CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W. 1, on Tuesday, 12th March, 1957, at 11 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 (Items 5–12).

The Right Hon. IAIN MACLEOD, M.P., Minister of Labour and National Service (Items 1–10).

The Right Hon. LORD MILLS, Minister of Power.


The Right Hon. SELWYN LLOYD, Q.C., M.P., Secretary of State for Foreign Affairs.

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

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. VISCOUNT HAILSHAM, Q.C., Minister of Education.

The Right Hon. HAROLD WATKINSON, M.P., Minister of Transport and Civil Aviation.

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 11).

The Right Hon. DENNIS VOSPER, M.P., Minister of Health (Item 1).

The Right Hon. AUBREY JONES, M.P., Minister of Supply (Item 4).

The Right Hon. EDWARD HEATH, M.P., Parliamentary Secretary, Treasury.

Secretariat:

The Right Hon. Sir NORMAN BROOK.
Mr. B. ST. J. TREND.
Mr. H. O. HOOPER.
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1. The Prime Minister informed the Cabinet that The Queen had been pleased to approve the appointment of Sir Harry Pilkington as Chairman of the proposed Royal Commission on the pay of doctors and dentists. He proposed to announce this appointment, and the names of the other members of the Royal Commission, in the House of Commons that afternoon. He also proposed to announce that the Government had decided, as an interim adjustment, to increase the pay of junior members of hospital staffs by 10 per cent. from 1st April, and were considering what corresponding interim adjustment would be justified in the pay of other doctors and dentists covered by the Commission's terms of reference. A further announcement on this subject would be promised in due course.

He had meanwhile explained to the representatives of the doctors and dentists that the adjustment in pay which the Government were considering for doctors and dentists not covered by the award to junior staffs would not be deferred to await any interim report by the Royal Commission. He hoped that, as a result, moderate counsels would now prevail and that the two professions would collaborate in the work of the Royal Commission. A further announcement might be made before the Easter recess, awarding an interim increase of possibly 5 per cent. to those doctors and dentists who would not benefit from the award to junior staffs.

The Cabinet—

Took note that the Prime Minister would make a statement in the House of Commons that afternoon, in the terms which he had outlined, on the pay of doctors and dentists.

Parliament.

2. The Cabinet were informed of the business to be taken in the House of Commons in the following week.

Defence Policy.

(Previous Reference: C.C. (57) 15th Conclusions, Minute 1.)

3. The Prime Minister briefly informed the Cabinet of the provisional conclusions on the future size, organisation and equipment of the Armed Forces which had been reached by a meeting of Ministers held at Chequers on 23rd and 24th February and had subsequently been endorsed by the Defence Committee. These conclusions would be reflected in the Statement on Defence, 1957, which the Cabinet would shortly be asked to consider.

The Cabinet—

Took note of the Prime Minister's statement.

Nuclear Weapons Tests.

(Previous Reference: C.M. (56) 74th Conclusions, Minute 6.)

4. The Foreign Secretary said that the more extreme elements of public opinion, both at home and abroad, appeared to be mobilising in opposition to the next nuclear weapons test which we were now planning. If this test was frustrated, the effect on our programme of research and development would be serious. It would therefore be desirable, not only to accelerate the test as much as possible, but also to make further improvements in the safety precautions to be observed and to give the Japanese Government sufficient information to allay their anxiety. It might also be necessary to adopt a rather more generous attitude as regards compensation for any loss or damage which could reasonably be attributed to the tests.

The Cabinet agreed that the arrangements for conducting the next test of nuclear weapons should be reviewed as a matter of urgency. It would also be necessary to consider whether, as an additional means of allaying public disquiet, facilities should be accorded to representatives of the Press to witness the test.
should be exercised, however, in committing ourselves to any general scheme of compensation.

The Prime Minister said that he would invite one of his colleagues to carry out this review with the assistance of representatives of the Departments concerned.

The Cabinet—

Instructed the Secretary of the Cabinet to arrange for representatives of the Departments concerned to review, under the supervision of a Minister to be nominated by the Prime Minister, the arrangements for carrying out the next test of nuclear weapons.

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The Cabinet—

Instructed the Secretary of the Cabinet to arrange for representatives of the Departments concerned to review, under the supervision of a Minister to be nominated by the Prime Minister, the arrangements for carrying out the next test of nuclear weapons.

5. The Foreign Secretary said that, in the discussions which the Prime Minister and he had held in Paris, the attitude of French Ministers had been unsympathetic to our proposal to reduce the strength of our forces in Europe. Even if, with the goodwill of the Supreme Allied Commander, Europe, and the Secretary-General of the North Atlantic Treaty Organisation (NATO) the process of consultation in NATO was concluded in the next few days, the French Government would probably attempt to frustrate our proposal by tabling a resolution in the resumed discussions in the Western European Union (W.E.U.). We should make no concession in advance, in the hope that the other members of W.E.U. might be sufficiently well disposed to enable us to secure the consent of W.E.U. to our proposals without modification. It might, however, be necessary to offer, at some stage, to limit the scope of the present decision to the withdrawal planned for 1957-58 and to discuss afresh, later in the year, the extent of the withdrawal in 1958-59. This offer should, however, be held in reserve for the present.

In discussion there was general agreement that, while we must adhere to our intention to reduce our forces in Europe, we should seek to present this decision in a way which would cause least embarrassment to the French Government who would shortly be faced with a critical debate in the National Assembly. Moreover, the Paris Agreements and the current plans for the closer association of this country with Europe in a Free Trade Area had given great encouragement to our friends throughout Europe, and a faulty presentation of the withdrawal of British forces might do serious damage to our relations with European countries generally. We should therefore spare no effort to avoid a vote against us in W.E.U., which would leave us no alternative to breaking the W.E.U. Treaty in order to give effect to our policy.

The Cabinet—

Invited the Foreign Secretary to instruct our representatives at NATO and W.E.U. to be guided, in the debates about the reduction of our forces in Europe, by the considerations noted in their discussion.

6. The Foreign Secretary said that he had given further thought to the request by the Congress for Rights and Freedom in Russia for permission to hold a meeting in this country. He proposed to inform Congress for Rights and Freedom in Russia that there was no legal barrier to international conferences being arranged in this country, provided that they involved no threat to the maintenance of law and order. Applications for visas from such persons as would need them in order to visit the United Kingdom would be considered on their merits and by reference to the personal qualifications of the individuals concerned.

The Cabinet—

Took note, with approval, of this statement.
7. The Foreign Secretary said that the negotiations for terminating the Anglo-Jordan Treaty would probably be concluded on the basis of an agreement whereby we would remove part of our stores but would hand over to the Jordan Government all fixed installations, transfer to them equipment which we lent them some years ago together with a quantity of ammunition, and cancel an outstanding debt of about £1½ millions. In addition, we should notionally pay to the Government of Jordan the February instalment of the subsidy under the Treaty, but should make no payment in, or after, March. The Jordan Government, for their part, would pay us £½ million in May and thereafter £½ million each half year for the next four years. In all, they would pay us an amount between £4 and £4½ millions. In the circumstances this represented the best settlement we could hope to achieve and might be regarded as a relatively cheap price for the termination of our obligations under the Treaty.

The Cabinet—

Took note, with approval, of this statement.

8. The Foreign Secretary said that the Egyptian Government had so far made no reply to the letter from the Secretary-General of the United Nations outlining a possible basis for an interim administration of the Suez Canal. Meanwhile we were continuing our efforts to persuade the United States Government to indicate how far they were prepared, in the event of Egyptian recalcitrance, to bring financial pressure to bear on the Egyptian Government to secure a satisfactory settlement.

The Minister of Transport said that there was some risk that the Egyptian Government would declare the Canal open before any interim agreement for its administration had been reached. British shipping interests would expect to be advised what policy they should then pursue, and it might be advisable to suggest to them that they should initially confine themselves to seeking assurances about navigational safety and the adequacy of the technical facilities along the Canal. They should not, however, be drawn into any discussion about the payment of Canal dues or a possible boycott of the Canal.

The Prime Minister said that, while it might be possible to gain a little time in this way, the Cabinet would shortly need to take major decisions about our policy as regards use of the Suez Canal. For this purpose it would be helpful if Ministers could have a factual statement including the extent to which we relied upon the Canal, the amount likely to be involved in the payment of dues, and the degree of control over British ship-owners which the Government could exercise in the last resort.

The Cabinet—

Instructed the Secretary of the Cabinet to arrange, as a matter of urgency, for the preparation of a comprehensive factual memorandum about British use of the Suez Canal, on the lines indicated by the Prime Minister.

9. The Foreign Secretary said that the Egyptian Government appeared to have decided to resume administration of the Gaza Strip. Cairo Radio had also announced that Egypt would continue to exercise belligerent rights in the Gulf of Aqaba. This could be interpreted as meaning that the Egyptian Government regarded themselves as still at war with Israel; and in that event Israel would be entitled to attempt to reoccupy the Gaza Strip by force.
were seeking to obtain from the United States Government a clearer statement than they had so far vouchsafed in public about the action which they would be prepared to take in order to establish freedom of navigation through the Gulf of Aqaba.

The Cabinet—

Took note of this statement.

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10. The Minister of Labour said that the wages dispute between the British Transport Commission (B.T.C.) and the National Union of Railwaymen (N.U.R.) had been submitted to arbitration after the N.U.R. had rejected the B.T.C's offer of an increase of 3½ per cent. There was some risk that the arbitration tribunal might award an increase of no more than 3 per cent., in which case the N.U.R. would undoubtedly reject the award and call a strike.

In the shipbuilding industry the employers, in rejecting the claim for a wage increase of 10 per cent., were invoking the Government's policy of wage restraint, and the unions therefore regarded their threat of a strike as a direct challenge to the Government. They would probably give effect to this threat, and there was some risk that the strike would extend to other industries. Since the parties to the dispute had reached their respective attitudes after prolonged negotiation, the normal conciliation machinery of the Ministry of Labour could make no contribution towards a settlement. Equally, since the causes of the dispute were clear, the issue was not appropriate for examination by a court of inquiry. The only hope of a solution lay in referring the dispute to arbitration. Lord Evershed, if he would accept appointment, would be a wholly suitable arbitrator. But, even if the employers reluctantly acquiesced in this procedure, it was unlikely that the unions would accept it. In that case, a serious and protracted strike appeared to be unavoidable.

The Cabinet then discussed the draft of a statement in which the Minister of Labour proposed to announce, that day, the reference of the dispute to an arbitrator. There was general agreement that the Government should stand firm on the policy outlined in that statement and should take no action which could be interpreted by the employers as implying that the need for wage restraint was any less than hitherto. It was essential that the Government's case should be presented clearly and convincingly to public opinion, which might be expected to support the simple proposition that, even if two parties could not agree on the settlement of a dispute, they should at least be prepared to accept the ruling of an impartial arbitrator. It was also important to emphasise that, although in the circumstances of this particular dispute something other than the normal conciliation action of the Ministry of Labour was required, the facilities for conciliation remained at the disposal of the employers and the unions.

In further discussion it was emphasised that, if the dispute developed into a general strike, its economic effects would be very damaging, particularly in terms of the impact on the balance of payments and on foreign confidence in sterling. The more moderate elements of opinion in the Trades Union Congress should, if possible, be enlisted in support of the Government's policy; and it would be helpful if the forthcoming award to the railwaymen was such as to diminish the risk of a strike on the railways as well. In the meantime the administrative machinery for dealing with situations of emergency should be brought into readiness.
The Cabinet—

(1) Invited the Minister of Labour to announce in the House of Commons that day, in terms of the draft statement as amended in discussion, the Government's intention to appoint an arbitrator in the wages dispute in the shipbuilding industry.

(2) Invited the Home Secretary to arrange for an early meeting of the Emergencies Committee to consider what action might be needed if the present industrial disputes resulted in widespread strikes.

11. The Cabinet had before them a memorandum by the Minister of Power (C. (57) 63) about pensions increases for pensioners of the gas and electricity industries who, before nationalisation, were employed by private companies.

The Minister of Power said that, on nationalisation, both the gas and electricity industries had assumed responsibility for pensioners previously employed by municipal undertakings and private companies. The pensioners previously employed by the former, but not the latter, type of undertaking had been entitled to the benefits conferred by the various Pensions (Increase) Acts of recent years. It was difficult to defend such a distinction, and he was under pressure to extend the benefits of the most recent Pensions (Increase) Act of 1956 to ex-company employees. The cost of doing so would amount to only £170,000 for the gas industry and £50,000 for the electricity industry. But pressure must then be expected for a corresponding improvement in the pensions of former employees of other industries which had been nationalised, particularly the railway services.

The Minister of Transport said that, following the passage of earlier Pensions (Increase) Acts, the British Transport Commission had increased on an ex gratia basis the pensions of the salaried pensioners of the former railway companies who were excluded from the National Insurance Scheme. If the benefits of the Act of 1956 were now extended to the ex-company pensioners of the gas and electricity industries, it would probably be necessary to make a further award, at the cost of an additional £650,000, to the salaried pensioners of the railways, and it would be difficult to resist the pressure which would then be exerted to secure an increase in the pensions of the retired wage-earning employees of these companies. The cost of a concession to this further claim would exceed £1 million, and in view of the present financial position of the Transport Commission it might be necessary for the Government to make the necessary regulations without the consent of the Commission.

It was the general view of the Cabinet that it was no longer possible to differentiate between the claims of the two types of pensioners in the gas and electricity industries, even if this ultimately involved extending corresponding treatment to the salaried pensioners of the former railway companies. There was, however, no comparable justification for conferring on the wage-earning staffs of these companies the benefits of the Pensions (Increase) Acts.

The Chancellor of the Exchequer said that he was in agreement with this view, although the expected pressure on behalf of the salaried pensioners of the former railway companies should be resisted for as long as possible.
12. The Cabinet had before them a note, circulated by the 
Minister of Agriculture at the meeting, indicating the price changes 
which, in agreement with the Chancellor of the Exchequer, he had 
offered the farmers’ unions.

The Minister of Agriculture said that a settlement with the 
farmers appeared to be possible on the basis of this schedule of price 
changes, provided that the Government would concede, in addition, 
an increase of one farthing per gallon for milk. The total cost of the 
price review would, on this basis, be about £14 1/2 millions, of which 
£12 millions would fall on the Exchequer and £2 1/2 millions on the 
consumer. As a result, the price of milk would have to be maintained 
at 8d. a pint for rather longer during the summer than had originally 
been envisaged; but the additional farthing per gallon for milk was 
a concession which, however indefensible economically, was of 
political significance as a symbol of the Government’s concern for the 
interests of the small farmer.

The Chancellor of the Exchequer said that a settlement on the 
basis suggested by the Minister of Agriculture would increase the cost 
of agricultural subsidies as a whole in 1957–58 by some £35 millions. 
Moreover, a concession of an extra farthing per gallon for milk would 
represent a retreat from the Government’s earlier decision on this 
point, for which no economic justification could be advanced. It 
would be indefensible to maintain the price of milk at 8d. per pint 
while, at the same time, giving further artificial stimulus to the 
production of milk.

The Home Secretary said that it would be unwise to jeopardise 
the possibility of an agreed settlement with the farmers for the sake 
of an extra farthing per gallon of milk. Alternatively, however, some 
other form of additional assistance for the small farmer (e.g., an 
increase in the subsidy for oats or a subsidy for the production of 
silage) might preserve the new relation between the Government and 
the farmers and maintain the productive impetus in agriculture.

Discussion showed that the Cabinet were reluctant to envisage 
an increase in the subsidy for milk and were initially disposed to 
favour a subsidy for the production of silage if a satisfactory 
settlement could be achieved on this basis and the administrative 
difficulties could be overcome. The balance of the considerations 
involved, however, required further examination.

The Cabinet—

Agreed to resume their discussion of this question later that 
day.

Cabinet Office, S.W. 1. 
12th March, 1957.