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CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W. 1, on Friday, 7th March, 1952, at 11 a.m.

Present:
The Right Hon. WINSTON S. CHURCHILL, M.P., Prime Minister (in the Chair).
The Right Hon. LORD WOOLTON, Lord President of the Council.
The Right Hon. LORD SIMONDS, Lord Chancellor (Items 1-4)
The Right Hon. R. A. BUTLER, M.P., Chancellor of the Exchequer.
The Right Hon. LORD ISMAY, Secretary of State for Commonwealth Relations.
The Right Hon. JAMES STUART, M.P., Secretary of State for Scotland.
The Right Hon. HAROLD MACMILLAN, M.P., Minister of Housing and Local Government.
The Right Hon. LORD DE L'ISLE AND DUDLEY, Secretary of State for Air (Item 4).
The Most Hon. the MARQUESS OF SALISBURY, Lord Privy Seal.
The Right Hon. Sir DAVID MAXWELL FYFE, Q.C., M.P., Secretary of State for the Home Department and Minister for Welsh Affairs.
The Most Hon. the MARQUESIS OF SALISBURY, Lord Privy Seal.
The Right Hon. LORD LEATHERS, Secretary of State for Co-ordination of Transport, Fuel and Power.
The Right Hon. OLIVER LYTTELTON, M.P., Secretary of State for the Colonies.
The Right Hon. VISCOUNT ALEXANDER OF TUNIS, Minister of Defence.
The Right Hon. VISCOUNT ALEXANDER OF TUNIS, Minister of Defence.
The Right Hon. OSBERT PEAKE, M.P., Minister of National Insurance (Items 1-3).

The following were also present:
The Right Hon. VISCOUNT SWINTON, Chancellor of the Duchy of Lancaster (Items 4-8).
The Right Hon. ANTONY HEAD, M.P., Secretary of State for War (Item 4).
The Right Hon. DUNCAN SANDYS, M.P., Minister of Supply (Items 4-5).
The Hon. JOHN S. MACLAY, M.P., Minister of Transport (Item 1).
The Right Hon. LORD DE L'ISLE AND DUDLEY, Secretary of State for Air (Item 4).
The Right Hon. GWILYM LLOYD GEORGE, M.P., Minister of Food (Items 4-6).
The Right Hon. OSBERT PEAKE, M.P., Minister of National Insurance (Items 1-3).

The Most Hon. the MARQUESIS OF SALISBURY, Lord Privy Seal.
The Right Hon. LORD DE L'ISLE AND DUDLEY, Secretary of State for Air (Item 4).
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The Most Hon. the MARQUESIS OF SALISBURY, Lord Privy Seal.
The Right Hon. OSBERT PEAKE, M.P., Minister of National Insurance (Items 1-3).

Secretariat:
Sir NORMAN BROOK.
Mr. T. PADMORE.
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1. *The Prime Minister* said that strong feelings had been expressed in the House of Commons on the previous day about the increases in bus fares and railway fares in the London area. He had therefore suggested to the Secretary of State for Co-ordination of Transport, Fuel and Power and the Minister of Transport that he should issue without delay an announcement on the lines discussed by the Cabinet on the previous day, making it clear that the Government had no responsibility for these increases. The terms of the proposed announcement were read to the Cabinet. It included the statement that the Minister of Transport proposed to make a reference to the Central Transport Consultative Committee on the alteration of fare stages.

The Cabinet—
Invited the Prime Minister to arrange for the immediate issue of an announcement on the increase in passenger transport fares, in the terms of the draft which had been read to the Cabinet.

2. *The Prime Minister* said that he had received a deputation from the 1922 Committee regarding the work of the Government Information Services. A note of their representations would be sent to the Lord Privy Seal, as Chairman of the Cabinet Committee which was considering this matter.

*The Lord Privy Seal* said that his Committee would shortly be submitting a further report to the Cabinet on the future of the Central Office of Information.

3. The Cabinet had before them a memorandum by the Minister of National Insurance (C. (52) 60) proposing that immediately after the Budget he should open discussions with representatives of both sides of industry in order to ascertain their attitude towards a proposal for raising the statutory age of eligibility for National Insurance pensions to 67 for men and 62 for women.

*The Minister of National Insurance* reminded the Cabinet that under the system already in force people who remained at work beyond the minimum retiring age earned the right to draw a larger pension when they ultimately retired. It might in any event prove possible to increase the rates of National Insurance benefit, including unemployment and sickness payments as well as pensions, beyond the existing rates, which were in general based on a standard of 26s. for a single person. But the raising of the statutory age of retirement would, in combination with some adjustment in contributions, make it possible, without adding materially to the burden on the Exchequer, to raise the rates of benefit still further and to bring them nearer to the subsistence rates paid by the Assistance Board. If he could thus restore the 1946 purchasing power of National Insurance benefits, he might be able to reverse the existing tendency, which he deplored, for large numbers of beneficiaries of the National Insurance Fund to go to the Assistance Board for suplementation of their insurance benefits. The change would also reduce the burden of pension payments in future years and increase the size of the working population. He would propose to couple any change with transitional provisions enabling those reaching the present age of retirement in the next few years to retire on pensions somewhat below the new levels which would be payable to those retiring at the new ages; and it might even prove desirable to extend the period during which an option of this kind could be exercised.

*The Chancellor of the Exchequer* said that in the reference which he would make in his Budget speech to National Insurance benefits, he would be able to prepare the way for the approach to industry
which the Minister of National Insurance had in mind. He would discuss the actual wording with the Minister.

In further discussion the following points were made: —

(a) In view of the increasing proportion of the elderly in the population as a whole, it was desirable that people should be provided with further inducements to work until a later age. An improvement in the existing increments added to the pensions of those retiring later than the statutory ages was an alternative course which should be further examined if the suggestion made by the Minister of National Insurance met with resistance.

(b) An increase in pension rates which might be coupled with an increase in statutory retirement ages would doubtless have for practical reasons to be extended to unemployment and sickness benefit. Increments added to the pensions of individuals who voluntarily remained at work would not have this repercussion.

(c) While it was desirable that the suggestion made by the Minister of National Insurance should be further explored, and in particular that the advice and assistance of industrial and trade union representatives should be sought on it, a number of Ministers thought that it would encounter strong opposition. Not only might there be criticism that contractual obligations towards the contributors were being modified, but a compulsory increase in the age of retirement might be regarded as a retrograde step.

The Cabinet—

(1) Authorised the Minister of National Insurance to proceed, immediately after the Budget, with discussions with both sides of industry on the possibility of increasing the statutory ages of eligibility for National Insurance pensions and of making consequential adjustments in rates of benefit.

(2) Invited the Minister of National Insurance to keep the Prime Minister, the Chancellor of the Exchequer and the Minister of Labour informed of his progress in this matter.

4. The Cabinet considered a memorandum by the Minister of Defence (C. (52) 64) reporting the results of his enquiry into the possibility of easing the balance of payments problem either by making military equipment available for sale to dollar countries or by setting free, in the metal-using industries, productive capacity which could be used for the manufacture of exports.

The Minister of Defence said that the suggestions made in his memorandum represented the full extent of the savings which could be made without substantial modification of our defence effort.

In the course of an examination of these suggestions, which were summarised in the Appendix to C. (52) 64, the following points were raised:—

(a) It was proposed to save 6,000 tons of steel and £2.5 million in foreign exchange by curtailing the provision of heavy bridging equipment. This would mean that less than 1,000 tons of steel would be used this year for the production of ten sets of heavy bridging equipment which was required for use with the heaviest types of tank.

(b) 10,000 tons of steel and £4 million in foreign exchange could be saved by postponing the manufacture of jerricans.

(c) 60,000 tons of steel had been allocated for the construction of huts and storage for Service purposes. While much military equipment must be kept under cover, the Cabinet hoped that on re-examination it would prove possible to save a substantial part of
this steel. Alternative methods of construction and the use of other materials in place of steel should be fully examined. The Cabinet Committee on economy in the use of building materials, with which the Service authorities were already in contact, might be able to help to achieve this.

The Cabinet—

(1) Invited the Minister of Defence to arrange for an urgent examination of the possibility of securing savings in the allocation of steel for the construction of huts and storage for Service purposes.

(2) Invited the Minister of Defence, in consultation with the Foreign Secretary, the Chancellor of the Exchequer, the Secretary of State for Air and the Minister of Supply to examine the suggestion made by the Chancellor of the Duchy of Lancaster; and to report to the Prime Minister how this suggestion could best be put to the United States Government.

(d) It was proposed that 200 Swift aircraft should be offered to the United States Government, and it was hoped that if this offer was accepted an immediate payment of £3 million in dollars would be made by them on account. It was important that such an offer should not interfere with the urgent re-equipment of the Royal Air Force with modern aircraft. It was in fact not intended to make any deliveries to the United States Government until our own orders for Swifts had been completed; and there were good prospects that, if bought by the United States Government, these additional Swifts would be allocated by them to the Royal Air Force.

(e) The Chancellor of the Duchy of Lancaster suggested that, as the United States Government were about to ask Congress for large additional appropriations for military aid, it might be possible by a high-level approach to induce them to purchase aircraft such as Canberras and Venoms which we were committed to contribute to forces under the command of the Supreme Allied Commander, Europe. If this could be arranged, a substantial payment, possibly amounting to as much as £30 million in dollars, might be obtained. Such aircraft would most probably be allocated in the first instance to the Royal Air Force, since the Continental Air Forces would not be capable of flying them for some time to come.

(f) The Admiralty's reserves of oil, which would meet requirements in the first six months of war, were to have been increased in 1952 by 800,000 tons. The First Lord of the Admiralty said that, in view of the financial situation, he was willing that this programme should be reduced to 500,000 tons. In discussion it was pointed out that if the programme were reduced to 400,000 tons a saving of £5 million would be secured, partly on the direct cost of the oil and partly by release of tanker capacity which could be used commercially. The dollar cost of this oil was, however, to have been met from the grant of $300 million due to be made to us under the Mutual Security Act; and care should be taken to ensure that the funds not used for purchase of oil were made available for other military purposes. The Chancellor of the Exchequer undertook to keep this in mind.

The Cabinet—

(3) Agreed that the Admiralty programme for increasing their reserves of fuel oil in the financial year 1952–53 should be reduced from 800,000 to 400,000 tons.

(4) Subject to Conclusions (1) and (3) above, endorsed the proposals made in C. (52) 64 and invited the Ministers concerned to reduce orders and to negotiate sales of equipment accordingly.
5. The Cabinet considered a memorandum by the Chancellor of the Exchequer (C. (52) 66) proposing that, in order to discourage investment, the income-tax depreciation allowances on newly-purchased plant and machinery should be suspended for three years.

In discussion it was argued, in favour of this proposal, that it would be preferable to the introduction of administrative arrangements for licensing the purchase of new machinery. On the other hand, it would be thought to be somewhat inconsistent with the concessions which were to be made under the Excess Profits Levy. And it would be represented as an enforced loan exacted from industry at a time when most firms were short of money.

The Chancellor of the Exchequer said that if, as appeared, this scheme did not commend itself to the Cabinet, he would be content to rely on the proposed increase in the Bank rate, which would in itself operate to discourage investment in new plant and machinery.

The Cabinet—

Agreed that the Chancellor of the Exchequer should not proceed with the scheme, outlined in C. (52) 66, for suspending for a period the income-tax depreciation allowances on newly-purchased plant and machinery.

6. The Chancellor of the Exchequer said that abnormally large quantities of flour were being bought from the mills, evidently in anticipation of price changes following the Budget. The Ministry of Food desired on this account to make an order on 9th March imposing a temporary restriction on deliveries from the mills. He himself feared that, if such an order were made so near to the date of his Budget statement, it would give rise to public comment and to undesirable speculation about the content of the Budget.

The Minister of Food said that, in view of the Chancellor's statement, he would not press this suggestion.

7. The Cabinet considered a memorandum by the President of the Board of Trade (C. (52) 57) on the future of the utility schemes.

The President of the Board of Trade said that, in consequence of the changes in the purchase tax which were to be made in the Budget, there would be no advantage in retaining the utility schemes for textiles, clothes, bedding and footwear. He was, however, anxious to preserve, as far as possible, such safeguards as were provided by the present utility specifications. After consultation with the industries concerned he proposed to meet this point by developing the use of standards under the authority of the British Standards Institution combined, wherever possible, with the registration of certification marks which would enable the consumer to know which goods complied with the prescribed standards. He had circulated, with his memorandum, a draft of his proposed statement explaining the new system.

In discussion there was general support for the proposal put forward by the President of the Board of Trade. The following suggestions were, however, made:

(a) There would be advantage in continuing the term "utility," which had established itself in the public mind. The new system might be described as "the British Standards Utility" scheme.

(b) The announcement of the new system should be made, not in a formal statement, but in a speech by the President of the Board of Trade during the Budget debate.

The Cabinet—

Approved the proposals put forward in C. (52) 57, subject to the two points noted in paragraphs (a) and (b) above.
8. The Cabinet had before them a memorandum by the Secretary of State for Scotland (C. (52) 61) on the proposal of the John Deere Plow Company to erect a factory at East Kilbride. This reported that the firm had declined to finance the building of the factory, and had ordered their manager in Scotland to enter into no further commitments. The firm had, however, furnished an estimate of the amount of dollars they expected to bring into this country in the period 1952-56, if they were allowed to go forward with their project.

The Chancellor of the Exchequer said that this project would stand in a new light if the firm could establish their claim that they would bring in to this country in the next five years the amount of dollars set out in the Appendix to C. (52) 61. He suggested that this estimate should be examined at a meeting with representatives of the firm and the Bank of England.

It was the general view of the Cabinet that this project should be allowed to go forward if the firm were able to establish the estimate which they had given of their probable dollar earnings over the next five years. If, after the proposed meeting between representatives of the firm and the Bank of England, any doubts still remained on this point the matter could be discussed further by the Economic Policy Committee.

The Cabinet—

(1) Invited the Chancellor of the Exchequer to arrange for a meeting of representatives of the John Deere Plow Company, the Bank of England, the Treasury, the Board of Trade and the Scottish Office to consider the firm's estimates of their probable dollar earnings during the period 1952-56.

(2) Agreed that, if as a result of this meeting it was established that the firm's dollar earnings were likely to be of the order indicated in the Appendix to C. (52) 61, the President of the Board of Trade might grant an early starting-date for the erection of this factory.

Cabinet Office, S.W. 1,
7th March, 1952