CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W. 1, on Wednesday, 12th February, 1958, at 10.30 a.m.

Present:
The Right Hon. R. A. BUTLER, M.P., Secretary of State for the Home Department and Lord Privy Seal (in the Chair).
The Right Hon. VISCOUNT KILMUIR, M.P., Chancellor of the Exchequer.
The Right Hon. D. HEATHCOAT AMORY, M.P., Secretary of State for the Colonies.
The Right Hon. VISCOUNT HAILSHAM, Q.C., Lord President of the Council.
The Right Hon. HAROLD WATKINSON, M.P., Secretary of State for Air.
The Right Hon. JOHN HARE, M.P., Secretary of State for Wales.
The Right Hon. GEORGE WARD, M.P., Secretary of State for the Home Department.
The Right Hon. DUNCAN SANDYS, M.P., Secretary of State for Scotland.
The Right Hon. IAIN MACLEOD, M.P., Secretary of State for Northern Ireland.
The Right Hon. LIONEL WALLACE, M.P., Secretary of State for Commonwealth Relations.
The Right Hon. JOHN MACLAY, M.P., Secretary of State for the Colonies.
The Right Hon. THE EARL OF HOME, M.P., Secretary of State for Commonwealth Relations.
The Right Hon. ALAN LENNOX-BOYD, M.P., Secretary of State for the Colonies.
The Right Hon. JOHN HARE, M.P., Minister of Agriculture, Fisheries and Food.
The Right Hon. EDWARD HEATH, M.P., Minister of Agriculture, Fisheries and Food.
The Right Hon. HENRY BROOKE, M.P., Attorney-General.
The Right Hon. ALAN LENNOX-BOYD, M.P., Secretary of State for the Colonies.
The Right Hon. JOHN HARE, M.P., Minister of Agriculture, Fisheries and Food.
The Right Hon. GEORGE WARD, M.P., Secretary of State for Air.
The Right Hon. EDWARD HEATH, M.P., Parliamentary Secretary, Treasury.
The Right Hon. J. R. HENDERSON, M.P., Secretary of State for Air.
The Right Hon. AUBREY JONES, M.P., Secretary of State for Wales.
The Right Hon. HENRY BROOKE, M.P., Attorney-General.
The Right Hon. GEORGE WARD, M.P., Secretary of State for Air.
The Right Hon. HENRY BROOKE, M.P., Attorney-General.
The Right Hon. D. ORMSBY-GORE, M.P., Secretary of State for Air.
The Right Hon. EDWARD HEATH, M.P., Parliamentary Secretary, Treasury.
The Right Hon. LIONEL WALLACE, M.P., Secretary of State for Commonwealth Relations.
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1. The Home Secretary said that memoranda submitted for consideration by the Cabinet had recently tended to be circulated too late for Ministers to give them adequate consideration. In the interests of the efficient despatch of the business of government, Ministers should take steps to ensure observance of the standing rule that, except in conditions of emergency, memoranda should be circulated not less than forty-eight hours before the meeting of the Cabinet at which they were due to be considered.

The Cabinet—

Took note, with approval, of this statement.

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

3. The Cabinet had before them a memorandum by the Chancellor of the Exchequer (C. (58) 36) on the forthcoming annual review of the economic condition and prospects of the agricultural industry.

The Chancellor of the Exchequer said that the estimated net income of the industry for 1957–58 was about £360 millions, the highest level ever achieved. Moreover, net output had risen, while the net cost increase of £11½ millions on review commodities was the smallest since 1954 and less than a third of the corresponding increase in the previous year. On the other hand the Exchequer liability, which reflected falling commodity prices, had risen to some £290 millions in 1957–58. These circumstances would clearly justify a minimum determination of the price guarantees. Moreover, concessions to the home industry at this juncture would be likely to have adverse reactions both on Commonwealth opinion and on our negotiations for the establishment of a European Free Trade Area. He therefore proposed that the Government should seek to secure a reduction of £201½ millions in the total value of the guarantees, the maximum reduction consonant with the long-term assurances under the Agriculture Act, 1957.

The Minister of Agriculture said that, in principle, he agreed that discussions should be started with the farmers' Unions on this basis. It would not be wise, however, for the Government to refuse to contemplate any improvement on this minimum before considering the arguments which the farmers would be likely to advance—namely, that the increase in their money incomes was not a fair measure of the increase in their real incomes and that the Government were seeking to secure for the Exchequer, through the system of price guarantees, virtually the whole of the improvement in the industry's efficiency. Moreover, while the over-production of milk, pigs and eggs made it inevitable that the price reductions should be concentrated on these commodities, the impact of reductions on the scale proposed would be particularly severe on the small farmer. He was therefore considering whether it might be possible to announce, simultaneously with the new price determinations, that the Government contemplated special measures, outside the ambit of the price review, to assist the small farmer. It might also be possible to present the price determinations in a rather less unattractive light by making some small adjustment in the quality premium on cattle and possibly some reduction in the guaranteed price for wheat, which was mainly grown by large farmers.
The Secretary of State for Scotland indicated his agreement with these views.

In discussion the following points were made:—

(a) The farmers did not consider that 1957–58 had been a profitable year and believed that their real income for that year had been exceeded in several years since 1951. But, although they would be unlikely to accept a settlement on the basis proposed in C. (58) 36, concessions on the scale which would be necessary to secure an agreed settlement could not be justified in the light of the Government’s general economic policy. It would, however, be important to consider the timing and presentation of the Government’s decision in relation to the introduction of the forthcoming legislation to amend the Agriculture and Agricultural Holdings Acts, which was also likely to be unwelcome to the industry.

(b) The farmers would be particularly critical of the proposed reduction of 1 1/2d. a gallon in the guaranteed price for milk. But their reaction must be considered in the light of the important Commonwealth interest in dairy produce and of the fact that 1/2d. of the reduction should be absorbed by the fall in the prices of feedingstuffs and the remaining 1 1/2d. by the increase in efficiency.

(c) In general, we must expect growing pressure from other countries to reduce our agricultural guarantees. A reduction in the guaranteed price for wheat might be appropriate. Moreover, Denmark and Poland were particularly affected by the level of the guaranteed prices for pigs.

(d) Although there were indications that both the small and the large farmer had benefited from the higher net income of 1957–58, it seemed probable that the greater part of this prosperity had accrued to the latter class. This tendency was likely to be accentuated by the alterations in the guaranteed prices now proposed. Although this might represent a sound development from the economic point of view, it would be neither socially nor politically desirable that the small farmer should be seen to be discouraged by Government action.

The Cabinet—

(1) Agreed that discussions should be begun with the National Farmers’ Unions on the basis outlined in C. (58) 36.

(2) Agreed that further consideration should be given in due course to possible adjustments both in the total value of the guarantees and in the prices for individual commodities in the light of the views advanced on behalf of the industry during these discussions.

4. The Cabinet had before them a note by the First Lord of the Admiralty (C. (58) 38), covering the text of a Parliamentary announcement which he proposed to make on 18th February on the subject of naval shore reorganisation, together with the relevant section of the Explanatory Statement on the Navy Estimates which would be published on the same afternoon.

The First Lord of the Admiralty said that the measures which he proposed to announce, involving the closure of Portland and Sheerness dockyards, the abolition of the Nore Command and the concentration of the Home Air Command at a smaller number of bases, had been approved by the Defence Committee. From the point of view of the public presentation of proposals which would create additional unemployment the balance of advantage lay in announcing all these measures simultaneously in a manner which would demonstrate the importance which the Government attached to the sympathetic treatment of the problems which would ensue.
In discussion the following points were made:

(a) The proposed statement that the dockyard at Chatham would be retained might be interpreted as implying that the Government had decided to close the dockyard at Malta. It might, therefore, be wiser merely to indicate that work would be concentrated at the home dockyards of Portsmouth, Devonport, Chatham and Rosyth, leaving the issue open until it was possible to estimate with greater certainty the extent to which commercial interests might be prepared to provide employment in the Malta dockyard.

(b) In the light of the probable impact on Scottish opinion it was undesirable to emphasise, at the beginning of the announcement, that the aircraft repair yard at Donibristle would be closed and that the torpedo experimental establishment would be transferred from Greenock to Portland. The indication of the Government’s intentions in respect of these establishments which was contained in subsequent paragraphs of the announcement should suffice.

(c) It would also be desirable to secure consistency in the references to Greenock and Donibristle in paragraphs 10 and 12 respectively of the Explanatory Statement on the Navy Estimates by making it clear that at both places the reduction in unestablished employees would be effected by normal wastage as well as by discharge.

(d) The draft announcement indicated that all possible steps would be taken to bring the redundant facilities at Sheerness, Donibristle and Greenock to the notice of suitable industrial interests. It was for consideration whether the same undertaking should be volunteered in respect of the Royal Naval air stations at Eglinton and Brawdy, where the additional unemployment resulting from the closure of these stations would be liable to provoke discontent in areas which were already politically sensitive. It might be desirable, therefore, to indicate that the Government would take all steps in their power to alleviate, in respect of all the establishments comprised in the announcement, the industrial dislocation which would result from the proposed closures.

In further discussion it was agreed that the Government’s decision on a matter of such political importance would most appropriately be announced by means of an oral statement in Parliament. The timing of this statement would, however, need further consideration, since it would be desirable to avoid its coinciding with an important announcement of Government policy which the Chancellor of the Exchequer was due to make on 18th February.

The Cabinet—

(1) Invited the First Lord of the Admiralty, in consultation with the Ministers concerned, to revise the text of the draft Parliamentary announcement in the light of their discussion.

(2) Invited the First Lord of the Admiralty, in consultation with the Chief Whip, to give further consideration to the timing of this announcement and to submit his proposals to the Home Secretary.

5. The Cabinet had before them a memorandum by the Minister of Defence (C. (58) 40) to which were annexed drafts of the documents constituting the proposed Agreement with the United States Government for the deployment of intermediate-range ballistic missile units in this country.
The Minister of Defence said that the Agreement would give effect to the understanding reached between the Prime Minister and President Eisenhower at their meeting in Bermuda in 1957. The United States Government would provide the missiles and specialised equipment free of cost, while we should be responsible for the construction of the sites. The proposed Agreement would take the form of an exchange of letters between Her Majesty’s Ambassador at Washington and the United States Secretary of State, covering a Memorandum of Agreement. These three documents would be published. A second exchange of secret letters would contain those parts of the Agreement which, for security reasons, could not be made public.

The United States Government had originally proposed that, in addition to the four ballistic missile squadrons to be manned by the Royal Air Force, a similar number of United States squadrons should be stationed in this country. They had now agreed to abandon this proposal; but the secret letters provided that, if the United States Government should at any time in the future propose the deployment of additional squadrons in the United Kingdom, to be manned either by the United States Air Force or the Royal Air Force, Her Majesty’s Government would give such proposals prompt and sympathetic consideration. The United States Government had, however, made it clear that they had no such proposals in mind at present.

The existing text of paragraph 7 of the draft Memorandum of Agreement was based on discussions between the Foreign Secretary and the United States Secretary of State at Ankara. The wording of the latter part of this paragraph, particularly the reference to Article 5 of the North Atlantic Treaty, might give the impression that the two Governments had already agreed that the missiles deployed in the United Kingdom under the Agreement would be used automatically in the event of an attack on any member of the North Atlantic Alliance. He proposed to consider with the Foreign Secretary whether a further attempt should be made to seek United States agreement to the substitution of some purely general reference to our obligations under the North Atlantic Treaty.

The Minister sought authority to continue negotiations with the United States authorities on the basis of the present draft documents, with a view to their publication either in the following week or immediately before the debate on Defence in the House of Commons on 26th and 27th February. He proposed to make an appropriate statement in Parliament about the Agreement at the same time.

In discussion the following points were made:

(a) Paragraph 3 of the draft Memorandum of Agreement provided that ownership of the missiles would pass to the United Kingdom Government as soon as the Royal Air Force were able to man and operate them. The United States authorities hoped that sufficient equipment and missiles would be available for the first squadron to be deployed operationally by the end of the year; and it had been agreed that, if the training of the Royal Air Force personnel had not been completed by that date, the first site would be manned by the United States Air Force, although the Royal Air Force would retain physical control of the site and missiles. It would, however, be desirable from the political point of view that the Royal Air Force should man the first site from the outset. The United States assessment of the availability of the missiles and equipment might well be optimistic; and it would also be important to secure that the training of the Royal Air Force personnel would be as intensive as possible.

(b) Paragraph 8 of the draft Memorandum of Agreement provided that the nuclear warheads for missiles transferred to the United Kingdom Government would remain under full United States custody and control in accordance with the United States law. This provision reflected the present provisions of the McMahon Act.
Although it was hoped that Congress would approve the amendment of this Act in order to facilitate closer co-operation between the United States and this country in the future development of nuclear weapons, it was unlikely that the United States Government would ever be prepared to supply nuclear weapons to any country without retaining some measure of control over their use. In any event, it would be difficult for them to make a concession on this point to the United Kingdom in view of the fact that squadrons of these missiles would also be deployed in other European countries.

(c) The United States Government had agreed to omit any reference in the draft Memorandum of Agreement to the position of the Supreme Allied Commander, Europe (SACEUR), in relation to the operational control of these missiles. SACEUR, however, was also the Commander-in-Chief of the United States Forces in Europe; and it was not unlikely that, in this capacity, he would be given delegated authority by the United States Government to authorise on their behalf the use of the missiles stationed in this country.

(d) The reference, in paragraph 10 of the draft Memorandum of Agreement, to the duration of the proposed arrangements would be likely to provoke political controversy. The agreement reached by the Labour Government in 1948 about the stationing of United States bomber aircraft in this country had been for an indefinite period. There might well be a case for a similar provision in this Agreement. On the other hand, the Opposition might raise objections to the arrangement at present envisaged whereby, although the Agreement would remain in force indefinitely, it would be subject to revision by agreement and to termination by either Government at the end of successive five-yearly periods. The United States Government were entitled to expect some measure of security for the considerable expenditure involved in the provision of the missiles and equipment; but in the circumstances it might be preferable to provide that the Agreement should operate for five years, subject to extension by agreement between the two Governments.

(e) Under paragraph 6 of the draft secret letters at Annex IV the United States Government undertook to supply any modification equipment required to ensure that the missiles were operationally satisfactory. Our position in this respect was safeguarded by the provision that the two Governments had to agree on an operationally satisfactory level of performance. In these circumstances it was not unreasonable to provide that any completely new weapons should be the subject of separate negotiations.

(f) The cost to the United Kingdom Government of providing the sites for these ballistic missile squadrons would amount to about £10 millions. We had already informed the United States Government that we could not agree to meet the costs of providing similar sites on the Continent as part of any infrastructure programmes under the North Atlantic Treaty Organisation (NATO). Our position would be adequately safeguarded by the fact that any decision in NATO required the unanimous agreement of all members.

(g) The location of the missile sites in this country would be easily ascertainable. It would probably be advisable, therefore, to indicate in the Parliamentary statement the general areas in which the sites would be located. Detailed proposals would be submitted to the Home Affairs Committee later in the week.

(h) The Minister of Defence should consider with the Foreign Secretary whether this Agreement would need to be registered with the United Nations.
The Cabinet—

(1) Authorised the Minister of Defence, subject to further consideration of the points made in discussion, to continue negotiations with the United States authorities on the basis of the draft documents attached to C. (58) 40.

(2) Invited the Minister of Defence to submit the final draft of the Agreement to the Prime Minister for his approval.

(3) Invited the Minister of Defence to circulate to the Cabinet the draft of his proposed Parliamentary statement about the Agreement, together with details of any further amendments of substance to the text of the Agreement which he might find it necessary to propose.

The Cabinet had before them a memorandum by the Chancellor of the Exchequer (C. (58) 35) on the financing of the local expenditure involved in retaining British forces in Germany.

The Chancellor of the Exchequer said that the German Government, while rejecting our request for a contribution of £47 million towards the cost of maintaining British troops in Germany in 1958–59, had offered to deposit £100 million, interest-free, in London against future payments for arms. This proposal was wholly unacceptable—first, because it represented a loan, whereas our requirement was for a cash payment; second, because we could not afford, in our present circumstances, to indulge in further borrowing in order to meet non-productive current expenditure; and third, because we should in any event expect to obtain a large proportion of the export orders against which the proposed German deposit of £100 million would be advanced. But, while it was clear that we should reject the German counter-offer, it was no less essential that, if we were not to jeopardise the goodwill towards our case which we had created in the North Atlantic Council, we should devise as rapidly as possible a fresh approach to the long-term problem of the financing of our troops in Europe. It must be accepted that the German Government would refuse to make any further contribution towards this expenditure after 1958–59; and, while it was important to achieve a settlement with them in respect of that year, it was even more important to secure a satisfactory agreement about the commitments in this respect which we could sustain in subsequent years.

In discussion there was general agreement with this view. An enquiry was already in progress into the physical limitations on the rate at which we could, if necessary, withdraw troops from Germany and the political implications of any large-scale withdrawal of our forces; and this enquiry should be supplemented by parallel consideration of the extent to which it would be financially possible, in the light of our prospective resources of foreign exchange, to maintain troops on the Continent.

The Cabinet—

(1) Invited the Chancellor of the Exchequer, in consultation with the Minister of State for Foreign Affairs (Mr. Ormsby-Gore), to arrange for the United Kingdom Permanent Representative on the North Atlantic Council to be instructed to reject the German counter-proposal to deposit £100 million, interest-free, in London against future payments for arms.

(2) Invited the Chancellor of the Exchequer, in consultation with the Foreign Secretary and the Minister of Defence, to arrange for officials to consider, as a matter of urgency, the possible courses of action open to us in the longer term in the light of the prospective demands on our resources of foreign exchange.
7. The Cabinet had before them a note by the Minister of Transport and Civil Aviation (C. (58) 42) to which was annexed a letter from the Attorney-General discussing both the statutory authority of the Minister to withhold permission for the placing of an individual order for aircraft by British European Airways (B.E.A.) and the legal entitlement of the Chancellor of the Exchequer to withhold approval for the borrowing of any money needed for this purpose.

The Attorney-General said that, in the light solely of the relevant provisions of the Air Corporation Act, 1949, he had reached the conclusion that the Minister of Civil Aviation could, if he thought it desirable in the public interest, make a statutory instrument requiring B.E.A. not to buy any aircraft except in accordance with a general or special authority given by himself. By subsequently giving authority only for specific purchases, the Minister would be able to control the orders placed by the Corporation. It was also clear that there was no statutory limit on the exercise by the Treasury of their discretion to grant or to withhold consent to the borrowing of money for the purposes mentioned in the Act. But since he had formulated this opinion he had had the opportunity to acquaint himself with the practical issue which was in question, and he did not think that, if B.E.A. were able to finance their proposed order of aircraft from the de Havilland group from their own resources, they were under any statutory obligation to seek consent to this course.

The Minister of Civil Aviation said that hitherto he had contrived to restrain B.E.A. from negotiating with the de Havilland group on the ground that Treasury consent to the financial implications of the proposed contract had not yet been granted. But he could not sustain this position indefinitely; and, if the Government were to avoid a public and unseemly dispute with B.E.A., there was no alternative but to allow the Corporation to embark on negotiations with the de Havilland group on the basis that it would be some time before these negotiations were likely to reach the point at which a formal contract would need to be signed.

In discussion there was general agreement with this view. It would be important, however, to avoid prejudicing the potential export orders for the type of aircraft produced to meet the B.E.A. requirement; and the prospects in this respect might be clarified if, during the negotiations between B.E.A. and the de Havilland group, the result of the negotiations between the Hawker/Bristol consortium and Pan American Airways became known. Export orders would depend largely on the price of the aircraft; and there was as yet no indication of the price which the de Havilland group would charge for the manufacture of their design on the basis that the project was undertaken entirely as a private venture. While, therefore, B.E.A. should now be allowed to enter into negotiations with the de Havilland group, it should be clearly understood that these negotiations would be conducted as unobtrusively as possible and that, if it emerged that the price to be charged by the company was unsatisfactory, the Government would be in no way committed to grant any consent which might be required before a formal contract could be signed.

The Cabinet—

Authorised the Minister of Transport and Civil Aviation to inform the British European Airways Corporation that they might now enter into negotiations with the de Havilland group about the production of a new jet aircraft, on the understanding that these negotiations would be conducted with the minimum of publicity and that the Government's attitude towards their financial implications would depend, among other things, on the price which the company proposed to charge.
8. The Cabinet had before them a memorandum by the Foreign Secretary (C. (58) 33) on the provision of duty-free petrol for members of the United States armed forces stationed in this country.

The Minister of State for Foreign Affairs said that, in accordance with Article XI of the Status of Forces Agreement in the North Atlantic Treaty Organisation (NATO), a number of other member countries provided the United States forces stationed in their territories with a ration of duty-free petrol. Her Majesty's Government had refused the original request by the United States authorities in 1948 for a similar concession, which had included petrol for private motoring. After protracted discussion, however, a scheme had now been prepared to provide United States servicemen stationed in the United Kingdom with a ration of duty-free petrol for use in their private cars on duty journeys. The ration was less generous than that provided in other countries, but the approximate cost to the revenue would be £1½ millions a year. The scheme incorporated reasonable safeguards against abuse. Despite the prevalent feeling in this country against any extension of privileges to foreigners, the balance of advantage appeared to lie in approving this arrangement.

In discussion it was agreed that it would be difficult for this country to withhold a concession already granted by other members of the North Atlantic Alliance. Moreover, this arrangement would entitle United Kingdom military personnel in the United States to reciprocal advantages. It would be unnecessary for the Government to make any special announcement about the new scheme, although it would inevitably become known.

The Cabinet—

Approved the proposals in C. (58) 33 but agreed that no formal Government announcement should be made on this subject.

Cabinet Office, S.W. 1,
12th February, 1958.