CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Tuesday, 25th October, 1955, at 10.30 a.m.

Present:

The Right Hon. Sir Anthony Eden, M.P., Prime Minister.

The Most Hon. the Marquess of Salisbury, Lord President of the Council.

The Right Hon. Viscount Kilmuir, Lord Chancellor.


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. Duncan Sandys, M.P., Minister of Housing and Local Government.

The Right Hon. D. Heathcoat Amory, M.P., Minister of Agriculture, Fisheries and Food.

The Right Hon. Sir David Eccles, Minister of Education.

The following were also present:

The Right Hon. John Boyd-Carpenter, M.P., Minister of Transport and Civil Aviation (Item 7).

The Right Hon. Patrick Buchan-Hepburn, M.P., Parliamentary Secretary, Treasury (Items 1–3).

Secretariat:

Mr. H. O. Hooper.

Mr. F. A. Bishop.
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1. The Chancellor of the Exchequer said that he had discussed further with the Prime Minister whether the abolition of the bread subsidy should form part of the measures which he proposed to announce. He remained of the opinion that the subsidy should be abolished, in order to show that the Government were determined to restrict current as well as capital expenditure. But, in deference to the considerations advanced by the Prime Minister and other members of the Cabinet, he would not press his view further. If this chance were not taken, it was not likely that any other early opportunity of abolishing the bread subsidy would arise; it might, however, be abolished in the spring, when budgetary concessions could perhaps be made to offset the effects of an increase in the price of bread on those most affected by it. He thought it likely that, even if the bread subsidy were not now abolished, some early increase in National Assistance would be necessary.

If the bread subsidy were not now to be abolished, he proposed that the increase in the rate of tax on distributed profits should be limited to 5 per cent. He had also decided that it would not be worth while to reduce the foreign travel allowance.

The inevitable delay in announcing the Government's measures to deal with the economic situation had unfortunately meant that an atmosphere had been created in which the Government's proposals might not be well received. To make up for the absence of measures to effect a substantial reduction in the Government's current expenditure, he would have to make the most of the savings which would result from the postponement of work on Government buildings, and from the reorganisation of Post Office finances. He would also have to show that it was not possible, at the present time, to reduce expenditure on defence or on the agricultural subsidies.

He trusted that the measures, taken as a whole and having regard to the fact that the price of bread would not be increased, would make it possible for responsible trade union leaders to exercise a restraining influence on wage demands.

The following points were raised in discussion:

(a) It would be known early in December whether an application would be made for increases in National Assistance rates. The Minister of Pensions said that he could arrange that, if such an application were made, it would not specify the precise amount of the increases until there had been an opportunity for him to consult the Chancellor of the Exchequer.

(b) The Minister of Agriculture, Fisheries and Food said that it had been intended that the £2 millions which it would cost to reach a settlement with the small bakers (which would have slightly increased their profit margins in order to meet part of the extra cost of making a greater proportion of their bread in small loaves) should be offset to the extent of £1 million by increasing the price of the small (14 oz.) loaf from 4½d. to 4½d. If, to his disappointment, the bread subsidy could not now be abolished, it seemed to him that it might be preferable to avoid making this small increase in the price of the small loaf at the present juncture. This would mean that the Exchequer would have to bear the cost of whatever settlement could be made with the small bakers, until circumstances made it possible, perhaps in about two months time, to increase the price of the small loaf.

The Chancellor of the Exchequer concurred with this view, with which the Cabinet were in general agreement.

(c) If the question of reducing the agricultural subsidies were raised in the economic debate, it could be pointed out that the current estimate was that the annual expenditure on direct subsidies under the price guarantees would be about £35 millions less than in the last published estimate.
The Prime Minister said that, on balance, the delay in introducing the Government's measures to deal with the economic situation had been justified, since it had enabled the Government to avoid an atmosphere of crisis, and had also given time for sterling to be strengthened, through the assurances which the Chancellor of the Exchequer had given at the meeting of the International Monetary Fund in Istanbul. He thought that the measures upon which the Cabinet had agreed would, as a whole, be regarded as equitable and justified.

The Cabinet—

(1) Agreed that the measures to meet the current economic situation should not include the abolition of the bread subsidy.
(2) Agreed that the price of the small loaf should not be increased for the time being.
(3) Took note, with approval, of the remaining measures which the Chancellor of the Exchequer proposed to announce to Parliament on the following day.

Cyprus.

2. The Colonial Secretary said that the Governor of Cyprus had expressed the opinion that the proposed expulsion law, which would give the Government of Cyprus power of summary deportation, should be enacted well in advance of any action to be taken under it. The Governor had also sought an assurance that, if the expulsion law were enacted, authority for him to take action under it as soon as an offence was committed would not be withheld.

The Colonial Secretary said that in his view the expulsion law should not be enacted immediately, since that would prejudice the discussions which the Foreign Secretary was at present having in Paris with the Greek Foreign Minister. Those discussions, if successful, might lead to the resumption of the Governor's conversations with Archbishop Makarios. Moreover, in view of the speed with which the proposed expulsion law could be put into force, he was inclined to think that the law should not be enacted until some offence occurred for which its application would be appropriate.

The Prime Minister said that he agreed that it would be unwise to enact the expulsion law until the outcome of the Foreign Secretary's present discussions was known. There was, however, something to be said for enacting the law well in advance of any action to be taken under it, as the Governor proposed, so that fair warning was given to people against whom deportation action might have to be taken.

Discussion showed that it was the general view of the Cabinet that a decision to enact the proposed expulsion law should not be taken while the discussions between the Foreign Secretary and the Greek Foreign Minister were in progress. The Governor of Cyprus should be informed that the Cabinet would consider what guidance could be given to him on this question as soon as the outcome of the Foreign Secretary's present discussions was known.

The Cabinet—

(1) Agreed to consider the question of an expulsion law further when the outcome of the Foreign Secretary's discussions with the Greek Foreign Minister was known.
(2) Invited the Colonial Secretary to inform the Governor of Cyprus accordingly.
The Cabinet resumed consideration, in the light of telegrams which had been received from Washington, of the question of ensuring that the European consortium secured the contract to build the proposed High Dam over the Nile at Aswan.

The Prime Minister said that this contract, if it could be secured for the consortium, would provide the most effective counterpoise possible to Russian penetration in Egypt for it would give us a controlling influence over the Nile waters. The contract would also place us in a strategic position to safeguard our interests in the future of the Sudan. But it would be essential to act quickly if we were to avoid the risk of the contract slipping through our hands. This risk might well be serious if we were to become involved in long and difficult negotiations with the International Bank over the question of international tender. He wondered, therefore, whether the right course might not be to broaden the basis of the consortium by a direct invitation to American construction interests to undertake a proportion of the work. Such an approach, with the details left to be worked out, had proved very successful in the case of Persian oil. Alternatively, we should consider whether we and our European partners could shoulder the financial risks involved without assistance either from the United States or from the International Bank. It would certainly be dangerous to allow matters to take their course pending the outcome of a visit which Egyptian negotiators proposed to pay to Washington in mid-November to discuss Egypt’s financial needs with the International Bank, for the contract might in the meantime have been awarded to the Russians.

The President of the Board of Trade said that he thought it would be possible eventually to negotiate the participation of American interests in the consortium but it would take time to do so. The Germans, and not ourselves, had initiated the enterprise. As regards the financial burden, the cash payments to be made by Egypt up to the year 1962 would be covered in large part by her sterling balances which were due to be released. If, however, Egypt proved unable to find after 1962 the cash resources sufficient to meet the instalments due in the remaining years, there would be a further contingent liability of about £45 millions of which our share would be one-third. The Egyptians themselves were concerned at the margin between their resources and potential liabilities and were seeking financial assistance from the International Bank. But it would take time to negotiate an untied credit of about £50 millions from the International Bank to cover this contingency. If, however, we were prepared to shoulder the risk ourselves he thought there would be a good chance of negotiating with the Egyptians a definite arrangement under which the sterling releases were tied to the payments due to the consortium.

The Chancellor of the Exchequer said that he would not recommend embarking upon an independent course of action without first informing Mr. Black, the President of the International Bank, of the direction in which our minds were now moving. But Mr. Black had not hitherto felt it possible to deviate from the principle of international tender for a project of this kind. He should now be informed that we were prepared to consider shouldering the financial risks ourselves. We should of course continue our conversations with the United States Government on Egypt’s financial needs generally.

The Cabinet—

(1) Agreed that it was a matter of prime importance to secure for the European consortium the early award of the contract for the Egyptian High Dam and that, in order to ensure this, it might become necessary for the European Governments concerned to underwrite the financial risks themselves.

(2) Invited the Chancellor of the Exchequer to be guided by the sense of the Cabinet’s discussion in further urgent negotiations with the International Bank.
4. The Colonial Secretary said that the Chief Minister in Malaya, Mr. Tunku Abdul Rahman, had embarked upon a course of action which must give grounds for alarm. As the amnesty announcement of 8th September had failed to achieve any result, the Chief Minister felt it necessary that he should go into the forest himself to hold discussions with Communist leaders. Refusing to be dissuaded from this course, he had at first agreed to refrain at such a meeting from opening negotiations and from accepting recognition to the Communist Party, but to confine himself to further explanation of the terms of the amnesty. Later he had taken the view that the amnesty offer had not gone far enough and that he must be allowed, for the purpose of a meeting with the Communist leaders, a mandate to settle the situation as best he could. The High Commissioner, who had been instructed to remind Mr. Rahman of the undertaking he had given earlier, had replied that he felt that it would be impossible to dissuade the Chief Minister from entering into discussion with the Communist leaders, and that, if unacceptable conditions were imposed, the Chief Minister might well resign and so place himself in a position to cast the blame upon the Government at home for obstructing a course of action which could be represented as opening up a prospect of bringing the emergency to an end. The Commissioner-General, South-East Asia, had endorsed this view. The Government of Malaya was not, of course, the responsibility of the Chief Minister but of the High Commissioner in Executive Council, and the Chief Minister would have to report to the Council on his return. While it would be open to the Executive Council to reject any agreement or understanding with the Communists into which the Chief Minister had entered, it could be expected that any such act would precipitate a crisis of first importance. We should have no alternative but to stand firm in such an event and it would be right for us to do so.

The Prime Minister supported this view.

The Cabinet were informed that Mr. Marshall, the Chief Minister of Singapore, whose attitude towards Communism was more resolute and who would therefore have been a strengthening influence at the proposed meeting with Communist leaders, was now reconsidering his decision to be present.

The Cabinet—

Took note of the Colonial Secretary's statement.

5. The Cabinet had before them a note by the Minister of Labour (C.P. (55) 149) giving a summary of the results of an enquiry into the effects of National Service on the education and employment of young men. The general conclusion of the enquiry, which had been undertaken by the Ministry of Labour at the request of the Advisory Council on Relationship between Employment in the Services and Civilian Life, was that, although National Service inevitably caused some disturbance in civilian careers, it did not create any major problems of employment or resettlement.

The Minister of Labour said that publication of the results of the enquiry had been promised in Parliament, and he proposed that the report of the enquiry should now be published.

There was general agreement with this view. The Prime Minister said that it would be convenient if, in the course of the statement which he was to make to Parliament that afternoon promising a White Paper on National Service, he were to announce that this report also would be published.
The Cabinet—

Authorised the Minister of Labour to arrange for the early publication of the report of the enquiry into the effects of National Service on the education and employment of young men; and took note that the Prime Minister would announce the forthcoming publication of this report in the course of his statement to Parliament that afternoon promising a White Paper on National Service.

Canals.

(Previous Reference: C.M. (55) 35th Conclusions, Minute 10.)

6. The Cabinet resumed their consideration of the principles which should be followed in selecting the members of the proposed independent Committee of Enquiry to examine the system of inland waterways.

It was the general view of the Cabinet that, as the primary function of the enquiry would be to create a climate of opinion which would enable the Government to make progress towards a solution of the problem of the canals, a Committee constituted on a widely representative basis would be more effective for this purpose than a small and independent body. There was a great deal of public anxiety and even some agitation on the subject of canals. Although the amenity and other groups who were interested in preserving the canals might dissent from the conclusions of a Committee of Enquiry on which they were represented, it might reasonably be expected that the Committee would arrive at majority conclusions which could, in fact, form the basis of action by the Government. It was considered that, as an alternative, debates in each House of Parliament would not be an effective means of ventilating all points of view. On the other hand, it was felt that the proposed Committee, as outlined in the Appendix to C.P. (55) 151, might be too large to be effective and that consideration should be given to appointing members in more than one capacity.

The Cabinet—

(1) Approved in principle the basis of composition set out in C.P. (55) 151 for the independent Committee of Enquiry into the system of inland waterways, subject to some reduction in the total numbers of the Committee.

(2) Invited the Minister of Transport to circulate to the Cabinet his proposals regarding the members to serve on this Committee.

Summer Time.

7. The Cabinet had before them a memorandum by the Home Secretary (C.P. (55) 150) about an extension of the period of summer time in 1956.

The Home Secretary said that in 1954 it had been agreed that the circumstances did not warrant invoking the special provisions in the Summer Time Act, 1947, to allow the normal period of summer time, which was fixed under the Summer Time Acts, 1922 and 1925, to be extended. The special provisions, which varied the dates fixed in the Acts of 1922 and 1925, gave rise to a number of practical difficulties, e.g., in connection with railway time-tables. When he had announced to the House of Commons that summer time would not be extended in 1955, he had stated that the special provisions in the 1947 Act would not in future be used to effect annual changes in the statutory period of summer time unless there were most exceptional reasons for doing so. Any general public demand for extended summer time was, in practice, directly related to the fineness of the summer: when the weather was indifferent, there was little public interest in an extension of summer time.
In discussion it was pointed out that farmers, particularly Scottish farmers, raised vigorous objections to an extension of summer time, since they could not take full advantage of the earlier hour and consequently might have to pay their workers more overtime.

Discussion showed that it was the general view of the Cabinet that the period of summer time should not be extended in 1956.

The Cabinet—
Agreed that the period of summer time should not be extended in 1956.

*Cabinet Office, S.W. 1.*