CONCLUSIONS of a Meeting of the Cabinet held at 10, Downing Street, S.W. 1, on Thursday, 11th November, 1954, at 11 a.m.

Present:

The Right Hon. Sir WINSTON CHURCHILL, M.P., Prime Minister.
The Most Hon. the MARQUESS OF SALISBURY, Lord President of the Council.
The Right Hon. R. A. BUTLER, M.P., Chancellor of the Exchequer.
The Right Hon. GWILYM LLOYD-GEORGE, M.P., Secretary of State for the Home Department and Minister for Welsh Affairs.
The Right Hon. JAMES STUART, M.P., Secretary of State for Scotland.
The Right Hon. Sir WALTER MONCKTON, Q.C., M.P., Minister of Labour and National Service.
The Right Hon. D. HEATHCOAT AMORY, M.P., Minister of Agriculture and Fisheries and Minister of Food.

The Right Hon. Sir DAVID ECCLES, M.P., Minister of Education.

The following were also present:
The Right Hon. the EARL DE LA WARR, Postmaster-General (Item 1).
The Right Hon. PATRICK BUCHAN-HEPBURN, M.P., Parliamentary Secretary, Treasury.

Secretariat:
The Right Hon. Sir NORMAN BROOK.
Mr. R. M. J. HARRIS.

CONTENTS

<table>
<thead>
<tr>
<th>Minute No.</th>
<th>Subject</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Wireless Licences</td>
<td>2</td>
</tr>
<tr>
<td>2</td>
<td>Pensions for Old Age and War Disability</td>
<td>2</td>
</tr>
<tr>
<td>3</td>
<td>Defence Policy</td>
<td>4</td>
</tr>
</tbody>
</table>

47119—2
1. The Cabinet considered a memorandum by the Postmaster-General (subsequently circulated as C. (54) 339) seeking approval of the terms of a statement to be made in Parliament about charges for wireless licences.

The Cabinet were informed that, as a result of an action brought by Davey Paxman and Co. Ltd. against the Postmaster-General, which was due to be heard on 15th November, it had been discovered that there had been no sound basis in law for the charges made under the Wireless Telegraphy Act, 1904, for certain classes of licence, including broadcast receiving licences. The only ground on which Davey Paxman's claim could be contested was that the charges had been levied under a mistake of law, but it was agreed that the Postmaster-General would be ill-advised to use this line of defence. It was therefore proposed that all charges made under the 1904 Act should now be validated by retrospective legislation, and that an announcement of the Government's intentions should be made before Davey Paxman's case was heard. For the future the matter had been put beyond doubt by the Wireless Telegraphy Act, 1949.

The Lord President said that this problem had been fully considered by the Home Affairs Committee, which had concluded that the introduction of validating legislation was the proper course to adopt.

The Cabinet—
Approved the draft statement annexed to C. (54) 339 and agreed that it should be made on behalf of the Government in both Houses of Parliament that afternoon.

2. The Cabinet resumed their discussion of the memorandum by the Minister of Pensions and National Insurance (C. (54) 337) on the time-table for carrying through the proposed improvement in the rates of old-age and disability pensions.

The Cabinet's discussion again centred on the question whether the new rates could be brought into operation earlier than was proposed in C. (54) 337. This turned mainly on the time needed to complete the administrative arrangements for (i) collecting increased contributions and (ii) making the increased payments. Under the first head it was necessary to print a large number of special stamps of different values. Under the second, it was necessary to print new pension books, to calculate the new amount of pension payable to each pensioner and to issue the new books to the pensioners in person at the local offices of the Ministry of Pensions and National Insurance. In order to emphasise the insurance principle on which the National Insurance Scheme was based, it had originally been assumed that the increased benefits should not be brought into operation before the corresponding increase in contributions became effective. The Chancellor of the Exchequer had, however, recognised the political need to expedite the payment of increased rates of old-age pension, and he had now agreed that these new rates should come into operation at the end of April even though the collection of the increased contributions could not begin before June. Thus, the factor limiting any further acceleration of the time-table was, not the printing of the contribution stamps, but the exchange of the pension books. The Minister of Pensions was satisfied that this exchange could not be completed before the last week in April. A total of about 5 million books had to be exchanged, and there would be a serious risk of an administrative breakdown if his Department attempted to undertake this considerable operation in the winter months when its offices were handling a heavy burden of current work on claims for sickness benefit. He was satisfied, in the light of past experience, that the Government would be running a very serious risk if they attempted to bring this part of the scheme into operation before the last week of April.
In further discussion the following points were raised:

(a) The Minister of Pensions and National Insurance had recently discussed with the Social Services group of Government supporters in the House of Commons the difficulties in the way of any emergency scheme designed to give early benefit to old-age pensioners. As a result of the Minister's explanations, the members of this group were now satisfied that there was no case for any special Christmas payment to pensioners, and that recourse to an emergency scheme would prejudice the insurance principle and lead to administrative confusion. The demand which they were now disposed to press was that the legislation required for a permanent scheme should be passed through all its stages before Parliament dispersed for the Christmas recess.

The Cabinet agreed that there would be great political advantage in getting this legislation on the statute book before Christmas. Members could then feel that they had done all in their power to expedite the payment of the increased benefits.

(b) Final orders for the printing of contribution stamps and pension books could not be placed until Parliament had finally settled the precise amounts of the new contributions and benefits. This would be a strong argument to use in urging Parliament to pass the Bill through all its stages before Christmas so that the necessary administrative preparations could go forward. If, however, the passage of the Bill were delayed, some preliminary preparations could be put in hand in anticipation of Parliamentary approval.

(c) There was no evidence of any widespread hardship among old-age pensioners. Enquiries made by the Minister of Food showed that old-age pensioners generally were spending more money on food, and that their increased expenditure was not due wholly to increases in food prices. In terms of averages, old-age pensioners were consuming more milk, butter and tea, but less meat and eggs, than the rest of the community. It was significant that their consumption of butter was greater, and their consumption of margarine less, than the national average.

(d) The poorest of the old-age pensioners would not benefit from the proposed scheme except to the extent that the rates of national assistance were raised. It was important that these rates should be increased at the earliest possible moment. It was wholly within the responsibility of the National Assistance Board to decide whether these rates should be raised, and the decision must be left to their discretion. Once their decision was taken, however, it would be open to the Minister of Pensions to urge them to lose no time in bringing the new rates into operation. There was reason to hope that payment of increased rates of assistance might begin before the end of January.

(e) The proposed improvements in benefits under the National Insurance Scheme could be justified by reference to the Report of the Government Actuary's quinquennial review of the working of the Scheme. This Report would be published before the Government's plans were announced.

In earlier discussions of this question Government spokesmen had also argued that alterations in pension rates should await the Report of the Phillips Committee. Presentation of this latter Report had been delayed; and, although it would probably be in the hands of Ministers before the Government's plans were announced, it could not be published before the middle of December, at the earliest. Now that it was known that the Report would not contain an agreed recommendation in favour of raising the retirement age, there was less reason for postponing the announcement of the Government's plans until after its publication. But its support for the contributory principle would be of value in Parliamentary discussion of the Government's plans, and every effort should be made to ensure that it was published before the Second Reading of the National Insurance Bill.
The general conclusion which emerged from the Cabinet’s discussion was that the Government should aim at passing the necessary legislation through all its stages in both Houses of Parliament before the Christmas recess, and that thereafter the improvements which were to be made in the rates of national assistance, war pensions and pensions and benefits under the National Insurance Scheme should be brought into operation at the earliest moment consistent with the avoidance of any breakdown in administrative arrangements. No time should be lost in carrying out any preliminary work which could be done in advance of the necessary legislative sanctions, and no opportunity should be lost of advancing, wherever practicable, the dates suggested in the timetable annexed to C. (54) 337.

The Cabinet—

1. Agreed in principle that the National Insurance Bill should, if practicable, be passed through all its stages in both Houses of Parliament before the Christmas recess.

2. Invited the Lord President and the Lord Privy Seal to consider what special steps should be taken to facilitate the passage of this legislation before the Christmas recess, and invited them to submit their comments and a proposed time-table for consideration by the Cabinet in the following week.

3. Authorised the Minister of National Insurance to take immediate steps for the preparation of the National Insurance Bill.

4. Subject to Conclusion (1) above, gave general approval to the time-table outlined in C. (54) 337 for bringing into operation the proposed improvement in the rates of war pensions and of pensions and benefits under the National Insurance Scheme, but invited the Minister of Pensions and National Insurance to take advantage of any opportunity that offered for bringing any part of that plan into operation at a date earlier than that now proposed.

Defence Policy.

3. The Minister of Defence said that, if valuable financial savings were not to be lost, it was necessary to put into effect without delay three of the changes affecting the Army and the Royal Air Force which the Cabinet had approved on 5th November, viz:—

(i) the reduction of the strength of Anti-Aircraft Command to ten regiments of light artillery;

(ii) the disbandment of eighteen units, including the second battalions of eight regiments; and

(iii) the approved changes in the organisation of the Royal Auxiliary Air Force.

If these changes were announced in reply to Parliamentary Questions or in statements made after Questions, demands would probably be made for opportunities to debate them. It had therefore been suggested that a preferable course would be to include in The Queen’s Speech on the Opening of Parliament a general statement of the Government’s intention to make certain changes in the organisation of the Forces to meet possible new forms of warfare, and to announce the particular changes proposed in the course of the Debate on the Address. He sought the Cabinet’s authority to proceed on these lines.

The Cabinet—

Invited the Minister of Defence to arrange that a passage on the lines proposed should be included in the draft of The Queen’s Speech on the Opening of Parliament.

Cabinet Office, S.W.1,
11th November, 1954.