CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Tuesday, 31st July, 1956, at 11 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. HAROLD MACMILLAN, 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. the EARL OF HOME, Secretary of State for Commonwealth Relations.
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. IAIN MACLEOD, M.P., Minister of Labour and National Service.
The Right Hon. PATRICK BUCHAN-HEPBURN, M.P., Minister of Works.

The following were also present:
The Right Hon. R. H. TURTON, M.P., Minister of Health (Item 4).

Secretariat:
The Right Hon. Sir NORMAN BROOK.
Mr. H. O. HOOPER.
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The Cabinet were informed that, during the debates on the Consolidated Fund Bill on 1st August, the Opposition wished to discuss the situation arising from the attempt of the Egyptian Government to seize control of the Suez Canal. This would be a short debate, lasting not more than two hours.

The Lord President said that it was undesirable that a matter of this kind should be debated simultaneously in the two Houses. If, therefore, the House of Lords desired to discuss this situation, their debate would have to be held on 2nd August.

The Cabinet resumed their discussion of the Lord President’s proposals for the reform of the House of Lords.

The Lord President said that he had given further thought to these in the light of the Cabinet’s discussion on 26th July. The main objection then raised to the comprehensive plan of reform outlined in C.P. (56) 189 was that the hereditary Peers who were to sit as Peers of Parliament would be selected by the House of Lords itself. He had considered other methods of limiting the role of the hereditary Peers in the Second Chamber, but he could think of none which was not open to even greater objection. His further consideration of the problem had served to confirm his earlier conclusion that the real choice lay between the alternatives set out in C.P. (56) 189, viz., the comprehensive plan of reform outlined in that memorandum or alternatively, a simple Bill conferring power to create life Peers. The second of these courses was, however, one which he could not conscientiously recommend. He was strongly of the opinion that no measure of reform should be undertaken which did not include some limitation of the right of hereditary Peers to participate in the work of the Second Chamber; he had made it publicly known on more than one occasion that this was his view; and it would be impossible for him to ask the House of Lords to pass a measure of reform which was limited to a power to create life Peers.

The Lord President said that in these circumstances the Cabinet might wish to have further time in which to consider what course they should follow. His immediate difficulty was that he had undertaken to discuss the matter with some of the Conservative Peers before Parliament rose for the summer recess and he was due to see them that afternoon. He suggested that he might take that opportunity of ascertaining their views on the comprehensive plan of reform outlined in C.P. (56) 189, putting it forward as a possible plan for which he had not yet obtained the approval of his Cabinet colleagues.

The Prime Minister said that the Cabinet should consider this problem further during the recess. Any Ministers who had specific suggestions to offer might submit them in writing to the Lord President. Meanwhile he thought that the Lord President might, as he proposed, ascertain informally what measure of support there was likely to be, among Conservative Peers, for a comprehensive plan of reform on the lines indicated in C.P. (56) 189.

In discussion it was suggested that, if it were decided to proceed with that plan in the forthcoming session, the resolution setting out the details of the plan could be debated in the House of Lords in the opening days of that session while the House of Commons was completing its Debate on the Address. This course would have the advantage that the dates of the Prorogation and of the Opening of the new session could be announced, according to precedent, before Parliament rose for the summer recess. Its disadvantage was that the Government would not be able to announce in The Queen’s
Speech a firm intention to introduce legislation for the reform of the House of Lords: they would not be able to do more than promise to lay before Parliament proposals on this subject. There was general agreement that in all the circumstances this disadvantage would have to be accepted.

The Cabinet—

(1) Agreed to resume, at their meetings during the summer recess, their consideration of the Lord President’s proposals for the reform of the House of Lords.

(2) Authorised the Lord President to ascertain informally what measure of support there would be among Conservative Peers for a comprehensive plan of reform on the lines indicated in C.P. (56) 189.

3. The Prime Minister said that the enquiries which the Chief Whip had been making among Government supporters had not been carried far enough to enable him to form a reliable estimate of the prospects of enacting, against the votes of the Opposition Parties, a Government measure amending the law of murder on the general lines indicated in C.P. (56) 186. He himself was increasingly impressed by the strong feelings held by those Government supporters who favoured abolition of the death penalty. Even if it were possible to carry the Government measure which was now envisaged, he feared that the issue of abolition would be raised either by an amendment on that Bill or by the subsequent introduction of a Private Member’s Bill providing for total abolition; and strong feelings would be aroused in the House of Commons if the Government sought to defeat either of those attempts by the use of the Government Whip.

In discussion it was argued that, while there might be a small majority in the House of Commons in favour of the total abolition of the death penalty, there was reason to believe that in the country as a whole a majority of public opinion would be in favour of retaining capital punishment for a limited range of murders on the lines suggested in C.P. (56) 186. The Government would lose the sympathy of a substantial body of moderate opinion if they failed to take the opportunity of regaining the initiative by introducing a measure on those lines. The point was also made that the Government must expect to find themselves in continuing embarrassment if they failed to assume responsibility, as a Government, for a matter which so closely affected the preservation of law and order. They could not continue indefinitely to leave such a matter to be decided by a free vote of the House of Commons: they would eventually be obliged to decide either to accept the abolition of the death penalty or to insist that it should be retained for a limited range of murders.

It was, however, agreed that, in view of Parliament’s preoccupation with the international situation, it was now less important that the Government should announce their intentions in this matter before the summer recess.

The Cabinet—

(1) Agreed that no announcement need be made before the summer recess of the Government’s intentions in regard to the law relating to capital punishment.

(2) Agreed to resume their consideration of this question during the course of the summer recess.
4. The Cabinet considered a memorandum by the Minister of Health (C.P. (56) 188) regarding the provision to be made for capital expenditure on hospitals in the financial year 1958–59.

The Minister of Health said that a provision of £10 millions, as the Chancellor of the Exchequer had proposed, for the repair and renovation of existing hospitals in 1958–59 would involve a serious delay in the programme of modernisation which had been put forward early in the previous year. Conditions, especially in mental hospitals, were deplorable and he was satisfied that the programme of modernisation could not be retarded without risk of a breakdown in the hospital service. He had already sought to make offsetting economies elsewhere in the National Health Service; but the rising expenditure on the hospital service reflected the rise in the costs of goods and services.

The Chancellor of the Exchequer said that it was not his intention to make an issue of the figure of £1 million which was now in dispute. But his colleagues should be aware that the cost of the National Health Service would amount to some £580 millions in the current year and that expenditure on this scale must help to perpetuate inflation unless steps could be taken to reduce it.

The Cabinet agreed that the rising cost of the National Health Service gave cause for serious concern. Even though the hospital building programme could not be further curtailed, there might be scope for savings elsewhere in the Health Service. With rising personal incomes, it might be justifiable to curtail some of these services, or to require a higher proportion of the cost to be paid by the patient. This was one of the subjects to be examined in the course of the review of civil expenditure which was to be held in the autumn.

The Cabinet—

Approved, subject to the points made in their discussion, the proposal made in paragraph 6 of C.P. (56) 188.

5. The Cabinet had before them a memorandum by the Chancellor of the Exchequer (C.P. (56) 194) reporting the recommendations of the Committee of Ministers which had been appointed to formulate a revised policy for the mining of open-cast coal.

It was proposed that the Minister of Fuel and Power should be authorised to announce on a suitable occasion that the production of open-cast coal was expected to continue at a high level for at least ten years, and that more generous compensation should be paid both to landlords and to tenants. An average annual output of 12.6 million tons a year was now contemplated over the period 1957–65, but special considerations would apply to the two years immediately ahead, and the total output for the years 1957 and 1958 taken together would be between 23$\frac{1}{2}$ and 25$\frac{1}{6}$ million tons. It was not proposed that any new legislation regarding the use of land for open-cast mining should be introduced in the near future except as part of legislation dealing comprehensively with the disposal of the emergency powers relating to land.

Discussion showed that the Cabinet were in general agreement with these proposals. The following points were made:—

(a) The proposals would be more acceptable to farmers if the announcement of the Government’s intentions to continue open-cast mining for ten more years were closely linked to a promise of additional compensation.
The Chancellor of the Exchequer said that the rate of compensation should be such as would persuade farmers to accept the use of land for open-cast mining. From the financial and foreign exchange points of view, even the best agricultural land was more valuable as a source of coal than as a source of food.

(b) The Secretary of State for Scotland said that, as Scotland had only a very small proportion of first-class agricultural land, he had felt obliged to reserve his position regarding the use of high-grade agricultural land in East Lothian for open-cast mining.

(c) It was agreed that the Minister of Fuel and Power would not approach the local authorities concerned with regard to the use for open-cast mining of the seven sites in Yorkshire, mentioned in paragraph 4 of C.P. (56) 194, until he had discussed the matter further with the Minister of Housing.

The Cabinet—
Approved, subject to the points made in their discussion, the proposals in C.P. (56) 194.

6. The Cabinet resumed their discussion of the suggestion that it might be necessary for them to reconsider their earlier decision to proceed with legislation to amend the Rent Restriction Acts, in view of the intention which the Labour Party had announced to nationalise rented property when they were next returned to power. It was the view of the Cabinet, after further discussion of this question, that their decision of 26th April should be confirmed. Not merely did the Rent Restriction Acts bear inequitably on landlords, with the result that property was not kept in proper repair, but they led to injustices as between tenants and reduced the number of houses available for renting. It was right that the Government should take steps to remedy a state of affairs which tended to impair the mobility of labour; and they should not be deterred from this course by the fact that the Opposition had declared their intention to pursue a policy which would not be compatible with it. The Government were being urged by their supporters to take action on the lines proposed, and it had been established that such action would be endorsed by the Housing Committee of the Conservative Party.

The point was made, however, that the new valuation for rating which was due to come into effect in 1961 was likely to increase the rate burden falling on tenants. It was undesirable that tenants should be called upon, in quick succession, to pay increased rates as well as higher rents. The Committee of Ministers which was now reviewing local government finance should consider how this might be avoided. It was also noted that some difficulties could be expected to arise in the immediate application of the proposed new legislation on rents to Scotland, where a general revaluation of house property would be in progress until 1961.

The Cabinet—
(1) Confirmed their decision of 26th April that legislation to amend the Rent Restriction Acts should be given priority in the legislative programme for the forthcoming session of Parliament.

(2) Invited the Lord Privy Seal to arrange for the Committee of Ministers which was reviewing local government finance to consider, in the light of the Cabinet's discussion, the proposed consequences of the forthcoming revaluation for rating as they would affect the private tenant.
7. The Cabinet had before them a memorandum by the Chancellor of the Exchequer (C.P. (56) 193) on the question of continued financial assistance to the film-producing industry in this country.

The Chancellor of the Exchequer said that, if an adequate supply of British films was not forthcoming, there would be a loss of £7-8 millions in foreign exchange, due to a decline in export earnings and the cost of importing additional American films. The film-producing industry would continue to need financial assistance for this purpose. It was not proposed to make further advances from public funds to the National Film Finance Corporation, but it would be necessary to write off the advances of £3-7 millions which had already been made. Financial assistance was also afforded to the producing industry from the proceeds of a levy on the gross receipts of film exhibitors. This levy served the purpose of a tariff on imported films and, as no satisfactory alternative means of protecting the home industry could be devised, it would have to be continued. The exhibitors were, however, unwilling that the levy should be continued on a voluntary basis, and it was proposed to seek statutory authority for it. The legislation to give effect to this proposal would be contentious and the Economic Policy Committee, who had considered the matter, had felt some doubts about it; but the President of the Board of Trade and he could see no alternative course of action.

The President of the Board of Trade said that, in order to avoid a decline in the production of films because of doubts about the Government's intentions, he wished to announce before Parliament rose for the summer recess that legislation would be introduced to put the levy on a statutory basis. It would not be enough to announce in general terms that the producing industry would continue to receive financial assistance.

The Cabinet—

(1) Approved the proposals in C.P. (56) 193.

(2) Authorised, subject to their eventual decision on the composition of the legislative programme for the forthcoming session, the preparation of a Bill to give effect to these proposals for the consideration of the Legislation Committee.

Cabinet Office, S.W. 1,