselves show that we impose quota restrictions on hundreds of different products from them, and when we have freed the present list we shall still have restrictions over a considerable number of their important exports. As an example of the way in which the rules work against the United States, we exported to the United States cars to the value of £63 millions in 1958; they exported to us cars to a value of £260,000.

(d) The United Kingdom Tariff

The Prime Minister asked about tariff protection on the goods to be liberalised. Goods from Canada will, of course, be free of duty (or enjoy preferential rates) and this in itself means that the proposals confer an advantage on Canada over the United States. The tariff on United States goods from Canada will, of course, be free of duty (or enjoy preferential rates) and this in itself means that the proposals confer an advantage on Canada over the United States.
goods is set out in the Annex. This shows that the tariff will be 10 per cent, or greater in nearly every case. In many cases the tariff will be 20 per cent, or more. These tariff rates are the same as we impose against other foreign countries, including Germany which, of course, generally has lower costs than the United States. In some cases the level of the tariff has been bound as part of a bargain for which we received value in return; but United States benefits under the bargain have for years been frustrated by the quotas.

(e) Timing

It has been suggested that it might be sufficient to reaffirm at the GATT meeting in May the Montreal declaration and say that we will take the further measures foreshadowed then in the next two or three months. It would be thought odd that we felt able to take, as approached the seasonally weaker period, steps which we could not take now. But a firm statement of this kind, without any qualification, would undoubtedly go some way towards avoiding the dangers of taking no action now. Clearly, the more our spokesman was able to define the scope of the next step the more acceptable it would be internationally. But the more he did say, the less would be the advantage to be gained domestically from postponing an announcement here. Any attempt to qualify the statement, or to make it conditional on action by others, would inevitably lead to the dangers I have mentioned above.

2. In general the time to take any strain there may be in removing restrictions is when the economy is expanding. The steps we have taken, culminating in the Budget, will ensure that when this liberalisation becomes effective we are in the best position both internally and on the balance of payments to accept it.

3. Assuming we decide to go ahead on Thursday, I propose that the Commonwealth should be informed of our proposals immediately afterwards. It is important that at the Commonwealth Officials’ Meeting on 5th May we should be able to say that proposals have been communicated to their Governments. Informing the Commonwealth creates some risk of leakage, but there is no commercial danger in this because (unlike the situation when import cuts are imposed) traders can gain nothing by anticipating the Government’s action.

4. A public announcement could be put off as long as the GATT proceedings allow, perhaps until the third week in May. But it would obviously be desirable to make it before the Whitsun Recess as it could not be held up until after Parliament reasssembles. In any case, I think I should inform Mr. Anderson in confidence of the proposals when I see him on 7th May.

D. H. A.

Treasury Chambers, S.W.1.
28th April, 1959.
ANNEX

PROTECTIVE IMPORT DUTIES ON ITEMS TO BE LIBERALISED

NOTES

1. Only protective (and not revenue) duties are shown.

2. The duty chargeable on imported goods depends on their precise description. Column 4 therefore gives only a broad indication of the duty (or range of duties) likely to apply.

3. The duties shown are the full rates applicable to foreign (including United States) goods. Goods of Commonwealth (including Canadian) origin are free from protective duty except where a Preferential (“Pref.”) rate is shown for them.

I.—Goods on relaxation Open General Licence to be liberalised from the dollar area

<table>
<thead>
<tr>
<th>Category</th>
<th>Goods</th>
<th>Cost of Liberalisation</th>
<th>Protective Import Duty</th>
</tr>
</thead>
<tbody>
<tr>
<td>(f)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
</tr>
<tr>
<td>A1 and E1</td>
<td>Live animals for breeding or slaughter</td>
<td>200,000 Quadrupeds—free; others—10%</td>
<td></td>
</tr>
<tr>
<td>A2</td>
<td>Frozen beef tongues</td>
<td>Nil</td>
<td>Free</td>
</tr>
<tr>
<td>Canned soups</td>
<td>100,000</td>
<td>7½% (except tomato soup—10%)</td>
<td></td>
</tr>
<tr>
<td>A3</td>
<td>Butter</td>
<td>300,000</td>
<td>1s. per cwt.</td>
</tr>
<tr>
<td>Cheese</td>
<td>500,000</td>
<td>Blue-veined 10%; others 15%</td>
<td></td>
</tr>
<tr>
<td>Eggs in shell</td>
<td>Nil</td>
<td>1s., 1s. 6d., or 1s. 9d. per 120, according to weight</td>
<td></td>
</tr>
<tr>
<td>Eggs not in shell</td>
<td>100,000</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>Honey</td>
<td>Nil</td>
<td>5s. per cwt.</td>
<td></td>
</tr>
<tr>
<td>A4</td>
<td>Fish, other than salmon, in airtight containers</td>
<td>50,000</td>
<td>10%</td>
</tr>
<tr>
<td>A5</td>
<td>Seeds, canary and millet</td>
<td>Nil</td>
<td>10%</td>
</tr>
<tr>
<td>Macaroni, spaghetti, &amp;c</td>
<td>Nil</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>Cereal breakfast foods</td>
<td>18,000</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>Biscuits</td>
<td>Nil</td>
<td>10% (including any revenue duty)</td>
<td></td>
</tr>
<tr>
<td>Cake and flour confectionery</td>
<td>Nil</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>Malt extracts</td>
<td>Nil</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>A6</td>
<td>Fruit, fresh or raw, other than apples, pears, citrus, bananas</td>
<td>350,000 Mostly 10% ad valorem, with specific duties, usually of higher incidence, in the home season</td>
<td></td>
</tr>
<tr>
<td>Fruit pulp (other than apple)</td>
<td>Nil</td>
<td>15%, or, in some cases, the rate for the whole fresh fruit</td>
<td></td>
</tr>
<tr>
<td>Jams and marmalades</td>
<td>Nil</td>
<td>10% (including any revenue duty)</td>
<td></td>
</tr>
<tr>
<td>Edible nuts</td>
<td>Nil</td>
<td>Free, 7½% or 10% according to type</td>
<td></td>
</tr>
<tr>
<td>Canned vegetables</td>
<td>100,000</td>
<td>10% or 15% according to type</td>
<td></td>
</tr>
<tr>
<td>Frozen and fresh vegetables</td>
<td>100,000</td>
<td>Frozen—10%; fresh—mostly 10% ad valorem, with specific duties, usually of higher incidence, in the home season</td>
<td></td>
</tr>
<tr>
<td>Chutney, pickles, &amp;c</td>
<td>Nil</td>
<td>10% (including any revenue duty)</td>
<td></td>
</tr>
<tr>
<td>A7</td>
<td>Sugar confectionery and other sugar preparations</td>
<td>150,000 Sugar confectionery—10% (plus any revenue duty); most others—revenue duty only</td>
<td></td>
</tr>
<tr>
<td>A8</td>
<td>Raw coffee</td>
<td>Nil</td>
<td>Mostly subject only to revenue duty</td>
</tr>
<tr>
<td>Roasted and ground coffee, including extracts and essences</td>
<td>200,000 Mostly subject only to revenue duty</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cocoa preparations</td>
<td>150,000 Some subject to 10% plus revenue duty; others—revenue duty only</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chicory, roasted or ground</td>
<td>Nil</td>
<td>Mostly subject to revenue duty</td>
<td></td>
</tr>
<tr>
<td>Sauces and condiments</td>
<td>Nil</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>A11</td>
<td>Alcoholic beverages other than whisky</td>
<td>Nil</td>
<td>Mostly subject only to revenue duty</td>
</tr>
<tr>
<td>Chewing gum base</td>
<td>Nil</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>Chicle gum</td>
<td>Nil</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>Category</td>
<td>Goods</td>
<td>Cost of liberalisation</td>
<td>Protective Import Duty</td>
</tr>
<tr>
<td>----------</td>
<td>-------</td>
<td>------------------------</td>
<td>------------------------</td>
</tr>
<tr>
<td>(I)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B12</td>
<td>Fruit pectin</td>
<td>...</td>
<td>Nil</td>
</tr>
<tr>
<td>C</td>
<td>Lubricating oils and waxes</td>
<td>...</td>
<td>100,000</td>
</tr>
<tr>
<td>D1</td>
<td>Paints, pigments, enamels, varnish, printers' inks, &amp;c.</td>
<td>...</td>
<td>50,000</td>
</tr>
<tr>
<td></td>
<td>Perfumery and toilet preparations</td>
<td>...</td>
<td>50,000</td>
</tr>
<tr>
<td></td>
<td>Soaps of all kinds and detergents</td>
<td>...</td>
<td>680,000</td>
</tr>
<tr>
<td></td>
<td>Disinfectants, insecticides, &amp;c.</td>
<td>...</td>
<td>130,000</td>
</tr>
<tr>
<td></td>
<td>Plastics semi-manufactures and plastic plastic sheet</td>
<td>...</td>
<td>515,000</td>
</tr>
<tr>
<td>D2</td>
<td>Fur skin assemblies</td>
<td>...</td>
<td>Nil</td>
</tr>
<tr>
<td></td>
<td>Leather manufactures</td>
<td>...</td>
<td>Nil</td>
</tr>
<tr>
<td>D3</td>
<td>Covered rubber thread</td>
<td>...</td>
<td>50,000</td>
</tr>
<tr>
<td></td>
<td>Rubber tyres and tubes</td>
<td>...</td>
<td>200,000</td>
</tr>
<tr>
<td></td>
<td>Rubber fabricated materials and other rubber manufactures</td>
<td>...</td>
<td>200,000</td>
</tr>
<tr>
<td>D4</td>
<td>Domestic woodware and other wood manufactures</td>
<td>...</td>
<td>110,000</td>
</tr>
<tr>
<td>D5</td>
<td>Paper dress patterns</td>
<td>...</td>
<td>100,000</td>
</tr>
<tr>
<td>D9</td>
<td>Floor coverings including coil mats</td>
<td>...</td>
<td>100,000</td>
</tr>
<tr>
<td></td>
<td>Machinery felts</td>
<td>...</td>
<td>25,000</td>
</tr>
<tr>
<td></td>
<td>Cordage, cables, rope and twine</td>
<td>...</td>
<td>250,000</td>
</tr>
<tr>
<td>D10</td>
<td>Clay construction materials</td>
<td>...</td>
<td>Nil</td>
</tr>
<tr>
<td></td>
<td>Glassware, other than decorated and laboratory</td>
<td>...</td>
<td>Nil</td>
</tr>
<tr>
<td></td>
<td>Foamed glass</td>
<td>...</td>
<td>50,000</td>
</tr>
<tr>
<td>D11</td>
<td>Pearls, real, unset</td>
<td>...</td>
<td>Nil</td>
</tr>
<tr>
<td></td>
<td>Silver (to be added to World Open General Licence)</td>
<td>...</td>
<td>Nil</td>
</tr>
<tr>
<td>D14</td>
<td>Iron and steel door and window frames</td>
<td>...</td>
<td>Nil</td>
</tr>
<tr>
<td></td>
<td>Hollow-ware of all kinds</td>
<td>...</td>
<td>100,000</td>
</tr>
<tr>
<td></td>
<td>Hardware of all kinds</td>
<td>...</td>
<td>125,000</td>
</tr>
<tr>
<td></td>
<td>Hand sewing needles</td>
<td>...</td>
<td>Nil</td>
</tr>
<tr>
<td>D15</td>
<td>Aeroplane engines and parts</td>
<td>...</td>
<td>200,000</td>
</tr>
<tr>
<td></td>
<td>Domestic sewing machines</td>
<td>...</td>
<td>100,000</td>
</tr>
<tr>
<td></td>
<td>Lawn mowers</td>
<td>...</td>
<td>Nil</td>
</tr>
<tr>
<td></td>
<td>Vending machines, coin operated</td>
<td>...</td>
<td>200,000</td>
</tr>
<tr>
<td></td>
<td>Pneumatic control equipment</td>
<td>...</td>
<td>100,000</td>
</tr>
<tr>
<td>D16</td>
<td>Bulbs, arc lamps and tubes for electric lighting</td>
<td>...</td>
<td>50,000</td>
</tr>
<tr>
<td></td>
<td>Cathode ray tubes</td>
<td>...</td>
<td>35,000</td>
</tr>
<tr>
<td></td>
<td>Apparatus for radio, television and radar</td>
<td>...</td>
<td>560,000</td>
</tr>
<tr>
<td></td>
<td>Industrial radio-frequency induction and dielectric heating equipment</td>
<td>...</td>
<td>Nil</td>
</tr>
<tr>
<td></td>
<td>Electric cooking and heating apparatus</td>
<td>...</td>
<td>100,000</td>
</tr>
<tr>
<td></td>
<td>Electrical appliances and accessories for motor vehicles and aeroplanes</td>
<td>...</td>
<td>250,000</td>
</tr>
<tr>
<td></td>
<td>Domestic electrical appliances, including washing machines, food mixers, refrigerators, &amp;c.</td>
<td>...</td>
<td>900,000</td>
</tr>
<tr>
<td></td>
<td>Industrial electronic control equipment, other than types still subject to specific licensing from the Relaxation Area</td>
<td>...</td>
<td>50,000</td>
</tr>
<tr>
<td>Category</td>
<td>Goods</td>
<td>Cost of Liberalisation</td>
<td>Projective Import Duty (Percentage figures indicate ad valorem rates)</td>
</tr>
<tr>
<td>----------</td>
<td>-------</td>
<td>------------------------</td>
<td>-----------------------------------------------------------------</td>
</tr>
<tr>
<td>D17</td>
<td>Railway vehicles</td>
<td>Nil</td>
<td>Mostly 20%; some 33%</td>
</tr>
<tr>
<td>D18</td>
<td>Motor cycles, Cycles, Accessories, Aeroplanes up to 4,500 lb.</td>
<td>20,000</td>
<td>20% or 22% (Pref: 20% or 22%)</td>
</tr>
<tr>
<td>D19</td>
<td>Ships and boats</td>
<td>Nil</td>
<td>Under 80 gross tons 10%; otherwise free</td>
</tr>
<tr>
<td>D20</td>
<td>Prefabricated buildings, Sanitary ware, Baths, Illuminating glassware, Electric lighting appliances, Furniture</td>
<td>150,000</td>
<td>Mostly 20%</td>
</tr>
<tr>
<td>D21</td>
<td>Travel goods, handbags and similar articles, Footwear of leather and rubber and parts thereof, Leather gloves</td>
<td>50,000</td>
<td>1s. 6d. to 2s. 3d. each; or 15%-20%</td>
</tr>
<tr>
<td>D22</td>
<td>Frames and mountings for spectacles, goggles, &amp;c., Lenses for spectacles, goggles, &amp;c., Optical instruments and appliances other than those still subject to specific licensing from the Relaxation Area</td>
<td>75,000</td>
<td>Mostly 30%; minimum 20%</td>
</tr>
<tr>
<td>D23</td>
<td>Books and periodicals, Gramophone records, Sound reproducing apparatus, Magnetic recording tape, Gramophone needles and styli, Musical instruments, Juice boxes, Artificial flowers, Buttons and button blanks, Model forms, Brooms and brushes</td>
<td>1,600,000</td>
<td>Free</td>
</tr>
</tbody>
</table>

II.—Goods to be liberalised from both the Relaxation Area and the Dollar Area

<table>
<thead>
<tr>
<th>Goods</th>
<th>Cost of Liberalisation</th>
<th>Projective Import Duty (Percentage figures indicate ad valorem rates)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sporting weapons and ammunition</td>
<td>125,000</td>
<td>25%</td>
</tr>
<tr>
<td>Leather</td>
<td>Nil</td>
<td>71%-20%</td>
</tr>
<tr>
<td>Canned cream</td>
<td>Nil</td>
<td>10%</td>
</tr>
<tr>
<td>Porcelain laboratory</td>
<td>Nil</td>
<td>33%</td>
</tr>
<tr>
<td>Slide fasteners and parts thereof</td>
<td>60,000</td>
<td>Fasteners: Specific duty varying with length. Parts: 10%; minimum for some, 20% minimum for others</td>
</tr>
<tr>
<td>Straw, raffia and vegetable fibre manufactures</td>
<td>10,000</td>
<td>10%-15%</td>
</tr>
<tr>
<td>Umbrellas and sunshades and parts</td>
<td>160,000</td>
<td>20%-42% (Pref.: Some free, others 35%)</td>
</tr>
<tr>
<td>Optical glass, unworked</td>
<td>Nil</td>
<td>50%</td>
</tr>
</tbody>
</table>

Total: 355,000
COMMONWEALTH EDUCATION CONFERENCE

MEMORANDUM BY THE SECRETARY OF STATE FOR COMMONWEALTH RELATIONS

It has not been possible to reach agreement in the Committee on Commonwealth Education Conference, of which I am Chairman, on the extent of the assistance in education which the United Kingdom might offer at the Conference as part of a combined Commonwealth effort in education. It is now becoming urgent to determine the extent of the United Kingdom contribution, since much of the essential planning is held up for want of a decision.

2. The majority of my Committee have accepted the recommendation of the Official Committee (with the Treasury reserving their position) that a programme of educational assistance to the Commonwealth, costing £7 millions over five years, is the least that the United Kingdom could offer in keeping with the philosophy of Montreal. Such a programme would result in a continuing annual expenditure by the United Kingdom of about £1·5 millions (of which £1 million would be the cost of the Scholarship Scheme, to which we are committed anyway).

3. The Chancellor of the Exchequer, however, does not feel able to agree to expenditure of more than £5 millions over five years, leading to a continuing annual expenditure of £1·3 millions. What these two programmes involve is shown in Annex A to this paper.

4. The Chancellor's reasons are—
   (i) The United Kingdom Government is already spending substantial sums on this kind of activity through the Colonial, Development and Welfare Fund and a variety of bilateral and multilateral schemes, our contributions to which have been rising steadily in the last year or two. Moreover, there are other potential commitments developing on this front, e.g., technical assistance for Nigeria, where the Colonial Secretary is asking for £1 million a year.
   (ii) There are objections in principle to singling out one particular subject in this way and giving it special financial treatment. This could be the start of a—from the Treasury point of view—dangerous process which might undermine the hitherto generally accepted methods of handling these matters.
   (iii) The Chancellor suggests that education should be looked at in relation to the general needs and the economic and social planning of particular territories. If this approach is not adopted there seems perhaps a danger in his view, first, of political trouble (he has drawn attention to what the Minister of State for Colonial Affairs said in the Lords Debate on Nyasaland on 24th March—reproduced in Annex B to this paper) and, second, of financial trouble in that the poorer territories may not be able to finance the recurrent costs of greatly expanded educational schemes without damage to other services, perhaps no less important.
5. The Chancellor is however prepared to go up to £6 millions if Canada and Australia together would agree to put up £4 millions. My Committee has considered the possibility of making the United Kingdom contribution dependent on a matching contribution from the rest of the Commonwealth and has rejected it as impracticable. I doubt very much whether the Canadian and Australian Governments would be able to commit themselves in advance of the Conference to a particular figure, since their preparatory work is far less advanced than our own, still less to one which would be out of proportion to that offered by the United Kingdom: they would be being asked, although their joint population is only half that of the United Kingdom, with much less in the way of university, technological and teacher-training facilities available in their territories, to guarantee expenditure at two-thirds the level of the United Kingdom. There is the further consideration that part of the additional funds which are now being sought will finance projects mainly of value to the dependent territories of the United Kingdom. I think it is reasonable to hope that Canada, Australia and others will contribute together about £3 millions, which would give us a total for the Conference of £10 millions or more. But I believe that a generous unilateral offer by the United Kingdom is far more likely to provoke a generous response from all the other Commonwealth Governments than a process of bargaining.

6. The difference between the majority of my Committee and the Chancellor is relatively small—indeed, considering the task, even a £7 millions programme is thought by some of us to be over modest. But in my opinion there is, as a matter of presentation, all the difference between a figure of £10 millions and a figure of £8 millions to £9 millions—although the Chancellor does not attach significance to this. I must remind my colleagues that we are convening this Conference in fulfilment of our programme at Montreal. At that Conference the discussion of education problems which we initiated played a big part and I think that some of the under-developed countries and the Colonies regarded it as the most important part of the Conference. All Commonwealth Ministers recognised that a far greater effort in education is needed if the countries in the free world are to hold their own, and Ministers representing the less developed countries made no secret of the tremendous gaps in their educational systems. I think we all came away conscious that we had somehow to achieve a new spirit and drive if the Commonwealth—and particularly the newer and emergent members—is to develop its resources as fast and as fully as it should. The United Kingdom is quite naturally the leader in all this. Educationally, we are far ahead of any other member of the Commonwealth and, as I see it, we have a responsibility not only to assist the less developed countries but by our example to stimulate all the other Commonwealth countries into making a determined effort in education. I am quite certain it is in our own interest to do this. Certainly, if we fail to help, some parts of the Commonwealth will look elsewhere for assistance. I therefore ask for the support of my colleagues for the £7 millions programme.

H.

Commonwealth Relations Office, S.W. 1.
27th April, 1959.
It is proposed that the United Kingdom Government should offer educational assistance in the following ways:

(i) The United Kingdom Government is committed to finding half the total number (i.e., 1,000) of scholarships awarded under the scholarship scheme. For planning purposes it is estimated that the average tenure of these would be two years. The number to be granted each year would therefore be 250.

(ii) By supplementing the emoluments of scholarships offered by some of the newer Commonwealth countries and the Colonies which may not be high enough to attract the United Kingdom student and which might otherwise remain unfilled.

(iii) By subsidising Commonwealth teachers on teacher training courses to enable students from some of the poorer Commonwealth countries to take advantage of the extra capacity offered.

(iv) To increase the supply of teachers for service overseas by subsidising certain key posts in the Commonwealth and making a resettlement grant when the teacher returns to this country.

Some of these schemes would not be in full operation until 1962, or later. The following tables show the extent of the assistance that could be offered under the above headings, at a cost of (a) £7 millions for 5 years; (b) £5 millions for 5 years—

<table>
<thead>
<tr>
<th>Annual Cost when Scheme in Full Operation</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) £7 Millions Programme</td>
</tr>
<tr>
<td>Scholarship Scheme: 250 awards to be made each year</td>
</tr>
<tr>
<td>Supplementing emoluments of scholarships offered by other countries</td>
</tr>
<tr>
<td>Subsidy for 500 teachers at teacher training institutions</td>
</tr>
<tr>
<td>Measures to provide 500 teachers for service in Commonwealth posts</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
<tr>
<td>(b) £5 Millions Programme</td>
</tr>
<tr>
<td>Scholarship Scheme: 250 awards to be made each year</td>
</tr>
<tr>
<td>Supplementing emoluments of scholarships offered by other countries</td>
</tr>
<tr>
<td>Subsidy for about 350 teachers at teacher training institutions</td>
</tr>
<tr>
<td>Measures to provide about 350 teachers for service in Commonwealth posts</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

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**ANNEX B**

Excerpt from House of Lords Official Report for 24th March, 1959

The Minister of State for Colonial Affairs (The Earl of Perth)

The second reason for the widespread backing of Congress is, I think, that quite a few of the young who have been educated, not to top but none the less to reasonable standards, are extremely ambitious. They had the feeling that here was a chance for them if they supported Congress—that very soon they were going to find jobs at the top; that is what they were after. The third reason was undoubtedly the fear of federation. That, I believe, was the widest fear, and I will come back to it, if I may, in a moment.
CABINET

SPACE RESEARCH

Memorandum by the Minister of Defence

I have not had long enough to study fully the Lord President's memorandum (C.(59) 73) on the important subject of space research. However, my first impression is that it does not go far enough.

2. We are moving into a vast and wholly uncharted new sphere of scientific exploration. We can, as yet, have no clear conception about the new possibilities, which will unfold themselves in the next decade. But it is quite certain that, unless we undertake a worthwhile programme of work in space research, we shall risk losing our position as a leading scientific nation in this new field, and many of our most able young scientists will be tempted to move over to America.

3. We must, of course, make the most of the offer of the United States to carry foreign instruments in American satellites. But we should not count on receiving these facilities on an adequate scale, more especially since the Americans will have to make them available to a number of other countries as well.

4. The satellite and the rocket which launches it constitute the laboratory for space research. We must therefore face up to the fact that, if we intend to do serious work in this field, we shall have to provide ourselves with the basic facilities needed. It would be hopeless to rely entirely upon occasional free rides in American satellites.

5. I have no doubt that in due course space research will yield important fruits in the commercial field; but it is no good imagining that the Americans will be prepared indefinitely to see us use American rockets, paid for by the American taxpayer, in order to help British firms to compete with American industry.

6. On the defence side, the United States Government have begun to show some willingness to examine with us the military implications of space research. It is most important to obtain from the Americans as much information as possible about the results of their work in this field but, as in the nuclear sphere, their willingness to impart to us the fruits of their research will largely depend upon our ability to give them something at least in return.

7. For these and other reasons, I am sure that if we decide to go in for space research we cannot make ourselves wholly dependent upon the Americans to launch our satellites for us.
8. By our decision to proceed with the development of BLUE STREAK and BLACK KNIGHT, we are already providing ourselves with the main elements needed for a British satellite programme. The cost of adapting these projectiles and of carrying out the first five launchings is estimated at between £10 millions and £20 millions, spread over five years. My preliminary enquiries suggest that, after this preparatory stage, a worthwhile programme of space research could be maintained at a cost of between £10 millions and £15 millions a year.

9. The Government are today spending about £270 millions a year on military and civil research of various kinds. Having regard to the as yet unpredictable scientific fruits which it may yield, it would seem to be no more than a wise precaution to invest £2 millions to £4 millions a year over the next five years, so as to put ourselves in a position to undertake space research thereafter, should we then wish to do so.

10. The Lord President recommends that, before deciding to go ahead with these preparatory steps, we should examine further the scope and implications of the American offer. I agree that we should make the most of this offer; but, for the reasons I have explained, I am sure that we must also put ourselves in a position to undertake a modest programme of independent British launchings.

11. If it is felt that this matter requires further study before a decision can be reached, then I would strongly urge that no public statement should be made for the time being. An announcement on the lines proposed by the Lord President would be hotly criticised in many quarters as wholly inadequate; and if, after further study, we should decide to do more, we would be represented as having changed our minds under pressure.

12. While this matter is being considered I hope that the Minister of Supply will be authorised to go ahead with the paper studies for the adaptation of BLUE STREAK and BLACK KNIGHT for use as satellite launchers.

13. To sum up, I recommend:

(a) that the fullest advantage should be taken of the American offer to launch foreign satellites or to carry foreign instruments in American satellites;

(b) that expenditure of £10 millions to £20 millions spread over five years, should be authorised to put Britain in a position to undertake a programme of satellite launchings thereafter, if this should then seem desirable;

(c) that, if further study is required before a decision on (b) above can be taken:

(i) no public statement should for the present be made; and

(ii) the Minister of Supply should be authorised to put in hand design studies for adapting BLUE STREAK and BLACK KNIGHT for satellite launching.

D.S.

Ministry of Defence, S.W.1.
29th April, 1959
CONTROL OF GOVERNMENT EXPENDITURE

MEMORANDUM BY THE CHANCELLOR OF THE EXCHEQUER

On 19th March the Cabinet invited me to circulate detailed proposals on the composition of an internal enquiry into the control of Government expenditure, and the range of subject-matter with which such an enquiry should be concerned (C.C. (59) 18th Conclusions, Minute 4).

2. The general range of the enquiry would be to consider the principles and practice which govern the control by the Executive of public expenditure. (The main emphasis would be on voted expenditure, but expenditure below the line would not be excluded.) In particular, it would cover—

(a) The present requirements of Parliamentary control, and the extent to which they determine the pattern of control exercised both by the Treasury and by the spending Departments. Suggestions could be made as to whether there are any changes in the practices of Parliament itself which Ministers might seek to institute.

(b) The role of the Chancellor of the Exchequer, and the methods by which, and the limits within which, he exercises control through the Treasury over the spending Departments. This would include examination in some detail of the procedures, both formal and informal, pursued by the Treasury and the spending Departments. It would also include the general arrangements by which financial and economic considerations are brought to bear on the formation of Government policy at all levels, including the Ministerial, both by bilateral discussions between the Treasury and the spending Department immediately concerned, and by collective consideration by the Cabinet, Cabinet Committees, and sub-committees.

(c) The methods of control followed by spending Departments themselves both at their headquarters and in the field, including control over contractors' expenditure. Consideration would be given to the methods which Departments adopt to ensure that due importance is attached to efficiency and economy right down the line, whether the point at which expenditure is incurred or committed is part of the ordinary Civil Service machine or not. Important examples of the latter case are the Armed Forces, Local Authorities, and the Hospital Boards.

3. I do not think the enquiry should range into general questions of Government structure: it should take the existing pattern of departmental responsibilities as it finds it. But changes of structure within Departments would, like changes of method, not be excluded. I would expect that, in the course of the enquiry, some matters would be identified as needing more detailed consideration than could appropriately be given by those conducting the general enquiry. In such cases specific Committees might be set up.

4. As to the constitution of the enquiry, it should, I think, be conducted under the general aegis of the Chancellor of the Exchequer under reference to the Cabinet. It is important that those conducting the enquiry should include a sufficient number
of people who have a thorough knowledge of how things in fact work, particularly at the centre of the Government machine (i.e., Ministerial and Cabinet procedure), and of the day-to-day relations between the Treasury and the Departments. I think we should include a number of senior serving civil servants, one from the Treasury and two or three from other Departments. I previously suggested that a retired Permanent Secretary might direct work at the official level. There might be advantage in having as Chairman someone not so closely associated in the public mind with the existing establishment. If it were thought desirable to have an ex-Minister, my choice would be Lord Ingleby. If not, Lord Plowden (assuming him to be willing) would do the job admirably. Apart from the Chairman, we might have two or three other people with outside experience. The sort of man I have in mind is Sir Sam Brown of Linklaters and Paines. We must remember that all members of the enquiry would necessarily be made privy to a lot of highly confidential information.

5. I would give the Chairman considerable discretion about how to conduct the enquiry. I would not see it as a formal Committee. The names I have suggested above would be the nucleus, but other people could be freely co-opted, formally or informally, to help with particular parts of the enquiry where their knowledge or experience would be specially useful.

D. H. A.

Treasury Chambers, S.W. 1,
30th April, 1959.
CABINET

BOOK EXPORTS

MEMORANDUM BY THE CHANCELLOR OF THE DUCHY OF LANCASTER

In reporting to the Cabinet on my visit in September 1958 to Asian and African countries, I said "The whole book problem demands urgent examination and solution" (C. (58) 207).

2. During the past six months a Working Party under my Chairmanship has made a detailed study of this problem. I attach the Working Party’s report.

3. The Ministerial Committee on the Oversea Information Services has endorsed the findings of the report, the position of the Chancellor of the Exchequer being reserved.

4. I summarise below the principal findings and recommendations.

The Problem

5. There has been a considerable and creditable expansion of commercial sales by the publishing industry in most of the markets open to them. Almost two-fifths of the industry’s output is exported, but this effort, commendable as it is, falls short of the opportunity and the need.

6. The growing use of English has greatly enlarged the need for books in English, especially in Asia and Africa. In many countries, however, education has outrun purchasing power and the people are too poor to buy even the cheapest paper-backed books on sale commercially. We are thus unable to seize the opportunity for propagating our ideas and influence which has presented itself through the more widespread use of English.

7. The Soviet Union and China have not been slow to see this opportunity and to take advantage of it. Both have embarked on huge programmes of heavily subsidised reading matter. They are pouring well-produced books and periodicals into Asian countries, and more recently into some African countries, at very low prices. It has been estimated that in 1958 the Soviet Union shipped about 4 million books and China about 2 million books into India alone. A high proportion of this output is in English. At present most of these books and periodicals in English are not obviously propaganda material. But their longer-term aim is clear—to create a pattern of supply and channels of distribution which will enable Russia and China to capture the market and gradually introduce propaganda into this reading material.

8. The United States is attempting to counter this Communist threat, and to make its own contribution to meeting the unsatisfied demand for reading matter in Africa and Asia, through a scheme known as the "Low-Priced Book Program." This scheme subsidises the production and distribution of selected American books on a considerable scale. While this American effort goes some way to meeting the threat, we cannot be indifferent to the fact that the result is to spread American rather than British influence in these sensitive political areas.
9. In certain countries the problem is not only one of purchasing power but also of sterling shortage, which causes severe restrictions to be placed on imports of British books and periodicals. These countries include Pakistan, Poland, Yugoslavia, Indonesia, Turkey and Israel, which are of political importance to us.

To tackle the parallel problem of dollar shortage the United States operate a scheme known as the "Informational Media Guaranty Program" which is based largely on the use of counterpart funds against economic aid programmes and where necessary acceptance of large sums of blocked currency.

10. On the British side, we are doing nothing officially to meet either the demand for cheap books or the currency problem. We have recognised the importance of establishing English as the accepted language of international communication, and to this end we have provided funds to the British Council to foster and develop the teaching of English. Yet in present circumstances the result is rather to provide a field of exploitation for the Soviet Union and China, and also for the United States. It is of the utmost importance, therefore, that we should devise ways and means of stimulating the circulation of British books and periodicals so that in this way there can be a better understanding of British ideas and a greater currency for British scientific and technical knowledge. This in turn can be expected to assist in the efforts to promote British exports.

Recommendations

11. There are four main elements in the action recommended by the Working Party. They are that we should—

(i) Be prepared to accept blocked local currency from certain countries in order to promote commercial exports of books and periodicals.
(ii) Introduce a low-priced book programme in order to secure wider distribution of British books, mainly in Asia and Africa.
(iii) Seek to improve library and other systems of distribution.
(iv) Increase the scale and range of presentation of books and periodicals by the British Council.

12. The sum involved in launching a low-priced book programme, both in English and in certain vernaculars, is not large. It is estimated that the cost to Her Majesty's Government of a paper-backed, pocket-sized book of 192 or 256 pages would be about 1s. 6d. For the recommended expenditure of £162,000 a year, we should therefore be able to produce and distribute about 2 million copies of the selected books in English.

13. Public opinion is unlikely to need much persuasion about the need for such a programme in the light of the massive Sino-Soviet effort. In a scheme for the selection of titles, however, there are clearly dangers. To minimise the opportunities for criticism, the best course seems to be to set up an Advisory Committee under a Chairman whose independence and good sense is likely to be widely recognised. This would not shield us from questions in Parliament, but it should help us a good deal in dealing with the general run of such questions.

Cost

14. If all the recommendations in the report were accepted, the total cost of the various schemes in full operation would be £855,000 a year, calculated as follows:—

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) British book export schemes</td>
<td>340,000</td>
</tr>
<tr>
<td>(b) Low-priced book programmes—</td>
<td></td>
</tr>
<tr>
<td>(i) English language</td>
<td>162,500</td>
</tr>
<tr>
<td>(ii) Vernacular languages</td>
<td>132,500</td>
</tr>
<tr>
<td>(c) Book and periodical presentations by the British Council</td>
<td>100,000</td>
</tr>
<tr>
<td>(d) Expansion of British Council libraries and services</td>
<td>100,000</td>
</tr>
<tr>
<td>(e) Development of library systems in Colonial territories</td>
<td></td>
</tr>
<tr>
<td>(f) Measures to promote the sale of British periodicals and newspapers overseas</td>
<td>20,000</td>
</tr>
<tr>
<td>Total</td>
<td>855,000</td>
</tr>
</tbody>
</table>
15. This is a substantial sum to add to the £16½ millions a year at present authorised for the oversea information services. But in relation to the need and the opportunity it will surely be money well spent.

16. Time would be needed to launch the various schemes and it is estimated that the new expenditure in 1959–60 would not exceed £250,000.

C. H.

Office of the Chancellor of the Duchy of Lancaster, S.W. 1, 30th April, 1959.
## REPORT BY THE WORKING PARTY ON BOOK EXPORTS

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REPORT BY THE WORKING PARTY ON BOOK EXPORTS

BACKGROUND

The Working Party was set up by the Chancellor of the Duchy of Lancaster who had emphasised the need for urgent examination and solution of the whole problem of exports of books and periodicals.


3. The Working Party has consulted a number of trade organisations and has met representatives of the Publishers Association, the Periodical Proprietors Association (both General Periodicals and the Trade and Technical Press) and the British Federation of Master Printers. Meetings have also been held with Sir Allen Lane (Chairman of Penguin Books, Ltd.) and an American expert on the United States Low-Priced Book Programme.

4. The Working Party had before them a world-wide survey of the competitive position of British publications overseas prepared by the British Council, a review by the Foreign Office of reports from posts in South-East Asia and the Middle East on the increasing circulation of publications in English and other languages from Communist and other hostile sources, and a detailed study by the Board of Trade of book exports to difficult markets.

5. In the past, the problem of book exports has been looked at primarily in commercial terms, including the problem of import restrictions on books imposed by countries chronically short of sterling. Now the threat to Western interests posed by large-scale Soviet and Chinese penetration of the book and periodical market in many areas has created a new situation. The Working Party's approach has been wider: the commercial importance of book exports has taken second place to their importance from a general political standpoint and as an instrument of information policy. A true understanding abroad of the policies of this, or indeed any country, can only stem from an understanding of its people, what they think and how they live. Our literature can contribute much to this understanding. British books and periodicals deservedly enjoy the highest reputation and are a political asset which we cannot afford to neglect.

6. The British Council has been doing valuable work in making books and periodicals available overseas. This effort has recently been substantially increased, especially in India and Pakistan, and the Council's total expenditure in 1959–60 on books and periodicals (presentations, libraries and related services) for the 70 countries in which it works is estimated at £650,000. But the spearhead of our effort is provided by the publishing industry. We still export more books than any other country. As the following figures will show, our publishing industry has been energetic and competitive in developing commercial exports of books (no similar figures appear to be available for periodicals): —

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Value of Books Sold £</th>
<th>Total Value of Books Exported £</th>
<th>Export Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1937</td>
<td>10,507,204</td>
<td>3,146,157</td>
<td>30</td>
</tr>
<tr>
<td>1946</td>
<td>26,961,622</td>
<td>6,715,212</td>
<td>24</td>
</tr>
<tr>
<td>1957</td>
<td>60,456,095</td>
<td>22,505,440</td>
<td>37.4</td>
</tr>
</tbody>
</table>

7. But circumstances have changed. The freedom of our publishers to meet the widespread world demand for British books has been limited in various ways particularly by the actions of other Governments. In face of this situation nothing but action on the part of Her Majesty's Government can provide a remedy and our political interests demand that this should be done.
8. The main problems which have confronted the Working Party are—

(i) the shortage of foreign exchange in certain countries which would otherwise provide a market for British books;

(ii) low personal incomes, particularly in the emergent countries of Asia and Africa where the dangers and the opportunities are greatest;

(iii) the lack of adequate distributive systems in certain countries.

9. There is no doubt that a long-term solution of the first of these problems is unattainable so long as buyers have to pay sterling in full for British books, and that a readiness in certain cases to accept blocked local currency is an essential ingredient of any Book Export Scheme designed to overcome this difficulty. So far as low purchasing power is concerned, the long-term solution quite clearly is to sell books at low prices—much lower than could be achieved commercially by the unaided efforts of the publishers. No effective alternative to subsidisation has been found. As regards distributive systems, the scope for direct action by the Government is limited, but there are certain possibilities which could usefully be discussed with the publishers.

10. Such action can and should be supplemented by certain other measures: presentation of books and periodicals by the British Council to selected institutions and individuals, expansion of British Council libraries and library services, development of library systems in Colonial territories, steps to promote the circulation of British periodicals abroad (possibly including the production of a new illustrated magazine). These can greatly alleviate the position, whether the problem is shortage of sterling or low purchasing power. They do not in themselves constitute an adequate long-term solution of either.

11. The various remedies are discussed in greater detail in the following paragraphs, with a fuller exposition of the problems to which they relate.

British Book Export Schemes

12. In certain countries a demand for British books remains unsatisfied because of shortage of foreign exchange. In the context of the present study the case for special measures to remedy this state of affairs must rest primarily on political grounds with special reference to information policy. If British books and periodicals are supplanted by those of other countries this may adversely affect the demand for other British goods. Conversely, the export of British publications will pave the way for the export of other British goods if and when the foreign exchange position improves. But there is no immediate commercial advantage to be gained from stimulating a demand for British goods in countries which do not have the means to satisfy it and the commercial argument is therefore subsidiary to the political.

13. Efforts have been made in the past to tackle the foreign exchange problem in relation to books. These British Book Export Schemes, as they were called, have operated in a number of countries during and since the war. There have been several variations but in general our object in negotiating such schemes has been to persuade the Government concerned to allow a part of the sterling accruing to it from local expenditure by Her Majesty's Government (e.g., on the maintenance of an Embassy) to be devoted to the purchase of British books. There is, however, partly in consequence of the more generous American Informational Media Guaranty (I.M.G.) Programme (see paragraph 22 below), an increasing and understandable reluctance on the part of Governments which are short of foreign exchange to allow such sterling as they may earn to be committed in this way. This applies particularly where the expenditure by Her Majesty's Government of local currency is to be maintained at the existing level.

14. Schemes operated on this basis have lapsed and it seems likely that any further schemes will have to be negotiated on the basis of either—

(a) acceptance of currency in a blocked account, or

(b) increased expenditure by Her Majesty's Government on economic, technical, cultural or information activities acceptable to the country concerned.
15. Some of the objections to British Book Export Schemes are:—
(i) Sales of goods for blocked currency promote our exports artificially and conflict with our policy of fostering multilateral trade and payments.
(ii) Special treatment for books may lay us open to the charge of artificially fostering one particular export.
(iii) It may be difficult to limit the schemes to the sums and countries originally involved.

16. It would, however, be a mistake to judge these schemes by the criteria normally used in assessing schemes for assisting commercial exports. We are not seeking to extend our exports of goods in order to gain foreign exchange with which to pay for imports but because we want our books to be read. We are proposing in effect a form of aid. In any case, the rest of industry is unlikely to challenge the claim of books to exceptional treatment.

17. The countries in which the Working Party have found that there is a shortage of sterling to buy British books and periodicals are (in alphabetical order): Brazil, Chile, Indonesia, Israel, New Zealand, Pakistan, Poland, Spain, Turkey, Yugoslavia. There is a good case for seeking the agreement of the Governments concerned for using the Book Export Scheme method in the following countries: Indonesia, Pakistan, Poland, Turkey and Yugoslavia. The Working Party would also wish to see this method applied to Israel, in conjunction with some scheme involving the use of private capital in this country destined for investment in Israel, and possible schemes are being studied by Jewish interests in the United Kingdom. It may of course be necessary at a later stage to propose book export schemes for other countries where import restrictions do not yet exist or where, as in India, their effects have yet to be felt.

18. The Working Party therefore recommend that authority be given to negotiate book export schemes with the above countries on the basis that blocked currency may be accepted as a last resort, and that the United Kingdom Exchequer's liability, whether in the form of blocked currency or additional local expenditure which would not otherwise be incurred, will be limited to the annual amounts shown below against each country: —

<table>
<thead>
<tr>
<th>Country</th>
<th>Amount (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poland</td>
<td>100,000</td>
</tr>
<tr>
<td>Yugoslavia</td>
<td>50,000</td>
</tr>
<tr>
<td>Pakistan</td>
<td>50,000</td>
</tr>
<tr>
<td>Indonesia</td>
<td>50,000</td>
</tr>
<tr>
<td>Turkey</td>
<td>30,000</td>
</tr>
<tr>
<td>Israel</td>
<td>50,000*</td>
</tr>
</tbody>
</table>

If the Governments concerned can be persuaded to devote to British book imports any part of the local currency spent by Her Majesty's Government on normal official purposes, any such sum should be regarded as additional to the figures quoted above subject to a limit of 50 per cent. in each case. This would mean that, whereas Her Majesty's Government's liability for the acceptance of blocked currency or additional local expenditure which would not otherwise be incurred, will be limited to the annual amounts shown below against each country, the total import of books into the countries through B.B.E. schemes could in the most favourable circumstances be increased up to £495,000.

19. In negotiating these schemes, it is recommended that the following further points should be borne in mind: —

(a) since the object of a book export scheme is to increase the number of British books entering the country concerned, it is desirable that an assurance should be obtained in the course of negotiations that the books exported under the scheme would be additional to, and not merely in replacement of, normal commercial exports;

(b) as regards the general character of the material to be supplied under these schemes, it is important to avoid too restrictive a policy. The object is to cater for a legitimate demand for British reading matter over a wide

* This would be conditional on a contribution being made by Jewish voluntary bodies in the United Kingdom.
field. Our agreements with the various Governments should therefore provide for the admission of any books which can reasonably be regarded as having an educational, scientific, technical or cultural value. This description could of course open the door to many undesirable publications. It would therefore seem necessary to add the proviso that the supply of books under the scheme should be in the mutual interest of the two countries. This proviso would not be used to justify pre-censorship, but would give us the right to terminate a scheme if it were consistently abused and the Government concerned showed itself unable or unwilling to prevent such abuse; 

c) the word "books" should be applied in a broad sense to cover sales of books, subscriptions to periodicals, sales of translation rights, royalties on local printing of British publications and sales of certain English-language gramophone records of United Kingdom origin.

20. The mechanics of the operation would be on the lines indicated in Annex A (based on a scheme which the Foreign Office was authorised to negotiate with Turkey, but which has not yet materialised).

21. In addition to the above proposals, the Working Party recommend that authority be given for the expenditure of up to £10,000 on arrangements to facilitate the import of British books into Chile. The main impediment hitherto has been the Chilean regulation which requires importers to pay heavy deposits in advance. This difficulty could be overcome by establishing a revolving fund of the named sum, but we understand that the regulations are being altered and the requirement of advance deposits is being replaced by one of surcharges. The precise nature of the new regulations is not yet known but their effect on books may be equally restrictive.

22. In concluding this section of the report, the Working Party wish to draw attention to the steps that the United States Government has been taking to increase the sale of American books in countries which would normally be precluded by exchange difficulties from buying them. Their principal instrument is the I.M.G. programme, which is based largely on the use of counterpart funds against existing economic aid programmes, though it does in some cases involve the acceptance of blocked currency on a large scale. In the first nine years (1949-57) of the operation of the I.M.G. programme the net cost to the United States taxpayer has been calculated at something in the region of £5 m.

In the first nine years (1949-57) of the operation of the I.M.G. programme the net cost to the United States taxpayer has been calculated at something in the region of £5 m., including the value of currencies held in blocked accounts. To the extent that these books provide an alternative to Communist or other literature hostile to the West, the American effort is greatly to be welcomed on political grounds. But it is clearly important that we too should play our part, particularly in those countries where, given the choice, the reading public would turn more readily to British than to American sources of supply and United Kingdom prestige would be thereby enhanced. Moreover, the Americans have confined their programme largely to American titles, thus leaving the bulk of literature in the English language untouched. For these reasons alone it would be bad policy to treat the American effort as a substitute for our own.

Low-Priced Book Programme

23. The countries where low purchasing power is a problem are in the main countries where a widespread knowledge of the English language combines with a historical connexion with Britain to make it natural that British literature should be the first choice from outside sources. They are, moreover, countries in the early stages of political evolution, in need of and responsive to the influence of maturer countries, but sensitive about the way in which it is exerted. There can be no more unobtrusive method of exerting our influence than the dissemination of British books and periodicals. While the subsidisation of any export is also contrary to our commercial policy, the proposed arrangements can again be regarded as a form of aid rather than as subsidised commercial exports. We are not seeking to better our books sales at the expense of our commercial competitors but to bring vital information about ourselves to people who cannot otherwise afford to acquire it. This would be an important enough objective to justify special action even without the threat posed by literature from Communist sources. But the threat is very
relevant and a powerful argument against delay on our part. In short, the purpose of a book subsidisation scheme is, by providing suitable literature at attractive prices, to extend British influence in certain areas which are still receptive to that influence, and thus to help build up defences against a hostile propaganda strategy of which subsidised book exports form an important part.

24. A summary of available information on the Russian and Chinese activities in the field of cheap books is at Annex B. The following points should be noted:

(i) It would be misleading to suggest that the character and content of the English-language material with which the Russians and the Chinese are flooding the Asian markets, particularly India, are immediately harmful to our political interests. The real danger (and indeed the underlying purpose) of this voluminous output of English-language publications is that it creates a pattern of supply and channels of distribution which may well perpetuate themselves and are already serving to carry a gradually increasing element of propagandist literature.

(ii) Though the output of English language publications from Peking is on an impressive scale, probably their most effective line is the provision of lavishly-produced material in Chinese designed to play on the nostalgia and irredentism of Chinese communities overseas. This is difficult ground on which to compete, and experience must be gained elsewhere before we attempt to do so.

(iii) Literature from Communist sources has not yet on the whole penetrated Colonial territories to the same extent as elsewhere either in Africa or in Asia (with the exception of Hong Kong and Singapore). But the threat is a real one. The recent formation in Moscow of an Institute for the study of African languages and cultures is an indication of Soviet intention to step up their propaganda in that area. Already Soviet publications are increasingly reaching selected recipients through the post. Here the best defence against hostile political penetration by the printed word is clearly that the reading habits of the very large numbers of people now becoming literate should be formed (and directed towards British sources) while Her Majesty's Government is still in a position to influence the local Governments’ policies.

(iv) In the Middle East the monopoly enjoyed by Cairo is the main cause for concern, though literature from Communist sources, both in Arabic and English, is increasing. While there is no evidence that the Cairo publishing industry is subsidised, its products sell at moderate prices. Literacy is running ahead of purchasing power and books in this area remain a relative luxury. If we are to sell alternative literature it will have to be at low prices.

25. A summary by the United States authorities of their operations in this field is at Annex C. This American effort is welcome, but the considerations in paragraph 22 above apply here also. It is in the Western interest that we should reinforce the American effort (they are indeed anxious that we should do so). It is in the national interest that British influence should be extended by these means.

26. The Working Party are satisfied that on political grounds action by the Government is necessary to meet the situation discussed above and that there is no effective alternative to subsidisation. They recommend that besides expenditure on publications in the English language substantial provision should also be made for vernacular publishing.

Low-Priced English Language Publications

27. So far as English language publications are concerned, the Working Party propose the introduction of a low-priced book programme of which the essential features would be as follows.

28. In general character and purpose the books to be subsidised should not be overtly anti-Communist, but they must illustrate or convey implicitly and persuasively the British ethos and the values and achievements of democracy in Britain and the Commonwealth. Some would be classics of English literature, contemporary novels, and children’s books. Some would be textbooks. Others
would cover a wide range of subjects, including, for example, short popular books in the field of science, medicine, aviation and modern inventions (none of which should be limited to British achievements); travel, adventure, history and biography, and books by British authors about the target countries.

29. The books would be sold, not given away. Readers put much more value on the books that they buy than on give-away material. But the prices must be low enough to attract many buyers. They would vary, but the Working Party has had in mind a general selling price of around 9d. or Is. This means of course that the books would be paper backed. They must not be too long to make a pocket-sized book of 192 pages or at most 256 pages.

30. The main emphasis should be on existing books, but special books could occasionally be commissioned. Provision should also be made for producing simplified texts of existing books suitable for the less advanced students of English.

31. The selection of books would obviously have to be made with the greatest care, taking into account the tastes and susceptibilities of the target countries and the relationship between the sales appeal of the books and their information value. This process of selection may be expected to attract critical attention at home and it is important that it should be seen to be carried out on the advice of people who command the confidence of the informed public. It is accordingly suggested that a preliminary list of titles should be drawn up by an Advisory Committee consisting of non-officials suitably qualified for this task (see paragraph 63 below). From this list the three Overseas Departments would select the titles best suited to their respective territories. It would, however, be open to any Overseas Department to select a title not included in the preliminary list drawn up by the Advisory Committee.

32. The titles having been selected by the Overseas Departments, the Central Office of Information, acting on their behalf, would offer contracts to the publishers of the titles chosen. If the publisher of a given title were himself a paper-back publisher, he would complete the job. If he were a member of a consortium of publishers including a paper-back publisher, the latter would do the work. In other cases the publisher of the title would contract with a paper-back publisher of his own choice.

33. Distribution would as far as possible be through the publisher's normal channels. It may later be necessary to consider the creation of additional channels.

34. The Government would fix a retail price and allow appropriate terms for the distributors in consultation with the publishers, paying the net cost incurred in retailing the book under these conditions.

35. An arrangement on the lines of paragraphs 28-34 would, it is thought, be acceptable to the Publishers' Association, with whom the whole matter has been discussed. While opposed in principle to subsidisation, they have recognised that an exceptional situation needs exceptional measures and are prepared to co-operate in carrying them out. It should be noted, however, that in practice their attitude will greatly depend on the decisions taken on the Book Export Schemes, which are their prime interest.

36. On the recommendations of the Overseas Departments, the Working Party have selected certain countries in which they consider that the distribution of low-priced British publications in English would be to our political advantage. They have also, after consultation with the United Kingdom posts abroad and Colonial Governments as appropriate and after scrutiny both of the pattern of United States operations in this field and of sales data provided by the Publishers' Association, attempted to estimate the sums of money which could usefully be spent on subsidised books in the various territories, taking into account the political needs and the absorptive capacity of each. These sums have been calculated on the assumption that the cost to Her Majesty's Government of each book would be approximately Is. 6d. The results are set out in the following paragraph. It should be emphasised that in a changing world there can be no finality about the choice of countries and that, given the many imponderables, the figures should be regarded as valid for planning purposes only. The importance of flexibility in the application of all the measures proposed in this report is stressed in paragraphs 66 and 67 below.
37. The Working Party accordingly recommend annual financial provision for publications in English as follows:—

<table>
<thead>
<tr>
<th>Region</th>
<th>Provision (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign Office</td>
<td></td>
</tr>
<tr>
<td>South-East Asia (Burma, Indonesia, Thailand, Vietnam)</td>
<td>22,000</td>
</tr>
<tr>
<td>Middle East and Africa (Iran, Lebanon, Sudan, Ethiopia, Somalia)</td>
<td>8,000</td>
</tr>
<tr>
<td>Commonwealth Relations Office</td>
<td></td>
</tr>
<tr>
<td>India</td>
<td>50,000</td>
</tr>
<tr>
<td>Pakistan</td>
<td>15,000</td>
</tr>
<tr>
<td>Malaya</td>
<td>10,000</td>
</tr>
<tr>
<td>Ceylon</td>
<td>10,000</td>
</tr>
<tr>
<td>Central Africa</td>
<td>7,500</td>
</tr>
<tr>
<td>Ghana</td>
<td>5,000</td>
</tr>
<tr>
<td>Colonial Office</td>
<td></td>
</tr>
<tr>
<td>West African territories</td>
<td>16,000</td>
</tr>
<tr>
<td>East African territories, Mauritius and Zanzibar</td>
<td>8,000</td>
</tr>
<tr>
<td>Aden and Somaliland Protectorate</td>
<td>1,000</td>
</tr>
<tr>
<td>Far Eastern territories and Fiji</td>
<td>10,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>162,500</strong></td>
</tr>
</tbody>
</table>

It is estimated that for this total sum of £162,500 it should be possible to put into circulation almost 2 million books. This may be compared with an estimated total of about 5 million books produced by the Americans under their low-priced book programme since 1957. Exact figures for the Soviet output of cheap books are not available but it is understood that in 1958 approximately 4 million books were imported into India alone from the USSR.

Low-Priced Vernacular Publications

38. It is also essential to institute a vernacular programme to which the same principles and procedures would apply so far as possible and which would cater for the needs of those who would not be reached by the English language programme.

39. In the Middle East a substantial effort to offset the undue influence of the Cairo publishing industry in the field of Arabic publications is clearly called for. So long as the bulk of reading matter in the Arabic language comes from Cairo, this must add to Nasser's prestige. Moreover, there is in circulation much tendentious literature, including textbooks, which seeks to undermine the position of the Western Powers. A fairly sophisticated readership might be assumed in this area, and the aim should be to provide, in addition to fiction, a reasonable proportion of books for readers having a general, as opposed to specialist, interest in, e.g., social and economic subjects. Distribution would in the first instance be to the Persian Gulf, Jordan, the Sudan, Libya, Tunisia and Morocco but could be extended if political conditions permit to the United Arab Republic and Iraq.

40. In the Indian sub-continent, Ceylon and Malaya, the absence of any British contribution in the vernacular field is keenly felt by our High Commissioners. Substantial provision should be made to meet this need. Opinions differ however as to the relative importance of the various languages and as to the types of books to be covered. To have any impact the operation will need to be on a large scale, and in view of this, of the importance of the area and of the sensitivity of the Governments concerned, it is considered that requirements, at any rate in the Indian sub-continent, should be investigated on the spot by a Mission consisting of representatives of the Commonwealth Relations Office, Central Office of Information, the British Council and the Publishers Association. Meanwhile sufficient evidence is already available to justify provision on the scale recommended in paragraph 42 below.

41. In the Colonial territories there is a large potential market for simple instructional material of the “do it yourself” kind as well as straight recreational reading matter of a fairly simple nature. To begin with, particular attention should be directed to publications in the former class. In some Colonial territories Governments have made a start in this field through Vernacular Literature Bureaux but these efforts would need to be supplemented.
42. On this basis the Working Party recommend annual financial provision for low-priced vernacular publications as follows (Chinese is excluded at this stage for the reason given in paragraph 24 (ii) above):

- £50,000 for Arabic publications
- £50,000 for publications in Hindi, Urdu, Malay, Sinhala, Tamil, possibly Indian and Pakistani regional languages
- £7,500 for vernacular publications in Central Africa
- £15,000 for Swahili and Arabic publications
- £5,000 for vernacular publications in Borneo, Brunei, and Sarawak
- £5,000 for Hindi and Urdu publications for Fiji, Mauritius, and the East African territories

Total: £132,500

British Council

Presentations of Books and Periodicals

43. Presentations cannot be regarded as a substitute for any of the other measures recommended in this report, but they are a valuable supplement. They provide the most rapid method of getting British publications into the libraries of overseas universities, technical colleges, teacher training colleges, schools, &c., where they are likely to reach the maximum number of readers, many of them teachers or students who cannot afford to buy for themselves. Multiple copies of standard textbooks may be included. The periodicals would be mainly medical, scientific, technological, scholarly, and educational. They would include the publications of learned societies which are of vital importance in this field. Some presentations should be made to individuals in positions of influence. Careful selection of the right recipients and the right books and periodicals, and consultation with the local educational authorities concerned, are essential if misdirection of effort is to be avoided. The British Council can perform this service, through its representatives, librarians, and education officers overseas, and the specialist departments and bibliographical libraries which it maintains at its London headquarters. For practical reasons it is not possible at this stage to separate financial provision for presentations from that required for the other measures by the British Council proposed in paragraphs 44 to 46 below. The total sum proposed for these British Council services will be found in paragraph 48.

Libraries and Library Services

44. There are countries in which presentations of books and periodicals on any considerable scale are either out of the question because appropriate libraries do not exist or undesirable because libraries are unsatisfactory. The need can be met, however, if the books and periodicals are added to Council libraries, where they can be effectively administered, and lent by post or circulated in book-boxes if needed. Multiple copies of textbooks can be included for long loan to students.

45. Council libraries can also facilitate the sale of British reading matter through normal trade channels by helping prospective buyers over the very real problem of selection. There are some 300,000 books in print in Britain, and 20,000 more appear every year. And there are some 5,000 periodicals (apart from newspapers), many of them highly specialised. This wealth and variety, unequalled anywhere else in the world, provide Britain with an invaluable stock-in-trade, but it can obviously be very difficult for the overseas librarian, bookseller, specialist, professional man or student to find the publications best suited to his needs. The problem is acute in many developing areas where even the best libraries and bookshops may not possess anything like the necessary skill or the reference books. In the nature of things no book-trade agency can provide an expert authoritative service. British Council libraries provide such a service on a restricted scale, answering every year thousands of enquiries about books and periodicals, and supplying expert bibliographies ad hoc on a great range of subjects.

46. In very many places also there is no local publicity for new British publications, and no opportunity to examine books and periodicals before ordering them, except when these are provided by the British Council's review scheme and exhibitions. The extension of these services would be one of the most effective and economical methods of increasing the use and the sales of British publications.
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47. These presentations or the other Council services are being expanded or initiated in 1959-60 in India, Pakistan, Ceylon, the Somaliland Protectorate, Aden, Kenya, Uganda, Tanganyika, Somalia, Burma, Laos, Cambodia and Vietnam. The cost of this expansion is about £200,000. There will be a continuing need for these activities in all these countries.

48. A similar expansion would be very valuable in Ghana, Nigeria, Malaya and other Commonwealth countries and in Indonesia, Thailand, Nepal, Korea, Sudan, Ethiopia, Iran, Israel, Lebanon, Morocco, Tunisia and Libya. While in Latin America the political need for an increase in British Council presentations and library services is not so pressing, the commercial benefit of an increased provision there especially for periodicals would be considerable. Expansion in Latin America is therefore recommended if resources permit. The Working Party recommend that £100,000 per annum be made available to the British Council for these purposes. Of this total £70,000 should be allocated to foreign countries, £20,000 to Commonwealth countries, and £10,000 to Colonial territories.

Development of Library Systems in Colonial Territories

49. In many of the Colonial territories, although purchasing power as elsewhere is a limiting factor, the position is complicated by the fact that literacy has grown a great deal faster than the distributive system. The petty trader is virtually the only commercial distributive agent apart from the few bookshops in large urban areas and he is at present unwilling and unable to handle such comparatively expensive, heavy and, in tropical climates, perishable commodities as books.

50. The low-priced book scheme described in paragraphs 23 to 42 will undoubtedly give an impetus to the development of commercial book distribution by giving the entrepreneur a chance of building up a mass market and meanwhile protecting him against some of the commercial risks involved. But this is expected to be a comparatively slow process.

51. Meanwhile the dissemination of books in the territories concerned is seriously inhibited by the lack of adequate public library systems. Some Governments, within the limited financial resources available to them for the purpose, have made a start with establishing public libraries. But not much has yet been done outside the large urban centres. Even the existing libraries, moreover, need far more English books and are having, at the moment, to rely too much on, e.g., American donations. Adequate services would in general need to comprise central libraries, regional branches, book vans and book boxes, on the lines of the system established in Ghana before independence.

52. Services of this kind, besides enabling a large number of people to borrow British books, could also provide sales points in areas where commercial channels do not exist. In some territories it would also be advantageous to extend the limited book van service at present operated in connexion with the Literature Bureaux.

53. The Working Party recommend that the terms of reference of the British Council in the Colonial territories as laid down in paragraph 14 of the enclosure to the Secretary of State for the Colonies circular despatch No. 97511 of August 9, 1948, be revised to permit the Council to organise, without prejudice to its other work, the improvement and expansion of Colonial library services in collaboration with the Colonial Governments concerned. The Council has already successfully carried out operations of this kind in Jamaica and in Ghana. An undertaking from the Colonial Governments concerned to meet in due course the recurrent costs of expanded services would be a prior condition of any expansion scheme. It is further recommended that the Council be invited to submit costed proposals to a maximum of £100,000 a year for schemes of this kind covering a period of years in accordance with a list of priorities to be decided by the Colonial Office, in consultation with Colonial Governments and the Council. The area to be covered by such projects would include territories in West, East and Central Africa, South-East Asia, the Somaliland Protectorate, Mauritius, and Fiji.

Improvement of Commercial Distribution

54. Both in the countries which the Working Party has considered and outside them, there remains great need and scope for improvement in the normal commercial merchandising of British books and periodicals. This is particularly
true where there are no artificial barriers (such as quotas and tariffs). Even though some of the countries concerned may be poor by Western standards, there is evidence of a considerable demand for books at commercial prices which is not being met. In some cases this is probably due to publishers' difficulties in finding suitable channels of distribution and to distributors' unwillingness to accept undefined risks in an unfamiliar field. Elsewhere the obstacle may be the lack of prospect of adequate returns.

55. If the Working Party's recommendations are accepted, it would be useful to discuss with publishers and distributors precisely what the obstacles are and what steps can be taken to overcome them. For example, an approach to some of the leading commercial houses operating in Africa and some of the leading United Kingdom book-selling organisations might well bring about a joint effort in the retail book trade in certain Colonial territories. By thus marrying experience in large-scale local marketing with retail book trade "know how," it should be possible to achieve a considerable increase in the distribution of British books at little direct cost to public funds.

Measures to Promote the Circulation of British Periodicals and Newspapers Overseas

56. The Working Party are convinced that a very much wider distribution of certain British periodicals and newspapers overseas is in the national interest, particularly for their value in stimulating an intelligent appreciation of the British attitude to current problems. Free distribution already takes place through official channels, but this has hitherto been on a limited scale. Provision has been made for distribution on a larger scale in certain countries in 1959-60. The Working Party fully support this and consider that still greater expenditure would be justified. Since this is an existing service, provision for expanding it could most appropriately be sought by the Departments concerned in the normal way at the time of preparing the annual Estimates. The Working Party need therefore do no more than record their view that money spent in this way would be well spent.

57. The problem to which the Working Party has particularly addressed itself is that of promoting the sale of British periodicals and newspapers overseas. The nub of the problem is the heavy incidence of transport costs, which deter the publishers from testing the strength of the demand in overseas markets. In some at least of these markets sales could probably be built up in course of time to a profitable level. But the venture is understandably regarded as speculative by the publishers, whose profits in the home market are not such as to encourage an adventurous policy abroad.

58. The Working Party have examined the possibility of obtaining concessionary airmail rates, but there are difficulties which have not been resolved and no firm recommendation can yet be made. The matter would repay further attention at a later stage.

59. Meanwhile members of the Periodical Proprietors' Association and the publishers of air mail editions of newspapers and weekly periodicals would welcome an experimental scheme designed to help them to establish themselves in selected markets considered to be of political importance to Her Majesty's Government. The essence of the proposed arrangement is that the publications would be selected in consultation with the publishers who would provide copies free or at a nominal charge. The Central Office of Information would despatch the air mail editions of newspapers and periodicals by air freight and the remainder by surface post. The cost of surface postage would be borne by the Government but the publishers of air mail editions would contribute about one-third of the cost of air freight. The local agent in the receiving country would make no payment for these publications during an experimental period but would be required to meet internal distribution costs and to promote sales. The local selling prices would be agreed with publishers and would be such as to enable normal business to continue thereafter on a basis acceptable to them. The experimental period in any country selected would vary according to the circumstances.

60. The publishers consider that an experimental scheme along these lines would help them to test the market in the areas Her Majesty's Government has in mind and with a reasonable prospect of success. An annual allocation of £20,000, to be reviewed after two years, is recommended for this purpose.

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61. The Working Party have noted the advantage enjoyed by certain countries whose economies, for one reason or another, are able to support commercial periodicals of relatively low price which, besides achieving large sales at home, lend themselves more or less effectively also to the projection overseas of the countries in question. While the Working Party would not feel justified in advising governmental intervention in the field of domestic publishing, they recommend that further study should be given by officials to the problem of competing overseas with the foreign periodicals in question. They recognise in any event that a low-priced popular illustrated magazine of United Kingdom origin, designed primarily for the overseas reader and especially for the impecunious student, might powerfully supplement the measures proposed elsewhere in this Report for promoting the sale of general reading matter in the territories which the Working Party have been called upon to consider. It should be noted that the production of such a magazine, if it were to have any real impact, would be likely to cost something of the order of £500,000 per annum.

TECHNICAL AND ADMINISTRATIVE ARRANGEMENTS

62. The Working Party have considered the organisation that would be necessary to carry out the proposals in this report and recommend that a Committee should be set up under the aegis of the Official Committee on Overseas Information Services to be called the Book Exports Committee. The Chair would be taken by the Office of the Chancellor of the Duchy of Lancaster and the Committee would consist of representatives of the Foreign, Commonwealth Relations and Colonial Offices, the Board of Trade, the Central Office of Information and the British Council. While ultimate responsibility would rest with the sponsoring departments, the Committee would provide a forum for all discussions involving policy. It would guide the deployment of resources for the low-priced book programme and would seek to ensure proper co-ordination and balance between this programme, the book export schemes and the other measures proposed in this report. It would act as the normal channel between the Government and the Publishers' Association and the Periodical Proprietors' Association whenever either party considered that questions of policy needed discussion.

63. The need for an Advisory Committee to assist in the selection of titles for the low-priced book programme has been mentioned in paragraph 31 above. This committee should have an independent chairman and should comprise experts in various fields, including some members of the British Council's advisory committees on British Books Overseas, and on Science, Medicine, &c. Its secretariat would be provided jointly by the Central Office of Information and the British Council. Appraisals of books suggested should be obtained from experts in the United Kingdom, from the overseas representatives, librarians and educational officers of the British Council and from British Embassies and High Commissions.

64. The administration of book export schemes, of the low-priced book programme, and of the proposals for encouraging the sale of newspapers and periodicals overseas would be carried out by the Central Office of Information, while the expansions proposed in the presentation and library programmes would be operated by the British Council, both under the general direction of the overseas departments. The two bodies would work closely together on the execution of the programme as a whole.

65. A Book Trade Consultative Panel would be set up by the Book Exports Committee and would contain representatives of the different book trade interests likely to be concerned with low-priced books and with book export schemes. It would advise the Book Exports Committee and the Central Office of Information on practical book trade matters connected with the execution of approved schemes.
CONCLUSIONS AND SUMMARY OF RECOMMENDATIONS

66. An effort of the general order of magnitude envisaged in this report is necessary if British reading matter is to hold its own in the areas examined. The Working Party cannot in the nature of things claim that the proposed distribution of the total sum as between the various schemes and countries is valid in any absolute sense. It can only be claimed that the provisions suggested in each case are as realistic as can be expected from the application of careful judgment to evidence which, though the best available, inevitably includes a large element of opinion. Forecasts of likely demand have proved particularly difficult.

67. The importance of flexibility in the operation of these schemes needs to be most strongly emphasised. It is essential that the Book Exports Committee should have authority to switch resources from one country to another and from one scheme to another as changes in demand or political emphasis may require.

68. Subject to this proviso, the Working Party recommend the following schemes at the annual net estimated cost noted against each (it is recognised that it would not be possible to reach this level of expenditure for at least one year):

(a) British Book Export Schemes (paragraphs 12-22) ... £340,000
(b) Low-priced Book Programmes (paragraphs 23-42)
   (i) English language (paragraph 37) ... £162,500
   (ii) vernacular languages (paragraph 42) ... £132,500
(c) book and periodical presentations by the British Council
   (paragraphs 43-48) ... £100,000
(d) expansion of British Council libraries and services
   (paragraphs 49-53) ... £100,000
(e) development of library systems in Colonial territories
   (paragraphs 59 and 60) ... £20,000

Total ... ... ... ... ... £855,000

It must be added that the Treasury representative, while not dissenting from the general conclusion that a case existed for action on these lines, has made it clear to the Working Party that his Department cannot be regarded as committed to expenditure on the scale proposed.

69. In addition to the above, the Working Party recommend:

(a) discussions with the publishers with a view to improving commercial distributive arrangements in certain countries (paragraphs 54 and 55);
(b) further study of the question of concessionary airmail rates for periodicals (paragraph 58);
(c) further study of the project for an illustrated magazine (paragraph 61).
ANNEX A
(See paragraph 20)

PROPOSED OPERATION OF A BOOK EXPORT SCHEME

The method of operation would be as follows:—

1. A selected list of not more than 20 reputable firms of local booksellers and
   wholesalers would be invited to participate in the scheme on the basis
   of agreed quarterly deposits of local currency paid in advance either
   in one sum or in monthly instalments to the designated agent (e.g., the
   British Council representatives). The total of such agreed quarterly
   deposits should not exceed pro rata the annual ceiling for the Scheme.

2. Booksellers’ deposits would be notified to the Central Office of Information
   (C.O.I.) by the designated agent, and the sterling equivalent transferred
   to the C.O.I. by the Foreign Office.

3. The local importer would send orders to the C.O.I in duplicate on a
   standard order form obtained from the designated agent.

4. The C.O.I. would pass orders to British publishers.

5. The British publisher would (i) despatch the books, periodicals, &c., ordered
   with a copy of the invoice direct to the local importer who would,
   however, have been advised that his total obligation would include an
   additional percentage of x per cent. to cover administrative costs and
   (ii) send an invoice to the C.O.I. for settlement.

6. The C.O.I. would maintain records of the deposits made by local booksellers
   and of payments made on their behalf; the records would also include
   the percentage administrative charge. Once a quarter, the C.O.I. would
   supply each bookseller with a statement of his account which would
   include an estimate of the cost of outstanding orders for which invoices
   had not been received. It is proposed that these statements of account
   should be submitted in the last fortnight of each quarter and, at the
   same time, the [Turkish] importers invited to make their “bid” by a
   certain date for allocations covering the ensuing quarter. On that date
   the next quarter’s money (i.e., £12,000) would be allocated among the
   applications received—probably on a pro rata basis but also taking
   into account any special recommendations from the Embassy and the
   British Council and giving preference to booksellers specialising in
   certain types of books and periodicals, e.g., English language text books
   and medical periodicals.

7. Each quarter the C.O.I. would provide the designated agent with a
   comprehensive statement showing the volume of trade since the last
   return. These returns might be submitted to the local Government
   and used as a basis for determining the limits of the scheme for the next
   financial year.
RUSSIAN AND CHINESE EXPORTS OF CHEAP BOOKS

Book Production of the Bloc Countries

The Soviet Union, with an annual production rate of 1.1 billion books and a projected rate of 1.6 billion by 1965, maintains that it is the world's leading producer of books. Without openly disputing the Soviet claim that they are number one in the field, the Chinese Communists claim that they produce 2 billion copies. Following these giants of the book world are the smaller Communist States of East Germany with 100 million books, Poland with 86.9 million, Czechoslovakia with 42.5 million, Roumania with 36.5 million, Hungary with 31.4 million and North Vietnam with 9 million.

Within the bloc, the USSR is the undisputed leading producer of books in foreign languages, however. During 1958, it published nearly 30 million books in Free World languages. These books were distributed by languages as follows:

<table>
<thead>
<tr>
<th>Language</th>
<th>No. of Titles</th>
<th>No. of Copies</th>
</tr>
</thead>
<tbody>
<tr>
<td>German</td>
<td>173</td>
<td>12,677,300</td>
</tr>
<tr>
<td>English</td>
<td>258</td>
<td>11,560,600</td>
</tr>
<tr>
<td>French</td>
<td>117</td>
<td>2,329,000</td>
</tr>
<tr>
<td>Bengali</td>
<td>17</td>
<td>217,500</td>
</tr>
<tr>
<td>Spanish</td>
<td>32</td>
<td>149,700</td>
</tr>
<tr>
<td>Hindi</td>
<td>19</td>
<td>146,800</td>
</tr>
<tr>
<td>Arabic</td>
<td>13</td>
<td>81,500</td>
</tr>
<tr>
<td>Finnish</td>
<td>25</td>
<td>55,500</td>
</tr>
<tr>
<td>Persian</td>
<td>7</td>
<td>44,600</td>
</tr>
<tr>
<td>Urdu</td>
<td>9</td>
<td>38,000</td>
</tr>
<tr>
<td>Dutch</td>
<td>5</td>
<td>28,400</td>
</tr>
<tr>
<td>Swedish</td>
<td>4</td>
<td>17,000</td>
</tr>
<tr>
<td>Esperanto</td>
<td>1</td>
<td>10,000</td>
</tr>
<tr>
<td>Japanese</td>
<td>2</td>
<td>9,500</td>
</tr>
<tr>
<td>Kurdish</td>
<td>4</td>
<td>4,000</td>
</tr>
<tr>
<td>Norwegian</td>
<td>1</td>
<td>2,500</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>687</strong></td>
<td><strong>27,371,900</strong></td>
</tr>
</tbody>
</table>

As noted above the USSR published 687 titles of books in a total print of 27,371,900 copies in Free World languages. This represents a decline of 1,929,500 copies from the 1957 figure of 701 titles in 29,301,400 copies. This decrease in total output is more than accounted for by a drop of 2,036,690 in output of German-language books. A continuing decline in Soviet production of German-language books has been noted for some time. In 1954 the Soviets published 16,802,000 copies of German-language books as compared with 12,677,300 copies in 1958. This decline in Soviet production should not be attributed to a declining interest in German-speaking people as a target for Communist propaganda, however, but rather to the fact that the East German Presses have increasingly assumed the burden of publishing Marxist-Leninist books in the German language. The output of these books—commonly called Marxist-Leninist classics—totalled 23 million copies during a recent one-year period. Also, it is significant that the publishing house "Volk und Wissen," which until late 1957 published educational and technical literature exclusively, was removed from the control of the Ministry of Public Education and placed under the Ministry of Cultural Affairs.

Communist China, another bloc country with a large book publishing and export programme, reportedly planned to produce two billion copies of books in 1958. Although it is not known how many of these were to be in foreign languages, exports of two million copies to India alone, for example, suggest that the number was substantial. However, there were indications that the foreign language book publishing programme is growing. The October 1958 French catalogue of Guozis Shudian of Peking lists 122 titles offered for export as compared with 34 titles in its 1957 catalogue. There were also reports that two Spanish translators from

CONFIDENTIAL
Latin America had been added to the Spanish section of the Foreign Languages Publishing House. During 1958 this firm also added an Indian languages publishing programme to its regular programme of publishing in English, Indonesian, French, Spanish and German. The main effort, however, in terms of volume of books exported, consists of Chinese-language books directed to overseas Chinese throughout the world. Millions of copies of these books are exported annually through the distribution centres of Hong Kong and Singapore.

Similarly, a large portion of the exports of other bloc countries is directed toward emigrés residing in various countries throughout the world. A catalogue put out by Ars Polona of Warsaw and distributed at the Second United States World Trade Fair in New York in 1958 lists over 300 titles of Polish books for export. Furthermore, the Polish programme of publishing in foreign languages is expanding, judging from their export statistics. In 1956 the value of book exports reached 2.9 million zlotys; in 1957 it was 3.3 million zlotys; the plan for 1958 called for an increase to 5.8 million zlotys.

Books Printed for Free Distribution

In addition to those books listed above on which information on the number of copies printed is available, the USSR prints a large number of books and pamphlets for free distribution. There are no figures available on the number of copies of these produced. *Soviet Book Herald* noted about 150 titles falling under this category put out in Free World languages. The output of these in terms of number of copies produced probably exceeds all other printings combined. Thus—to cite an example—the USSR had up to one hundred titles available for visitors to the Brussels Fair in 1958. Since, according to Soviet sources, over 30 million people visited the Soviet pavilion, the number of copies handed out probably ran into the millions. East Germany, moreover, recently published a book for free distribution supporting Soviet policy in Europe. Entitled *White Book on the Aggressive Policy of the German Federal Republic*, it has been given to the Governments of more than 60 countries and contains documents presented to the World Press at Press conferences held in East Berlin, Prague and Moscow. The following offer was made in *Democratic German Report*, November 21, 1958:

The White Book, a volume of 160 pages, deals in sober terms with the following subjects:
- Atomic Weapons for West Germany
- Steps taken since 1950 to Restore German Militarism
- West German Demands for Frontier Revision
- The Forces which Oppose German Reunification
- The Peace Policy of Democratic Germany.

If you would like a free copy of this volume, fill in the form on the right. Your copy will be dispatched as soon as the English edition comes off the press.

While this is an example of a book printed specifically for free distribution, the prices of all Communist books appear to be so low that the price received does not cover postage costs. To cite an extreme example: a number of works by Mao Tse-tung published in such languages as English, French, German and Indonesian—can be ordered from Guozi Shudian of Peking for two cents in United States money. Titles in this category include: *Combat Liberalism; The Policies, Measures and Perspectives of Combating Japanese Invasion; and The Question of Autonomy within the United Front*. With such a pricing policy the only apparent reason for asking any remuneration for these books is to avoid the charge of distributing free propaganda. In fact, the prices of all Communist books appear to be just high enough to convince the purchaser that he is getting something worthwhile and low enough to make him believe he is getting a bargain. This "optimum" price is usually about one-fifth the cost of a commercially priced volume.

Expansion of Bloc Publication Facilities

In order to meet the growing receptivity to their literature abroad, the bloc countries have found it necessary to expand their publishing facilities, and, in some cases, to create entirely new publishing houses devoted largely to the
publication of books for foreign circulation. The East Germans—to cite an example—have set up a printing plant in North Vietnam with a capacity of nine million volumes annually, thus doubling the publishing capacity of that country. The East Germans have also established a publishing house of their own to print books primarily for export. According to the G.D.R. Review No. 7, 1958, “80 per cent. of the new company’s output in books is scheduled for export, mainly to English-speaking countries, of which India and the Middle East will be the chief buyers.”

A brochure from this Berlin firm, called “Seven Seas Books,” lists a number of titles in English that can be ordered. These books, for the most part reprints, are the works of writers who addressed themselves to social problems existing in their time. For the reader who is not familiar with the Western scene, Mark Twain might be shocking and Jane Austen’s Pride and Prejudice easily misunderstood. The choice of titles forms a pattern designed to provide uncritical minds with arguments to confirm the Communist version of a capitalistic society. Prices range from DM. 1.85 for single volumes to DM. 2.85 for double volumes.

From the Soviet Union has come a report that Lithuanian physicists have solved the problem of making magnetic printing forms by photoelectric means, thus, according to a Tass broadcast, revolutionising the printing industry. The prototype of a ferromagnetic printing machine involving this process, which will dispense with the conventional technique of printing by means of mechanical impression, has been built at a laboratory of the Lithuanian Research Institute of Electrography at Vilnyus. Reportedly this permits the printing of books, magazines and newspapers in large impressions without type and matrices, and printing machines with ferromagnetic film can, in a few minutes, print books in enormous impressions.

The Seven-Year Plan of the USSR for expanding the printing and publishing industry provides for the expenditure of 3,125,800,000 roubles by 1965.

According to the latest reports from Communist China, seven publishing houses were established during the first six months of 1958, thus bringing the total of printing establishments to 134.

**Addition of New Languages to Publishing Programme**

The Soviet foreign language publishing programme, which for a number of years has included the principal languages of the Free World, underwent further expansion during 1958. Additional languages added include Portuguese, Persian, Kurdish and Tamil. Books, periodicals and textbooks destined for domestic and foreign consumption have appeared in these languages. The domestic market was supplied with a Portuguese-Russian phrase book, and foreign readers in Iran, to cite one example, were given an opportunity to read in Persian about Soviet methods of handling the malaria problem. Several delightful children’s books have also been added to the Soviet Persian-language output.

Dictionaries, textbooks and phrase books were in the forefront of Soviet publishing endeavours during the year. They appeared in almost all of the new languages mentioned. Increased cultural contacts and greater emphasis upon the teaching of foreign languages in Soviet schools may have been partly responsible for this new publishing effort.
UNITED STATES LOW-PRICED BOOK PROGRAMME

Introduction

American books at prices within the reach of the masses of literates in most of the Asian and African countries are beginning to find their way into the book stands of those countries in increasing numbers as a result of a new book activity sponsored and directed by the United States Information Agency. This new book effort is known as the Low-Priced Book Programme. Working through American publishers and their export representatives, we have placed well over two million paperback books on sale at 10 and 15 cents per copy during the past eighteen months.

To make low-priced books also available to the large audience which is only semi-literate in English, a special series of simplified versions of American books is being prepared. This series, consisting of both fiction and non-fiction, calls for books to be reduced in vocabulary in levels of from 1,000 to 10,000 words by persons experienced in teaching English to foreigners. Thus, a person who knows some English will be able to read American material and improve his English at the same time. This series of books will be distinguished by a colophon on each volume inscribed “A Ladder Series.”

Purpose

This Programme has been developed to help counter the ever-increasing flow of Communist-produced nominally priced publications to the critical areas of the world and to make greater numbers of American books available overseas generally. In the competition for the attention of men's minds and thoughts through the medium of books, the availability of American books has become increasingly crucial and more and more a concern of the United States Information Agency. Discouragingly small numbers of American books have been distributed in the Asian and African countries through normal commercial means. The Low-Priced Book Programme looks not only to distributing selected American books in significant quantities at prices low enough to make them available to the wide reading audience but to encouraging American publishers to develop enduring distribution channels in these countries.

Types of Books

The United States Information Agency selects all titles distributed under the Low-Priced Book Programme. These selections include a large quantity of books which make a major contribution to the objectives of the United States Information Agency and American foreign policy. Books which portray important aspects of American life and democratic institutions or which expose the aims and intentions of Soviet and international Communism receive major emphasis. Limited use is made of books in the general reading category in order to attract the widest possible reading audience and to elicit the cooperation of publishers and book sellers whose profits are earned exclusively through sales.

Titles selected for distribution under the Low-Priced Book Programme can be grouped into six major categories which are listed below with typical titles for each category.

American Government and Classics of Democracy


The Political Writings of Thomas Jefferson. Representative Selections. Edited by Edward Dumbauld.


Our American Government. By Congressman Wright Patman.
Anti-Communist
The Fall of a Titan. By Igor Gouzenko.
Nineteen Eighty-Four. By George Orwell.

American Literary Works
Moby Dick. By Herman Melville.
Basic Selections from Emerson. Edited by Eduard C. Lindeman.
Edgar Allen Poe: Representative Short Stories. Maurice C. Baudin, Jr.

American Life and Institutions
American Capitalism. By John Galbraith.
The Big Change. By Frederick Lewis Allen.
This is America. By Max Herzberg.

American Biographical and Autobiographical
Story of My Life. By Helen Keller.
Yankee from Olympus. By Catherine Drinker Bowen.
The Universe and Dr. Einstein. By Lincoln Barnett.

General Reading
Executive Suite. By Cameron Hawley.
A Tree Grows in Brooklyn. By Betty Smith.

Method of Publication and Distribution
Commercial channels are employed exclusively for the publication, promotion, distribution and sale of the books. Contracts are written with American publishers under which they prepare special paper-back export editions of selected titles which are labelled “Special Student Editions.” The same contract provides for the publishers placing the books in their regular commercial distribution channels in countries and quantities designated by the Agency. (Some of the problems encountered in trying to meet the distribution schedules will be discussed below.)

As in the case of regular commercial books, these “Student Editions” are purchased by distributors at discount rates. A book retailing for 10 cents is “sold” to the distributor for 2 cents; he, in turn, “sells” it to his retailers at 6 cents, thus providing a 4 cents profit to each. All arrangements in connexion with getting the books distributed and placed on sale are handled by the publishers and their export representatives as in the case of commercial editions. A 1 cent per copy service fee for handling distribution arrangements is paid to export representatives by the Agency through the publishers.

The Agency bears the complete cost of financing the cost of manufacture, promotion, and shipping. Any funds collected by the publishers from their distributors (the 2 cents per copy) are deducted from the Agency’s reimbursement to the publisher. In return for producing the special editions and for arranging distribution, the Agency pays the publisher a 5 cent per copy service fee which is expected to cover the publisher’s overhead and other indirect costs.

A 1 cent per copy allowance for promotional purposes is also made available to the overseas distributor by the Agency through the publisher. How this allowance is used is left to the judgment of the distributor in each country. While he is not required to make any precise accounting to the publisher of his expenditures of this money, he is expected to submit sample copies of all promotional materials purchased with it.

Special Problems
Bringing about distribution of the books to the countries and in the quantities desired is a fairly complicated and demanding operation. Many of the publishers are charting distribution channels in virgin territory particularly in Africa. Others have had only limited experience with overseas distribution generally. No publisher
or distributor has had experience with the large quantities or the extensive dealership coverage hoped for by the Agency. Distribution is frustrated further by the fact that little actual control can be exercised by either the Agency or the publishers once the books have been placed in shipment.

In addition to the difficulties created by the lack of extensive experience with the areas and the kind of distribution hoped for, specific problems harass the distribution operation. Currency exchange restrictions and regulations have hampered distribution to the dollar shortage areas. In these countries where I.M.G. agreements are in force this difficulty has been considerably relieved. Unfortunately, I.M.G. funds for some of the countries to which distribution is planned are limited. Distribution to the African countries in the sterling bloc has been hampered because no mechanism for converting pounds sterling into dollars exists. Shipments to those countries have been delayed since publishers have naturally been unwilling to accept payment for the books in sterling.

Distribution has been slowed also through resistance of some of the distributors and book sellers to handle the books because of concern over the quantities recommended or doubt about the sales appeal of the particular titles. Objections have been raised, too, over the kinds of books. Some distributors have been concerned lest the book be viewed as overly propagandistic by consumers and taint the whole series.

**Progress to Date**

Despite the difficulties faced in getting the books distributed in many of the target countries, real progress has been made in getting large quantities of American books placed on sale throughout the Asian continent. One American publisher in reporting on his observations in the book field generally during a recent extended tour through India, commented that by early 1957 the Low-Priced Book Programme had achieved real penetration of the Indian book market. He noted that the low-priced books were available on book stands everywhere in India. He visited from Madras in the south to Darjeeling in the north.

Through Press comments, reports received from American publishers travelling through the area, and reports from U.S.I.S. officers in the field it has been possible to gain some sense of the impact made by the appearance of the low-priced books. A Madras daily noted that, for the first time in India, it is possible for poor students to build their own personal libraries. It commented favourably on the availability at 10 and 15 cents of American political classics and hoped that soon some of the British classics would be available also. (At the time this article appeared the Agency had already contracted for publication of some of the writings of Mill, Hume and Locke.)

In Japan, too, Press comment has been favourable. One of the major Tokyo newspapers welcomed the appearance of the books with the observation that, for the first time, American books at prices directly competitive with those being distributed in large quantities by the Communists are being distributed in Japan. The article expressed gratification over the representative range of titles included in the series and stated that the series offered material in the field of economics and political science heretofore available only through the Communist distribution.

Sales in themselves have not as yet developed into a very meaningful pattern because of the relatively short period during which the books have been on sale. But reports from India, where the books have been on sale longer than in any other country, are quite encouraging. Over half of the books placed on sale there in the spring of 1956 have been sold. Many of the titles have sold out completely and new copies have been ordered by the distributor. As would be expected, India emerges as the largest market area for low-priced books.
CABINET

AIRCRAFT INDUSTRY: REPLACEMENT OF THE DAKOTA

MEMORANDUM BY THE PRIME MINISTER

A difference of opinion has arisen about proposals to grant Government financial support to the production of a British aircraft which we would hope to export in substantial numbers to replace the obsolescent Dakota. The problem has been considered by the Committee on Civil Aviation Policy; and as the difference still remains it is necessary for it to be considered by the Cabinet.

2. The details and the arguments bearing on this problem are set out fully in papers of the Civil Aviation Policy Committee which have been sent to all members of the Cabinet (C.A. (59) 6th Meeting Minutes and C.A. (59) 23).

3. In brief summary, the issues which arise seem to me to be as follows:—

(i) The Government a year ago announced their future policy on the aircraft industry. This was broadly that in the changed circumstances facing it—i.e., the reduced defence requirements—the industry should reorganise and contract itself; and Government financial support should pay regard to the need for this and should be directed in the first place to research and in the second place to the development of new types of aircraft embodying major technical innovations and involving special commercial risks. Would it be right to adhere to this policy, or should exceptions be made? Any support for a Dakota replacement would involve a departure from this policy and might be regarded as a precedent for other similar ventures such as the Viscount replacement. It is true that the Committee on Civil Aviation Policy have already decided in principle that such a departure in the case of the Dakota would be advisable, but it will be seen from Annex II to C.A. (59) 23 that the Minister of Supply now feels real doubt whether this would be wise.
(ii) If, notwithstanding this, the Cabinet should decide to endorse the decision of principle of the Civil Aviation Policy Committee, the next question is whether or not this support should be given to more than one aircraft. The arguments for and against supporting both the Herald and the Avro 748 are set out in the papers to which I refer. If we decide to support one only, should the decision go in favour of the Herald, on the grounds *inter alia* that it is the one now flying? Or should preference be given to the Avro 748 both on the grounds that it is more likely to obtain a substantial order which the Indian Government intend to place and because its manufacturers, the Hawker Siddeley group, are more likely to have a long-term future in the aircraft industry than the Handley Page Company, who make the Herald? The possibility of a substantial Indian order is undoubtedly a special factor. But is it, or is it not, of such overriding importance that Government support should be linked specifically to the aircraft which secures it?

4. We ought to try to reach an early decision on this.

H. M.

10 Downing Street, S.W. 1.
1st May, 1959.
CABINET

RETIREMENT PENSIONS AND NATIONAL ASSISTANCE

MEMORANDUM BY THE SECRETARY OF STATE FOR THE HOME DEPARTMENT AND LORD PRIVY SEAL

Against the background of the demand for an increase in retirement pensions and the knowledge of the promises our opponents are making and will continue to make, the Ministerial Committee on Pensions have considered three possible courses of action—

(A) To do nothing.
(B) To increase national assistance.
(C) To increase retirement pensions (and other benefits).

The second and third are each susceptible of several variations, which are discussed below.

(A) To Do Nothing

2. If this is politically feasible, it would have the advantages that—

(i) It would avoid Exchequer expenditure for which no provision has been made in the current year, at a time when departmental forecasts for the following year already show disquieting increases.

(ii) It would avoid further demands on Parliamentary time, which would be very difficult to meet.

(iii) It would leave us more room for political manoeuvre at a later stage.

I return to this at the end.

(B) To Increase National Assistance

3. We have considered a plan prepared at our request by the Minister of Pensions, which would consist of the following elements—

(i) An increase in the scale rates from 45s. to 50s. for a single person and from 76s. to 85s. for a married couple.

The real (as distinct from nominal) value of the current...
rates has remained substantially unchanged since 1948 and the increase could and would be presented as a real improvement in standards. They could be effected by regulations requiring affirmative resolution in both Houses and, in a full year, might cost about £27 millions.

(ii) An increase in the amount of the various types of income (disability, occupational and other pensions, earnings, &c.) which are already disregarded in the assessment of need. These disregards have remained unchanged since 1948 and a 50 per cent. increase would approximately restore, but not increase, their real value. With the exception of the earnings disregard, it would require a short Bill and, in a full year, would cost about £2 millions.

(iii) A revision of the treatment of capital assets, possibly involving elimination of the war savings disregard. Similar considerations, including the need for legislation, apply as to (ii) above and the cost in a full year might be about £1 million.

(iv) An increase in the amount of the contributions assumed to be made towards household expenses by self-supporting members of the household (a minority of cases), together with offsetting increases to meet the rent in full where the allowance for rent is now restricted by reference to an out-of-date “local rule” fixed nine years ago. These adjustments could be effected as in (i) above and in a full year would cost about £2 millions.

The cost of increasing the retirement pension alone by 10s., with an appropriate increase for married couples, would be about £130 millions in the first full year. This alone could be effected by amendment of the current National Assistance Act.
Insurance Bill. But we do not believe that we either could or should confine the increase to retirement pensions. If it were extended to the other National Insurance benefits (widows', sickness, unemployment, &c.) and to industrial injury benefits the cost would be nearly £200 millions in the first full year, rising every year. For this a separate Bill would be required. Nor could we avoid in such circumstances an increase in war pensions and an increase in national assistance (though the cost of a 5s. increase in the latter would be offset by savings resulting from the increased benefits). The total cost would be not less than £210 millions in the first full year.

8. The immediate cost of the Labour Party's proposal of a 10s. increase without any additional increase for married couples would be about £115 millions if applied to retirement pensions only and of the order of £160 millions if applied to all benefits.

9. The cost of a 5s. increase would be half the amounts given in the two preceding paragraphs.

10. In order to cover the increased expenditure contemplated in paragraph 7 by increased contributions, the increases necessary in the first full year would be as follows—

<table>
<thead>
<tr>
<th>Additional contributions required</th>
<th>Employed man</th>
<th>Employer</th>
<th>Exchequer</th>
</tr>
</thead>
<tbody>
<tr>
<td>(weekly contribution)</td>
<td>(weekly contribution)</td>
<td>(annual cost)</td>
<td></td>
</tr>
<tr>
<td>For retirement pensions only</td>
<td>1s. 1d.</td>
<td>1s. 1d.</td>
<td>£20 millions</td>
</tr>
<tr>
<td>For all benefits</td>
<td>1s. 9d.</td>
<td>1s. 9d.</td>
<td>£30 millions</td>
</tr>
</tbody>
</table>

These increases would preserve the present ratio between contributions from employers, employed and Exchequer respectively.

The total increased cost to the Exchequer in the first full year on this basis would be as follows—

<table>
<thead>
<tr>
<th>£ Millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>If retirement pensions only were increased</td>
</tr>
<tr>
<td>If other National Insurance benefits were also increased</td>
</tr>
<tr>
<td>For war pensions</td>
</tr>
<tr>
<td>Gross cost</td>
</tr>
<tr>
<td>Less National Assistance net saving</td>
</tr>
<tr>
<td>Net cost (say)</td>
</tr>
</tbody>
</table>

11. These increases in the contributions would be higher than would be actuarially appropriate in relation to the increased benefits. In other words, they would contain a degree of overload. If the increases in the contributions were limited to the appropriate actuarial amounts, the result would be an immediate increase in the deficit in the Fund—i.e., a smaller extra burden on employers and employed, but a larger extra burden on the Exchequer.

But even if the overloaded contributions were charged as in the first table, they would not suffice to meet the additional expenditure after the first year, so that the deficits now in prospect (until the new Bill is in operation) would in any event then be increased unless the contributions were put up yet again. Although the new Bill removes the deficits now in prospect, the contributions which it charges would be far too low to cover also the cost of immediate higher benefit rates: they would therefore have to be increased if we are to avoid being faced with a fresh series of deficits.

12. There are the following reasons why it would be undesirable to raise the contributions—

(i) It would be incompatible with our defence of the current National Insurance Bill on the ground that it reduces contributions for the lower-paid.
(ii) It would involve substantial amendments of the figures in that Bill.

(iii) It would lay an additional burden on many who will receive little or no benefit from the income-tax concessions in the Budget.

(iv) It would bring contributions to a level which the lower-paid worker at present wage-levels would find heavy and it would lead to both wage-demands and price-increases and the consequent danger to economic stability.

(v) It would impose a heavy additional burden on the Exchequer.

And it is in any case by no means certain that such a rise in the contributions would not go far to nullify any political credit we might obtain from raising the pension.

Conclusion and Recommendations

13. It follows that, in our view, there are grave difficulties in an increase in the retirement pension at the present time. Some of these derive from the increase in contributions, some from the Exchequer outlook and some from the effect on our present National Insurance Bill and the need to amend it. Are we then to do nothing or to increase national assistance? On balance, we favour the full plan for increasing national assistance and dealing with the disregards, as sketched in paragraph 3, though the Chancellor of the Exchequer wishes at this stage to reserve his position. We are under no illusion that we may not get a great deal of political gratitude, if we adopt this course. But there is much to be said for it on merits: it is timely and honourable.

14. We prefer the course mentioned in the previous paragraph to doing nothing. But the possibility of "standing pat" can be discussed at Cabinet.

15. A very early decision is necessary if we are to have time to bring the plan into effect by, say, the beginning of September.

16. We therefore (subject to the Chancellor’s position being reserved and to the recommendations of the National Assistance Board) invite the Cabinet—

(a) to agree to the preparation of—

(i) regulations to raise the scale rates of national assistance by 5s. single and 9s. married (£27 millions); and

(ii) a Bill and regulations to make, broadly, a 50 per cent. improvement in the income disregards and a revised treatment of capital assets, eliminating the war savings disregard (£5 millions).

Failing that,

(b) to consider whether we should be justified in adopting either of the following alternatives, which could be effected without legislation but which we regard as open to real objections—

(i) to raise the scale rates alone, as in (a) (i); or

(ii) to raise the scale rates and make certain adjustments in the earnings disregard, &c., leaving the main disregards alone.

R. A. B.

Home Office, S.W. 1,
5th May, 1959.
SECRET

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Printed for the Cabinet. May 1959

C. (59) 81

5th May, 1959

CABINET

LIMITATION ON GERMAN ARMS PRODUCTION IN THE REVISED BRUSSELS TREATY

MEMORANDUM BY THE SECRETARY OF STATE FOR FOREIGN AFFAIRS

Under Protocol No. III of the revised Brussels Treaty, Germany is forbidden to produce atomic, biological and chemical weapons, long-range and guided missiles, influence mines, larger warships and strategic bomber aircraft. Short-range anti-aircraft guided missiles, within certain maximum dimensions, &c., which are specifically stated in the Treaty, are excluded from these restrictions (Protocol No. III, Annex III, paragraph IV (d)—Annex A). The Council of Western European Union can amend these restrictions (except for restrictions on production of atomic, biological and chemical weapons) by a two-thirds majority, on the recommendation of the Supreme Allied Commander Europe (SACEUR) (Protocol No. III, Article 2—Annex A).

2. In the course of 1958 the Council agreed to two relatively unimportant amendments to permit Germany to manufacture, first, anti-tank guided missiles and, second, one training ship with a displacement greater than the limits permitted in the Treaty. There have been Parliamentary Questions about these amendments but no adverse public reaction.

3. Early this year the Germans asked for an amendment to the Treaty to enable Germany to undertake, in concert with certain other Western European Union (W.E.U.) countries, the joint production of anti-aircraft missiles. The background is an agreement between France, Italy, Germany, Belgium and the Netherlands, concluded within the framework of the North Atlantic Treaty Organisation (NATO) Armaments Committee, to manufacture jointly the American HAWK surface-to-air missile. Production would be shared among the participating countries in proportion to their requirements for this missile. The HAWK is a defensive weapon and has no atomic capability (although a future development of it might have). Its dimensions exceed the maximum permitted limits as laid down (see Annex B.).

4. My colleagues have already agreed that Germany should be permitted to take part in the manufacture of these weapons. But the Treaty is so precise that it is not possible to cover this by an agreed interpretation. A formal amendment is necessary which must be published. The Germans have circulated to W.E.U. a proposed text which would permit Germany to manufacture any guided anti-aircraft missiles (Annex C).

5. The problem is this. On the one hand an amendment which would leave the road open to wide development of German missiles would be psychologically unfortunate at the present time both from the point of view of British public opinion and in the context of the wider negotiations with Russia. Moreover, the expression “anti-aircraft missiles” might in years to come be interpreted as including missiles of very long range capable of destroying not only aircraft but other targets as well. An amendment such as the Germans have proposed could therefore turn out to be an important curtailment of the restrictions on German
arms production. But quite apart from current political considerations it is not in our interest that these restrictions should be gratuitously or unnecessarily curtailed.

6. On the other hand the Germans have already been suspicious of us because of the delay in getting the amendment to the Treaty agreed. We have heard (from American sources) that these suspicions persist. If we insist on a more restrictive text we are liable to arouse fresh hostility and suspicion of our motives.

7. Broadly speaking there are three possible courses—

(a) the wider text put forward by the Germans;

(b) a text which would limit German production of anti-aircraft missiles to joint production with other NATO countries;

(c) an amendment which would change the maximum dimensions given in the relevant article of the Treaty to permit German manufacture of HAWK.

8. An account of the discussion in the W.E.U. Council on 29th April is at Annex D. It will be seen that the French favoured course (c) above. The Italian and Netherlands representatives supported the German request for alternative (a).

No decision was taken.

9. In the light of the Cabinet discussion on 28th April I consider that the best course would be to support the French. The fact that the initiative has come from them should help to divert German suspicions from us. Moreover I explained the political difficulties referred to in paragraph 5 to Herr von Brentano, the German Foreign Minister, in Paris last week and he expressed understanding. A definite French proposal is awaited. But we should try to ensure, if possible by concerting with the French before their proposal is tabled, that it gives dimensions which would permit German manufacture of weapons in the same category as HAWK. e.g., possible joint production with the United Kingdom of a British missile (the question of air-to-air missiles would need further consideration) but not such a very different thing as a vertical take-off aircraft. This would go some way to meet the German point and also our own interests. Admittedly it would permit the Germans to undertake the manufacture of HAWK or similar missiles alone if they wished; but it would be such a short step from joint production to sole production that a restriction in the Treaty limiting the Germans to joint production might not have great practical value. At Annex B is a table giving comparative dimensions of the HAWK missile and the British SUPER-BLOODHOUND missile on which we might want to co-operate with the Germans.

10. When the amendment to the Treaty is approved by the W.E.U. Council and published we should explain it on the following lines: —

(a) the amendment does not contravene the spirit of the Brussels Treaty since the weapons which Germany is now permitted to manufacture are strictly defensive;

(b) the joint production of suitable air defence systems is of vital importance to NATO and it is in the interests of the North Atlantic Alliance that the industrial capacity of the Federal Republic should be harnessed to joint armaments efforts of the Allies.

11. I invite my colleagues to agree: —

(a) that the United Kingdom representatives on the W.E.U. Council should be authorised to accept the text of an amendment to Protocol III, Annex III, paragraph IV (d) of the revised Brussels Treaty which would change the maximum dimensions for anti-aircraft missiles manufactured by the Germans to permit the manufacture of the HAWK and other missiles in the same category;

(b) that publicity guidance on the lines of paragraph 10 above should be proposed to the W.E.U. Council.

S. L.

Foreign Office, S.W. 1,
4th May, 1959.
ANNEX A

EXTRACTS FROM THE REVISED BRUSSELS TREATY

Protocol No. III, Annex III, Paragraph IV (d)

(d) Proximity fuses, and short-range guided missiles for anti-aircraft defence with the following maximum characteristics are regarded as excluded from this definition:

- Length, 2 metres;
- Diameter, 30 centimetres;
- Speed, 660 metres per second;
- Ground range, 32 kilometres;
- Weight of war-head, 22.5 kilogrammes.

Protocol No. III, Article 2

Article 2

The High Contracting Parties, members of Western European Union, also take note of and record their agreement with the undertaking given by the Chancellor of the Federal Republic of Germany in the same Declaration that certain further types of armaments will not be manufactured in the territory of the Federal Republic of Germany, except that if in accordance with the needs of the armed forces a recommendation for an amendment to, or cancellation of, the content of the list of these armaments is made by the competent Supreme Commander of the North Atlantic Treaty Organisation, and if the Government of the Federal Republic of Germany submit a request accordingly, such an amendment or cancellation may be made by a resolution of the Council of Western European Union passed by a two-thirds majority. The types of armaments referred to in this Article are listed in Annex III.

ANNEX B

Characteristics of Anti-Aircraft Missiles

<table>
<thead>
<tr>
<th></th>
<th>Brussels Treaty Limitations</th>
<th>HAWK</th>
<th>Super Bloodhound</th>
</tr>
</thead>
<tbody>
<tr>
<td>Length</td>
<td>2 metres (6 ft. 6 ins.)</td>
<td>16.2 ft.</td>
<td>25 ft.</td>
</tr>
<tr>
<td>Diameter</td>
<td>30 cms. (12 ins.)</td>
<td>14 ins.</td>
<td>22 ins.</td>
</tr>
<tr>
<td>Speed</td>
<td>660 metres per sec. (2,200 ft. per sec.)</td>
<td>Mach 2.5 (approx. 2,600 ft. per sec.)</td>
<td>Mach 2.6 (approx. 2,700 ft. per sec.)</td>
</tr>
<tr>
<td>Ground range</td>
<td>32 km. (20 miles)</td>
<td>19 miles</td>
<td>Effective maximum 60 miles</td>
</tr>
<tr>
<td>Weight of warhead</td>
<td>22.5 kg. (49.5 lb.)</td>
<td>120 lb.</td>
<td>250 lb.</td>
</tr>
</tbody>
</table>
The Council of Western European Union,

Considering Article II of Protocol No. III of the Agreement signed in Paris on 23rd October, 1954, and Annexes I and III to that Protocol;

Considering the recommendation made by the Supreme Commander Allied Forces Europe, in a letter dated 19th March, 1959, that the necessary action should be taken to modify the present limitations on the production of air defence missiles so as to permit participation by the Federal Republic of Germany in joint production with Belgium, France, Italy and the Netherlands of weapons in this category;

Considering the request submitted by the Government of the Federal Republic of Germany in a letter dated 2nd April, 1959;

Decide:

Single Article: Paragraph IV (d) of Annex III to Protocol No. III is replaced by the following text:—

"(d) Proximity fuses, and guided missiles for anti-aircraft defence are regarded as excluded from this definition."

ANNEX D

Account of the Discussion in the Western European Union Council on the German Request for Amendment to the Revised Brussels Treaty

At the meeting of the Western European Union Council this morning no objection in principle was raised to the German request that Annex III to Protocol No. III of the Revised Brussels Treaty should be amended in order to permit the Federal Republic to take part in the joint production of HAWK missiles.

2. The French representative said that although his authorities could not yet propose a text, they were inclined towards an amendment to paragraph IV (d) of Annex III which would only permit the Germans to take part in manufacturing HAWK as recommended by General Norstad. They were not inclined to introduce the principle of joint manufacture into the text because this might carry the implication that joint manufacture of other weapons would be permitted to Germany. The French authorities had in mind changing the limits of size, &c., laid down in that paragraph. (This would, however, presumably permit the Germans to undertake the manufacture of HAWK alone if they wished.) The United Kingdom representative said that Ministers had not yet been able to consider the proposed text of the amendment, but he thought they would favour something on the lines suggested by the French. Because of wider international implications this was an unfortunate time for amendments which would permit new developments in German arms manufacture.

3. The German representative said that his Government would not favour a limiting amendment because they might later want to take part in the joint production of other missiles, for example SIDEWINDER (an American air-to-air missile). Another possible example was joint production with the British of a vertical take-off aircraft which could also be used as an unmanned missile. The text proposed by the Germans was intended to cover all such developments in order to avoid the necessity of having to obtain fresh permission from W.E.U. every few months or so. The Netherlands and Italian representatives supported the German. They thought that it would have a bad effect on public opinion if the Council had to make fresh amendments to the Treaty (which would have to be published) at frequent intervals.

4. The Council finally agreed in principle that the Federal Government should be permitted to take part in the joint manufacture of HAWK and that it would resume discussion after the French had proposed a revised text for the amendment to the Treaty, probably in a fortnight (13th May). This decision would be kept secret so far as possible, but if necessary (e.g., in reply to a Parliamentary Question), it could be said that the Council had given its agreement in principle and that the necessary amendment to the Treaty was being considered. The Council also agreed that the United States and Canadian Governments should be informed of its decisions.
CABINET

TEACHERS' SALARIES

MEMORANDUM BY THE MINISTER OF EDUCATION

Teachers' salaries are negotiated by the Burnham Committee, representing local authorities and teachers. Its recommendations become effective only if approved by me.

2. The last general revision of these salary scales came into effect in October 1956 and the Minister at the time said that he expected them to run for three years. After a great deal of trouble an increase of 5 per cent. was negotiated to take effect from 1st February this year. This was an interim cost-of-living bonus designed to improve the atmosphere for the detailed (and necessarily lengthy) negotiation of a revised salary structure. These negotiations are now in progress.

3. I consulted the Wages Policy Committee before these negotiations began and they asked to be kept in close touch with developments. As, however, events are moving rather rapidly I am, with the consent of the Chancellor of the Exchequer, reporting direct to the Cabinet. It is very important that we should reach decisions which are consistent with our general economic policy and which will not prejudice our plans for educational advance.

4. The teachers have put forward a claim which need not be taken seriously, but there is a strong case for a substantial but much more modest increase. This can be justified partly by the movement of prices, &c., and partly by the need to provide proper remuneration for the more highly qualified and responsible teachers. The various proposals and their effects can be summarised as in the Annex to this paper.

5. At the request of the Wages Policy Committee I told the leader of the local authorities' panel of the Burnham Committee that I should not find it possible to approve a £15 millions increase in teachers' salaries if offer "C" were to be made at the meeting of the Committee on 29th April. He told me that his panel did not in any case wish to go so far as this as a first offer, but that it was highly likely that the authorities' panel would regard the offer as proper and necessary, and would be pressing me further at a later stage.

6. The members of the local authorities' side have now decided by a majority to endorse as a limit offer "C". They did not put this forward at the meeting on 29th April, but made the more restricted offer "A". This was rejected by the teachers, and the Committee then adjourned so that the teachers could consider further the details of the offer made to them on differentials, and the local authorities the teachers' request for something more on the basic scale. The local authorities do not contemplate making offer "C" at the next meeting of the Committee on 13th May, but they may feel it necessary to do so at the following meeting on 28th May, particularly if the teachers show readiness to accept the local authorities' proposals on differentials.

7. If we are not prepared to approve offer "C", then I must reaffirm this to the local authorities' leaders. I ought to do so before 13th May, since it might affect the way in which they play their hand.
8. If the local authorities make offer "B" and it is rejected by the teachers, as it almost certainly will be, then the local authorities will have two choices. They may either make offer "C" and, if it is accepted by the teachers, it will fall to me to turn it down; or they may seek to involve me at once in saying to both sides that I am not prepared to go any further, though the local authorities would themselves be willing to go as far as "C". On either alternative the Government would be standing alone and, on the merits of the present case, I do not myself think that we should get into this position.

9. I therefore recommend that we should accept the limit offer "C", if it is put to us. My reasons can be summarised as follows—

(a) I am sure that the proposal to increase the expenditure on differential payments for high qualifications and responsibility is fully justified.

(b) A strong case can, I think, be made out for some improvement at the maximum of the basic scale with the needs of the man teacher with family responsibilities in mind. The present maximum of £945 does not compare well with the rewards available to non-graduate men in occupations of comparable standing, e.g., in the Civil Service.

(c) The case for the proposed increase at the minimum of the basic scale is not so strong, but at this point comparison with changes in the cost of living and wage rates is particularly relevant. There is no simple comparison between a possible further percentage increase in teachers' salaries and other percentage increases which may be awarded this year, since teachers' salaries are not negotiated annually. The proper comparison is with the three-year period from October 1956 to October 1959 (new salaries for teachers cannot take effect before next October).

Over the three years, offer "B" would mean an increase of 7½ per cent. at the minimum, and offer "C" about 9½ per cent. Over the same period the cost-of-living index will have increased by about 7½ per cent. Wage rates increased by about 9 per cent. during the two-year period 1957 and 1958, and I conclude from the latest survey of wage movements by the Minister of Labour that from October 1956 to October 1959 the increase will prove to be at least 11 per cent.

10. The local authorities would perhaps be on even stronger ground if they were proposing something slightly smaller than offer "C," e.g., something costing about £12 millions or £13 millions (rates and taxes together). But—

(a) If we approve offer "C," it would certainly be my intention to see that the new scale should run for another three-year period. This is much better than frequent small adjustments.

(b) The local authorities have in effect decided that offer "C" is right, after considering the needs of the schools and the importance of making the teachers an offer which they cannot reject without losing the sympathy of the public. While they take this line, I should see great difficulty in the Government having to accept sole responsibility for a breakdown for such a relatively small difference.

11. I therefore ask my colleagues to agree that, in any further consultations with the leader of the local authorities' panel, I should take the line that—

(a) If they proceed to make offer "C" and it is accepted by the teachers, I shall be willing to approve the resulting proposals.

(b) If this offer is made and the teachers make difficulties about it, I should be willing to join with the local authorities in refusing to go any further.

G. L.

Ministry of Education, W. 1,
5th May, 1959.
ANNEX

<table>
<thead>
<tr>
<th></th>
<th>Minimum</th>
<th>Increments</th>
<th>Maximum</th>
<th>Total cost</th>
<th>(total cost)</th>
<th>Total addition</th>
<th>to salary bill</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic scale</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1956 salary scale</td>
<td>£ 475</td>
<td>£ 25</td>
<td>£ 900</td>
<td>£ millions</td>
<td>£ millions</td>
<td>£ millions</td>
<td></td>
</tr>
<tr>
<td>Present scale (including 5 per cent. increase in February 1959)</td>
<td>498</td>
<td>26.5</td>
<td>945</td>
<td>945</td>
<td>945</td>
<td>945</td>
<td>945</td>
</tr>
<tr>
<td>Teachers’ claim</td>
<td></td>
<td>40</td>
<td>1,200</td>
<td>59</td>
<td>15</td>
<td>74</td>
<td></td>
</tr>
<tr>
<td>Authorities’ offers:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>“A” (made on 29th April)</td>
<td>300</td>
<td>26.5</td>
<td>975</td>
<td>2.5</td>
<td>4</td>
<td>6.5</td>
<td></td>
</tr>
<tr>
<td>“B” (next offer)</td>
<td>510</td>
<td>27.10</td>
<td>975</td>
<td>6.7</td>
<td>4</td>
<td>10.7</td>
<td></td>
</tr>
<tr>
<td>“C” (“limit” offer)</td>
<td>520</td>
<td>27.10</td>
<td>1,000</td>
<td>10.7</td>
<td>4</td>
<td>14.7</td>
<td></td>
</tr>
</tbody>
</table>

Notes:

(1) The total salary bill is now about £250 millions.
(2) About 60 per cent. of any increase would fall to be met by the Exchequer and about 40 per cent. from the rates.

The current negotiations—and the figures quoted in the Paper—relate only to teachers in primary and secondary schools. If an agreement is reached over these salaries, consequential additions must be expected to cover the teachers in technical colleges, training colleges, and other kinds of institution. These would add about one-seventh to the total additional salary bill.
On 5th May the Cabinet invited me to provide further information as to the form which Government financial support for a British civil aircraft suitable to replace the Douglas D.C.3 might take (C.C.(59) 28th Conclusions, Minute 5).

2. The most usual way of supporting a new civil type is by a contract with the manufacturer under which my Department meets the whole or part of the cost of design and development including the manufacture and testing of prototypes. The expenditure is normally regarded as an investment recoverable by means of levy payments on subsequent sales of the aircraft. This method would be applicable to the Avro 748 but not to the Dart Herald where the expenditure in question has already been incurred by the firm.

3. Another form of assistance would be through the purchase of early production aircraft for Government use, e.g. in R.A.F. Transport Command or in my own research and development establishments. This method would be applicable to either the Avro 748 or the Dart Herald. It would give intending purchasers some assurance that development testing and proving flying would be completed to Her Majesty's Government's satisfaction. It would not, however, give the aircraft a civil cachet calculated to attract civil airlines.

4. A third method would be to negotiate with a British commercial operator, e.g. British European Airways (B.E.A.) a contract which would make it commercially attractive to introduce a few of the new type aircraft on its routes, even though B.E.A. had no genuine demand for the aircraft. This might take the form of meeting the whole or part of the capital cost of the aircraft or of contributing towards the expenses incurred in introducing and operating the new type, or some combination of both. This method would also be applicable to either the Avro 748 or the Dart Herald. It might be said to go some way towards giving the aircraft a civil cachet, although the value of this cachet might well be nullified by the fact that the home operator had no genuine demand for the aircraft. This method would also be open to the charge of being a subsidy to the Corporation, particularly if there is any substantial element of support for normal operating costs, and its purpose of seeking to promote exports could not be concealed. This method would be entirely novel and both for that reason and because no provision has been made in my Estimates I am advised that a statement would have to be made to Parliament.
5. A fourth method would be to make a financial contribution to the manufacturer to enable him in his turn to negotiate a contract with B.E.A. as under paragraph 4 above. This would be an indirect way of achieving the same end as the previous method. It would therefore also be subject to the same disadvantages, with the added complication that the ultimate purpose of the contribution to the manufacturer would have to be disclosed.

6. On the question which of the two alternative aircraft should be supported I have already put my views in C.A. (59) 23. The Cabinet should, however, know that a proposal that the Herald should be financially supported was rejected in July, 1954 on the grounds that there was no actual or potential military or civil requirement for the aircraft in the United Kingdom, the cost of the project was within the capacity of the Company and its associates to find as a private venture, and that an aircraft offered by Handley Page with Alvis piston engines was too doubtful a commercial venture to justify the investment of public funds. The project has proceeded since that date as a private venture and when the unsaleability of the first version of the aircraft was established Rolls Royce turbo-prop engines were substituted for the Alvis engines. If the Government decides to give financial support now that development of the aircraft has been practically completed, the original decision will have been reversed and the policy of encouraging manufacturers to risk their own capital in private ventures will be undermined.

A.J.

Ministry of Supply, W.C.2.

5th May, 1959
CABINET

RURAL BUS SERVICES

MEMORANDUM BY THE MINISTER OF TRANSPORT AND CIVIL AVIATION

I seek the agreement of my colleagues to my setting up a small committee to consider the future of rural transport, particularly buses.

2. My colleagues will know that pressure is growing for action to arrest the decline of public transport in rural areas. The recent Budget concession on excise duty for buses, although it gave the bus industry as a whole £34 millions per annum, is not regarded by some Members of Parliament as sufficient, although it will go some way to meet the problem.

How the Problem Arises

3. Rural bus services are, of course, being affected by the general decline in traffic on public transport, due mainly to the increasing use made of private cars, motor-cycles, &c. Bus companies subsidise their rural services from revenue on their more profitable urban routes, but with a general fall in revenue, this is becoming more difficult. Normally, services are not withdrawn until traffic has fallen very low, and the growing volume of complaint is in fact probably out of proportion to the hardship suffered. Nevertheless, there is no doubt that the deterioration of services is arousing strong feelings in many parts of the country.

An Inquiry, or Further Tax Concessions to the Bus Industry

4. It seems likely that unless the Government can announce some further action in the matter there will be strong pressure, during the remaining stages of the Finance Bill for further concessions for bus companies, particularly on fuel tax. It has been suggested that the concessions be limited to rural services, but I do not regard this as feasible because of the difficulty of satisfactory definition. Perhaps the best way of meeting the situation would be to set up a committee to inquire into the causes of the decline in rural bus transport and to consider whether there is any means of arresting it. Such an inquiry, which has been asked for by a number of responsible bodies, would have the advantage of meeting for the time being various pressures for further concessions. It should also stem the flow of complaints about rural services.

Risks of an Inquiry

5. There is admittedly some risk in having such an inquiry. The committee might recommend that the Government should give rural services financial assistance either by reduction in fuel tax or by direct subsidy. The committee might even accept the view that transport in rural areas should be treated as a social service and provided irrespective of cost.
Advantage of an Inquiry

6. On the other hand, the committee might be able, as a result of discussion with those most directly affected, to make more acceptable recommendations which would help in the provision of the most essential rural services. They might also bring out some of the real difficulties arising from the spread of private transport.

Conclusion

7. In spite of the risks involved, I think that, on balance, there is a case for setting up a small committee to consider, in particular, the future of rural bus services. I suggest that the precise terms of reference, which will need careful consideration, should be left to be agreed by me with the Chancellor. I have in mind a fairly small committee with an independent chairman and possibly representatives of the bus operators, the Trade Unions, the National Farmers’ Union, and the County Councils Association.

H. W.

Ministry of Transport and Civil Aviation, W. 1,
5th May, 1959.
Cabinet

Teachers' Salaries

Memorandum by the Chancellor of the Exchequer

I agreed with the Minister of Education that, as the matter was urgent, he should put the question of teachers' salaries direct to the Cabinet rather than that it should be first considered by the Wages Policy Committee. I wish to draw my colleagues' attention, however, to certain general issues of wages policy which affect the decision to be taken on the Minister's paper (C.(59) 82):

(a) Last year the Wages Policy Committee reviewed the whole question of the control of Management Sides of Whitley Councils and similar bodies, which deal with pay negotiations, of which the whole, or a large part, of the cost falls upon the Exchequer. It was felt that, if the Government was to exercise an effective restraining influence on other wage negotiations, it must be in a position to control those which it finances itself. The Committee therefore concluded that in such cases negotiating limits should be agreed beforehand between the Government and the Employers' Side of the negotiating body. In the case of teachers' salaries, it was recognised that the Government was not represented on the Burnham Committee, but as the Ministry of Education were kept in informal touch with the Employers' Side it was thought that an arrangement could be reached with the Management Side under which they would be willing to agree negotiating limits with the Minister and keep within them. The present negotiation is the first in which this intention can be put into effect.

(b) It is of great importance to maintain the slower rate of annual increase in wages generally which has been achieved in recent months, and we ought to do all we can to keep it down to about 2 per cent this year, and we ought to retard settlements as much as possible.

(c) While there is no direct connection between teachers' salaries and industrial wages, it is quite likely that a 4 per cent increase at the bottom of the teachers' scale (as proposed in "Offer 'C'") in paragraph 4 of C.(59) 82 would be taken by employers generally as an indication of the rate of increase which the Government regard as tolerable this year.

(d) While it is possible to justify on cost of living grounds the 2½ per cent increase in the minimum contained in "Offer 'B'", there is no justification for an increase to 4 per cent as the minimum as in "Offer 'C'", either on cost of living grounds, or on grounds of inadequate recruitment, or on grounds of relativity with other comparable occupations (e.g. nursing, and the executive grade in the Civil Service). The other proposals can be justified as improving the relativities in favour of graduate teachers, the recruitment of whom is inadequate, and as giving more to teachers who have done long service.
2. The Minister of Education has, at the request of the Wages Policy Committee, told the representatives of the local authorities that the Government cannot agree to a settlement on the basis of "Offer C". If he now agrees to it, it is obvious that any future attempt to restrain the authorities from making an excessive offer to the teachers will be disregarded.

3. In my view the principles at stake in this matter are of more importance than the amount of money involved. The Exchequer bears approximately 60 per cent of the cost of teachers' salaries and we have undertaken to increase the general grant if there is a major Burnham award. In these circumstances it is wrong that the local authorities should not be ready to agree with the Government, in a reasonable spirit of give and take, the limit to which they will go in negotiation. I suggest therefore that the Minister of Education should make a renewed effort to agree a negotiating limit with the local authorities.

4. While there is not much case for the increase at the minimum of the scale under "Offer B" to £510, I think that we can go as far as that if the offer as a whole is satisfactory. I would see no objection to the maximum of the scale being raised to £1,000 by an extension of the scale with increments either at £27. 10. 0d. throughout or preferably at a lower rate in the earlier, and a rather higher rate in the later, years.

Recommendation

5. My proposal is, therefore, that the Minister should tell the local authorities' representatives that the Government are still unable to agree to "Offer C"; that they are anxious to avoid a deadlock arising, the result of which can only be a breakdown of the Burnham machinery; and that they would have no objection to some further concessions beyond "Offer B" provided that they are made at the top of the scale, and that the minimum is not raised above £510. The Government's reasons for objecting to an increase in the minimum could be explained to the local authorities on the lines of paragraph 1 above. I should hope that on this basis the Minister could dissuade the local authorities from making "Offer C" in its present form, and would be able to agree with them, as the limit of negotiation, an improved "Offer B" on the lines of paragraph 4 above. This is undoubtedly a fair, even generous, offer which adequately meets educational needs while not endangering general economic policy: if the local authorities' representatives are reasonable and responsible men they can surely be brought to agree. In any event we should not retreat from the position which we have already taken up that "Offer C" is excessive and unacceptable.

D.H.A.

Treasury Chambers, S.W.1.

6th May, 1959
PUBLIC RECORD OFFICE

Group/Class.................. CAB 129

Piece......................... 97

C (59) 86,

RETAINED BY DEPARTMENT UNDER SECTION 3 (4)

(date) 23/11/89
(Signed)
CABINET

INTERNATIONAL LABOUR ORGANISATION

MEMORANDUM BY THE MINISTER OF LABOUR AND NATIONAL SERVICE

I seek the concurrence of the Cabinet in decisions regarding a Convention (No. 111) and a Recommendation (No. 111) concerning Discrimination in respect of Employment and Occupation which were adopted by the International Labour Conference in 1958. The texts of the Instruments were presented to Parliament in December 1958 (Cmnd. 593).

2. The Convention places upon ratifying Governments an obligation to pursue a national policy designed to eliminate any discrimination on the basis of race, colour, sex, religion, political opinion, national extraction or social origin in respect of employment and occupation. Certain provisions of the Convention which imply some participation by the Government in determining the terms and conditions of workers, contrary to our established practice, raise difficulties for the United Kingdom. I propose, therefore, that the Convention should not be ratified and that the Recommendation, which supplements it, should not be accepted. The Annex to this memorandum gives a summary of the provisions of the two Instruments and fuller reasons for the proposed decisions.

3. I further seek concurrence in a decision to extend the ratification of Convention No. 87 concerning Freedom of Association and Protection of the Right to Organise, which was effected in 1949, to include Northern Ireland in view of the recent removal of certain restrictions on the right of association of civil servants in Northern Ireland which are explained in the Annex.

4. Conventions and Recommendations of the International Labour Organisation are ratified or accepted on behalf of both Great Britain and Northern Ireland. The Minister of Labour and National Insurance of Northern Ireland has been consulted and concurs with the present proposals.

5. If the proposals are approved, authority is sought for the issue, in accordance with precedent, of a White Paper which would state briefly the action proposed and the reasons for it.

6. The Departments immediately concerned have been consulted and concur with these recommendations.

I. M.

Ministry of Labour and National Service, S.W.1,
6th May, 1959.
ANNEX

I.—Convention (No. 111) and Recommendation (No. 111) Concerning Discrimination in respect of Employment and Occupation

The Convention lays on ratifying Governments an obligation to declare and pursue, in co-operation with employers' and workers' organisations, a national policy designed to promote, by methods appropriate to national conditions and practice, equality of opportunity and treatment in respect of employment and occupation, with a view to eliminating any discrimination. For the purposes of the Convention, discrimination is defined as any distinction, exclusion or preference made on the basis of race, colour, sex, religion, political opinion, national extraction or social origin, which has the effect of nullifying or impairing equality of opportunity or treatment in employment or occupation, provided that any such distinction based on the inherent requirements of a particular job shall not be regarded as discrimination. Further bases of discrimination can be added to the list after consultation with representative employers' and workers' organisations. The Convention provides that Governments shall modify any statutory provisions and administrative practices which are inconsistent with the policy.

2. The Recommendation, which supplements the Convention, deals with the formulation, application and co-ordination of an anti-discriminatory policy. It covers such matters as discrimination in access to vocational training, in placement services, in remuneration and other conditions of employment and it recommends that the principle of equality of treatment shall be respected in collective negotiations and in industrial negotiations.

3. The principle which these two Instruments seek to establish and apply that there should be no unfair discrimination between one worker and another in the field of employment is clearly right, and the Government's attachment to it was expressed by their representatives at the International Labour Conference. Nevertheless, the inclusion in the Instruments of sex as a basis of discrimination causes difficulty for the United Kingdom. The Government itself does not apply the principle of equal conditions of employment, especially of pay, to its own industrial employees, and the general principle of non-discrimination based on sex is not universally accepted in this country. Any action taken by the Government to encourage the acceptance of this principle in non-government employment might be widely resented and regarded as a breach of our general policy of non-interference in the settlement of terms and conditions of employment. Other provisions of the Convention also would require the Government to intervene in the normal processes of voluntary negotiation and collective bargaining and acceptance of these provisions would be contrary to the established policy of the United Kingdom. These two major difficulties apply to the supplementary Recommendation also and, in addition, the Recommendation contains provisions relating to Government contracts, educational establishments and private employment agencies which are not acceptable.

4. It is proposed therefore that the United Kingdom should not ratify the Convention nor accept the supplementary Recommendation.

II.—Convention (No. 87) Concerning Freedom of Association and Protection of the Right to Organise

5. This Convention was adopted at the 31st Session of the Conference in 1948. It was ratified by the United Kingdom in 1949 but the ratification applied to Great Britain only, because although the law in Great Britain was (as it still is) in accord with the requirements of the Convention, this was not entirely the case in Northern Ireland. Under the Trade Disputes and Trade Unions Act (Northern Ireland) 1927, and the Civil Service (Approved Associations) Regulations (Northern Ireland) 1928, certain restrictions applied to civil servants in Northern Ireland as to membership of organisations, and the view was taken that this precluded the inclusion of Northern Ireland in the ratification.

6. The restrictions in question have now been removed by the Trade Disputes and Trade Unions Act (Northern Ireland) 1958, and the Civil Service (Approved Associations) (Revocation) Regulations (Northern Ireland) 1959. It is therefore now proposed to extend the United Kingdom's ratification of the Convention to include Northern Ireland.

May 1959.
CABINET

TEACHERS' SALARIES

MEMORANDUM BY THE MINISTER OF EDUCATION

I am circulating this paper for the information of the Cabinet, since I think that Ministers will wish to be kept in touch with the progress of the current Burnham negotiations.

2. As I was invited to do (C.C. (59) 30th Conclusions, Minute 7), I informed the leader of the Authorities' Panel of the Burnham Committee that while I would be ready if need be to approve a maximum for the teachers' basic scale of £1,000 and an incremental rate of £27 10s. 0d., I would not be able to accept a minimum higher than £510.

3. The Authorities' Panel, while appreciating the arguments in favour of £510, have since told me that they do not consider these strong enough to justify their abandoning their proposal to offer a minimum of £520. They are convinced that this is the least which the teachers could reasonably be brought to accept. At the last meeting of the Burnham Committee on 13th May, the authorities did not however go beyond their interim offer of a scale rising from £510 to £975; this was rejected by the teachers. At their next meeting, on 28th May, the authorities still have a margin within the limits which I am authorised to approve, and they propose to begin by offering a maximum of £1,000. But if the tactics make it desirable they may well wish to round off their limit offer by raising the minimum to £520.

4. I am sure that I cannot usefully bring further pressure to bear on the Authorities' Panel by informal means. I have nothing new to tell them, and they are in any case unwilling to discuss the issues further without bringing in the Teachers' Panel; and I cannot tell the teachers the limit to which we are prepared to go while the local authorities have still not reached that limit in their offers.

5. I propose rather to let the negotiations proceed but to suggest to both sides that they would be well advised to seek my views before giving publicity to any agreement they may reach. They are in any case likely to want to approach me if and when an agreement is in sight. This would give me the opportunity to consult the Cabinet again on the basis of a firm proposal by the Burnham Committee before any public position is taken up by the Government.

6. I do not feel that there is any other action that I can usefully take before the next meeting of the Committee, but I thought it right to let the Cabinet know the course that events are taking.

G. L.

Ministry of Education, W.1,
15th May, 1959.

CONFIDENTIAL
KLAUS FUCHS

MEMORANDUM BY THE SECRETARY OF STATE FOR THE HOME DEPARTMENT
AND LORD PRIVY SEAL

Klaus Fuchs, who was sentenced on 28th February, 1950, to 14 years' imprisonment for communicating information calculated to be useful to an enemy, completes his sentence on 29th June. I have been considering, in consultation with the Foreign Office and others specially concerned, the position which will then arise.

2. Fuchs was a naturalised British subject at the time of his conviction, but he was deprived of his British nationality thereafter. He is probably now stateless. It seems clear that, in these circumstances, we have no effective means of determining where he will live on his release. If he does not wish to leave the United Kingdom—and if no other country to which he wishes to go is willing to admit him—we cannot prevent his staying here. If, on the other hand, he does wish to go abroad, and can arrange to do so, we cannot stop him. In theory we could refuse him leave to embark; but it is doubtful whether such a refusal could be enforced, and we do not, in any event, appear to have any moral justification for detaining him in a country which has deprived him of its nationality.

3. Fuchs has said that he intends to go to East Germany to live with his father—who is very old—in Leipzig. If this happens, there may be criticism both in this country and in America of our allowing an eminent atomic scientist to go behind the Iron Curtain. The answer, as already indicated, is that we have no effective means of stopping him. The risk that he might be an asset to the Russians does not, in fact, seem to be very high, because, while he has a first-class mathematical brain, his knowledge of atomic science must now be very out of date.

4. I propose, therefore, to tell him that he may arrange to leave this country—if he wants to—during the latter part of June; and to facilitate his transport to the point of embarkation in a way which will minimise—though it will not remove—the risks of publicity. In the meantime, as we are being asked to say what will happen to him on his release, I propose to answer a Parliamentary Question as in the draft annexed to this paper.

R. A. B.

Home Office, S.W. 1,
14th May, 1959.
DRAFT PARLIAMENTARY QUESTION

To ask the Secretary of State for the Home Department, when Klaus Fuchs will complete the sentence of imprisonment which he is now serving, and what will be his position on his release.

DRAFT REPLY

Allowing for normal remission, Klaus Fuchs will complete his sentence at the end of June. He was, on his conviction, a naturalised British subject, but he was thereafter deprived of his British nationality. On his discharge it will be for Fuchs himself to decide whether to remain in the United Kingdom or to go to any other country which is prepared to admit him.

May 1959.
CABINET

FUEL POLICY—THE COAL PROBLEM

MEMORANDUM BY THE MINISTER OF POWER

On 19th December, 1958, I submitted to the Cabinet a paper (C. (58) 258) summarising discussions in the Economic Policy Committee on the subject of fuel policy problems.

I reported that our present fuel policy is broadly based on freedom of choice for the consumer and equality of opportunity for the producer. The free competition between the fuels which this policy permits has the great advantage of promoting increased efficiency in the production and use of fuel and, in consequence, lower manufacturing costs in industry.

This policy has recently been stated in Parliament in the course of fuel debates. The National Union of Mineworkers—and the Opposition—continue to call for a national fuel policy. What they mean is a policy to protect the coal industry.

They state their fuel policy comprises the following:

(i) A tax on fuel oil.
(ii) Nationalisation of coal distribution.
(iii) Intensification of scientific research in the use of coal and the inclusion of a wider range of coals for use in smokeless zones.
(iv) Reduction in opencast mining operations.
(v) Halting power station conversion from coal to oil burning.
(vi) Re-examination of the programme for nuclear power stations.

I am bringing the matter to the attention of my colleagues again because of a recent approach by the Chairman of the National Coal Board who hitherto has expressed himself as fully in support of the need for the coal industry to make itself competitive with the alternative fuels—oil, electricity and gas.

He has submitted a proposal either that he should raise the price of coal for sale in Scotland by 5s. 9d. per ton, and reduce the price of East Midland small coals for sale in the south of England, and Durham gas coals by 5s. Od. a ton; or, if this is not acceptable, the reduction in price he suggests should be compensated by procuring an agreement with the Oil Companies to halt the further entry of oil into coal markets for a period of two years.

The following table shows the total inland demand for fuel and the share in demand of coal, oil, nuclear and hydro power:

<table>
<thead>
<tr>
<th>Year</th>
<th>Total primary fuel demand (million tons coal equivalent)</th>
<th>Coal</th>
<th>Oil</th>
<th>Nuclear and hydro power</th>
</tr>
</thead>
<tbody>
<tr>
<td>1938</td>
<td>...</td>
<td>189</td>
<td>93</td>
<td>7</td>
</tr>
<tr>
<td>1950</td>
<td>...</td>
<td>225</td>
<td>89</td>
<td>10</td>
</tr>
<tr>
<td>1957</td>
<td>...</td>
<td>247</td>
<td>84</td>
<td>15</td>
</tr>
<tr>
<td>1958</td>
<td>...</td>
<td>248</td>
<td>80</td>
<td>19</td>
</tr>
</tbody>
</table>

SECRET
8. It will be seen that since 1938 the percentage of coal to the total has dropped from 93 per cent. to 80 per cent., and the percentage of oil has risen from 7 per cent. to 19 per cent.

9. The following table illustrates the growth of oil imports, home consumption and exports over the same period:

<table>
<thead>
<tr>
<th>Year</th>
<th>Imports (million tons)</th>
<th>Home consumption (million tons)</th>
<th>Exports and bunkers (million tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1938</td>
<td>11.7</td>
<td>9.0</td>
<td>1.9</td>
</tr>
<tr>
<td>1950</td>
<td>18.2</td>
<td>15.3</td>
<td>3.4</td>
</tr>
<tr>
<td>1957</td>
<td>36.9</td>
<td>24.7</td>
<td>9.7</td>
</tr>
<tr>
<td>1958</td>
<td>45.1</td>
<td>31.0</td>
<td>12.2</td>
</tr>
</tbody>
</table>

10. The following table shows the present value of the trade in oil to this country:

<table>
<thead>
<tr>
<th>OIL IN THE UNITED KINGDOM BALANCE OF PAYMENTS, 1958</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receipts £ millions</td>
</tr>
<tr>
<td>----------------------</td>
</tr>
<tr>
<td>Exports of oil from the United Kingdom</td>
</tr>
<tr>
<td>Equipment exports net of imports</td>
</tr>
<tr>
<td>Net receipts of United Kingdom oil companies on overseas transactions</td>
</tr>
<tr>
<td>Inflow of capital from foreign oil companies</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

11. The following table illustrates the trend of coal production, imports, home consumption and exports over the same period:

<table>
<thead>
<tr>
<th>Year</th>
<th>Production (million tons)</th>
<th>Imports (million tons)</th>
<th>Inland consumption (million tons)</th>
<th>Exports and bunkers (million tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1938</td>
<td>227.0</td>
<td>-</td>
<td>177.8</td>
<td>46.3</td>
</tr>
<tr>
<td>1950</td>
<td>216.0</td>
<td>-</td>
<td>202.4</td>
<td>17.1</td>
</tr>
<tr>
<td>1957</td>
<td>224.0</td>
<td>2.9</td>
<td>213.0</td>
<td>8.1</td>
</tr>
<tr>
<td>1958</td>
<td>216.0</td>
<td>0.7</td>
<td>202.6</td>
<td>5.1</td>
</tr>
</tbody>
</table>

12. In 1957 there were indications that supply was beginning to outrun demand and measures were taken in that year and in the early months of 1958 to counteract this. Imports, which had been running at over 5 million tons in 1956, were stopped, recruitment was limited so that the labour force was reduced from 710,000 at the end of 1957 to 687,000 at the end of 1958, and Saturday working was stopped as from April 1958. Towards the end of last year an estimate was made that, as a result of these measures, production in 1959 would be reduced to 209 million tons and total consumption (inland and exports) was estimated at 200 million tons. In order to bring these figures into balance it was proposed—

(i) To close uneconomic pits, 3 million tons.
(ii) To cut opencast production by 25 per cent., 3 million tons.
(iii) To add to stocks, 3 million tons.

The effect of this would have been to reduce production in 1959 to 203 million tons.

13. This estimate has since had to be revised owing to the continuing increase in the rate of output per manshift, which has risen from 1.23 tons during 1957 to 1.32 at the end of 1958 and 1.34 to-day. The estimate of demand remains at 200 million tons (though the Coal Board now regard this figure as a maximum and it assumes an early increase of industrial activity), but their estimate of total production in 1959 is now 207–209 million tons instead of 203 million tons. They expect opencast production to be reduced to 11 million tons as planned, but they now estimate deep-mined production at 196–198 million tons instead of 192 million tons.

14. The amount of additional stocking which will be necessary this year is therefore likely to be of the order of 7 to 9 million tons instead of the estimated
3 million tons. At this date the Coal Board had 24 million tons of coal in stock. The problem of coal stocks is a growing one, and unless there is an early change in demand the above-mentioned figures could be exceeded. In that case further measures to reduce output, both in deep-mined pits and on opencast sites, will be essential.

15. Against the above background we have to examine whether any degree of protection of the coal industry is justified, or whether we are facing an economic change which will have to be borne in the best interests of efficiency and progress.

16. It has been suggested that a market for a fixed amount of coal production should be guaranteed, i.e., the coal industry should have some measure of special protection like the agricultural industry. This is not a course I can commend.

17. I propose to examine some of the proposals put forward by the National Union of Mineworkers in their statement of a national fuel policy.

18. Their main proposal is to restrict the use of oil, and they suggest a tax on fuel oil. Oil provided only 7 per cent. of our total fuel needs in 1938. By 1958, its share had grown to 19 per cent.; by 1965 it may be 25 per cent. Oil dominates transport, is essential to agriculture, and is of growing importance in vital industries such as iron and steel, and engineering. The whole world is becoming more dependent on oil, as in due course it may be on nuclear power. The danger of our position is that oil has to be imported, but we are taking out what insurances we can. We have already a good understanding with the oil industries and with the United States Administration for a rapid reorganisation of world supplies in an emergency. We have accumulated substantial stocks of oil in this country, and have measures in hand to increase them. There is no doubt that the public, industrial and domestic, have been educated to a convenient and labour-saving source of fuel, and I have little doubt that efforts on our part to curtail the use of oil would be resented. Moreover, before contemplating any such efforts we should have to consider most carefully the likely effects on the competitive efficiency of our industry and on the overseas position of the British oil companies. For these reasons I should at present be strongly opposed to adopting the proposal for a tax on fuel oil.

19. Reduction in opencast mining operations.—These are being curtailed this year from 14 million tons to 11 million tons, and the target for the next year is 6–7 million tons. Opencast mining is the most profitable part of the Coal Board's operations. Nevertheless, it should now be run down as fast as existing contracts will permit. 1962 should see the end of the operation with the exception of the Fife Site which will be supplying the Lurgi gas plant being erected there.

20. Halting power station conversion from coal to oil burning.—The erection and conversion of oil-burning stations was decided upon some five years ago when the coal industry could not undertake the necessary supplies of coal. Long-term contracts were entered into with the oil companies which were intended to replace 9 million tons of coal in 1965. The total supply of oil to power stations in 1960 will have reached a peak of nearly 8 million tons of coal equivalent, being 13 per cent. of the total consumption by the power stations at that time. Arrangements have been negotiated for a reduction of the contracted supplies starting in 1960 so as to reduce the total to 6 million tons of coal equivalent by 1965, and a further arrangement has been made to postpone for one year from 1959 supplies to the extent of one million tons of coal equivalent. The oil companies have committed themselves to a considerable expense in arranging for these supplies, and any further curtailment would raise the question of compensation, but the matter is being explored. Despite the oil conversions, the consumption of coal at power stations has risen from 33 million tons in 1950 to 46 million tons in 1958 and is expected to go on rising to 56 million tons in 1965.

21. Re-examination of the programme for building nuclear power stations.—The economics of this programme are currently being re-examined, but in any event nuclear power stations will have little effect upon the coal position for the next two years. The planned increase in conventional generating capacity between now and the end of 1966 will in any case be nearly three times the planned increase in the nuclear generating capacity.

22. Nationalisation of coal distribution.—The distribution of solid fuel is not an organised institution, but it is in the hands of large and small operators competing with each other for business. A nationalised distribution industry has nothing to commend it.
23. Intensification of scientific research.—Much is being done in this suggested direction and I have recently appointed two Committees—one on Coal Derivatives, and the other on the Production and Distribution of Smokeless Fuels—to advise as to the adequacy of our present arrangements, and what further steps, if any, can be taken.

24. If we are not prepared to implement, any further than we have done, the proposals put forward by the National Union of Mineworkers and the Opposition, it seems inevitable that the coal industry must shrink in size.

25. The Coal Board in 1956 in their booklet “Investing in Coal” envisaged a total demand by 1965 of 240 million tons.

26. They have been engaged for some time in reassessing the demand, and consequently their programme, up to 1965. This reassessment is not yet completed, but I understand that they provisionally assess the total demand in 1965 at 210 million tons (including some 10 million tons for exports) after allowing for industrial recovery and increasing demands from the power stations on the one hand, and the encroachment of oil on the other. Over the next year or so it is probable that the demand (inland and exports combined) will not exceed 200 million tons.

27. Provisional indications are that their programme up to 1965 will require the closing of 200 pits in five years (100 of which would be from normal exhaustion) during which time 11 new pits would come into operation. It has been announced that there will be no further closures in 1959 beyond those already scheduled. I am asking the Chairman of the Coal Board to let me know his plans for the programme of any further necessary closures in 1960 and later years.

28. The rationalisation of the industry on these lines should mean that their annual capital expenditure would decline from the approved figure of £122 millions in 1959 to £100 millions in 1961 and progressively lower figures in following years, say down to £55 millions by 1965.

29. These figures are all provisional, but my own assessment is that this is the best picture the Coal Board can look for. Indeed, the encroachment of oil and the increasing efficiency in the use of coal which we have brought about might well reduce the demand even below these estimates.

30. At the moment the Board have an accumulated deficit of £33 millions and their estimated deficit for the current year was originally £20 millions which they have since reduced to £10 millions by virtue of the economies resulting from the increased production per man by cutting overheads.

31. The Board have no financial reserves and are having to borrow heavily from the Exchequer in order to finance their increasing stocks.

32. The Board have for some time been considering ways in which to make their price policy more flexible in order both to safeguard their business against the competition of other fuels and to provide a better balance between the profitable and the unprofitable coalfields.

33. At present, to take the cases cited by the Chairman of the Coal Board, Sir James Bowman, the whole of the output of the Scottish Division finds a sale in the local market at prices which show an average loss of 14s. 0d. per ton, but the East Midlands Division, which produces at an average profit of 5s. 0d. per ton, is having to stock coal from current output at a rate which would increase its stocks, if no action is taken, to the equivalent of two months’ production by the end of this year. There is clearly room for a revision of the present price structure, and Sir James Bowman’s proposal for an increase of prices in Scotland balanced by a reduction in the prices of East Midlands small coals for sale in the South of England is the only proposal he has made to this end.

34. But it does not appear to me to be a sound commercial proposition—quite apart from the obvious political difficulties—to single out one particular area for applying such a policy, and Sir James Bowman has not said that he intends his present proposal to be the forerunner of similar changes in other areas. I have indicated my views to him in a letter, a copy of which is at Annex A. I have received his reply, a copy of which is at Annex B.

35. Governmental action in support of a two-year standstill in regard to oil development in industrial and domestic use, as suggested by the Chairman of the National Coal Board, could have serious repercussions. It would, I suggest, be
resented at home, and it would have prejudicial effects on the overseas position of our oil companies.

36. We are concerned in the producing countries which supply our markets, and any attempt to restrict development in our markets would probably be met with counter measures which would reduce the profitability of this trade to us. Such measures would also tend to defer the recovery in the affairs of our shipping fleets.

37. Decisions may have to be taken before very long about the long-term future of the coal industry, but I cannot put final recommendations forward until I have the National Coal Board's own reappraisal.

38. In the meantime, I would ask the concurrence of my colleagues—

(i) In the continuance of our announced policy of freedom of choice for the consumer and freedom to compete on the part of the producer.

(ii) In my informing the Chairman of the National Coal Board—

(a) That we cannot fully consider the long-term problems of the industry until we have his reappraisal, but that he cannot look to the Government for support of his proposal for an arranged limitation for two years of the home oil market.

(b) That we should be willing to consider comprehensive proposals for improving the coal price structure, but that the discriminatory proposals that he has made do not provide a basis for solving the problem which is likely to prove acceptable.

Dear Sir James,

I have been considering the papers you left with me on Monday, 11th May. We shall be discussing this matter further later in the month, but I thought I would like to let you have my reaction to the proposals for you to consider before we meet.

I must express my disappointment at the proposal on Inland Price Adjustments as well as grave doubts as to whether it would constitute an efficient instrument in achieving more sales.

My disappointment arises from the fact that after many months of what I am sure must have been anxious consideration in an attempt to achieve a more flexible sales policy, your proposals should turn out to be for a price increase in one territory—Scotland—and a small reduction in the south of England of East Midlands small coal, and a small reduction in respect of Durham gas coals.

Such a proposal seems to me to be one of "robbing Peter to pay Paul," and I fear it would appear in this light to your Scottish customers if not to the public as a whole. It has not even the merit of applying generally to all high cost areas the principle, advanced in your memorandum, of making each coalfield pay its way, but it singles out Scotland in what is sure to be regarded as an invidious way.

Further, I would beg leave to question whether a reduction of 5s. a ton, which I understood you to say you intended to apply to the East Midlands small coal and Durham gas coal, would be a sufficient inducement to meet the competition from oil with which you are faced.

So far as the other paper is concerned it has been a source of considerable strength and much comfort to me to hear you say from time to time that the coal industry must become competitive if it is to retain its traditional markets.

In announcing the Government's policy of freedom of choice to the consumer which, as you know, we have done continuously, I have been fortified with the thought of your support in this matter. It was, therefore, somewhat of a shock to me to read your memorandum which you left with me on Monday, proposing that we should arrange to prevent the further entry of oil into markets for a period of two years.

Yours sincerely,

(Sgd.) MILLS.

Sir James Bowman, K.B.E., J.P.,
National Coal Board,
Hobart House,
Grosvenor Place, S.W.1.
ANNEX B

National Coal Board,
Hobart House,
Grosvenor Place, S.W. 1.

21st May, 1959.

Dear Minister,

Thank you for your letter of 14th May about the proposals we left with you last week.

We, too, are disappointed that, after all our hard work and hard thought, we have not been able at this time to put forward proposals for price changes of a more far-reaching kind. The kernel of the problem is that, to compete more effectively, we ought to make widespread reductions in prices. But we have no reserves—on the contrary, we have a substantial accumulated deficit—and an obligation to make ends meet on an average of good and bad years.

Thus, any proposals we make must be self-balancing; and unless we are to add heavily to our deficit, we can take action only in a quite limited field.

It is certainly not the Board's intention to discriminate unfairly against Scotland, and we do not think that we should be doing so if we increased coal prices in Scotland as we propose. The Board's policy, declared some years ago, of seeking to make each coalfield pay its way over a period of years must be applied broadly. Scottish Division alone of all our Divisions suffered losses (before charging interest) on their collieries—in 1957, 1958 and in the first quarter of 1959, their losses were 11s. 7d., 14s. 5d. and 9s. 9d. a ton; in the first quarter of 1959, the only Division besides Scottish to make a loss, before interest, on their collieries was Northern, and their loss was only 8d. a ton. So Scottish is the only Division whose coals could justifiably be increased in price by reference to financial results.

You suggest that a reduction of 5s. Od. a ton in the price of East Midlands smalls going to the South is inadequate. But the main market for them is for electricity generation, and from our discussions with the Central Electricity Generating Board we think that such a reduction would have a significant effect on their take of these coals. The case of gas coals is more difficult, as you are aware.

With regard to the second proposal we left with you, the Board's policy has been and will be to bring the coal industry on to a basis of economic efficiency. We have made an all-out effort to make the industry competitive—an effort which has succeeded at least in part. But I would be wrong to hide from you my worry at the immediate situation. Because of the long-term nature of so much of our investment and its relative inflexibility, the sudden fall in demand is producing grave problems in the short term. We are having to put more coal on the ground even than we expected at the beginning of the year. We must, I submit, have the necessary elbow-room to phase the closure of pits which are uneconomic and to try to save other pits which have extensive resources and valuable assets, like the ones in East Durham. Our proposal was in no sense intended as a protectionist measure to relieve us of our duty to make ourselves fully competitive; we do, on the other hand, ask for just enough time to bring our productive capacity into line with demand, and so avoid the repercussions in the coalfields of the large-scale closures which may otherwise be inevitable in the next year or two.

I hope, in saying this, that we are not being alarmists and that you will agree that, in this light, our request for Government co-operation is not an unreasonable one. Next year seems bound to be difficult, and our revision of the National Plan, on which we are working hard, will probably imply a large number of closures phased over the next six years.

Yours sincerely,

J. BOWMAN.
COMMERCIAL POLICY: HORTICULTURE

MEMORANDUM BY THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD

Alternatives to the Tariff

On 12th February we agreed to increase the tariff on certain cut flowers (C.C. (59) 7th Conclusions, Minute 4). This decision has been interpreted as showing that the refusal of other tariff applications did not indicate a change of policy by the Government, which still regards the tariff as the main instrument for supporting the horticultural part of the agricultural industry. Following our discussion in Cabinet I have again been reviewing alternative methods of support, some of which were discussed in my memorandum C. (59) 18.

2. I have come to the conclusion that in present circumstances there is no alternative measure that would be a practicable substitute for the tariff as a general means of support for horticulture. But as I indicate (in paragraphs 7 and 8 below) there may be possibilities for individual commodities in minimum price schemes. And we can do something on production grants (see paragraph 5).

3. Alternatives that I have reviewed include—
   (i) Deficiency payments.
   (ii) Production grants.
   (iii) Import quotas.
   (iv) Minimum price schemes.

Deficiency Payments

4. It seems impossible to operate for horticulture a system of deficiency payments, whether paid in relation to output or acreage, that embodies adequate safeguards for the Exchequer yet avoids revolutionary changes in the existing marketing system.

Direct Grants

5. The scope for direct grants is very limited. We have already decided to introduce a scheme for grants towards buildings and equipment on horticultural holdings (C.C. (59) 1st Conclusions, Minute 2). My officials are still working on the details, but I hope we can get it going next spring after the necessary legislation. When we have the Monopolies Commission’s report on the fertiliser industry, we shall also need to examine the possibility of a potash subsidy, which would particularly help horticulture and for which the National Farmers’ Unions (N.F.U.’s) have long been pressing. But grants of this kind, though important, can only offer supplementary aid to the industry.
Import Quotas

6. It seems out of the question to contemplate a general reversion to quotas for horticultural products. Apart from the obvious difficulties which would arise under the General Agreement on Tariffs and Trade, quotas have the disadvantage of rigidity in operation. Quotas are, however, still operated for apples and pears and have to be justified on balance of payments grounds. But our import duties on these products are designed to protect the Commonwealth rather than the home producer; they have been bound at levels that afford no protection to home apple growers and little protection to our pear growers. There is no prospect of our being able to negotiate effective rates. There is a similar difficulty with regard to bulbs. The time may well come when some alternative to quotas as a means of protection must be found for these products. We are committed to prior consultation with the interests concerned before removal of the quota restrictions.

Minimum Price Schemes

7. I referred in paragraph 4 (a) of C. (59) 18 to the possibility of minimum price schemes for some horticultural commodities. Officials are looking into the implications of such schemes from the point of view of our commercial policy. I think such a scheme might be feasible for apples and pears. But this could only be decided after full discussion of the practical implications with the various interests concerned. Accordingly I seek authority to open confidential discussions, as soon as possible, with the N.F.U.'s and trade interests about the possibility of such a scheme for apples and pears. This would not cast doubt on our general policy, since it is generally accepted that the tariff for those fruits cannot be adjusted to give reasonable protection.

8. If these discussions go well, they might be extended to cover other commodities such as bulbs, onions and possibly tomatoes, if that could be done without casting doubt on our statement that the tariff is the main instrument of support for horticulture.

The Tariff Advisory Committee

9. When we were considering the last batch of applications for increases in the tariffs on horticultural products, we ran into difficulty in squaring the advice tendered by the Tariff Advisory Committee (T.A.C.) with what we finally agreed the realities of the situation required. I have given some thought to this and have come to the conclusion that the principles upon which the T.A.C.'s conclusions are based may have contributed to our difficulties. These general principles may be quite sound for most industries but I doubt very much whether, when applied to horticulture, they take sufficiently into account the Government's obligations toward the industry.

Those principles are—

“(i) The tariff is the normal means of protection for the horticultural industry.
(ii) The existing tariff, which was fixed in ….. after a full examination of the position then obtaining, should be taken as a starting point and it should be for consideration what adjustment, if any, would be required in the light of present circumstances.
(iii) Additional tariff protection should, as far as possible, assure to the efficient United Kingdom producer a fair return on, and a reasonable prospect of a market for, his produce without hardship to the consumer.”

10. What disturbs me about these is that they do not reflect in any way the fact that in the Agriculture Act, 1947, Parliament has accorded to agriculture certain assurances which apply no less to horticulture than to the rest of the industry. It seems to me, therefore, that to treat a tariff application affecting horticulture as though that Act did not exist cannot be right. I suggest, therefore, that when such applications are being considered a fourth principle should be added as follows—

"Account must be taken of the Government’s obligations arising out of the Agriculture Act, 1947."
Points for Decision

11. I ask my colleagues—

(i) To authorise me—

(a) To open confidential discussions with the N.F.U.'s and the trade interests about the feasibility of a minimum price scheme for apples and pears (paragraph 7).

(b) If the discussions about apples and pears go well, to explore confidentially with the interests concerned the feasibility of schemes for other commodities (paragraph 8).

(ii) To agree that when the Tariff Advisory Committee is considering applications for increases in the horticultural tariff, the principles guiding the Committee's work should include suitable reference to the Government's obligations under the Agriculture Act, 1947 (paragraph 10).

J. H.

Ministry of Agriculture, Fisheries and Food, S.W. 1,
28th May, 1959.
CABINET

HOLA DETENTION CAMP

MEMORANDUM BY THE MINISTER OF STATE FOR COLONIAL AFFAIRS

As the Cabinet will be aware, there is widespread public disquiet over the deaths of 11 Mau Mau detainees at Hola Detention Camp in Kenya as a result of what happened on 3rd March. There is no doubt that detainees were on that day illegally beaten and the investigating magistrate so found. He also found that some of the force used was legal. The fact remains that 11 detainees died and 23 were so seriously injured as to require admission to hospital, apart from others with lesser injuries. It is to be expected that the Opposition will make this the basis of an attack and the object of this paper is to inform the Cabinet of the position and to survey the defences on which we should rely to meet the attack if and when it comes. I apologise for the length of this paper, but I feel that the Cabinet should be fully informed about the Hola tragedy. I am indebted to the Attorney-General for the presentation of the facts set out below.

2. Early on 3rd March, Sullivan, the Camp Commandant took 85 hard-core Mau Mau detainees who had refused to co-operate out of the camp with the intention of getting them to work in "digging a trench a short distance away. They were taken out under a strong escort.

3. The Kenya Government had decided that efforts should be made to get these detainees to work, and Sullivan had been seen by a senior officer, Cowan, and given verbal instructions. Cowan's intention was that detainees should be taken out in small batches and put to work. He expected trouble in getting them to leave the camp to work. Sullivan avoided this by not telling the detainees they were being taken out to work and he got all the 85 out in one party.

4. Cowan put his proposals in writing but the written document was not seen by Sullivan until after 3rd March. His written proposal contained the following passage:

   "It is assumed that the party (of detainees) would obey this order (to go to work) but should they refuse to work they would be manhandled to the site of work and forced to carry out the task."

5. A distinction is drawn by the Kenya authorities between the use of compelling force to secure obedience to an order, e.g., taking a man by force out of a cell which he has been ordered to leave when he refuses to go, and punitive force, i.e., endeavouring to secure obedience by the infliction of pain. Manhandling to the site was consequently considered legitimate. The evidence before the magistrate showed that Cowan and Sullivan both knew the legal limits as to the application of force.

6. The investigating magistrate was very critical of the use of the expression "forced to carry out the task" on the ground that the natural meaning of those words sanctioned the use of force to make the detainees work.

7. To those concerned with the prison administration, with knowledge of the circumstances when the use of force was permissible, it is said that these words could not have this significance. The use of force to make men work is illegal.
and the Minister and senior officials who sanctioned the Cowan “plan” cannot have intended to sanction illegality.

8. Sullivan’s instructions to his African staff were given in Swahili and a literal translation is as follows:

“ If people make trouble, you will hit him. But you will only hit on legs. Don’t entirely hit.”

In his evidence to the magistrate he also said that sufficient force including the use of batons was to be used to overcome violent resistance, that it was left to individual warders to use force to restore order if the situation was getting out of hand and there was any great noise or movement.

9. It will no doubt be alleged that Cowan’s verbal instructions to Sullivan must have tallied with his written report, and Sullivan’s instructions to his men are not unfortunately inconsistent with the use of force to make men work. According to the Chief Warder they were instructed to make the detainees work and if they refused to do so they were to hit them on their legs but not seriously.

10. Cowan’s and Sullivan’s evidence before the magistrate shows that they did not discuss the use of force to make the detainees work and that all Cowan said was that if they lay down and refused to work they were to be lifted up again.

11. After the detainees had gone 100 yards or so from the camp, they appear to have realised that they were being taken to work and there was a disturbance. The accounts of what happened are confused but it is clear that batons were then used. The magistrate appears to have found that there was an attempt to escape (though the evidence in support of this conclusion is not very strong and this finding may be challenged) and also that there was a “combined outbreak.” He found that the use of batons on this occasion was legal. He criticised Sullivan’s evidence that the detainees formed a Mau Mau pyramid but accepted that the detainees had piled on top of each other on the road. There appears no doubt that when piled on top of each other they were beaten.

12. Sullivan succeeded in restoring order but two men had to be carried to the site, whether or not in consequence of injuries is not clear.

13. At the site the detainees were taken to the trench which is 100 ft. long and divided into groups of about 20. Sullivan’s intention appears to have been that picks and shovels should be put in their hands and that the warders should forcibly compel them to go through the motions of using them. Again the evidence of what happened is very confused. One version is that after the detainees had sat down the warders tried by words to persuade them to work and, having failed, then beat them with batons while they were sitting. This version is to some extent supported by the fact that of those who died, one received a fractured skull, one had a fractured jaw and two had fractured forearms. Some of these injuries may have been suffered in the road incident. Another version (Sullivan’s) is that the men twice formed heaps again.

14. The investigating magistrate found and the finding will not appear capable of challenge that the men were illegally beaten to make them work, but he said that possibly the use of batons at the site at times was justified to prevent an escape and subdue a combined outbreak.

15. He found that the deaths were due to shock and haemorrhage due to multiple bruising caused by violence. The bruising was not readily visible on external examination owing to the colour of their skins. The post mortem examinations revealed that there had been very extensive internal bleeding. There was evidence that scurvy leads both to lessened resistance to shock and to excessive bleeding. After the deaths a medical witness discovered two severe cases of scurvy in the camp and the Magistrate was satisfied that scurvy was present in the camp, and possibly widespread. When all the seriously ill after the beatings on 3rd March were treated as probably suffering from scurvy, there was a great improvement in their health. This medical witness also said that where there is ascorbic acid deficiency “any degree of beating might well cause a fatal issue” and that one could not assess the severity of a blow from internal bleeding if the man was suffering from scurvy. No fresh vegetables were issued to the detainees. Anti-scorbutic pills were issued with the rations but no steps appear to have been taken to see whether the detainees took them.
The investigating magistrate was critical of the arrangements for preventing scurvy but although he dealt with this subject in his findings, he did not express the view that scurvy was a factor contributing to the deaths.

16. Before his inquiry the Criminal Investigation Department carried out an investigation and the results of their work were made available to him. The detainees would not co-operate even to the extent of identifying the dead. A few of them eventually gave evidence but their evidence was clearly regarded by the magistrate as of very little value. He did not consider that the evidence disclosed the commission of an offence by an identifiable person. The Attorney-General of Kenya has considered the question of prosecution and has decided that criminal proceedings should not be instituted. A copy of his memorandum to the Kenya Government giving his reasons is attached at Annex I.

17. Serious disciplinary charges have been preferred against Sullivan and Coutts, his assistant. A copy of the charges is attached at Annex II. The investigation of these charges which is expected to commence on 4th June is by a service disciplinary Committee headed by the Solicitor-General of Kenya. It has been agreed that the proceedings and findings of the Committee will be made public after a decision has been reached as to the action to be taken.

18. A strong and independent Committee of three has also been appointed to advise the Governor on the future administration of the four remaining Emergency Detention Camps and this will begin work in Kenya on 16th June. The International Committee of the Red Cross have also been given permission to send delegates again to visit the camps as they did in 1957.

19. The Opposition attack appears likely to be based on one or more of the following allegations—

(i) Having regard to the many allegations of beatings which have been communicated to the Colonial Secretary, action should have been taken before 3rd March and if it had been taken, the events of that day at Hola might not have occurred.

(ii) The Kenya Government having authorised the Cowan “plan” must be taken to have authorised the use of illegal force.

(iii) The presence of scurvy in the camp is indicative of bad administration for which the Government is responsible.

(iv) The decision of the Attorney-General was wrong.

(v) The Kenya Government attempted to mislead the public by issuing a Press statement (criticised by the magistrate) which suggested that the deaths were due to drinking contaminated water.

20. In reply to (i) it can be said that all the complaints received have been thoroughly investigated. The vast majority were found to be baseless. Where investigation showed there was any substance in the complaint, appropriate action, including in some cases prosecution, was taken, and details of these cases are attached hereto at Annex III. It should be remembered that no less than 80,000 detainees had to be looked after, of whom 79,000 have been successfully released to normal life. All the detainees at Hola who gave evidence testified, and some 50 or so others questioned by the magistrate at Hola said, that before 3rd March there has not been beatings at Hola, so that if the complaints received had led to action, there is no reason to suppose that it would have led to any action at Hola. None the less this would seem the most likely line of attack in debate.

21. In reply to (ii), it can be pointed out that Prison Standing Orders and Ordinances make it clear that men cannot lawfully be forced to work by beating them; and that the use of illegal force was not sanctioned by those in authority. Cowan had not authority to and according to his and Sullivan’s evidence did not authorise the use of illegal force.

22. As to (iv) the decision of the Attorney-General is his and not the Government’s responsibility. The investigating magistrate has reached the same conclusion.

23. As to (v) the Press statement may have been ill judged. It was founded on preliminary reports. There was no intention to mislead or to cover up and this is shown by the fact that a full inquiry was initiated immediately, and before the Press statement was made.
24. I have had long discussions with the Lord Chancellor and the Attorney-General on these matters (the Attorney-General for Kenya also being present) and they agree with this paper. We do not think that any useful purpose would be served by having any further inquiry. None the less we should recognise this may be a long siege. A lot of fair-minded people are worried that 11 people could be beaten to death and no one prosecuted, or brought to book (save perhaps as a result of the disciplinary proceedings against the two prison officials) and no Government held responsible.

25. I seek the endorsement of the Cabinet both of the action taken and of the general lines put forward to meet the attack of the Opposition if it comes.

P.

Colonial Office, S.W.1.
1st June, 1959.
ANNEX I

REASONS OF THE ATTORNEY-GENERAL OF KENYA FOR HIS DECISION NOT TO PROSECUTE

Following the conclusion of the inquest proceedings, the Attorney-General, with his advisers, gave careful consideration to the question whether or not the available evidence warranted the preferment of criminal charges against any person or persons.

2. All the witnesses from whom statements were obtained by the Criminal Investigation Department in its full and thorough investigation were made available at the inquest. In the absence of identifying witnesses, identification parades could not be held. No further or other evidence is available to sustain any criminal proceedings.

3. The Attorney-General was satisfied that the evidence available established that the deaths of the 11 deceased detainees resulted from the use of force and that the greater part of the force used was illegal force. He concluded, however, that the evidence was insufficient to warrant the framing of any criminal charges in respect of the causing of death or injury to the detainees, or in respect of the orders given regarding the use of force in the operation or in respect of a combination or conspiracy to use illegal force.

4. Much of the evidence was patently unreliable, but even if the question of credibility were disregarded and the evidence were taken at its face value, it was inadequate, particularly in regard to identification, to sustain criminal charges.

5. The detainees had refused to co-operate in the Criminal Investigation Department investigation or to identify warder staff or even to identify the bodies of the dead detainees (which had, therefore, to be identified by fingerprints). Some were eventually persuaded to testify at the inquest but their evidence was dismissed by the Magistrate as valueless.

6. In any criminal proceedings the onus of proof lies on the Crown, the standard of proof required being that beyond a reasonable doubt. That onus has to be discharged in respect of both the commission of the alleged offence and the identity of the alleged offender. In any such proceedings in this case the evidence of the detainees would be worthless, and the evidence of any members of the Prison staff who were present when violence was used and who were not accused would at least be suspect and possibly, in some cases, of the nature of accomplice evidence which would require to be adequately corroborated in a sense connecting the accused with the commission of the offence.

7. It is impossible, as the Magistrate found, to distinguish, on the evidence, which part of the force used was illegal force and which part was justified, or to separate the one from the other in terms of time, injuries caused and identities of persons involved, whether in the application or in the receipt of force.

8. Such limited independent evidence as was available was inconclusive, and did not afford the means of identification of individuals with the culpable use of force, even in respect of the minor offence of common assault or abetment of common assault. Only two independent witnesses testified to having seen, from a distance of 100 yards and more, assaults on detainees which, as described, appear to have been unlawful, but, understandably, neither was able to identify the assailants. One of these two witnesses referred to the presence of the Commandant, but was unable to say what he was doing.

9. Section 18 of the Prisons Ordinance authorises the use of weapons, where necessary, by prison officers against detainees escaping or attempting to escape, engaged in a combined outbreak or using violence to any prison officer or other person. Prison Standing Orders forbid the striking by prison officers of persons in custody save to the extent necessary in defence or to overcome violence or resistance to escort. The Emergency (Detained Persons) Regulations, 1954, prescribe the circumstances and manner in which corporal punishment may be applied to detainees for offences against discipline.
10. The evidence at the inquest does not establish that in the planning of the operation the use of illegal force was contemplated. The document described at the inquest as the “Cowan plan” was a report submitted to the Commissioner of Prisons by Senior Superintendent Cowan after his visit to Hola for the planning of the operation; no copy of that document was ever in the possession of those who carried out the operation.

11. The evidence also established that orders given to the warder staff regarding the use of force, which were given in Swahili, in no way established any intention to authorise the use of illegal force or any contemplation that illegal force would be used. They would not, therefore, sustain a prosecution in that respect.

12. While the public interest clearly requires that any person or persons who can be proved to have been criminally implicated in such a shocking and tragic occurrence should be brought to justice, it requires no less that no person should, in this or any other case, be placed in jeopardy on a criminal charge unless there is available sufficient evidence which, if believed, would establish his guilt. In this case the Attorney-General decided that the available evidence was insufficient for this purpose, and he accordingly decided that no prosecutions should be instituted.

ANNEX II

DISCIPLINARY CHARGES PREFERRED AGAINST SULLIVAN AND COUTTS

Against Sullivan

(i) That you being a Superintendent in the Kenya Prison Service on 3rd March, 1959, at Hola in the Coast Province, acted with gross dereliction in the performance of your duties as Officer in Charge of Hola Special Detention Camp in that you—

(a) put to work 85 non-co-operative detainees from the said camp in such a way that you were unable to exercise proper control over the said detainees and in a manner contrary to instructions given you by Senior Superintendent Cowan;

(b) failed adequately to supervise the members of the said Service under your orders in charge of the said detainees;

(c) failed to prevent members of the said Service under your orders from improper assault in your presence of some or all of the said detainees.

(ii) That you being a Superintendent in the Kenya Prison Service on 4th March, 1959, at Hola in the Coast Province acted with gross dereliction in the performance of your duties as Officer in Charge of Hola Special Detention Camp, in that you gave misleading information concerning the events which had occurred at the said camp on the morning of 3rd March, 1959, to the then Acting Deputy Commissioner of Prisons, Mr. W. M. Campbell, and to the Under-Secretary of Defence, Mr. A. C. Small.

Against Coutts

(i) That you being an Assistant Superintendent in the Kenya Prison Service on 3rd March, 1959, at Hola in the Coast Province acted with gross dereliction in the performance of your duties when in charge of a working party of 85 non-co-operative detainees from the Hola Special Detention Camp, in that you failed to prevent members of the said Service under your orders from unlawfully assaulting in your presence some or all of the said detainees, and

(ii) that you being an Assistant Superintendent in the Kenya Prison Service on 4th March, 1959, at Hola in the Coast Province acted with gross dereliction in the performance of your duties in that you gave misleading information concerning the events which had occurred at Hola on the morning of 3rd March, 1959, to the then Acting Deputy Commissioner of Prisons, Mr. W. M. Campbell, and to the Under-Secretary of Defence, Mr. A. C. Small.

SECRET
November 1956

Mr. L. W. Lemon:—Lemon, Commandant of Mara River Detention Camp, was tried on 7th November, 1956, on two charges of occasioning actual bodily harm to two detainees. He was found not guilty of causing actual bodily harm, but guilty of the lesser offence of common assault, and sentenced to be fined Sh.500 or three months' imprisonment in default. Subsequently disciplinary action against Lemon was taken under Colonial Regulations and his probationary appointment of Assistant Superintendent of Prisons was terminated.

December 1956

Warder Magure Nyasobe:—Magure was alleged to have kicked a remand prisoner in Machakos Prison in December 1956. The Attorney-General directed that disciplinary action should be taken against him, and it was. (N.B.—What it was is unknown, but he was probably dismissed.)

July 1957

Mr. R. D. Rowe, Mr. C. A. Hirst, Jasiel Njau Kariuki (and several detainees):—Jasiel Njau, an African Assistant Rehabilitation Officer of Gathigiriri Works Camp, was tried in July 1957 for the murder of detainee Macheri Githuma in January 1957. He was acquitted on the charge of murder, but was convicted of assault causing actual bodily harm and sentenced to twelve months' imprisonment with hard labour.

The Attorney-General decided that the evidence did not justify prosecution of Rowe, the Prison Officer in charge of the camp, or Hirst, who was in charge of rehabilitation and Njau's superior officer. Rowe and Hirst were however charged with specific disciplinary offences—principally that Rowe failed to make himself familiar with conditions in the camp (including the assaulting and maltreatment of detainees), and that Hirst was aware of malpractices but neither tried to stop them nor reported them to high authority.

The disciplinary committee found that the charges against Rowe were not established. The committee considered, however, that the charges against Hirst were established and that, despite extenuating circumstances, his retention in the public service was no longer justified. His appointment was accordingly terminated with effect from 10th April, 1958.

October 1957

Mr. C. R. Harrison and two other European officers:—These officers were alleged to have beaten detainees to make them work; were prosecuted on the charge of causing actual bodily harm. They were acquitted.

September 1958

Mr. D. D. Luies and two African screeners:—On 15th September, 1958, whilst in charge of Gathigiriri Camp, Luies absented himself without have a responsible European officer to take charge of the Camp in his absence, contrary to Standing Orders. His absence from the Camp was on official duty, but while he was away an incident occurred as a result of which one of the detainees (Kibebe Macharia) subsequently died. The two African interrogators were acquitted of the murder of Kibebe Macharia, but found guilty of manslaughter and sentenced to three years' imprisonment. A disciplinary enquiry found that Luies' absence was on
duty which, while not immediate, was pressing, and had no bearing on any ill-treatment received by Kibebe Macharia. In these circumstances it was decided that a reprimand would meet the case, and this was approved.

January 1959

Samuel Mugo Githu, G.M.—Githu, a District Assistant employed on rehabilitation at Aguthi Camp, was tried and convicted on three counts of assault causing actual bodily harm (one referred to Kabugi Njuma, who afterwards died). He was sentenced to two years' imprisonment.

June 1959.
CABINET

PROPOSED CHANGES IN NATIONAL ASSISTANCE

MEMORANDUM BY THE MINISTER OF PENSIONS AND NATIONAL INSURANCE

As requested by the Ministerial Committee on Pensions I am submitting herewith, for the approval of the Cabinet, drafts of a short oral statement proposed to be made in Parliament and of a White Paper. I am indebted to the Chancellor of the Duchy of Lancaster for help and advice on the draft of the former, and to my colleagues on the Ministerial Committee for suggestions for the latter.

2. The draft statement refers briefly to, and the White Paper sets out at length, a set of proposals which have been considered by the Ministerial Committee. The implementation of these proposals requires a Bill, Orders made under the Bill, and regulations requiring an affirmative resolution made on the initiative of the National Assistance Board under existing powers. The main purpose of the White Paper is to bring together into one document a comprehensive summary of what is proposed.

3. It may be helpful if I summarise the proposals—

(a) It is proposed, subject to a formal proposal being made by the National Assistance Board at its meeting on 10th June, to increase the scale rates of national assistance from 45s. 0d. to 50s. 0d. a week for single householders and from 76s. 0d. to 85s. 0d. for married couples, with appropriate increases in the other rates.

(b) The amounts of both capital and income which the National Assistance Board have to disregard in assessing means have remained unchanged since 1948. It is proposed to take power to alter these disregards and to make increases in them of the order of 50 per cent.

(c) It is proposed to deal with the problem which now arises where a recipient of national assistance has in his household an earning member of his family. At present the Board normally limit the amount allowed for rent in such cases by reference to the level of rent which, in 1950, their local advisory committee advised as being normal in the locality. In addition, they take into account an assumed contribution of 7s. 0d. a week towards the general expenses of the household in respect of each earning member. It is proposed that the Board should now normally take account of the full rent—as they do in other cases—and should substitute for the present flat 7s. 0d. assumed contribution the earner's proportionate share of the full rent. This would be presented as the final abolition of the old assumed contribution to general household expenses and the introduction of the principle that recipients of national assistance who share a household with earning members of their families should receive their share of the actual rent.

4. Subject to approval by the Cabinet of the draft statement and White Paper, it is proposed to make the one and publish the other on 15th June.

Ministry of Pensions and National Insurance, W.C. 2,
1st June, 1959.

J. A. B.-C.
In the view of Her Majesty's Government and of the National Assistance Board the time has come to improve the standard of provision for the poorest members of the community so as to give them a share in the country's increasing prosperity.

Since 1952 the Board, with whom, as the House knows, the initiative in proposing increases in the scale rates of national assistance has been placed by statute, has succeeded in co-operation with the Government of the day in maintaining the scales of assistance at levels somewhat better than those originally fixed in 1948. That is the position to-day.

On the other hand, the various amounts of income and capital which the Board are entitled to disregard in the assessment of need—the so-called "disregards"—are still at the level in cash terms at which they were fixed in 1948.

The National Assistance Board have recommended and the Government have accepted a proposal to increase the scale of assistance for a single householder from the present level of 45s. 0d. a week to 50s. 0d. and for a married couple from 76s. 0d. to 85s. 0d. a week, with appropriate increases in other rates.

It is also proposed to make a substantial change in the arrangements where a recipient of national assistance has in his household an earning member of his family. At present the rent taken into account by the Board in these cases is normally that fixed some years ago on the advice of local advisory committees, in many cases less than the actual rent. There is also a contribution of 7s. 0d. a week towards the general expenses of the household assumed to be made by the earning member. It is proposed in future normally to take account of the full rent, to abandon the concept of an assumed contribution to general household expenses and instead to assess national assistance on the basis that the earning member of the household and the recipient of assistance each contribute their own share of the total rent.

It is also proposed to make increases in the disregards of capital, other than war savings, and of income of the order of 50 per cent.

The increases in national assistance will apply generally to recipients of assistance, including those who draw it as a supplement to retirement pension or to unemployment or other national insurance benefits as well as to those who rely solely on assistance, either for long or short periods.

It is sometimes suggested that an application for national assistance can involve some loss of self respect. This is quite wrong. Those who are in need are entitled as of right to assistance, just as they and other citizens are entitled to other State benefits. I think that hon. Members on both sides of the House, and people outside, will join me in expressing the hope that all those who are in need will make use of the State provision to which they are entitled. As has often been emphasised in this House, there can be complete confidence that the National Assistance Board and its officers administer this form of social service humanely and sympathetically. We are considering with the Board whether the terminology used in Order Books and other documents can be improved so as to obviate any possibility of misunderstanding.

Legislation will be needed to enable changes to be made in those disregards which are fixed by statute, and I am to-day giving notice of presentation of the necessary Bill. I have also to-day laid the necessary regulations to give effect to the improvements in scale rates and other changes. A White Paper setting out the proposals in full will be available at the Vote Office at 4 o'clock this afternoon.

These proposals will cost about £32 millions in a full year and, subject to the approval of Parliament, it is proposed to bring them all into operation early in September.

June 1959.
MINISTRY OF PENSIONS AND NATIONAL INSURANCE

Draft White Paper on Proposed Changes in National Assistance

Presented to Parliament by the Minister of Pensions and National Insurance by Command of Her Majesty
June 1959

LONDON
HER MAJESTY'S STATIONERY OFFICE

Cmnd.
INTRODUCTORY

1. Her Majesty’s Government and the National Assistance Board have been considering the position of those on National Assistance and have reached the conclusion that the time has come when it is right to move to a higher standard, so giving them a share in increasing national prosperity.

2. Draft regulations have therefore been laid before Parliament which provide for increasing the scale rates of National Assistance and for certain other changes relating to the computation of requirements and resources for National Assistance purposes. A memorandum by the National Assistance Board explaining these Regulations is annexed. A Bill is also being presented forthwith to empower the Minister of Pensions and National Insurance to increase by Order the amounts of capital and certain forms of income which the Board are required by Statute to disregard in computing resources.

THE MAIN CHANGES

National Assistance Scale Rates

3. Her Majesty’s Government have accepted proposals made by the National Assistance Board, and draft Regulations (The Draft National Assistance (Determination of Need) Regulations) have in accordance with Section 6 of the National Assistance Act, 1948, been made in the form of the draft submitted by the Board and laid for the approval of Parliament. These Regulations propose to increase the scale rates of assistance for a single householder from the present 45s. to 50s. a week, and for a married couple from 76s. to 85s. a week, plus in each case an allowance for rent (including rates), and with appropriate increases in other rates of assistance. The proposals are explained in detail in the annexed Memorandum by the National Assistance Board.

Rent and Assumed Contributions

4. At present where the recipient of assistance is a householder whose household includes an earning member the Board ordinarily make an allowance for rent limited by reference to what was advised in 1950 to be the general level of rents in the locality. They also take into account an assumed contribution to general household expenses of 7s. a week in respect of an earning member. It is proposed under the new Regulations to abolish the present flat-rate 7s. contribution to general household expenses, and normally to allow for the full rent; in future recipients of National Assistance sharing their household with earning members will normally receive their proportionate share of the actual rent, while earning members of the household will be assumed to contribute their proportionate share of the rent and nothing else.
Capital and Income Disregards

The proposed Bill will give the Minister of Pensions and National Insurance power, by Order, to increase the amounts of capital (other than war savings) and income at present specified in the Second Schedule to the National Assistance Act, 1948. Any Order so made will be subject to the approval by affirmative resolution of each House of Parliament, except in the case of an Order made within a month of the passing of the Bill, which will be subject to negative resolution only. This exception is to enable the changes which the Government propose in the capital and income disregards to become effective at the same time as the changes in the scale rates of Assistance.

6. If Parliament approves these proposals, the Government intend to increase the amount of capital assets (other than war savings) which the National Assistance Board are required completely to disregard from £50 to £100, and to raise the limit above which assistance may not be paid from £400 to £600. The Government also intend to increase amounts which the Schedule requires the Board to disregard out of certain specified forms of income to 15s. a week where 10s. 6d. a week is at present prescribed (for example, for occupational pension, or Friendly Society or Trades Union sick pay), and to 30s. a week where 20s. is now prescribed (for example, for a war disability or industrial injuries disablement pension).

7. Any Order made under the power which is being sought to increase the amounts of resources disregarded under the National Assistance Act will also make corresponding increases for the purpose of the disregards to be applied in deciding applications for legal aid, in so far as these are governed by the National Assistance Act.

Other Matters

8. The draft Regulations submitted by the National Assistance Board also provide for increases in the amount to be disregarded out of earnings.

COST

9. It is estimated that the cost in a full year of the proposed increases in the scale rates of National Assistance will be about £27 million; that the changes which the Government propose to make in the amounts of disregarded resources, under the powers which would be given by the Bill, will cost about £2 million in a full year; and that the other changes proposed in the draft Regulations in relation to earnings and rent will cost about £3 million in a full year. The total cost, in a full year, will, therefore, be of the order of £32 million.

DATE OF OPERATION

10. It is intended that all the new provisions should, subject to the approval of Parliament, come into operation on September 7, 1959.
EXPLANATORY MEMORANDUM
BY THE NATIONAL ASSISTANCE BOARD ON THE DRAFT NATIONAL ASSISTANCE
(DETERMINATION OF NEED) REGULATIONS, 1959

1. These Regulations replace with amendments the Regulations under which the officers of the National Assistance Board determine whether a person is in need of an allowance under Part II of the National Assistance Act, 1948, and, if so, how much should be granted. They have been made by the Minister of Pensions and National Insurance in the terms of a draft submitted by the Board and require the approval of each House of Parliament before they can become operative. Subject to such approval, Regulations will be made in the terms of the draft to come into operation on 7th September, 1959.

2. The regulations will replace the regulations of 1957(1) which, by amendment of the regulations of 1948,(2) prescribe the current scale rates which came into force on 27th January, 1958. They will also replace the other provisions of the 1948 regulations, including the amendment made by the regulations of 1952(3) regarding assistance to persons maintained in accommodation provided under Part III of the National Assistance Act, 1948. The new regulations will thus deal with all the matters which require to be dealt with in regulations made under Section 6 of the Act.

3. The major changes proposed are those in the scales, that is, in the sums prescribed by the Regulations for requirements other than rent and rates, which are allowed for separately. The scales, which came into operation in 1948, have since then been increased six times and more than fully maintain the value of the original scales of 1948. The Board have now, however, thought it right to propose some raising of standards. The scales at present in force and those now proposed are as follows:—

<table>
<thead>
<tr>
<th>Ordinary Scale:—</th>
<th>Present rates</th>
<th>New rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) For a husband and wife</td>
<td>76 s. 0 d.</td>
<td>85 s. 0 d.</td>
</tr>
<tr>
<td>(b) For a person who is living alone, or is a householder and, as such, is directly responsible for rent and household necessaries</td>
<td>45 s. 0 d.</td>
<td>50 s. 0 d.</td>
</tr>
<tr>
<td>(c) For any other person, being—</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) aged 21 years or over</td>
<td>41 s. 0 d.</td>
<td>46 s. 0 d.</td>
</tr>
<tr>
<td>(ii) aged 18 years or over but less than 21 years</td>
<td>31 s. 6 d.</td>
<td>36 s. 0 d.</td>
</tr>
<tr>
<td>(iii) aged 16 years or over but less than 18 years</td>
<td>26 s. 0 d.</td>
<td>30 s. 0 d.</td>
</tr>
<tr>
<td>(iv) aged 11 years or over but less than 16 years</td>
<td>20 s. 0 d.</td>
<td>23 s. 0 d.</td>
</tr>
<tr>
<td>(v) aged 5 years or over but less than 11 years</td>
<td>17 s. 0 d.</td>
<td>19 s. 0 d.</td>
</tr>
<tr>
<td>(vi) aged under 5 years</td>
<td>14 s. 6 d.</td>
<td>16 s. 0 d.</td>
</tr>
</tbody>
</table>

The rates in a special scale applicable to blind persons and persons who have suffered a loss of income in order to undergo treatment for tuberculosis of the respiratory system, will also be increased as follows:

**Special Scale:**

<table>
<thead>
<tr>
<th>Present rates</th>
<th>New rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>s.</td>
<td>d.</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>(a) For a husband and wife—</td>
<td></td>
</tr>
<tr>
<td>(i) of whom one is such a person</td>
<td>96</td>
</tr>
<tr>
<td>(ii) of whom both are such persons</td>
<td>110</td>
</tr>
<tr>
<td>(b) For any other such person, being—</td>
<td></td>
</tr>
<tr>
<td>(i) aged 21 years or over</td>
<td>65</td>
</tr>
<tr>
<td>(ii) aged 18 years or over but less than 21 years</td>
<td>48</td>
</tr>
<tr>
<td>(iii) aged 16 years or over but less than 18 years</td>
<td>40</td>
</tr>
</tbody>
</table>

4. The effect of the proposals regarding scale rates is to increase the ordinary scale rate for a married couple by 9s. and for a single adult by 5s. The increases for other persons including dependent children vary according to age. For example, under the ordinary scale a married couple with three children aged 12, 8 and 3 years paying a rent of 15s. a week could at present expect to have their income, including family allowances, made up to at least £7 2s. 6d. a week. Under the Regulations now put forward they could expect to have their income made up to at least £7 18s. 0d., an increase of 15s. 6d. The corresponding figure under the Regulations of 1948 would have been £4 2s. a week.

5. The special scale for blind and for certain tuberculous persons is being increased by rather more than the ordinary scale: in the special scale rates which apply most often the excess over the corresponding rates in the ordinary scale, now 20s., will become 22s. 6d. For example, the requirements of a blind man with a sighted wife paying a rent of 15s. a week will be assessed at £6 2s. 6d. a week, compared with £5 if both partners were sighted.

6. Assistance has sometimes to be fixed by reference to considerations which make the scale rates inapplicable or inappropriate and when this is so the applicant’s income may be increased by less than the normal amount; thus in the case of persons paying an inclusive charge for boarding and lodging discretion has to be exercised to grant assistance at a rate which leaves a reasonable amount for other expenses after meeting the inclusive charge.

7. Apart from the changes in the scales and with two other exceptions mentioned below, the draft Regulations reproduce in substance the provisions of the 1948 Regulations (including the amendment referred to in paragraph 2) and of Part 1 of the Schedule to those Regulations which prescribes rules for the computation of requirements, including the allowances to be made for rent. The exceptions are as follows:

(1) in connection with the change referred to in paragraph 8 (2), the reference to “the general level of rents in the locality” in the paragraph about rent allowances in Part 1 of the Schedule is omitted, and

(2) the maximum amount which may be paid under that paragraph by way of rent allowance to a person living as a member of someone else’s household is raised from 10s. to 15s.
As a matter of form, the effect of Section 5 (4) of the National Assistance Act, which requires the Regulations to provide for the rules as to disregard laid down in the second Schedule to the Act to be followed in computing the resources of an applicant, is now achieved by a provision (Regulation 2) in the body of the Regulations.

8. As a result of the change in Regulation 2 mentioned above, the statutory disregards are not repeated in Part II of the Schedule to the Regulations, which contains rules for computing resources not laid down in detail in the Act. The remaining provisions of Part II differ from the corresponding provisions of the 1948 Regulations in the following respects:

(1) Changes are made in the provisions relating to the treatment of earnings by a person receiving assistance, or by a dependant of such a person. A minimum of 30s. a week together with half of the next 20s. of any earnings above that amount is substituted for the sum of 20s. which may at present be disregarded out of the earnings of old people and others not required to register for employment; the sum of 15s. a week is substituted for the 10s. which may at present be disregarded in the case of a person required to register for employment; and the sum of 15s. is substituted for the proportion of one-third of the earnings of a dependant aged under 16, which will have the effect of increasing the amount to be disregarded out of any earnings by a dependent child before they are taken into account against the allowance made for him.

(2) Contributions to household expenses are assumed to be made by non-dependent members of the household of a person (other than a blind person or the husband or wife of a blind person) receiving assistance. At present a sum of 7s. (with abatements for members earning small amounts) is taken into account whatever the rent paid by the householder. This provision is replaced by a provision for an assumed contribution not exceeding a proportionate share of the rent.

The allowance made for rent in such cases will then ordinarily be the full amount of the net rent paid by the householder and the fixing of a "reasonable rent" by reference to the general level of rents in the locality will no longer be necessary.

9. The discretionary powers which form an important part of the Regulations will continue to be exercised in any case where special circumstances so require. In the exercise of their general discretionary powers the Board propose, having regard to the increases proposed by the Government in the amounts which the Second Schedule to the National Assistance Act requires to be disregarded from certain forms of income, to increase correspondingly from 10s. 6d. a week to 15s. the amount ordinarily disregarded from certain other forms of income including voluntary allowances from friends or relatives and payments from charities or benevolent associations.

_National Assistance Board,
June, 1959._
3rd June, 1959

CABINET

EDUCATION: TEACHERS' SALARIES

Memorandum by the Minister of Education

In C. (59) 88 I last reported the situation regarding teachers' salaries. Since then there have been the following developments.

2. After further discussion with the Prime Minister, the Chancellor of the Exchequer and the Minister of Labour, I informed the leader of the Local Authorities' Panel of the Burnham Committee that the Government was still unable to contemplate approval of a basic scale with a higher minimum than £510. The Authorities had in mind to put forward an offer including a £520 minimum and leading altogether to additional expenditure of about £15 millions per annum for primary and secondary school teachers. I also told them that the Government was prepared to accept an increase in the total salary bill of this order, so long as this was spent in a way which avoided the difficulty on the minimum of the scale.

3. The Authorities decided nonetheless to proceed with their proposal and therefore made to the teachers on 28th May a final offer of a basic scale of £520 rising by increments of £27.10s. to £1,900. This was rejected by the teachers and the Committee therefore reported to me that a deadlock had been reached; they have sought my views before this is publicly announced.

4. I have therefore said that I will go to the next meeting of the Burnham Committee which has been arranged for 5th June. I shall need -

(a) to declare my support for the Authorities in not going beyond the total increased cost of £15 millions;

(b) to make clear that the Government are unable to follow the Authorities in approving a minimum of £520 for the basic scale and their reasons for the view that there should be no increase at this point above £510.

5. I attach as an annex a draft of my statement to the Burnham Committee; this has been prepared in consultation with the Treasury and with the Ministry of Labour and National Service.

6. I am ready to speak along these lines, but I think my colleagues should know that there are risks in this. The £10 difference between £510 and £520 is small, and our attitude may therefore be misunderstood unless supported by strong arguments of general principle. This is the
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purpose of paragraph 4 of the annex. I agree with it as a statement of general economic policy, but I think I should point out that the teachers could claim on the basis of this paragraph that they should have a real increase at the minimum of the scale broadly equivalent to the increase in productivity since October 1956. This would mean a minimum of about £520.

7. The public presentation of our position may therefore become more difficult as time goes on, since we may in the end be forced away from the general economic argument to rest increasingly on the educational reasons for discriminating against the minimum of the scale in favour of the maximum and improved differentials.

G.L.

Ministry of Education, W.I.

2nd June, 1959
I was sorry to hear from your chairman after your last meeting that you had been unable to reach agreement on the basis upon which a new salary report could be framed. On receiving this news I at once told him that if the Committee wished it, I was ready to take the unusual step of coming myself to meet the Committee. A similar course was adopted in not entirely dissimilar circumstances by the present Home Secretary, when he was Minister of Education. His purpose was, as mine is now, to try to help the Committee to reach an agreement by letting them know the sort of settlement which the Minister would be able to approve.

2. I want to begin by emphasizing two things. First, the Government's concern that teachers' salaries should correspond properly with the important services which they render to the community. The need for this has become increasingly recognised in the post-war years. This need has, I think, found expression in each of the post-war Burnham settlements, but each time the apparent gain in salary has been eaten into by further rises in the cost of living.

3. This brings me to my second point. It is more than ever important for the nation as a whole and for the education service as an essential part of the national life that we should now avoid inflationary increases in personal incomes, particularly wages and salaries. Otherwise we hazard all that we have gained, both for the nation and for the education service. During the past year we have been able to achieve a sound balance of payments and reasonable stability in prices. This has been helped by an increasing moderation in wage settlements. As a result we now have within our grasp increasing opportunities for economic expansion - upon which the prospects for improving standards of life depend. It is of immense importance - I cannot sufficiently emphasize the gravity of it to you - that nothing should now be done to endanger the prospects of continuing stability in prices and of the economic progress from which we have so much to hope.

4. The Government are in no sense denying the desirability of increases in the standard of living - indeed a steadily rising national standard of living is one of their principal objectives - but increases in wages and salaries unrelated to the increase in national productivity are bound to lead to inflation from which the professional classes have in the past suffered as much as anyone. While teaching is not a profession whose contribution can be quantified in terms of production and productivity, increases in teachers' salaries must not be widely out of scale with the increase in national productivity which is the broad governing factor in the national standard of living.

5. So far as teachers are concerned, we realise, as do the Authorities, that the time is ripe for some further advance in their salaries. But in considering what form this should take, we believe that a distinction must be drawn between salary increases designed to maintain real values and those which provide and are meant to provide a rise in real terms.
6. I understand that at the Committee's last meeting the Authorities' Panel offered the Teachers' Panel a new basic scale of £520 rising to £1,000 by annual increments of £27. 10s. together with improvements in the differential payments, and that these proposals, if they were agreed and approved, would add some £15 millions to the nation's salary bill for primary and secondary school teachers. I can say straight away that I see no reason to question these proposals from the point of view of their total cost. Indeed, with one important reservation, I can say that the general pattern of the Authorities' offer would lead to proposals which I, as Minister, would be happy to approve, if they were submitted to me. In saying this I have in mind how important it is to meet the needs of teachers who have embarked upon their career and are incurring family responsibilities, as well as to provide proper rewards for teachers who are highly qualified or who hold positions of responsibility in the schools. This leads me to welcome the maximum of £1,000 at the top of the basic scale and the improvements in differential payments which have been proposed.

7. As the Local Authorities, no doubt with all these needs very much in mind, have made an offer which would add £15 millions to the salary bill, I am glad to repeat that I should as Minister be quite ready to endorse proposals that would have this result: but I must in fairness add that, so far as total cost is concerned, I should not be able to go any further. In that I entirely agree with them.

8. Now for my sole reservation about the Authorities' offer. This concerns the increase proposed at the minimum of the scale for new entrants to the profession. In my view it is impossible to make any sufficient case for an increase at this point beyond a figure of £510 representing an increase of just under 7½ per cent over the minimum of £475 contained in the current Report. This adjustment would bring the minimum in real terms to the same level as that established in October, 1956. A minimum of £520 would, moreover, represent an increase of about 9½ per cent over the 1956 figure or, to put in another way, an increase of nearly 4½ per cent on top of the 5 per cent increase granted earlier this year. If I were to approve an increase of this order, there is a real danger that it would be taken to represent the Government's view of what might be a reasonable increase over the wages field generally at this time. This consideration applies particularly to the starting rate where direct comparison with industry and commerce is likely to be made. For these reasons the Government have felt bound to conclude that they could not sanction proposals which brought the minimum of the basic scale to more than £510.

9. I imagine that you may well wish to let what I have told you today be publicly known at the right moment. If that is your wish, I should be happy to agree with you how this could best be done. In any case, my hope is that you will find some way of working out proposals for submission to me which, in the light of what I have told you, I should be able to approve.

June, 1959
CABINET

PROPOSED HILTON HOTEL, PARK LANE

MEMORANDUM BY THE SECRETARY OF STATE FOR THE HOME DEPARTMENT AND LORD PRIVY SEAL

The Cabinet should be aware of a proposal to build an hotel rather more than 300 ft. high (the height of Big Ben) in Pitts Head Mews, Park Lane, a little south of Curzon Street.

2. The building is to be in the form of a "Y" with its foot facing towards Hyde Park and, as seen from the Park, will give the impression of a tower. This is a great improvement on an earlier design which was considerably higher, had a higher plot ratio (total floor area to area of the site) and was in the form of a slab.

3. The London County Council wish to give planning approval to the proposal, which the Westminster City Council also find acceptable. The Minister of Housing is satisfied that the promoters have gone a long way to meet the Government's views and is in favour of allowing the project in its present form. Indeed, in turning down the earlier proposal, he informed the promoters, with the concurrence of his colleagues, that he agreed in principle that a high building might be erected on this site.

The President of the Board of Trade is also in favour: there is a serious need for more hotel accommodation in London and this project will bring us in a great many dollars.

4. The Minister of Works, who is supported in his view by the Royal Fine Art Commission, would have preferred that the present proposal should be turned down on the ground of its effect on the amenities of the Park, or at least deferred until the public reaction to very high buildings, which are now being erected in other parts of London, was known. On the question of amenities, it is relevant that approval has already been given to the erection of an hotel 170 ft. high some 200 yards away in Grantham Place. It seems, however, certain that any further delay in giving a final decision will cause the project to be abandoned.

5. The Home Affairs Committee have discussed the question thoroughly and agreed to the Minister of Housing's proposal that the Hilton Hotel project in its present form should be approved. When, however, the building begins to go up it is certain to arouse a great deal of public interest and probably controversy. I have thought, therefore, that the Cabinet should be aware of what is proposed and I invite them to concur in the Committee's conclusion.

R. A. B.
CABINET

BOOK EXPORTS

MEMORANDUM BY THE CHANCELLOR OF THE DUCHY OF LANCASTER

The proposals on Book Exports considered by the Cabinet (C. (59) 78) on 12th May involved a cost of £250,000 in the current year and £855,000 in a full year. But I suggested a slower build-up to only £650,000 in the second year and £855,000 in the third. I stated also that in each of these years £100,000 could be found within the existing ceiling, so reducing the figures for new money to £150,000, £550,000 and £755,000, less any savings in British Broadcasting Corporation (BBC) overseas expenditure (C.C. (59) 31st Conclusions, Minute 1). The Chancellor of the Exchequer said that the most to which he could agree in terms of new money was nil in the current year and £250,000 in the second year. The Cabinet invited me to discuss with the Chancellor of the Exchequer a less costly programme and to report again.

2. By cutting down the main items—Book Export Schemes, Low Price Books, Book Presentations and Colonial Libraries—a revised programme involving expenditure of new money of £100,000, £500,000 and £600,000 in the three years (less any savings on overseas broadcasting) was prepared. I put this less costly and more gradual plan to the Chancellor of the Exchequer as a compromise. He rejected it, adhering to his proposal of nil in the current year and £250,000 in the second.

3. The Chancellor of the Exchequer argues that in order to control the constant growth of public expenditure we should keep expenditure on Overseas Information within the ceiling of £164 millions, apart from the £250,000 offered as an addition next year. Either books are or they are not more important than other types of information work. If they are then other projects should make way for them. If, for example, books are rated higher than broadcasting, then broadcasting should be reduced to make way for books. An order of priority should be devised within the ceiling.

4. To this general argument I would oppose the equally general argument that our total overseas information effort, as represented by the expenditure of £164 millions, is small in relation to the need. This is especially true at a time when there is the likelihood, because of the stalemate imposed by nuclear weapons, that the struggle between the Communist world and our own will move increasingly into the fields of persuasive action and economic aid. Bearing in mind the vast sums we are spending on defence and diplomacy, the sum of £164 millions does not appear excessive. Over the last two years I have undertaken an intensive study into the work of the information services and with the overseas Ministers I am satisfied that the work is now well balanced and contains no “luxuries,” though we are still engaged in a scrutiny of the broadcasting services. We are no less convinced that the vast and developing Communist effort in book exports calls for effective counter measures, but not at the expense of weakening the work we are already doing in other fields.
5. It is possible that the scrutiny of the General Overseas Programme of the BBC will result in savings and certainly I shall do all I can to secure savings that can be justified. What we cannot do is to cut down this service before the scrutiny is complete.

6. The book invasion is something relatively new but it has developed swiftly. Public opinion is aware of its existence and anxious about its dangers. Members on both sides (in both Houses) are pressing for determined action to deal with the threat. There has been a debate in the House on the subject.

7. The problem has been closely studied and modest proposals prepared for dealing with it. In truncated form these mean new money to the tune of £100,000 this year, £500,000 next year and £600,000 the year after—less anything which is saved by economies in broadcasting expenditure. I find it difficult to answer that we cannot afford these sums.

C. H.

Office of the Chancellor of the Duchy of Lancaster, S.W. 1,
8th June, 1959.
CABINET

KENYA: REHABILITATION POLICY AND THE USE OF FORCED LABOUR

Memorandum by the Secretary of State for the Colonies

Yesterday the Prime Minister asked me to circulate, for the information of my colleagues, a note explaining the circumstances under which approval was given to the use of forced labour in the rehabilitation of detainees in Kenya.

2. Early in 1954 plans were made for "Anvil", an operation designed to break the power of Mau Mau in Nairobi. This move was recommended by a joint Parliamentary Delegation (the late Sir Walter Elliot and Mr. A.C. Bottomley), and proved in fact to be the turning-point in the fight against Mau Mau. It was foreseen, however, that this would involve the detention of many tens of thousands in addition to those already held, and the Governor and his advisers thought it essential that powers should exist to enable them to be put to work, at least in certain camps, as part of their rehabilitation.

3. My predecessor thought it necessary to seek the approval of his colleagues to the Governor's proposals and a memorandum (C.(54) 50) was therefore put to them. For that paper, Cabinet sanction was sought not only for the policy as such, but for the technical breach of the International Labour Organisation Forced Labour Convention of 1930 which it was thought might be involved.

4. Before the Cabinet considered the paper, however, officials met to study the regulations, which laid down that persons in special detention camps should be "usefully employed in work of a type calculated to assist the process of rehabilitation" and shall do "such work not of an oppressive or penal nature" as the officer in charge might require. An alternative formula, which is now embodied in the relevant regulation, was found: it read that every person detained in such camps "may be usefully employed in work which the officer in charge is satisfied will assist in bringing the Emergency to an end, and to that end shall do such work of the nature aforesaid as he may be required to do by the officer in charge".

5. As a result my predecessor was able to inform his colleagues that it would now be possible to carry out the proposals of the Governor without risking a successful challenge under the Conventions establishing our international obligations in relation to forced labour.

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6. The Cabinet's decision to approve the Governor's proposals, as amended, is recorded in C.C.(54) 9th Conclusions, Minute 8. It reads as follows:

"The Cabinet -

(2) Approved the proposals for large-scale detention of Mau Mau supporters in Kenya, and for requiring them to undertake useful employment while under detention, on the basis proposed in the discussion; and authorised the Colonial Secretary to instruct the Governor of Kenya accordingly."

A.L.-B.

Colonial Office, S.W.1.

19th June, 1959
CABINET

C. (59) 98

11th June, 1959

HOLA DETENTION CAMP

Memorandum by the Secretary of State for the Colonies

I have had discussions with some of my colleagues on the advantages and disadvantages of the various courses we could pursue in the debate about Hola which will take place on Monday.

2. The following inquiries have already been set on foot:

(i) Disciplinary inquiry under Colonial Regulations into the charges put to Sullivan and Coutts (details of which form Annex II to C. (59) 92), consisting of Mr. Conroy, Solicitor-General, Kenya, and two other senior public servants.

(ii) Inquiry into the future administration of the detention camps, consisting of Mr. Fairn, Canon Bewes and Sir George Beresford-Stoake. The first of these is, in effect, building upon the judicial findings of the inquest magistrate and is bound in some degree to establish the extent of the responsibility of Sullivan and Coutts for the incident, and the extent, for instance, to which they can successfully claim to have acted under superior orders. Even if the charges are found proved this may not show that no responsibility attaches to senior officers of the Kenya Government; but only the result itself of the inquiry will show how far there is scope for any further investigation. The second inquiry will, among its other tasks, examine the merits and demerits of using present rehabilitation methods upon the remaining detainees, in the light of past experience, including the Hola incident, and this examination is bound to lead to comments upon those methods.

3. The question is now whether it will be necessary to set up a high level judicial inquiry into the Hola incident on the grounds that nothing else will satisfy public opinion in this country. If this is thought necessary, how and when should the decision be presented to the public? There seem to be three main courses open.

4. The first is rejection of a further judicial inquiry. We should then, in the debate, explain and justify Kenya's rehabilitation policy and in the light of the results it has achieved, give a frank account of any mistakes committed, and point out that there is no room for an inquiry because the facts have been (at the inquest), and are still (in the disciplinary proceedings) under investigation.

The disadvantage of this course is that until we know the results of the disciplinary inquiry we cannot assess how far, if at all, the Kenya Government as such, or other senior officers individually, may have been responsible. It may therefore be impossible...
eventually to convince public opinion that the matter has been as thoroughly probed as possible without a further investigation.

5. The second course is, while defending the rehabilitation policy, to accept amongst ourselves now the need for a further inquiry, and announce it at an appropriate moment, probably after completion of the disciplinary proceedings. The disadvantages of this are:

(i) We would appear to the public to have given way to Opposition pressure.

(ii) It would be very difficult to avoid a complete examination by any inquiry of the whole policy of using forced labour in rehabilitation, its justification in principle and the way it has worked in practice. A judicial investigation - drawn, no doubt, from persons with no experience of Kenya conditions - would overlap the Fairn Committee and cause grave embarrassment if through lack of understanding of the circumstances in 1954 it criticised what had been done.

(iii) But in addition it is not possible now to decide what ground such an inquiry could cover, since until the disciplinary proceedings are complete the facts will remain unclear. The inquiry would have to be based on the inquest findings and the results of those proceedings, unless the latter appear on consideration to be biased or completely misconceived.

6. Similar disadvantages attach to the third course, which is to await the serious accusations the Opposition may fling against the Governor and Kenya Ministers and then to say that these are so damaging that they must be judicially investigated. But this would avoid at least the appearance of giving way to pressure by the Opposition. On the other hand it would in effect enable the Opposition to fix the "terms of reference" of any further inquiry. If such accusations are made we could, however, rightly say that they must be taken into account by the Government later in deciding whether further investigations are warranted.

7. A possible course is as follows. First, we must justify, in the strongest possible terms, the policy of rehabilitation by reference to the success it has achieved. This includes rehabilitation by the use of forced labour where necessary. We must add, however, that this is subject to the Fairn Committee's recommendations on future methods of rehabilitation. Secondly, we must make it plain that because of the continuing disciplinary proceedings we cannot, without prejudice to Sullivan and Coutts, and also to their superior officers who may be involved should they plead that they were acting under orders, give a precise account at present of where the exact responsibility for the Kola incident lies. The proceedings and findings, like those of the inquest, will be published. At that stage we shall naturally consider again, in the light of the findings, whether further investigations (which could include a judicial inquiry) are warranted. In the meantime we are not prepared to say anything further. An advantage of this is that by the time the disciplinary proceedings are available (at the end of June) we might be in a position to resist the inclusion of past rehabilitation policy in the scope of any further inquiry on the grounds that the Fairn Committee had virtually completed its examination of this point.

Colonial Office, S.W.1.
10th June, 1959

A. L-B.
CABINET

INCIDENT AT THIBA DETENTION CAMP

MEMORANDUM BY THE SECRETARY OF STATE FOR THE COLONIES

I circulate for my colleagues' information the following comments on Exhibit U of the Hola Inquest (attached as Annex) referred to by the Attorney-General in Cabinet on 11th June (C.C. (59) 34th Conclusions, Minute 3).

2. On 24th April, 1957, when the procedure for converting hard-core Mau Mau by strict discipline and dilution among co-operating detainees (the "Mwea technique") was in its early experimental period, a batch of 30 recalcitrant detainees was introduced to Thiba Camp and there mixed with other detainees who were showing signs of increasing co-operation. They were not in Thiba to undergo rehabilitation but were in transfer to other camps, previous attempts at their rehabilitation having failed. They began to win over the co-operatives and managed to persuade 51 of them to revert to an intransigent attitude and reject all rehabilitation.

3. Experience had shown that unless open defiance of and challenge to authority was checked at once, it inevitably led to disturbances, riots, and armed assaults on prison's staff. Such riots had very recently occurred, in November 1956 at Mageta Camp, and on 3rd April, 1957, at Athi River (where the Commandant was stabbed).

4. The authorities therefore selected, as a test case, the detainees' refusal to attend a football match. The detainees were ordered to leave the compounds and told that force would be used if they disobeyed. The orders were disobeyed and the detainees moved out by force. Their resistance was overcome; Exhibit U makes it clear that there was an incipient riot quelled by batons. All but 13 were thus moved to the football field; nine were only slightly injured and four had to receive hospital treatment, but contrary to the impression given by Exhibit U none was seriously hurt as they were all discharged by 7th May. Those at the field returned without incident under escort about an hour later. All involved in the incident were then dispersed in other camps, where they responded satisfactorily to rehabilitation.

5. A short account was given to Parliament on 8th May, 1957, when Mr. R. T. Paget commented "that the surprising thing is not how much trouble there has been, but how little."

6. Thiba was a special case, compared with Hola, because:

(i) The detainees who inspired the trouble were rejects from the rehabilitation process, in transfer to other places.

(ii) The incident occurred early in the development of the "Mwea procedure" and was not strictly connected with it. For two years thereafter the procedure was followed, under Cowan's directions, without any similar trouble despite the fact that it was used on still more recalcitrant men.
There was imminent danger of trouble in view of the effect on the co-operating detainees. At Hola, although the "closed camp" prisoners were adversely affecting the others, it was not thought that trouble of this kind was imminent.

Nevertheless, there are obvious similarities between Thiba and Hola. In fact, however, in drawing up his "plan" Cowan did take full account of his experience at Thiba and elsewhere. At Thiba the main trouble occurred in the compound and not on the way to the football match. At Hola Cowan expected, and prepared for, trouble in the closed camp (at the moment of psychological challenge) and not thereafter on the road. No disturbance or difficulty occurred at the football ground or thereafter and experience of the Thiba riot showed that this would not be likely at the Hola work site, provided Cowan's plan was strictly adhered to.

A. L.-B.
Disturbance at Thiba

Further to my signal SOWC/11476/4/57 of 25.4.57 the following are the details of this incident.

For several days some 60 detainees at Thiba had refused to take any part in Rehabilitation activities although they were causing no trouble in other respects.

The situation was such that in the evenings these 60 detainees remained behind in the compound while the remainder were on the playing field—sometimes in groups, sometimes *en masse*, and undoubtedly hardening in their attitude.

Accordingly the District Officer in Charge Rehabilitation and I decided that we would, if necessary, compel all detainees who refused Rehabilitation (whose numbers had now increased to 80) to attend the activities on the playing field on the evening of April 24th.

I ordered the Officer in Charge, Thiba, to detail 50 warders with shields and batons for the purpose and reinforced this party with the 100 K.E.M. [Kikuyu, Embu and Meru] recruits in training at Karaba who carried batons only.

At approximately 4:45 p.m. all detainees in Thiba with the exception of 81 who had refused to go, were assembled on the playing field, which had been cordoned off on the side adjacent to the camp by one platoon of G.S.U. [General Service Unit].

The 81 detainees remaining in the compound were called to a meeting and were ordered by the District Officer in Charge Rehabilitation to proceed outside to the playing field. This they refused to do, whereupon they were warned that force would be used if they persisted in their refusal. They were given some five minutes to decide on the expiration of which I ordered the warders to enter the compound and carry out a pre-arranged plan to surround the whole group, and this manoeuvre was completed without incident. A small party of warders was then detailed to take the first two rows (comprising 10 detainees) out of the compound one by one, and it was at this point that a general uproar ensued in which most of the detainees received blows with batons. Ultimately some 70 detainees were removed to the playing field, the remainder having been taken to the camp dispensary for treatment. At this stage a European Officer was despatched to Embu to fetch a doctor and to inform the District Commissioner what had occurred.

About 6 p.m. the 70 detainees concerned in the disturbance were escorted from the playing field to a separate compound; meanwhile the more severely injured had been attended by the camp dresser who then proceeded to examine the remainder.

Later the same evening an African Medical Officer from Embu examined all injured detainees and four were subsequently conveyed to hospital—one with a broken leg, another broken ribs, a third with a head injury and the fourth probably suffering from acute hysteria.

Of the original 81 detainees involved 5 have now returned to the main compound voluntarily, 72 are still segregated and receiving medical attention and 4 are in Embu hospital.

J. B. T. COWAN.
Staff Officer,
Embu District Works Camps.
CABINET

EDUCATION: TEACHERS' SALARIES

Memorandum by the Minister of Education

As agreed by the Cabinet on 4th June (C.C.(59) 33rd Conclusions, Minute 5), I attended the meeting of the Burnham Committee on the following day and made the statement set out in the Annex to this paper. My statement about the minimum of the basic scale was criticised as premature interference with negotiations, though I do not accept this as expressing a correct view of the relations between a Minister of Education and the Burnham Committee. No similar criticism was expressed if my saying that I could approve proposals which would add £15 millions to the salaries bill, but not more, though the teachers will, of course, continue to claim that the figure should be larger.

2. After T. had left the meeting, the local authorities - in spite of my statement - renewed their offer of a basic scale running from £520 to £1,000 and the teachers, after a good deal of hesitation, accepted this. They were, no doubt, influenced by what I had said. At a later meeting on 10th June, other details, apart from the basic scale, were settled and the Committee then published a summary of their proposals. This introduces a very important new element into the situation, since it shows that both sides have agreed that the new salary scales should be current for 2½ years from October, 1959. Under the Committee's normal procedure these proposals will be referred to the constituent associations of local authorities and teachers before they are definitely submitted to me for my approval.

3. Under the Education Act, 1944, no changes are possible in teachers' salaries unless the Burnham Committee submits agreed recommendations to the Minister and they are approved by him. He can approve or reject the recommendations as put to him but he cannot vary them. The process of consulting constituent associations will take several weeks, but proposals are due to reach me soon after 8th July including the £520 minimum - which I have said I cannot accept. If I then turn them down, then:

(a) If the Committee were willing to submit alternative proposals that I could approve, and were ready to do this quickly, it is just possible that the whole process of submission, approval and further formalities could be carried through in time for new salary scales to come into operation next October, as the teachers now hope.

(b) Or the Committee might try to maintain their position. In that case it would be quite impossible to bring new salary scales into effect by October. It is difficult to forecast what form the ensuing controversy
would take. Some elements on the local authority side would like the Burnham Committee to resign; some of the teachers are talking about working to rule; but it is certain that there would be a strong reaction from both sides, and the Opposition could be expected to exploit the situation.

4. My original advice was that the difference between £510 and £520 for the minimum of the basic scale was not big enough to justify a row in which the local authorities and the teachers would be united against us. But in the light of all that has happened, there seems to me to be a strong case for sticking to the line that we have been taking. The argument that it is part of a general policy concerned to maintain stability in the economy has not been very widely taken up, but enough has been made of it to ensure that it would damage our reputation to abandon it. Also, if we change our line, we should virtually have conceded the principle that the Minister of Education is not concerned with any component part of the salary proposals submitted to him, but only with their total cost. For that is what is really implied in the Burnham Committee's criticism of my action as unjustified interference with negotiations.

5. On the other hand, the unexpected adoption by the Committee of a 2½ year currency for their new salary recommendations has considerably weakened our general economic argument, based on concern for stability in the economy. The fact is that on the Committee's proposals the teachers would receive at the minimum of the basic scale a total increase of only 9½ per cent over a period of 5½ years from October, 1956.

6. If we decide to maintain our present position, I shall have to do all that I can to make it likely that the Burnham Committee will, in the event, choose the alternative which I have mentioned at paragraph 3(a); and to protect the Government so far as possible from damaging criticism if the teachers have to wait longer than necessary before getting their salaries revised. I do not think we can afford to wait till proposals are formally submitted to me.

7. This would mean that I should use any opportunities that arise in the interval for repeating what I have already said about my inability to approve proposals including a basic scale that starts above £510. I could justify this, up to a point, on educational arguments; I could show that the proposals as a whole, on the basis of £15 millions to be added to the salary bill, embody a generous offer, and that many teachers would benefit by the improved maximum and the improved differentials for graduates, headteachers, etc.

8. But, in order to carry conviction that the Government is not being silly over the "little difference" of £10 between £510 and £520 at the starting level, I should also need to use publicly the general argument set out in paragraphs 3, 4 and 8 of the statement I made to the Burnham Committee. In particular, paragraph 8 of the statement agreed in Cabinet on 4th June stated that if I were to approve a further increase of 4½ per cent at the minimum for teachers' salaries there is a real danger that it would be taken to represent the Government's view of what might be a reasonable increase over the wages field generally at this time. After consultation with the Minister of Labour I agreed that this
part of my statement should not be included in full in the summary issued to the Press after the meeting of the Burnham Committee. This said simply that, in the Government's view, a further 4½ per cent increase for teachers would not be right at the starting level. But I do not doubt that, in defending the Government's general position on this important matter, I should be obliged to bring out the full text, as underlined. Before doing this I should like to be sure once again that I have the support of my colleagues and that the implications of following this course are appreciated, especially in the light of the decision about the 2½ year currency of the new salary agreement.

9. As this raises important issues of policy, I have thought it right to consult the Cabinet before taking the line described in paragraphs 6, 7 and 8 of this paper.

G.L.

Ministry of Education, W.t.

13th June, 1959

ANNEX

Statement by the Minister to the Burnham Committee

I was sorry to hear from your Chairman after your last meeting that you had been unable to reach agreement on the basis upon which a new salary report could be framed. On receiving this news I at once told him that if the Committee wished it, I was ready to take the unusual step of coming myself to meet the Committee. A similar course was adopted in not entirely dissimilar circumstances by the present Home Secretary, when he was Minister of Education. His purpose was, as mine is now, to try to help the Committee to reach an agreement by letting them know the sort of settlement which the Minister would be able to approve.

2. I want to begin by emphasising two things. First, the Government's concern that the teachers' salaries should correspond properly with the important services which they render to the community. The need for this has become increasingly recognised in the post-war years. This need has, I think, found expression in each of the post-war Burnham settlements, but each time the apparent gain in salary has been eaten into by further rises in the cost of living.

3. This brings me to my second point. It is more than ever important for the nation as a whole and for the education service as an essential part of the national life that we should now avoid inflationary increases in personal incomes, particularly wages and salaries. Otherwise we hazard all that we have gained, both for the nation and for the education service. During the past year we have been able to achieve a sound balance of payments and reasonable stability in prices. This has been helped by an increasing moderation in wage settlements. As a result
we now have within our grasp increasing opportunities for economic expansion - upon which the prospects for improving standards of life depend. It is of immense importance - I cannot sufficiently emphasise the gravity of it to you - that nothing should now be done to endanger the prospects of continuing stability in prices and of the economic progress from which we have so much to hope.

4. All this means that it is specially important to avoid increases in wages or salaries which would be inflationary in their effect, and I need hardly remind you that it is the professional classes as much as anyone that have suffered as a result of inflation in the past.

5. So far as teachers are concerned, we realise, as do the authorities, that the time is ripe for some further advance in their salaries. But in considering what form this should take, we believe that a distinction must be drawn between salary increases designed to maintain real values and those which provide and are meant to provide a rise in real terms.

6. I understand that at the Committee's last meeting the Authorities' Panel offered the Teachers' Panel a new basic scale of £520 rising to £1,000 by annual increments of £27.10.10. together with improvements in the differential payments, and that these proposals, if they were agreed and approved, would add some £15 millions to the nation's salary bill for primary and secondary school teachers. I can say straight away that I see no reason to question these proposals from the point of view of their total cost. Indeed, with one important reservation, I can say that the general pattern of the authorities' offer would lead to proposals which I, as Minister, would be ready to approve, if they were submitted to me. In saying this I have in mind how important it is to meet the needs of teachers who have embarked upon their career and are incurring family responsibilities, as well as to provide proper rewards for teachers who are highly qualified or who hold positions of responsibility in the schools. This leads me to welcome the maximum of £1,000 at the top of the basic scale and the improvements in differential payments which have been proposed.

7. As the local authorities, no doubt with all these needs very much in mind, have made an offer which would add £15 millions to the salary bill, I am glad to repeat that I should as Minister be ready to endorse proposals that would have this result: but I must in fairness add that, so far as total cost is concerned, I should not be able to go any further. In that I entirely agree with them.

8. Now for my sole reservation about the authorities' offer. This concerns the increase proposed at the minimum of the scale for new entrants to the profession. In my view it is impossible to make any sufficient case for an increase at this point beyond a figure of £510 representing an increase of just under 7½ per cent over the minimum of £475 contained in the current report. A minimum of £520 would, moreover, represent an increase of about 9½ per cent over the 1956 figure or, to put it in another way, an increase of about 4½ per cent on top of the 5 per cent increase granted earlier this year. If I were to approve an increase of this order, there is a real danger that it would be taken to represent the Government's view of what might be a
reasonable increase over the wages field generally at this time. This consideration applies particularly to the starting rate where direct comparison with industry and commerce is likely to be made. For these reasons the Government have felt bound to conclude that they could not sanction proposals which brought the minimum of the basic scale to more than £510.

9. I imagine that you may well wish to let what I have told you today be publicly known at the right moment. If that is your wish, I should be happy to agree with you how this could best be done. In any case, my hope is that you will find some way of working out proposals for submission to me which, in the light of what I have told you, I should be able to approve.

June, 1959