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SECRET

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C.C. (54)

78th Conclusions

CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W. 1, on Wednesday, 24th November, 1954, at 10.30 a.m.

Present:

The Right Hon. Sir WINSTON CHURCHILL, M.P., Prime Minister.

The Right Hon. Sir ANTHONY EDEN, M.P., Secretary of State for Foreign Affairs.

The Right Hon. VISCOUNT KILMUIR, Lord Chancellor.

The Right Hon. VISCOUNT WOOLTON, Chancellor of the Duchy of Lancaster.

The Right Hon. HAROLD MACMILLAN, M.P., Minister of Defence.

The Right Hon. VISCOUNT SWINTON, Secretary of State for Commonwealth Relations.

The Right Hon. A. T. LENNOX-BOYD, M.P., Secretary of State for the Colonies.

The Right Hon. DUNCAN SANDYS, M.P., Minister of Housing and Local Government.

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 Most Hon. the MARQUESS OF SALISBURY, Lord President of the Council. (*Item 1.*)

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. 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. PETER THORNEYCROFT, M.P., President of the Board of Trade.

The Right Hon. OSBERT PEAKE, M.P., Minister of Pensions and National Insurance.

The following were also present:

The Right Hon. LORD DE L'ISLE AND DUDLEY, Secretary of State for Air (*Item 5.*)

The Right Hon. JOHN BOYD-CARPENTER, M.P., Minister of Transport and Civil Aviation (*Item 2.*)

The Right Hon. SELWYN LLOYD, Q.C., M.P., Minister of Supply (*Item 5.*)

The Right Hon. PATRICK BUCHAN-HEPBURN, M.P., Parliamentary Secretary, Treasury (*Items 1-3.*)

Marshal of the Royal Air Force Sir WILLIAM DICKSON, Chief of the Air Staff (*Item 5.*)

Secretariat:

The Right Hon. Sir NORMAN BROOK.
Mr. R. M. J. HARRIS.
Mr. K. L. STOCK.

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Parliament.
Debate on
the Address.

1. The Cabinet discussed the arrangements for the Debate on the Address in reply to the Queen's Speech on the opening of the forthcoming session.

The Cabinet were informed that, according to present plans, notice of presentation of the National Insurance Bill would be given on Tuesday, 30th November, which would rule out discussion on this topic during the Debate. The recent debates in the House of Commons on foreign affairs had had the result that there was very little in that field which could suitably form the subject of further Parliamentary discussion at the present time. In these circumstances it was to be hoped that the Opposition would agree that the Debate on the Address should be concluded on 6th December. The Second Reading of the National Insurance Bill could then be taken on 7th December. As part of these arrangements it might be necessary to undertake that time would be found after the Christmas recess for a general debate on all aspects of the problem of provision for old age, which had been the subject of enquiry by the Phillips Committee.

The Cabinet recognised that the reference in the Queen's Speech to the taking of measures "to meet possible new forms of warfare" would provide the Opposition with an opening to raise defence issues during the course of the Debate on the Address. It would suit the convenience of Ministers if any debate on defence matters could be deferred until 6th December, but this would depend on the subject chosen for any amendment which the Opposition might decide to table on the Address.

The Cabinet held a preliminary discussion on the defence problems which were likely to be raised in the Debate and on the form which any Government statement on them might take.

In the course of further discussion the view was expressed that the Opposition might choose to make the cost of living the principal issue in the Debate. The Government might find it desirable to take an opportunity in the course of the Debate to give some indication of their policy on agriculture and education.

The Cabinet—

Agreed to resume, at a meeting to be held later that day, discussion of the arrangements for the Debate on the Address, with particular reference to the form and timing of any statement to be made on defence policy.

**British
European
Airways.
Renfrew
Maintenance
Base.**

2. The Cabinet considered memoranda by the Minister of Transport and Civil Aviation (C. (54) 345) and the Secretary of State for Scotland (C. (54) 347) about the desire of British European Airways (B.E.A.) to close their maintenance base at Renfrew and to transfer the remaining work to London Airport.

The Minister of Transport said that, in view of the strength of local feeling on this matter, the Chairman of the Corporation had sought the Government's views on it. It was not a matter on which he could give a formal direction to the Corporation, but he could hardly decline the request for an expression of the Government's views. It had been confirmed by an independent accountant that B.E.A. would stand to save at least £800,000 over the next five years by making this change in their arrangements; and the Chairman had made it clear that, if the Corporation were required to keep the base open, they would expect the Government to recoup them financially for the additional cost involved. The Minister said that he was proposing to discuss the matter with representatives of the Scottish Trade Union Council and the Scottish Council (Development of Industry), when he met them later in the week; but, although

he would announce no decision until after he had held those discussions, he considered that B.E.A. would have to be told that the Government did not wish to press them to cancel the proposed move. Until it was definitely known that the premises would be available on a known date, it was difficult to take effective steps to find alternative tenants for them.

The Secretary of State for Scotland said that opinion in the Home Affairs Committee had been evenly divided on this question. He recognised the force of the economic arguments for the course which the Minister recommended, but there was no doubt that a plan which involved moving work on aircraft from a Scottish development area to a populous part of London would provoke strong criticism on both sides of the House of Commons and from opinion in Scotland generally.

In discussion it was argued, on the one hand, that to compel B.E.A. to carry on activities which had been conclusively shown to be unjustified on commercial standards would be inconsistent with the Government's constant pressure on the nationalised industries to become self-supporting and to dispense with Exchequer subsidies. It was also pointed out that, if the Government were to recoup B.E.A. financially for the loss they would sustain by maintaining their base at Renfrew, they would find it difficult in future to resist demands for financial assistance from firms which they were seeking to persuade to establish factories in development areas.

The view was expressed, on the other hand, that the Government would be justified in taking a broader view of this matter. There were sound reasons for discouraging further concentration of industry in London. From the general employment point of view, moreover, B.E.A.'s proposal would involve, on the one hand, redundancy for at least 250 of their employees in an area where there was in any case a risk of an increasing degree of unemployment, and, on the other, an intensification of the labour demand in North-West London where there was already a shortage of skilled workmen.

It was the view of the Cabinet that no final decision could be taken on this question until the outcome of the Minister's discussions with representatives of both sides of Scottish industry was known, and until further information was available about the possibilities of providing continuing employment for B.E.A.'s employees at the Renfrew base.

The Cabinet—

- (1) Invited the Minister of Transport and Civil Aviation to make a further report on this matter in the light of his forthcoming discussions with the Scottish Trades Union Council and the Scottish Council (Development of Industry).
- (2) Invited the President of the Board of Trade and the Minister of Supply to report on the prospects of finding an alternative tenant for the Renfrew premises, who could provide alternative employment for the men who would be displaced from their employment if the B.E.A. moved their maintenance base to London.

**Pensions for
Old Age
and War
Disability.**
(Previous
Reference:
C.C. (54) 76th
Conclusions,
Minute 4.)

3. The Cabinet considered a memorandum by the Minister of Pensions and National Insurance (C. (54) 350) submitting his full proposals for improvements in war pensions and in benefits under the National Insurance Scheme. They also had before them a memorandum by the Chancellor of the Exchequer (C. (54) 351) on the future of the scheme for relieving old age pensioners of some part of the duty on tobacco.

In discussion of these papers the following points were raised:—

(a) Attention was drawn to the heavy burden which this scheme would eventually impose upon the Exchequer. Although the *net* additional cost to the Exchequer in the first two years would not exceed £25 millions a year, the Exchequer's share of the total cost of National Insurance was likely to rise to £389 millions in 15 years' time and to £517 millions in 25 years' time. This consideration amply justified the Government in declining to be rushed into precipitate action in this matter. On the other hand, the increases in benefits which were now to be made should hold the position for some time to come. They would also enable the Government to claim that this was the only country in the world which granted a subsistence pension without a means test.

(b) *The Minister of Pensions and National Insurance* said that the Chancellor of the Exchequer had accepted all the detailed proposals set out in C. (54) 350 with one exception, viz., the rate of the increment to be paid to a man who deferred his retirement after attaining the age of 65. Such a man could at present increase the amount of his eventual weekly pension by 3s. for each year worked after the age of 65. If the present relations were preserved between the increment and the normal pension rate, the increment could be raised from 3s. to 4s. when the ordinary pension rates were increased; and, if this were done, it would still be possible to argue that no one would lose financially by deferring his retirement. On the other hand, the Phillips Committee were likely to recommend that these increments should not in future be increased when pension rates were raised; and, on this account and also because of the eventual cost, the Chancellor of the Exchequer would prefer that this particular proposal should be held over for consideration at a later stage.

The Minister said that there were political arguments in favour of either course. He recognised, however, the special force of the suggestion that this additional concession should be held in reserve so that it might be used, if necessary, to balance any unpopular changes in the National Insurance Scheme which the Government might have to introduce at a later stage in consequence of the Phillips Report.

(c) Under present arrangements it was contemplated that the Report of the Government Actuary would be published when the Government's plans were announced on 1st December, even though the Report of the Phillips Committee could not be published until a few days later. In discussion it was suggested that there would have been advantages in publishing the two Reports simultaneously. For the Phillips Report, by its support for the contributory principle, would help to offset criticisms, based on the Government Actuary's Report, that over the past five years the rate of contributions under the Scheme had been unduly high. It was agreed that the Government Actuary's Report should be published at the latest moment consistent with the Minister's statutory obligations in respect of its presentation to Parliament.

(d) *The Chancellor of the Exchequer* said that the tobacco token scheme for old age pensioners was both expensive and difficult to administer. He would have liked to bring it to an end, or at least to reduce the amount of the concession made under it. But he recognised the political difficulty of withdrawing a concession from those who already enjoyed it; and he had therefore put forward the suggestion that the scheme should in future be confined to those already drawing old age pensions.

The Minister of Pensions and National Insurance said that this proposal, by differentiating between old age pensioners of different ages, would create anomalies which it would be difficult to defend. The financial saving would be small; and he feared that it would

involve the Government in serious political odium without compensating financial advantage.

It was the general view of the Cabinet that the reception of the Government's scheme as a whole would be seriously damaged if it were accompanied by the limitation of the tobacco token scheme which the Chancellor of the Exchequer proposed.

The Cabinet—

- (1) Agreed that no increase should at present be made in the increments payable to an old age pensioner on account of years worked after reaching the age of 65.
- (2) Agreed that for the present no change should be made in the tobacco token scheme for old age pensioners.
- (3) Subject to Conclusions (1) and (2) above, approved the proposals set out in C. (54) 350 for improvements in the National Insurance Scheme and in the rates of war pensions; and took note that the Minister of Pensions and National Insurance would announce the Government's plan in the House of Commons on 1st December.

**Colonial
Immigrants.**
(Previous
Reference:
C.C. (54) 65th
Conclusions,
Minute 2.)

4. The Cabinet had before them memoranda by the Home Secretary and the Commonwealth Secretary (C. (54) 354 and 356) on the problems created by the rising scale of immigration of Africans and West Indians into the United Kingdom.

The Home Secretary said that the rate of immigration had greatly increased in recent months, and it was now expected that about 10,000 would come to this country from the West Indies in 1954, as compared with a little over 2,000 in 1953. The gathering momentum of this movement made it a matter of some urgency that the Government should provide themselves with means of controlling it. It was, however, important that this should be done in such a way as to reduce the scope for controversy. He therefore proposed that a Departmental Committee should be appointed to consider what changes should be made in the law relating to the admission of any class of British subjects to this country. This would serve to focus public opinion on this question and would help to gain public support for legislation to deal with it.

In discussion the following points were made:—

(a) *The Commonwealth Secretary* said that most other Commonwealth countries already had power to deport British subjects, and legislation on this limited aspect of the problem might have been introduced without any preliminary enquiry. He agreed, however, that as it would not be practicable to pass such legislation during the present session, there was no reason to exclude this part of the problem from the general enquiry proposed by the Home Secretary.

(b) While there would be great practical difficulty in controlling the admission to this country of citizens of the Irish Republic, their exclusion from any new system of immigration control applicable to citizens of Commonwealth countries would be misunderstood and resented.

(c) It was important that means of dealing with this problem should be made available without delay. Since most of the relevant information had already been collected, the proposed Departmental Committee should be able to present their report within a few months.

The Cabinet—

Invited the Home Secretary to submit proposals for the membership of the Departmental Committee suggested in C. (54) 354.

**Sale of Arms
Abroad.**

(Previous
Reference:
C.C. (54) 1st
Conclusions,
Minute 4.)
The Middle
East.

5. The Cabinet had before them a memorandum by the Foreign Secretary (C. (54) 358) proposing that the number of British aircraft to be supplied to Middle East countries should be limited with a view to maintaining equilibrium of armaments in the area.

The Foreign Secretary said that it was an important objective of our foreign policy to reduce tension in the Middle East as a first step towards the settlement of differences between Arab countries and Israel. We should therefore continue to adhere to the policy laid down by the tripartite declaration of 1950, under which we had undertaken to keep an even balance in our sales of military equipment to Israel and the Arab States. He feared that we should endanger this balance if we were to carry through the proposed programme for the sale of 45 jet aircraft to Egypt. On political grounds he would have preferred that we should refrain from supplying any more military equipment to Middle East countries; but he recognised that it would not be practicable to refuse to meet any of the orders which the Egyptians had already placed in this country, and that we had no means of preventing other countries from selling armaments to Middle East countries if we declined to do so. Indeed, the balance appeared already to have been disturbed by the orders which the French had accepted for the supply of *Mystère* aircraft. Our recent decision to offer *Centurion* tanks to Israel had also caused disquiet in Jordan. He hoped that the Cabinet would approve the proposals in C. (54) 358 for reducing the number of British aircraft to be delivered to Egypt and Syria, and that by consultation with the United States and France it would be possible to concert an agreed programme by which each country would be guided in future deliveries of armaments to Middle East countries.

In discussion the following points were made:—

(a) It was important that we should establish more precisely the nature of the commitments undertaken by the French Government for the supply of *Mystère* aircraft to Israel. It should be possible to obtain this information from the Near East Armaments Co-ordinating Committee. It was, however, doubtful whether it would be appropriate to ask this body to undertake the wider review envisaged by the Foreign Secretary.

(b) The orders which had been placed by the Egyptians in this country about four years ago, and on which they had paid substantial deposits, should not be considered on the same footing as fresh orders which Middle East countries were now seeking to place with us.

(c) If a proper balance of military strength was to be maintained between countries in the Middle East it would be necessary to take into account the quality as well as the number of their aircraft and other armaments.

The Cabinet—

Invited the Foreign Secretary and the Minister of Defence to consider these questions further, in consultation with the other Ministers concerned, with a view to submitting agreed proposals for considering by the Cabinet at their next meeting.

Cabinet Office, S.W.1.

24th November, 1954.