CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W. 1, on Thursday, 28th February, 1957, at 10:30 a.m.

Present:
The Right Hon. HAROLD MACMILLAN, 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. PETER THORNEycroft, M.P., Chancellor of the Exchequer.
The Right Hon. JOHN MACLAY, M.P., Secretary of State for Scotland.
The Right Hon. SIR DAVID ECCLES, M.P., President of the Board of Trade.
The Right Hon. IAIN MACLEOD, M.P., Minister of Labour and National Service.
The Right Hon. VISCOUNT HAILSHAM, Q.C., Minister of Education.
The Right Hon. HAROLD WATKINSON, M.P., Minister of Transport and Civil Aviation.
The Right Hon. SELWYN LLOYD, Q.C., M.P., Secretary of State for Foreign Affairs (Items 1–3).
The Right Hon. The EARL OF HOME, Secretary of State for Commonwealth Relations.
The Right Hon. DUNCAN SANDYS, M.P., Minister of Defence.
The Right Hon. D. HEATHCOAT AMORY, M.P., Minister of Agriculture, Fisheries and Food.
The Right Hon. HENRY BROOKE, M.P., Minister of Housing and Local Government and Minister for Welsh Affairs.
The Right Hon. LORD MILLS, Minister of Power.
Dr. The Right Hon. CHARLES HILL, M.P., Chancellor of the Duchy of Lancaster.

The following were also present:
The Right Hon. JOHN BOYD-CARPENTER, M.P., Minister of Pensions and National Insurance (Item 6).
The Right Hon. HUGH MOLSON, M.P., Minister of Works (Item 10).
The Right Hon. EDWARD HEATH, M.P., Parliamentary Secretary, Treasury.

Secretariat:
Mr. B. ST. J. TREND.
Mr. H. O. HOOPER.
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1. The Foreign Secretary said that our proposals for the reduction of our forces in Europe had been received without enthusiasm by the other member countries of Western European Union (W.E.U.); but they would probably be accepted if the reductions were limited to 13,500 in the financial year 1957–58 and a similar number in 1958–59. The additional cost involved would be £3 millions, of which £2 millions would be Deutschmark expenditure.

In discussion it was agreed that a settlement by consent, even at a cost of an extra £3 millions, would be preferable to a unilateral breach of the Treaty. The settlement should, however, be clearly expressed as resting on an assumption that the German contribution to the local cost of our forces in Germany would amount to £50 millions for 1957–58 (with an appropriate contribution in the following year) and it should be communicated privately to the Supreme Allied Commander, Europe, and the Secretary-General, North Atlantic Treaty Organisation, before the discussions in W.E.U. were resumed.

The Cabinet—

Invited the Foreign Secretary to prepare instructions for the United Kingdom Permanent Representative on the North Atlantic Council on the lines discussed and to submit them for the Prime Minister's approval.

2. The Foreign Secretary said that, in view of the situation in the General Assembly of the United Nations, the prospect of an early withdrawal of Israeli forces remained uncertain. The resolution which the Canadian Government had in mind to propose had not yet been finalised; and there was still some risk that a United States resolution, which would be less satisfactory than the Canadian resolution, would be brought forward. The chief danger, however, remained the possibility of an Afro-Asian resolution invoking sanctions against Israel. If such a resolution was tabled the older members of the Commonwealth would probably vote against it. We ourselves could not easily adopt any different course without offending public opinion in this country. On the other hand, a vote against a resolution of this kind might seriously damage our relations with the Arab States. The decision on this point, if it eventually had to be faced, would therefore be a very difficult one. But the latest reports from Washington offered some hope that an agreement might be reached between the United States and Israel which would extricate us from this dilemma.

The Cabinet—

Took note of this statement.

3. The Foreign Secretary said that further examination of the problem which would arise in connection with the payment of port (as distinct from canal) dues when the Suez Canal was open had suggested that the wisest course would probably be to pay such dues in transferable sterling. For this purpose a separate account would need to be opened, the existing No. 1 and 2 Accounts remaining blocked.

The Cabinet—

Took note of this statement.
4. The Cabinet were informed of the business to be taken in the House of Commons in the following week.

5. The Cabinet had before them a memorandum by the Minister of Power (C. (57) 43) proposing a revision of the nuclear power programme.

The Minister of Power said that, if we were to keep pace with a demand for electricity which was increasing at a rate of 7 per cent. per annum, the total electricity output capacity installed by 1970 would need to be of the order of 51,000 MW. There was no prospect that supplies of coal would match an acceleration of demand at this rate, and since it would clearly be unwise, from every point of view, to rely too heavily on oil-burning plant, a considerable expansion of the existing nuclear power programme was indicated. It should be possible to install a total nuclear output capacity of 12,000 MW by 1970; and the first step in this direction should be to plan for the creation of a nuclear capacity of 5,000 to 6,000 MW by 1965. Although the capital cost of this programme would be about £770 millions more than that of a comparable programme based on conventional power stations, the resultant saving of coal should be of the order of 18 million tons a year by 1965. The unit cost of electricity from the earliest nuclear power stations might prove to be slightly higher than that from conventional stations; but technical development, which might be expected to be rapid, should succeed in eliminating this excess cost.

In discussion the following points were made:

(a) While the maximum expansion of the nuclear power programme was desirable in principle, the future investment which it implied, when added to the forward investment programmes of the other basic industries, would make heavy demands on manpower, money and materials in the early 1960s. Even if the nuclear power programme was given a high priority, it might not be possible to accommodate it within the total of investment resources likely to be available unless other programmes were curtailed. It was therefore desirable that a comprehensive review should be made of the probable demands upon the economy in the period up to 1965 (particularly from the point of view of the competing claims of defence and the basic industries) which would provide some indication of the rate at which the expanded nuclear power programme should be implemented if it was not to involve arbitrary adjustments in the programmes of other industries or to overstrain the economy. In the meantime it would be important to emphasise, in the proposed announcement about the nuclear programme, that the actual amount of nuclear capacity to be installed by 1965 would be subject to the results of technical experience and development as planning progressed, including the trend of capital costs, and to the availability of physical and financial resources.

(b) The proposed new programme would represent an important contribution to the developing needs of an economy which was rapidly substituting mechanised operation for many processes hitherto effected by hand. But a more highly mechanised industrial organisation itself implied a greater demand for imports. It was by no means certain whether we should be able to finance this expansion of imports by a corresponding expansion of exports, especially if no significant export of nuclear products and techniques could be expected until 1965. As a corollary to an expanded nuclear power programme it would therefore be necessary, by one means or another, to continue to restrain consumption in order to stimulate the essential expansion of exports. Given restraint on consumption, personal savings should be available to finance investment on the scale proposed. But, without savings of this order, all the investment programmes of the basic industries would be in jeopardy.
(c) It could be argued that, in view of the rapidity of technical development in nuclear energy and the possibility that the earliest types of nuclear plant would be economic only when used on base load, the initial stage of the new programme should be implemented on a more modest scale, allowing for a more rapid expansion in the years after 1965. On the other hand, the final decision on the amount of nuclear capacity to be commissioned by the end of 1965 need not be taken for another eighteen months or two years, and planning during this period would be adapted to fresh technical developments as soon as they became available.

(d) The proposed expansion of the civil nuclear power programme would not involve any conflict with the military nuclear programme as at present planned.

(e) An expansion of the nuclear power programme on the scale proposed would probably involve considerable disturbance to the amenities of the countryside. If this was not to create a fresh public outcry on each occasion when a new nuclear power station was installed, it should be made clear, at the very outset of the new programme, that some loss of amenities was the unavoidable price which had to be paid if the needs of the economy over the next fifteen years were to be met. At the same time, however, care should be taken, in planning and siting the new stations, to operate the revised procedure for securing planning consent which the Minister of Power proposed in such a way as to restrict to the minimum the inevitable reduction of amenities. In particular, it would be desirable to give notice of the construction of new stations by public advertisement.

The Cabinet—

(1) Approved the revision of the nuclear power programme proposed by the Minister of Power.

(2) Authorised the Minister of Power to announce the new programme by means of a statement in the House of Lords, in the terms of the draft annexed to his memorandum, concurrently with a similar statement by the Paymaster-General in the House of Commons, at an early date.

(3) Invited the Chancellor of the Exchequer to arrange for a review of the probable demands upon the economy, particularly in terms of defence and the basic industries, in the period to 1965.

6. The Cabinet considered a memorandum by the Chancellor of the Exchequer (C. (57) 42) proposing increases in the remuneration of Ministers and Members of Parliament and in the salaries paid in certain other public and semi-public services. They also had before them a memorandum by the Minister of Pensions (C. (57) 47) on the timing of any announcement on this subject.

The Chancellor of the Exchequer said that, on the hypothesis that some increase in public service salaries was now overdue, no more opportune moment for making the necessary adjustments was likely to occur. So far as possible, his proposals should be agreed with the Opposition and announced in a single comprehensive statement. The salary of members of the House of Commons should be raised to £1,750 a year (the existing sessional allowance being withdrawn) and an expenses allowance of £3—£5 a day—the actual figure being a matter for discussion—should be paid to Peers attending the House of Lords. Ministers should be entitled to draw all the increased Parliamentary salary, or the greater proportion of it; and some increase in the Ministerial salaries of senior Ministers.
would be both justified on merits and necessary to provide sufficient latitude for raising the salaries of junior Ministers. The actual scale of Ministerial salaries might be between the minimum and the maximum limits set out in the Appendix to his memorandum. If, however, the figure of £8,250 for a senior Minister in the House of Commons was too high, an alternative approach lay in limiting the increase in Ministerial salary more stringently and in restricting the amount of Parliamentary salary which such a Minister might draw. For example, if the increases in both Ministerial and Parliamentary salaries were confined, in such a case, to £1,000, a senior Minister in the House of Commons would receive £7,000. But whatever scheme was adopted, it should seek to reduce to a minimum the disparity between the salaries of Ministers in the House of Commons and the House of Lords respectively.

The Home Secretary said that priority should be accorded to an improvement in the salaries of junior Ministers and in the attendance allowance for Peers. It would only be justifiable to increase the pay of members of the House of Commons if these two claims could be met at the same time. But it was doubtful whether this was an opportune moment for announcing increases in public service salaries. It had been decided to defer action when the matter was last considered in the previous summer; the economic situation had not improved in the meantime; and the Government were now confronted with the need to withstand a number of pressing salary claims, including those of doctors and dentists. In these circumstances it would be difficult to justify any significant increase in the Ministerial salaries of senior Ministers, although they might be allowed to draw their full Parliamentary salaries.

The Prime Minister said that he was disquieted by the possibility that Ministers might appear to be awarding themselves a large increase in salary, and he shared the view that a substantial increase in the salaries of senior Ministers could not be defended. An alternative solution might be that the salaries of senior Ministers should remain, as at present at £5,000; that the salaries of the Paymaster-General and junior Ministers should be fixed at £3,000; that the salaries of Parliamentary Secretaries should be raised to £2,000; but that all Ministers should be permitted to draw, in addition, £1,000 of their Parliamentary salary.

Discussion showed that the Cabinet were in favour of seeking a solution to the problem of Ministers' salaries on the basis of a compromise between the proposals outlined by the Prime Minister and those put forward by the Chancellor of the Exchequer. It was, however, recognised that a Minister who was a Peer would not be able to draw the proposed Parliamentary allowance for Peers in addition to his Ministerial salary, and that further consideration would need to be given to means of reducing the disparity in Ministerial remuneration in the two Houses. A solution could not be found, consistently with the impartial administration of the income tax, by legislation to exempt from tax some element in a salary related to the performance of Ministerial duties.

In further discussion the following points were made—

(a) There would be no advantage in introducing, as an alternative to an increase in the salary of members of the House of Commons, a separate allowance to cover the cost of secretarial assistance. This solution, which had been rejected by all previous Select Committees who had considered the matter, would not commend itself to the House of Commons, and would be of doubtful application to a Member who did his own secretarial work.

(b) An allowance of £4 or £5 a day for Peers attending the House of Lords would represent some relief to Peers, but it could be argued that the needs of those Peers who devoted themselves to the work of the House of Lords would not be met by such an
allowance. The payment of a salary to these Peers was now desirable if the House was to continue to function effectively. On the other hand the introduction of salaries for Peers would be open to considerable criticism.

(c) The proposed level of salaries for the chairmen of Area Boards in the nationalised industries, who were now increasingly appointed by promotion from within the industries, might need reconsideration in comparison with the proposed levels of salaries for university staff.

(d) The proposed salary scales for the Lower Judiciary had already been discussed and could be accepted.

The Cabinet briefly discussed whether the balance of advantage lay in giving effect to the proposed salary increases, when they had been finally agreed, at an early date, or in deferring them for a further period. An early announcement of increases in public service salaries would be less likely to provoke fresh wage claims than a similar announcement made later in the year. On the other hand, an announcement in the near future would reinforce the growing pressure for some improvement in retirement pensions and National Assistance scales. It would also make it more difficult to resist an interim award to doctors and dentists.

The Cabinet—

(1) Invited the Chancellor of the Exchequer to arrange for further examination of the proposed increases in public service salaries in the light of the views expressed during their discussion.

(2) Agreed to resume their discussion at a later meeting.

The Prime Minister said that he was not entirely satisfied that this transaction was in our interests. Genuine dollar investment in the Commonwealth was to be welcomed. But a transaction which amounted to no more than a "take-over bid," with no guarantee that it would be followed by fresh investment, should be examined very closely. The proposed transfer of domicile was also objectionable, inasmuch as it might make it possible for an American purchaser to...
realise a profit as the result of a concession which would be refused to any British purchaser of the company. The proposal should therefore be re-examined, and it might be desirable to appoint a small Committee of Ministers to consider the basis on which transactions of this kind should be dealt with.

The Cabinet—

Took note that the Prime Minister would discuss further with the Chancellor of the Exchequer the issues involved in the transfer of control of the South-West Africa Company to American interests.

8. The Cabinet had before them a memorandum by the Home Secretary (C. (57) 46), proposing that the system whereby a lump sum grant had been paid annually to the Government of Northern Ireland, for disbursement as partial compensation to Northern Irish farmers for their remoteness from their main market in Great Britain, should be replaced by new arrangements under which the annual payment would be fixed in advance for the next five years, the size of the payment thereafter being settled after a review in the fourth year.

The Chancellor of the Exchequer said that although there was some risk that arrangements of this kind would have to be prolonged indefinitely, the statutory power to extend them after the first five years would be permissive, not mandatory. On that basis, and in view of the special circumstances of Northern Ireland, the proposals were not unreasonable.

The Cabinet—

(1) Approved the new arrangements for providing special assistance to agriculture in Northern Ireland.
(2) Authorised the inclusion in the forthcoming Agriculture Bill of a provision to enable the annual payment to the Government of Northern Ireland for agriculture to be borne on the Votes of the Ministry of Agriculture.

9. The Cabinet had before them a memorandum by the Minister of Transport (C. (57) 44) seeking authority for legislation in the forthcoming Session to establish a conservancy authority for Milford Haven.

The Minister of Transport said that Milford Haven was the only southern harbour in Great Britain capable of accommodating tankers of 100,000 tons and cargo vessels of corresponding size which were being introduced for the transport of iron ore. It should therefore be rapidly developed. He had set up a Committee, representing the oil companies and other interests concerned, to deal with the immediate problems involved in developing the port; but it was important that a conservancy authority should be established to assume permanent responsibility for controlling the increasing traffic. This authority would be financed by user interests, and no Exchequer expenditure would be involved. As the oil industry was likely to become increasingly dependent on the use of large tankers of 60,000–100,000 tons, urgent consideration would also need to be given to accommodating larger vessels at ports elsewhere along the coast.
The Minister of Power and The Minister for Welsh Affairs said that they welcomed this proposal. It would be helpful, in securing the support of Welsh opinion, to lay emphasis on the fact that the proposed arrangements were being made in consultation with the Minister for Welsh Affairs. It was also important, in order to avoid pressure for similar projects to be undertaken elsewhere, to emphasise that no Exchequer expenditure would be involved in the Milford Haven project.

The Cabinet—

Approved the proposal put forward in C. (57) 44.

10. The Cabinet considered a memorandum by the Minister of Transport and the Minister of Works (C. (57) 40) recommending that the scheme for major road improvements to relieve traffic congestion at Hyde Park Corner, Park Lane and Marble Arch, should now be approved. The Cabinet also had before them a memorandum by the Lord President (C. (57) 45) supporting this proposal and urging that the construction of the proposed east–west tunnel should proceed simultaneously with work on the remainder of the scheme.

The Minister of Transport said that the proposed scheme had been thoroughly re-examined in order to take account of the objections which had been raised in the Cabinet's earlier discussion. The Minister of Works and he were now satisfied that the original scheme, with certain modifications, represented the most satisfactory solution of the problem of traffic congestion at Hyde Park Corner. It would involve no interference with the Decimus Burton screen, and the north-bound traffic would be accommodated on a new road which would replace the East Carriage Drive and would make the minimum encroachment on the Park. It would not be possible to dispense with the proposed subsidiary roundabout at Hamilton Gardens without substituting a tunnel under the Gardens. The east–west tunnel at Hyde Park Corner would probably prove necessary in time, but its construction would not be undertaken until the need for it had been further demonstrated. The London County Council had accorded the highest priority to the Park Lane scheme. The Government would be exposed to serious criticism if the relief of traffic congestion there were further delayed and he therefore sought authority to proceed.

The Minister of Housing, supporting this proposal, said that there was no ideal solution to this problem, but the scheme under consideration was the best which could be devised. He hoped that close contact would be maintained with his Department on the amenity aspects of the project.

Discussion showed that the Cabinet continued to entertain misgivings about the proposed scheme. It was argued that an alternative scheme, limited to the construction of an east–west tunnel, might afford adequate relief for traffic congestion at Hyde Park Corner with less damage to amenities. Moreover, the expenditure involved might be better employed in carrying out an important road scheme in an industrial area, for which it might be possible to urge greater priority. The Cabinet were informed, however, that it was the north–south, rather than the east–west, traffic which was mostly responsible for the congestion at Hyde Park Corner, and the east–west tunnel would make no contribution towards facilitating the flow of this traffic. On the question of relevant priority, traffic was more congested at Hyde Park Corner than at any other place in the country.
It was agreed that, in view of these considerations, there was no alternative to approving the proposed scheme. The appropriate time for starting work on it would, however, be a matter for separate consideration.

The Cabinet—
Approved in principle the proposed Park Lane scheme as described in C. (57) 40.

Cabinet Office. S.W. 1,
28th February, 1957.