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C.C. (59)
1st Conclusions

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CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1,
on Friday, 16th January, 1959, at 11 a.m.

Present:

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

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| The Right Hon. R. A. BUTLER, M.P., Secretary of State for the Home Department and Lord Privy Seal. (Items 1-4). | The Right Hon. VISCOUNT KILMUIR, Lord Chancellor (Items 1-5). |
| The Right Hon. D. HEATHCOAT AMORY, M.P., Chancellor of the Exchequer. | The Right Hon. The EARL OF HOME, Secretary of State for Commonwealth Relations. |
| The Right Hon. ALAN LENNOX-BOYD, M.P., Secretary of State for the Colonies. | The Right Hon. VISCOUNT HAILSHAM, Q.C., Lord President of the Council. |
| The Right Hon. DUNCAN SANDYS, M.P., Minister of Defence. | 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. LORD MILLS, Minister of Power. |
| The Right Hon. HAROLD WATKINSON, M.P., Minister of Transport and Civil Aviation. | The Right Hon. GEOFFREY LLOYD, M.P., Minister of Education. |
| The Right Hon. JOHN HARE, M.P., Minister of Agriculture, Fisheries and Food. | The Right Hon. REGINALD MAUDLING, M.P., Paymaster-General. |

The following were also present:

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|-------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------|
| The Right Hon. JOHN BOYD-CARPENTER, M.P., Minister of Pensions and National Insurance (Item 5). | The Right Hon. ALLAN NOBLE, M.P., Minister of State for Foreign Affairs. |
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The Right Hon. EDWARD HEATH, M.P.,
Parliamentary Secretary, Treasury.

Secretariat:

The Right Hon. Sir NORMAN BROOK.
Mr. B. ST. J. TREND.
Mr. M. REED.

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Parliament.

1. The Cabinet were informed of the business to be taken in the House of Commons in the week beginning 26th January.

Commercial Policy.

(Previous

References :

C.C. (58) 88th

Conclusions.

Minute 2 and

C.C. (58) 82nd

Conclusions.

Minute 5.)

Horticulture.

2. The Cabinet had before them a memorandum by the Minister of Agriculture (C. (59) 3) describing a proposed scheme for providing financial assistance to the horticultural industry.

The Minister of Agriculture recalled that, at their meeting on 25th November, 1958, the Cabinet had seen considerable objection to accepting certain applications for increases in horticultural tariffs and had invited him, as an alternative method of fulfilling the Government's undertaking to support the industry, to prepare a scheme of assistance on a basis similar to that adopted in the case of agriculture. He now proposed the introduction of a system of 33½ per cent. grants towards the cost of equipment, buildings and other capital works designed to increase the efficiency of horticultural holdings, with special emphasis on improved efficiency in marketing, together with grants at the same rate to encourage the development of growers' co-operative marketing organisations. The net cost of these proposals was estimated at £7½ millions over a period of five years.

In discussion it was pointed out that there was no clear case for increased assistance to the horticultural industry on purely economic grounds. There was, however, considerable evidence that the industry was suffering increasingly from the competition of imported products—especially tomatoes and cut flowers—and there was no question that, on political grounds, it must be given some form of additional support. An increase in horticultural tariffs would not only be simpler and cheaper than the grants scheme now proposed but would also avoid any departure from the accepted method of assisting the industry and any need to differentiate between different classes of producers. On the other hand, it would damage our prospects of success in the negotiations for the creation of a European Free Trade Area; it would involve the payment of compensation under the General Agreement on Tariffs and Trade; and, in the case of tomatoes, it would affect the cost of living. The balance of advantage appeared, therefore, to be in favour of the proposed scheme of grants provided that the expenditure involved did not exceed £7½ millions. While, however, there should be no increase in the tariff on tomatoes, further consideration might be given to the implications of raising the tariff on cut flowers. This would indicate to the producers that the traditional method of horticultural protection was not being wholly abandoned; and it would leave the cost-of-living index unaffected.

In further discussion it was agreed that a general indication of the Government's proposals might be given in confidence to the leaders of the National Farmers' Unions (N.F.U.) before their Annual General Meeting in the following week. The principles of the proposals should thereafter be officially announced and the N.F.U. should be invited to discuss their detailed application in the normal way.

The Cabinet—

- (1) Approved the proposals for a new system of horticultural grants as described in C. (59) 3.
- (2) Authorised the Minister of Agriculture to announce the principles of the scheme as soon as possible.

- (3) Invited the Minister of Agriculture to give further consideration, in consultation with the Chancellor of the Exchequer and the President of the Board of Trade, to the implications of raising the tariff on cut flowers.
- (4) Subject to Conclusion (3) above, reaffirmed their previous decision that the pending applications for increases in horticultural tariffs should be rejected.

Egypt.
Financial
Negotiations.
(Previous
Reference :
C.C. (58) 87th
Conclusions,
Minute 1.)

3. *The Chancellor of the Exchequer* informed the Cabinet that agreement had now been reached with the Egyptian Government on a settlement of the financial issues outstanding between the two countries. The essential feature of this settlement was the payment of a lump sum of £27½ millions by the Egyptian Government in satisfaction of our claims in respect of Egyptianised property and damage to sequestrated property. An agreement on this basis would be initialled in Cairo that day and would thereafter be subject to confirmation by the two Governments. The sum of £27½ millions was less than we had originally hoped to obtain and was unlikely to suffice to meet the total of admissible claims by British subjects. It would not be easily defended to public opinion, especially as we should be releasing to the Egyptian Government, in return for this payment, the remainder of their blocked sterling balances. Nevertheless, the balance of advantage lay in ratifying the agreement provided that we could devise adequate administrative machinery for distributing the lump sum among the claimants. In particular, we should need an authorised representative in Egypt who would be available to assist the owners of property restored after sequestration to assess the damage which their assets had suffered. It should be a condition of our confirming the agreement that the Egyptian Government accepted a British representative with the status and facilities necessary for this purpose.

In discussion the following points were made:—

(a) It had been suggested that we should withhold signature of the agreement until the Egyptian Government agreed to release the two British subjects whom they held in prison. The Cabinet considered that this should not be made a condition of signature. It would be preferable to rely on diplomatic representations to the Egyptian Government which we should be better able to make when a British representative had taken up duty in Egypt.

(b) It would be important to secure the most favourable public presentation of an agreement which was open to criticism in certain respects. It should be made clear that the lump-sum payment by the Egyptian Government was only one item in a comprehensive settlement which would also restore to the owners of sequestrated property the assets which they had lost. We should also emphasise the importance of the parallel settlement between the Egyptian Government and the Shell Oil Company, whereby the Company would recover full possession of their property, and liberty to resume their operations, in Egypt.

(c) It would be necessary to decide how far the distribution of compensation should be made the occasion of recovering from the claimants the advances which they had already received from the Government.

The Cabinet—

- (1) Approved in principle the proposed financial agreement with the Egyptian Government, including the payment by Egypt of a lump sum of £27½ millions in settlement of the claims of British subjects.

- (3) Invited the Minister of Agriculture to give further consideration, in consultation with the Chancellor of the Exchequer and the President of the Board of Trade, to the implications of raising the tariff on cut flowers.
- (4) Subject to Conclusion (3) above, reaffirmed their previous decision that the pending applications for increases in horticultural tariffs should be rejected.

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(c) It would be necessary to decide how far the distribution of compensation should be made the occasion of recovering from the claimants the advances which they had already received from the Government.

The Cabinet—

- (1) Approved in principle the proposed financial agreement with the Egyptian Government, including the payment by Egypt of a lump sum of £27½ millions in settlement of the claims of British subjects.

C.C. 1 (59)

- (2) Invited the Chancellor of the Exchequer, in consultation with the Foreign Secretary, to seek to arrange for the agreement to be signed in time to enable a statement to be made when Parliament reassembled, on the understanding that it would not be signed until the Egyptian authorities had agreed to accept a suitably authorised representative of Her Majesty's Government in Egypt for the initial purpose of assisting British owners of sequestrated property to assess the extent of the damage to their assets.
- (3) Invited the Chancellor of the Exchequer, in consultation with the Foreign Secretary, to submit to the Prime Minister the draft of a statement, to be made in Parliament as soon as the agreement had been signed, setting in perspective the financial settlement with the Egyptian Government.
- (4) Invited the Minister of State for Foreign Affairs (Commander Noble) to make appropriate administrative arrangements for the distribution of the lump-sum payment of £27½ millions among the British claimants to compensation.

Employment.
(Previous
Reference :
C.C. (58) 79th
Conclusions,
Minute 4.)
British Nylon
Spinners.

4. *The Minister of Labour* said that British Nylon Spinners, Limited, who wished to expand their capacity, had applied for an Industrial Development Certificate at Portsmouth. This had been refused by the Board of Trade; but the firm had resisted suggestions that their new factory might be established either at Hull or on Merseyside. They had now been given the opportunity to acquire from the Ministry of Supply a factory at Gloucester and had indicated a strong preference for this area as compared with any other part of the country. Although an Industrial Development Certificate would not be required in respect of this factory, the level of unemployment in Gloucester was only half that in Portsmouth and, if the firm were allowed to establish additional capacity in Gloucester, the Government would invite criticism both from Portsmouth and from other areas of high unemployment. On the other hand there was some risk that, if the firm were prevented from acquiring premises at Gloucester, they would postpone their planned expansion altogether. The Sub-Committee on Local Unemployment had therefore reached the conclusion that the least disadvantageous course would be to allow the Gloucester project to go forward.

In discussion it was pointed out that, whereas the future prospect for employment in the Portsmouth area was relatively hopeful, unemployment in the area between Bristol and Gloucester was likely to become increasingly serious as a result of the gradual contraction of the aircraft industry. Moreover, the firm would be able to start work in the factory at Gloucester at least six months earlier than if they were obliged to build a new factory elsewhere. On this ground it would be reasonable that the Gloucester project should be approved. If, however, the firm maintained their preference for Portsmouth, it would be preferable, in the last resort, that they should be granted an Industrial Development Certificate in respect of that area than that they should abandon the expansion of their capacity.

The Cabinet—

Agreed that British Nylon Spinners, Limited, should be allowed to develop additional capacity in the factory vacated by the Ministry of Supply at Gloucester.

Armed Forces.
(Previous
References :
C.C. (58) 80th
Conclusions,
Minute 3 and
C.C. (58) 77th
Conclusions,
Minute 7.)
Family
Pensions.

5. The Cabinet had before them memoranda by the Chancellor of the Exchequer, the Minister of Defence and the Minister of Pensions (C. (59) 2, 5 and 4 respectively) about Service widows' pensions.

The Minister of Defence said that the Cabinet had already accepted in principle the recommendation of the Advisory Committee on Recruiting under the chairmanship of Sir James Grigg that Service widows should, in future, receive, on a non-contributory basis, one-third of the pension which their husbands had been drawing. If this recommendation was to have its full effect on recruitment, the concession should apply not merely to the future widows of men now serving but also the future widows of existing Service pensioners. Otherwise widows' pensions at the new rates would not begin to be paid, except in a few cases of early death, for upwards of twenty years. In addition, some increase, averaging about 10 per cent., should be granted to existing Service widows in response to the growing pressure of public opinion on their behalf.

The Chancellor of the Exchequer opposed these suggestions on the ground that the Government could only make the proposed concession in respect of future widows of existing Service pensioners if they had first conceded some improvement in the pensions of existing Service widows. The latter concession, however, would have extensive repercussions among public service pensioners in general, which might involve the Exchequer in additional expenditure of the order of £10 millions a year.

The Minister of Pensions said that the risk of repercussions on war widows—and, therefore, on the Industrial Injuries and National Assistance schemes—could be ignored if war widows were granted two improvements to which, in any event, they were entitled on merits. First, war widows over the age of 70 should be given a new "comforts" allowance of 10s. a week on the analogy of the age and comforts allowances already made to seriously disabled war pensioners. Second, the National Assistance Board should be authorised to disregard 10s. 6d. a week of a war widow's pension when assessing her means for the purpose of national assistance, thus putting her in the same position as widows of civil servants, policemen, firemen, miners and railwaymen. The cost of these two concessions would be rather more than £1½ millions a year.

In discussion there was general agreement that, notwithstanding the importance of giving every encouragement to the campaign for voluntary enlistment in the forces, it would be imprudent to grant an improvement in Service widows' pensions before examining in greater detail the possible repercussions on other public service pensioners. Public opinion was already exercised about the position of many of these pensioners; and, if the cost of living rose significantly in the near future, it might become necessary to consider amending the latest Pensions (Increase) Act. The field should therefore be

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reviewed as a whole before any concession was made to any particular class of public service pensioner.

The Cabinet—

Invited the Home Secretary to arrange for the Ministerial Committee on Pensions, in consultation with the Minister of Defence, to examine the proposals in C. (59) 5 in greater detail, with particular reference to their possible repercussions in the public service generally. .

Privileges of
International
Organisations.
(Previous
Reference :
C.C. (58) 80th
Conclusions,
Minute 9.)
Nuclear Tests
Suspension
Control
Organisation.

6. The Cabinet had before them a memorandum by the Foreign Secretary (C. (58) 262) about the extent of the privileges and immunities to be granted to the Nuclear Tests Suspension Control Organisation if this Organisation was created as a result of the current conference on the suspension of nuclear tests.

The Minister of State for Foreign Affairs said that, if the Control Organisation was to function effectively, its staff would need to enjoy not only the immunity in respect of their official acts to which they would be entitled in the normal course under the International Organisation (Immunities and Privileges) Act of 1950, but also immunity from personal arrest on any grounds and immunity from seizure of their personal baggage. Otherwise the authorities in a country which wished to conceal a violation of the suspension agreement would be able to arrest inspectors on some fictitious charge—e.g., in connection with an alleged minor traffic offence—and thus give themselves greater time in which to conceal the evidence of their violation of the agreement. The proposal had the full support of the United States Government. It might be possible to give effect to it without fresh legislation; and it was unlikely that it would be exercised to any significant extent in this country since it was reasonably certain that there would not be more than one control post in the United Kingdom.

In discussion there was general agreement with this suggestion.

The Cabinet—

Approved the proposals in C. (58) 262.

*Cabinet Office, S.W.1,
16th January, 1959.*

E.R.