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SECRET

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C.C. (52)

59th Conclusions

**CABINET**

*CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W. 1, on Thursday, 12th June, 1952, at 11.30 a.m.*

Present:

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|---|--|
| The Right Hon. WINSTON S. CHURCHILL, M.P., Prime Minister ( <i>in the Chair</i> ).  |  |
| The Right Hon. ANTHONY EDEN, M.P., Secretary of State for Foreign Affairs.  | The Right Hon. LORD WOOLTON, Lord President of the Council.                              |
| The Most Hon. the MARQUESS OF SALISBURY, Secretary of State for Commonwealth Relations.                                       | The Right Hon. LORD SIMONDS, Lord Chancellor.  |
| The Right Hon. Sir DAVID MAXWELL FYFE, Q.C., M.P., Secretary of State for the Home Department and Minister for Welsh Affairs. | The Right Hon. R. A. BUTLER, M.P., Chancellor of the Exchequer.                          |
| The Right Hon. H. F. C. CROOKSHANK, M.P., Lord Privy Seal.  | The Right Hon. JAMES STUART, M.P., Secretary of State for Scotland.                      |
| The Right Hon. LORD LEATHERS, Secretary of State for Co-ordination of Transport, Fuel and Power.                              | The Right Hon. Sir WALTER MONCKTON, Q.C., M.P., Minister of Labour and National Service. |
| The Right Hon. HAROLD MACMILLAN, M.P., Minister of Housing and Local Government.  | The Right Hon. PETER THORNEYCROFT, M.P., President of the Board of Trade.                |

The Right Hon. LORD CHERWELL,  
Paymaster-General.

The following were also present:

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| The Right Hon. VISCOUNT SWINTON, Chancellor of the Duchy of Lancaster.                     | The Right Hon. ANTONY HEAD, M.P., Secretary of State for War ( <i>Items 5-6</i> ).                   |
| The Right Hon. LORD DE L'ISLE AND DUDLEY, Secretary of State for Air ( <i>Items 5-6</i> ). | The Right Hon. DUNCAN SANDYS, M.P., Minister of Supply ( <i>Item 5</i> ).                            |
| The Right Hon. GEOFFREY LLOYD, M.P., Minister of Fuel and Power ( <i>Item 4</i> ).         | The Right Hon. A. T. LENNOX-BOYD, M.P., Minister of Transport and Civil Aviation ( <i>Item 10</i> ). |
| The Right Hon. OSBERT PEAKE, M.P., Minister of National Insurance ( <i>Item 4</i> ).       | The Right Hon. PATRICK BUCHAN-HEPBURN, M.P., Parliamentary Secretary, Treasury ( <i>Items 1-3</i> ). |

*Secretariat:*

Sir NORMAN BROOK.  
Lieut.-General Sir IAN JACOB.  
Mr. G. MALLABY.

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**Parliament.**  
Business in the  
House of  
Commons.

1. The Cabinet were informed of the business to be taken in the House of Commons in the following week.

Opposition leaders had been sounded about the arrangements for debating the agreements relating to the contractual settlement with Western Germany. They had indicated a preference for postponing this discussion for the time being and holding meanwhile a foreign affairs debate restricted mainly to the problems of the Far East and South-East Asia. The Cabinet agreed that no objection need be raised to this, so long as it was understood that not more than one day of Government time would be devoted to the two subjects.

**Central African  
Federation.**  
(Previous  
Reference:  
C.C. (51) 7th  
Conclusions,  
Minute 5.)

2. *The Commonwealth Secretary* said that a White Paper on Central African Federation would be published on 18th June. The Opposition leaders had asked that there should be an interval of about two weeks before this was debated in the House of Commons. In this interval, however, the White Paper would have been discussed in the Lords; for a debate on this subject had already been arranged for 24th June.

The Cabinet agreed that there was no reason why this subject should not be discussed in the Lords before it was debated in the Commons.

**Economic  
Situation.**  
(Previous  
Reference:  
C.C. (52) 57th  
Conclusions,  
Minute 6.)

3. *The Chancellor of the Exchequer* said that, although there had been in recent weeks an increase in the gold and dollar reserves of the sterling area, there were signs of a renewed loss of confidence in sterling. He was making a statement in the House of Commons that afternoon on the recent meeting of the Council of the Organisation for European Economic Co-operation, and he proposed to take that opportunity of saying something to strengthen confidence in sterling. This would involve anticipating to some extent the quarterly statement which was not due until the beginning of July; and he was considering whether statements about the position of the reserves should not in future be made at more frequent intervals. He also wished to take this opportunity of stating publicly that in all their economic policies the Government proposed to give first priority to measures for remedying the adverse balance of payments; and he thought of promising that Parliament would be informed from time to time of the various measures which might have to be taken for this purpose.

In discussion doubts were expressed about the expediency of foreshadowing at this stage further announcements of this kind. This would provoke speculation about the nature of the measures which might have to be taken; and the Government might also be pressed from week to week to indicate when further announcements were likely to be made. It would be preferable for the Chancellor to avoid volunteering at this stage any promise of further Government announcements of additional measures to remedy the adverse balance of payments.

*The Chancellor of the Exchequer* undertook to modify the terms of his statement in the light of the Cabinet's discussion.

**Supplementary  
Pension  
Schemes.**  
(Previous  
Reference:  
C.C. (52) 51st  
Conclusions,  
Minute 8.)

4. The Cabinet considered a memorandum by the Minister of Labour (C. (52) 186) reporting the results of the consultations which he had been authorised to hold with the Trades Union Congress (T.U.C.) on the questions arising from current proposals for supplementary pension schemes.

*The Minister of Labour* said that he had made it clear to the T.U.C. that if these schemes went forward the Government would regard them, not as representing any new departure in principle, but as measures necessary to remove anomalies and to bring the position of the staffs concerned into line with those in other nationalised

industries. The T.U.C. had accepted this. They were, however, quite unwilling to co-operate at the present time in any wider enquiry into the growing cost of pension schemes and their economic and financial implications; and it was clear that, if such an enquiry were launched, they would boycott it. The Minister was therefore satisfied that for the time being it would be impracticable to proceed with the full-scale enquiry which he had originally envisaged. Meanwhile, some limited progress might be made by arranging for the facts to be assembled, either by an interdepartmental committee of officials or by a committee within the framework of the National Insurance Act.

*The Minister of National Insurance* said that of these alternatives he preferred the second. He was gravely concerned about the future finances of the National Insurance fund; and he was anxious that this should be the subject of a formal enquiry, possibly by the Advisory Committee established under the National Insurance Act. He would wish to consult the Chancellor of the Exchequer on the precise form which the enquiry should take.

*The Chancellor of the Exchequer* supported the suggestion made by the Minister of National Insurance.

The Cabinet—

- (1) Agreed that approval of the draft schemes for supplementary pensions for persons employed on the railways and in the gas industry need no longer be delayed.
- (2) Agreed that no further progress could be made for the time being with the project for a large-scale enquiry into the long-term economic and financial implications of making provision for old age.
- (3) Agreed that in the meantime a more limited enquiry should be made into the financial prospects of the National Insurance fund; and invited the Minister of National Insurance to consult with the Chancellor of the Exchequer regarding the precise scope of that enquiry.

**Defence  
Priorities.**  
(Previous  
Reference:  
C.C. (52) 30th  
Conclusions,  
Minute 5.)

5. The Cabinet had before them a memorandum by the Minister of Supply (C. (52) 187) reporting on the progress of the scheme for according special priority to certain items of defence equipment; and proposing that, subject to the approval of the Treasury, orders should be placed forthwith for 200 Gloster F.4 all-weather fighters and 50 B.35 heavy bombers, and that the same special priority, which had already been applied to the F.4, should be extended to the B.35.

*The Minister of Supply* said that the scheme was working smoothly and the checks which he had applied had failed to bring to light any serious abuses. The issue which he now put before the Cabinet was whether orders for the two new types of aircraft should be placed in advance of the Cabinet's consideration of the new strategic appreciation which was being prepared by the Chiefs of Staff. If the orders were not placed now, there would be a hiatus in production, or the firms would have to make more than we needed of the types which they were at present producing.

In discussion it was suggested that it would be unwise to put the B.35 into production until the Cabinet were satisfied, after their forthcoming review of the latest strategic appreciation, that the Royal Air Force would in fact need strategic bombers of this type. On the other hand, it was pointed out that great embarrassment would be caused if aircraft firms were compelled, for lack of orders, to reduce their labour force so soon after they had been assured that their labour requirements would receive special priority. The Cabinet attached considerable importance to this point. Every effort should be made to avoid labour redundancy as a result of modifications in the defence production programme. From this point of view there was much to

be said for arranging increased overseas sales of defence equipment. The Australians were anxious to buy Canberra bombers and other defence equipment; and it might be possible to increase the sales of Centurion tanks to Canada. *The Foreign Secretary* said that he could also find a number of suitable foreign buyers who would be able to pay in hard currency for any defence equipment surplus to our own needs.

*The Chancellor of the Exchequer* asked that any extension of the special priority should await the forthcoming review of the defence production programme.

The Cabinet—

- (1) Agreed that, subject to detailed Treasury approval, orders should be placed forthwith for 200 Gloster F.4 all-weather fighters and for 50 B.35 heavy bombers.
- (2) Postponed a decision on the grant of special priority to the B.35 until after their forthcoming review of the defence production programme.

**Visit of United States Bomber Squadrons to the United Kingdom.**

(Previous Reference: C.C. (52) 58th Conclusions, Minute 9.)

6. *The Foreign Secretary* said that since the Cabinet's last meeting he had discussed further with the Secretary of State for Air the proposed visit of twenty of the largest American strategic bombers to this country. It now appeared that this proposal was not as formidable as had previously been thought. The bombers would be coming in small groups, and would not be conspicuous among the considerable air traffic already flowing between the United States and the bases in the United Kingdom. The visit was expected to attract little or no publicity. He considered that the Cabinet's objections to the proposal could be withdrawn.

*The Secretary of State for Air* said that it was the policy both of the United States authorities and of the Royal Air Force that no publicity should be given to the arrivals and departures of American aircraft. These bombers would not be coming from Spain, as had previously been reported.

The Cabinet—

Agreed that no objection need be raised to the proposed visit of United States strategic bombers to the United Kingdom.

**The High Commission Territories.**

(Previous Reference: C.C. (51) 18th Conclusions, Minute 6.)

7. *The Commonwealth Secretary* said that the South African Government, in response to a request from the Leader of the Opposition in their Parliament, proposed to publish a selection of documents on the question of the transfer of the High Commission Territories. He was satisfied that this publication would bring no discredit on United Kingdom Governments—indeed, it would bring out the strength of the United Kingdom's case. He proposed, however, that a somewhat fuller selection of the documents should be published in this country, as a White Paper, two or three weeks after the publication of the White Paper on Central African Federation.

The Cabinet—

Took note, with approval, of the action proposed by the Commonwealth Secretary.

**Mr. Menzies' Visit: Trade Talks.**

8. *The President of the Board of Trade* said that he had made little progress in his discussions with the Prime Minister of Australia on Australian import restrictions. Mr. Menzies had agreed to take steps which would help to secure that the import quotas would be used for existing contracts before they were applied to new orders for similar goods. He had also promised to see what could be done to relax the very stringent treatment of cases involving special hardship, particularly the exclusion of goods which were made specially

for the Australian market and were not saleable elsewhere, but he was not so far prepared to treat these as falling outside the quotas. He had not been prepared to consider anything to ease the position of the textile industries or the other industries, such as pottery and lace, which had been hard hit by Australia's import restrictions. Nor was he willing to allow any discrimination in favour of the United Kingdom. He argued that this was precluded by the provisions of the General Agreement on Tariffs and Trade, and that it would involve giving offence to his European customers. The compelling reason behind his refusal was no doubt a fear that discrimination in favour of the United Kingdom would make it more difficult for him to obtain a loan from the United States.

The President of the Board of Trade said that he was having a final talk with Mr. Menzies on 16th June, when he would press him to make some further concessions.

The Cabinet—

Took note of this statement by the President of the Board of Trade.

**Meetings of Commonwealth Ministers.**  
(Previous Reference: C.C. (52) 58th Conclusions, Minute 3.)

9. *The Commonwealth Secretary* reminded the Cabinet that at several meetings and in his public speeches Mr. Menzies had stressed the value of a united Commonwealth policy on economic and commercial matters, especially in negotiating with the United States. He believed that Mr. Menzies would find it easier to make concessions to the United Kingdom if this could be done as part of a comprehensive Commonwealth plan devised at a Commonwealth meeting. It would be useful if Mr. Menzies could be asked, when he attended the Cabinet on 17th June, whether he had formed any views about the possibility of an early Commonwealth meeting on commercial policy.

In discussion the point was made that, before any such Commonwealth meeting was held, the United Kingdom Government would need to define their own long-term commercial policy, and they were not likely to be able to do so before October. Any approach to the United States Government as the result of a Commonwealth meeting would most profitably be made towards the end of 1952, when the Presidential election was over. From this point of view the most suitable time for a Commonwealth meeting might be November 1952.

*The Prime Minister* said that, before coming to any conclusions on this matter, the Cabinet should hear Mr. Menzies' views at their meeting with him on 17th June.

**British Transport Commission.**  
Appointments of Members.  
(Previous Reference: C.C. (52) 49th Conclusions, Minute 8.)

10. *The Minister of Transport* said that the appointments of a large number of the members of the Transport Commission and its Executives would expire on or before 30th September; and he was to be asked in the House of Commons that day to what extent he intended to continue these appointments. He intended to state in reply that he was anxious to give the members of the Commission and its Executives the earliest possible information about their personal future, and proposed to discuss the position with each of them; and that he intended to offer to the majority renewed appointments for one year, though not necessarily in the same capacity.

The Cabinet—

Took note, with approval, of the statement which the Minister of Transport proposed to make on the renewal of the appointments of members of the British Transport Commission and its Executives.