CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Tuesday, 9th July, 1957, at 11.30 a.m.

Present:

The Right Hon. HAROLD MACMILLAN, M.P., Prime Minister.


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

The Right Hon. The EARL OF HOME, Secretary of State for Commonwealth Relations and Lord President of the Council.

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.

The Right Hon. VISCOUNT KILMUIR, Lord Chancellor.

The Right Hon. PETER THORNEycROFT, M.P., Chancellor of the Exchequer.

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

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. CHARLES HILL, M.P., Chancellor of the Duchy of Lancaster.

The Right Hon. GEORGE WARD, M.P., Secretary of State for Air (items 4 and 5).

The Right Hon. LORD STRATHCLYDE, Minister of State, Scottish Office.

The Right Hon. AUBREY JONES, M.P., Minister of Supply (items 4 and 5).

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

Secretariat:

The Right Hon. Sir NORMAN BROOK.

Mr. B. ST. J. TREND.

Mr. J. M. WILSON.
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1. The Prime Minister said that the Meeting of Commonwealth Prime Ministers, which had held its final session on 5th July, had been a success. There had been no question of recrimination against the United Kingdom in connection with the events of the preceding year; indeed, there appeared to be a general recognition that in recent months the situation in the Middle East had considerably improved. Moreover, the Meeting had perhaps contributed to a certain relaxation of tension between India and Pakistan; and its value had been increased by the attendance of the new Prime Minister of Canada, who had emerged as a man of considerable strength of character and purpose.

The Commonwealth Secretary said that the success of the Meeting owed much to the skill with which the Prime Minister had guided the discussions. The Prime Minister of Ghana had been particularly impressed by the spirit in which the Meeting had been conducted.

In discussion it was suggested that the proposal of the Prime Minister of Canada to increase the volume of trade between the United Kingdom and Canada offered potential opportunities which the United Kingdom should not neglect. A fresh appraisal of our proposals for the establishment of an industrial free trade area in Europe would need to be made in the light of the results of the Meeting of Commonwealth Prime Ministers; and this review would need to take full account of the initiative by the Government of Canada.

2. The Foreign Secretary said that Persia had recently suffered a severe earthquake and that it would be desirable that the United Kingdom should make available such assistance as was possible, primarily in the form of tents and surgical equipment. He would discuss the scale of such assistance with the Chancellor of the Exchequer.

The Foreign Secretary said that the recent changes in the Government of the Soviet Union appeared to mark the elimination of the more reactionary forces. This would not necessarily result in a change in the ultimate aims of Soviet foreign policy. Nor should it be assumed that the new régime would be any more stable than its predecessor. Mr. Krushchev appeared to have emerged as the dominant personality for the time being; but he was of an unpredictable temperament and might no longer be restrained as effectively as hitherto by the need to compromise with points of view which differed from his own.

It was for consideration whether, in the light of these changes, some action should be taken to ensure that a more representative selection of Members of Parliament would take advantage of the invitations to visit the Soviet Union which were issued from time to time by the Soviet Government. It was also for consideration whether the Government should take steps to secure full publicity in this country for the report on events in Hungary by the Special Committee of the General Assembly of the United Nations.

In discussion it was agreed that, while no action should be taken to encourage Members of Parliament to pay more frequent visits to the Soviet Union, they should not be inhibited from doing so. It would be undesirable that the United Nations report on Hungary should be made the occasion of Government propaganda against the Soviet Union. It would be preferable to allow this document, which would be on sale to the general public, to speak for itself.
Disarmament.

The Foreign Secretary said that the representative of the Soviet Union on the Disarmament Sub-Committee had virtually rejected the disarmament proposals which had been tabled by the United States, the United Kingdom, Canada and France on 2nd July. The Soviet Union would undoubtedly continue to press their proposal for the immediate and unconditional suspension of all nuclear tests; and, if the deceptive simplicity of this proposal was not to attract undue attention, it would be undesirable to afford an opportunity for more than one Parliamentary debate on this subject before the summer recess.

In discussion it was agreed that any Parliamentary debate on disarmament should, if possible, be deferred until the penultimate week before the summer recess.

Irish Republic.

3. The Home Secretary said that the action of the Prime Minister of the Irish Republic in interning certain terrorists was greatly to be welcomed. There appeared to be little doubt that the Irish Republican Army were preparing to perpetrate further outrages on the traditional Orange holiday in Ulster, and it was satisfactory that action had been taken to forestall incidents of this kind. There was some danger that the Unionists in Ulster might attempt to take action in retaliation for the recent outrages in the Six Provinces; and we should use our influence to persuade the Government of Northern Ireland to restrain any tendencies of this kind.

Royal Ordnance Factories.

4. The Cabinet had before them a memorandum by the Minister of Supply (C. (57) 153) on the Royal Ordnance Factories. The Minister of Supply said that the reduction in the number of Royal Ordnance Factories would have to be carried out in two stages. A preliminary assessment of the probable future demands from the Services indicated that at least seven of the existing twenty-three Royal Ordnance Factories would no longer be required. The capacity of the sixteen remaining factories would still be in excess of requirements, but the extent of the surplus could not be precisely determined until the Services had formulated their long-term programmes in the light of the current defence review. He therefore proposed that an early announcement should be made about the intended closure of the Royal Ordnance Factories at Swynnerton, Thorp Arch, Maltby and Irvine, where dismantling work would begin immediately. In view of the uncertainty which had existed for some time about the future of the tank factory at Dalmuir, the announcement should also state that this factory would be closed down on the completion of the present programme late in 1958. The factories at Wigan and Poole would not be closed down until 1959–60, and the announcement about their closure could therefore be deferred until the further review had been carried out. The Labour Party were likely to argue that these factories should be retained in State ownership and used for the production of civil equipment as in the years immediately after the last war. The Royal Ordnance Factories were not, however, equipped or organised for civil production, and it would be preferable to dispose of the sites wherever possible to industrial concerns. A limited amount of civil work might be undertaken when it would help to keep in being a nucleus of skilled labour required for an established defence need or when available capacity could be used to supplement a shortage in industry.

In discussion there was general support for these proposals. Pressure for the retention of the factories for civil work should be resisted, since experience in the years after the last war had shown...
that the Royal Ordnance Factories could not economically undertake civil work except, to a limited extent, on sub-contract from industrial concerns.

The Government were likely to be criticised for closing the filling factory at Swynnerton, since there would be difficulty in finding alternative employment for the labour displaced owing to the high rate of unemployment which already existed in the Potteries. It would, however, be uneconomic to close, instead of Swynnerton, the filling factory at Glascoed which was a more efficient production unit. The arrangements recently agreed for providing financial assistance when workers had temporarily to be transferred from areas where unemployment arose suddenly would help to mitigate the effects. It might, however, be necessary to consider further help for the industries in the Potteries. There would also be criticism of the decision to close the explosives factory at Irvine, but this criticism would be reduced if North Ayrshire were retained in the schedule of Development Areas.

The inclusion of two of the three Scottish Ordnance Factories in a first list of five factories to be closed would create an unfortunate impression in Scotland. Discussions were taking place about the transfer of the tank factory at Dalmuir to an industrial concern. An announcement about this transfer should, if possible, be made at the same time as the announcement about the closure of the factory. The effects would be further mitigated if the initial announcement also referred to the intended closure of the factories at Wigan and Poole. Although a reference to closures which would not take place for some two years would increase the risk that political pressure would build up against the decisions, it was reasonable that the Government should give as much advance notice as possible to their employees and should allow the maximum of opportunity for the consideration of possible alternative uses for the factories. The initial announcement should, therefore, refer to all the seven factories. It would be desirable to expedite decisions about the closure of further factories in order to obtain the economic benefits of the reductions in the effort at present devoted to defence. These further closures would need to be discussed with the Services when their long-term programmes had been settled; but further announcements should be possible early in 1958.

The Cabinet—

(1) Agreed that the initial announcement about the intended closure of Royal Ordnance Factories should cover the seven factories listed in paragraph 4 of C. (57) 153.

(2) Invited the Minister of Supply to consult the Secretary of State for Scotland, the President of the Board of Trade and the Minister of Labour about the terms of this announcement.

(3) Subject to the modification recorded in Conclusion (1), approved the proposals in C. (57) 153.

The Cabinet had before them memoranda by the Minister of Supply (C. (57) 154) and the Minister of Civil Aviation (C. (57) 159) about the future of the aircraft industry.

The Minister of Supply said that the aircraft industry resembled the nuclear power and electronics industries in that it had been the recipient of very considerable Exchequer assistance for research which, though intended primarily for defence purposes, had been of great benefit also to the civil sector of the industry. But, whereas the need for military research in nuclear power and electronics would continue, it would henceforward be reduced in the aircraft industry, which would then be faced with the problem of financing the research which would continue to be necessary for civil purposes. Some
continuing Exchequer assistance, therefore, appeared to be inevitable, partly because the industry would collapse without it, partly because its competitors in other countries were supported by State action of various kinds, and partly because the volume of research which was essential to maintain an efficient and progressive industry was beyond the capacity of any one firm or group of firms.

The industry must clearly be encouraged to contract to a size commensurate with the reduced military requirement. But if, at the same time, its civil sector was to expand, the Government should seek to ensure that it would receive adequate initial orders by co-ordinating the aircraft requirements of R.A.F. Transport Command and the Airways Corporations, and should continue to bear, though increasingly on the civil rather than the defence Budget, the cost of research and experimental work.

The Minister of Civil Aviation said that, although the main source of future orders for the industry would continue to be represented by Transport Command and the two Airways Corporations, the Britannias already ordered for Transport Command would suffice until the 1970s, while the two Corporations had also placed orders for the main aircraft which they were likely to need during the next few years. As a result, no major orders could be foreseen in the immediate future which would enable the aircraft industry to sustain the research and development work which would be necessary if the latest technical advances in aerodynamics were to be fully explored.

In discussion it was suggested that the world demand for civil aircraft during the next ten years was likely to be very considerable. The United Kingdom aircraft industry would, therefore, need to become predominantly an export industry. As compared with its main competitor in the United States, it would enjoy the advantage that skilled labour costs, which constituted a high proportion of the total costs of production, were appreciably lower in the United Kingdom than in the United States. It was all the more important that research should be adequately financed by one means or another; and this problem should be examined in the light of the contention by the aircraft industry that it was inadequately supplied with working capital and enjoyed less favourable credit facilities for overseas sales than its competitors. On the other hand, although exports of aircraft might be expanded on a very considerable scale, a realistic survey of the potential markets would be essential. Moreover, any Government contribution to the research involved would need to be carefully considered in the light of the other demands on our investment resources.

The Prime Minister said that the problems involved in this matter were so important and so complex that they should be the subject of a special enquiry, which would need to consider: how a greater concentration of effort might be secured within the industry and how far a Government contribution to the research facilities of aircraft firms would be justified in the light of a realistic appraisal of the export markets likely to be open to them during the next ten years. The precise nature and scope of this enquiry should be considered in the first place by the Chancellor of the Exchequer in consultation with the Ministers concerned.

The Cabinet—

Invited the Chancellor of the Exchequer to confer with the Ministers principally concerned on the scope and nature of an enquiry into the future of the aircraft industry, and to report their conclusions to the Prime Minister.