CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Tuesday, 14th April, 1959, at 11 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. ALAN LENNOX-BOYD, M.P., Secretary of State for the Colonies.
The Right Hon. VISCOUNT HALSHAM, Q.C., Lord President of the Council.
The Right Hon. IAIN MACLEOD, M.P., Secretary of State for Scotland.
The Right Hon. HAROLD WATKINSON, M.P., Minister of Transport and Civil Aviation.
The Right Hon. JOHN HARE, M.P., Minister of Agriculture, Fisheries and Food.
The Right Hon. REGINALD MAUDLING, M.P., Paymaster-General.
The Right Hon. VISCOUNT KILMUIR, Lord Chancellor.
The Right Hon. D. HEATHCOAT AMORY, 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. LORD MILLS, Minister of Power.
The Right Hon. GEOFFREY LLOYD, M.P., Minister of Education.
Dr. The Right Hon. CHARLES HILL, M.P., Chancellor of the Duchy of Lancaster.

The following were also present:
The Right Hon. ERNEST MARPLES, M.P., Postmaster-General (Item 6).
The Right Hon. W. R. MILLIGAN, Q.C., M.P., Lord Advocate (Item 8).
Mr. C. J. M. ALPORT, M.P., Parliamentary Under-Secretary of State for Commonwealth Relations (Item 7).

Secretariat:
The Right Hon. Sir NORMAN BROOK.
Mr. F. A. BISHOP.
Mr. M. REED.
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Germany.

(Previous Reference: C.C. (59) 22nd Conclusions, Minute 2.)

Discussions with French Ministers.

*1. The Foreign Secretary made a brief report to the Cabinet on the discussions which had been held with the Prime Minister and the Foreign Secretary of France during their visit to London.

In these private bilateral conversations the French Ministers had not maintained inflexibly the declared official position of the French Government on the Berlin problem. They had been prepared to discuss constructive proposals for a new agreement on Berlin and had seemed ready to contemplate the possibility that some concessions might be made (e.g., on the use of West Berlin as a base for espionage and propaganda) as the price for a new agreement supported by wider international guarantees. This suggested that in the forthcoming international negotiations the French would be more accommodating than might be supposed from their published declarations, which had evidently been made mainly for the purpose of showing solidarity with the West German Government. It was also clear that the French Ministers accepted the need for a conference of Heads of Governments and would co-operate in treating the forthcoming meeting of Foreign Ministers as a means of preparing for such a conference. There now seemed little risk that the French would precipitate a crisis in Europe by taking an unduly rigid position in the negotiations between Foreign Ministers.

The Cabinet—

Took note of the Foreign Secretary’s statement.

Disarmament.

(Previous Reference: C.C. (58) 81st Conclusions, Minute 3.)


2. The Foreign Secretary said that, in order to forestall a fresh Russian initiative, the United States Government had thought it expedient that new proposals for the regulation of nuclear tests should be put before the Geneva Conference when it reassembled on 13th April. After consultation with the United Kingdom Government they had reaffirmed their readiness to proceed with the consideration of a comprehensive agreement if the Soviet Government would abandon their insistence on a veto and adopt a less intransigent attitude on voting procedures; but they had proposed that, if the Soviet Government were not prepared to come to terms on that basis, the Conference should instead proceed to conclude a limited agreement for the prohibition of nuclear tests in the atmosphere, up to a distance of 50 kilometres from the earth. A limited agreement of that kind could be enforced without elaborate control machinery, and would suffice to control those tests which were most dangerous to health; and research could be continued into the possibilities of establishing an effective system of control over tests made either underground or at higher altitudes in space. The initial reaction of the Soviet delegation at Geneva to this proposal had been unfavourable; but this was only to be expected and they were presumably seeking instructions on it from their Government. Great public interest was being shown in the work of the Geneva Conference; and, if it failed to lead to any international agreement, it was important that the responsibility for this failure should be seen to rest with the Soviet Government.

The Cabinet—

Took note of the Foreign Secretary’s statement.

Anglo-Soviet Trade.

3. The President of the Board of Trade made a report to the Cabinet on the results of the discussions which he had been holding with the Soviet Ambassador in London on the proposal that a trade
mission from the United Kingdom should visit the Soviet Union. In the course of those discussions he had made it plain that the United Kingdom could not change their system of trading for the purpose of increasing the volume of Anglo-Soviet trade; that they were not prepared to authorise the import of oil from the Soviet Union; and that, if the trade between the two countries could not be balanced, the gap must be bridged by ordinary commercial credits. Recent experience had shown that there was scope for increasing the volume of Anglo-Soviet trade on normal credit terms. During the past week the Soviet Government had placed large orders with two firms in the United Kingdom on commercial medium-credit terms. In the light of these preparatory conversations in London the Soviet Government were anxious that a mission from the United Kingdom should visit the Soviet Union, under the leadership of a senior Minister; and it was desirable that we should now inform the Soviet Government that we were prepared to send such a mission as soon as the necessary practical arrangements could be completed.

After discussion it was agreed that this mission should be led at the outset by the President of the Board of Trade, though his place might be taken in the later stages by a junior Minister; and that the mission should include at least two representatives of United Kingdom industry.

The Cabinet—

Invited the Foreign Secretary and the President of the Board of Trade to concert the detailed arrangements for the despatch of a trade mission from the United Kingdom to the Soviet Union.

Parliament.

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

Cotton.

(Previous Reference: C.C. (59) 22nd Conclusions, Minute 4.)

5. The President of the Board of Trade said that, in the light of informal soundings of the Chairman of the Cotton Board, he had now met representatives of the cotton industry. He had informed them that the Government were prepared to make grants towards the cost of the elimination of redundant capacity and of re-equipment and modernisation to the extent of 66\% per cent. for redundancy and 25 per cent. for re-equipment, and that, on the basis of estimates provided by the industry, such Government assistance would be of the order of £40 millions. The representatives of the cotton industry had expressed the view that the Government's offer was reasonable and practicable and had undertaken to report it to their Executive Committee. There seemed to be a reasonable prospect that the industry would accept the offer: it was hoped that their decision would be known by the end of the week. Meanwhile the necessary legislation was being drafted.

The Cabinet—

Took note of this statement by the President of the Board of Trade.

Post Office.

(Previous Reference: C.C. (59) 53rd Conclusions, Minute 1.)

Future Status.

6. The Cabinet had before them a memorandum by the Chancellor of the Exchequer and the Postmaster-General (C. (59) 67) on the future status of the Post Office.

The Chancellor of the Exchequer said that the changes which he and the Postmaster-General now proposed would emphasise the commercial nature of the Post Office's functions and were a logical
The development of the measure of financial independence granted to it in 1955. The central point of the proposals was the establishment of a statutory trading fund, managed by the Postmaster-General, who alone would be accountable for it to Parliament. There would be no annual authorisation of Post Office expenditure by Parliament through Estimates. But Parliamentary control would be retained through authorisation of the salaries of Post Office Ministers, scrutiny and debate of the Post Office accounts and annual report, authorisation of new capital by Money Bills, and control over all tariff changes by negative resolution. These changes would require legislation, which could not be introduced during the current session; but it was proposed that a White Paper describing the changes should be published at an early date.

The Postmaster-General said that the proposed changes would contribute materially to the efficiency of the Post Office as a trading concern by dispensing with Treasury control over details of expenditure, and with the need to maintain two sets of accounts and to prepare detailed estimates which bore no realistic relation to the trading functions of the Post Office. They would, moreover, avoid the misleading impression given by the Budget statement, where any cash surplus held by the Post Office had at present to be shown as a profit.

Discussion showed that there was considerable support for the principle of the changes proposed, although it was suggested that a body with the status of a public corporation but staffed by civil servants might be regarded as somewhat anomalous. On the other hand it was recognised that the proposals involved constitutional innovations which might prove unpopular with Parliament: they would, in particular, involve a complete departure from the two long-established principles that Government receipts from any source must be paid into the Consolidated Fund and that no Government expenditure may be incurred without the specific authority of Parliament. The suggestion that the Postmaster-General's powers to draw on the new trading fund should lapse annually unless renewed by affirmative resolution might mitigate this objection but might not satisfy Parliament, especially since the Government's supporters were at present inclined to press for more, rather than less, control over nationalised industries. Moreover, since the proposed changes would be regarded as an important indication of the Government's thinking on the future of the nationalised industries, they ought to be harmonised with the proposals which were in process of being worked out for changes in the organisation of particular nationalised industries and in the relation of the nationalised industries with the Government and with Parliament.

In further discussion it was pointed out that the £5 millions contributed annually by the Post Office to the Exchequer represented approximately the sum which, but for its exemption, the Post Office would pay by way of national taxation of all forms. The alternative suggested by the Chancellor of the Exchequer was that the Post Office should be required to contribute to the Exchequer a sum proportionate to that paid in direct taxation by the general run of private industry and commerce, measured in terms of its turnover. It was agreed that this question and the future basis of payment for agency services provided by or to the Post Office should be further considered independently of the main issue.

The Prime Minister, summing up the discussion, said that there could be no question of effecting any major changes in the status of the Post Office during the present Parliament. Any changes announced as part of the Government's future programme must be related to their proposals for the nationalised industries and should be further worked out in co-ordination with those proposals as they developed.
The Cabinet—

Invited the Lord Privy Seal, in consultation with the Chancellor of the Exchequer (or the Financial Secretary, Treasury), the Minister of Labour, the Minister of Power, the Minister of Transport, the Postmaster-General and the Chief Whip, to consider the proposals in C. (59) 67 for the future status of the Post Office, in the light of the examination which was already being made of the organisation of the nationalised industries.

7. The Cabinet had before them a memorandum by the Chancellor of the Exchequer (C. (59) 65) discussing further the advantages and disadvantages of United Kingdom membership of the proposed International Development Association.

The Chancellor of the Exchequer said that it was not yet clear whether the Secretary of the United States Treasury, Mr. Anderson, would recommend that the Association should be established on the scale originally proposed, namely, with an initial capital contribution totalling $2,000 millions or on half that scale. The United States State Department favoured the larger scheme and hoped that the United Kingdom Government would support it; and it might well be to our advantage to do so. Our main objective should be to encourage the United States Government to maintain the outflow of dollars to the rest of the world, despite the domestic pressure that was being brought to bear on them to decrease it. It was true that, in the light of our present and prospective commitments, and of the need to maintain the level of the reserves, we should aim to earn a current surplus of the order of £450 millions per annum for the years 1960-62. But the establishment of the proposed Association ought to enable us to gain in additional exports more than the amount of our initial contribution. This hope was borne out by our experience of the International Bank for Reconstruction and Development, which had so far lent to the Commonwealth as a whole more than five times the amount of the United Kingdom subscription, and also by the fact that the proportion of United States Mutual Aid funds spent on American goods had steadily fallen over recent years, while the proportion of such funds spent on United Kingdom goods had increased.

In discussion the following main points were made:—

(a) Colonial territories had not obtained as much advantage from the International Bank as the independent Commonwealth countries. But, if we stipulated that the principles adopted for lending by the proposed Association should be such as to ensure that Colonial territories received a reasonable share of the development funds, and if we reserved the right to review the arrangements if this result was not in practice achieved, the position of Colonial territories under the Association should be adequately safeguarded.

(b) We had already undertaken substantial commitments for capital assistance to Commonwealth Governments. It would be regrettable if our ability to meet these commitments was jeopardised by the effort of participating in the proposed Association. But, as it was expected that our balance of payments would in fact be assisted by the additional exports which we should gain by its establishment, there was good reason to hope that this danger would not arise.

(c) The establishment of the Association would enable us to avoid contributing more to the Special United Nations Fund for Economic Development. Mr. Anderson shared the view that the funds operated by this organisation would not be used to the best advantage.
The Prime Minister said that, with a view to maintaining the outflow of United States capital, and to avoid the danger that future United States loans might be more closely tied to the purchase of United States goods, it seemed to be in the interests of the United Kingdom to participate in the establishment of the proposed Association on the lines suggested by the Chancellor of the Exchequer. The scale of the project, and of the United Kingdom contribution to it, should be left for later decision in the light of the further discussions with Mr. Anderson in the course of his forthcoming visit to this country.

The Cabinet—

Approved the recommendations made in C. (59) 65.

8. The Cabinet had before them a memorandum by the Secretary of State for Scotland (C. (59) 66) covering the Report of the Tribunal appointed to enquire into the allegation of assault on John Waters and the action taken in connexion therewith by the Caithness police.

The Secretary of State for Scotland said that, as regards the alleged assault, the Tribunal had found that there was not sufficient evidence on which the two constables concerned could have been convicted by a Court. But they had found that Constable Gunn had struck the boy a blow of moderate force and that this action, although taken under provocation, was wrong. The Tribunal had also expressed disapproval of certain other actions of the constables in connexion with the alleged assault, and had found, on possibly somewhat slender evidence, that Constable Harper had wrongly attempted to get the allegations withdrawn for a money payment. As regards the action taken by the Caithness police authorities, the Tribunal had found that this had been all that it should have been.

The Secretary of State for Scotland said that he proposed to publish the Report and evidence on Wednesday, 15th April, and to make a short statement to Parliament summarising the findings. This raised the question what, if anything, should be said about the possibility of disciplinary proceedings against the constables concerned. Whether such proceedings should be instituted was a matter for the Deputy Chief Constable to decide, on behalf of the Chief Constable as the disciplinary authority. He himself, as Secretary of State, was the appellate authority. A decision about instituting disciplinary proceedings was complicated by the fact that the findings of the Tribunal were, at least in part, based on evidence given by the constables on an assurance by the Lord Advocate that criminal proceedings would not be brought against them in respect of their conduct in relation to the matters which the Tribunal had investigated. It was also complicated by the fact that in circulars issued in 1943 and 1955 the Scottish Home Department had advised police authorities that, where it was decided that there was insufficient evidence to justify the institution of criminal proceedings, the disciplinary authority should not bring disciplinary proceedings in respect of the same offence. Although this did not wholly exclude the possibility of disciplinary proceedings, it made it very difficult to take any action to advise the police authorities about the institution of any such proceedings. It might be that the Chief Constable, or the Deputy Chief Constable on his behalf, would seek advice from the Chairman of the Association of Scottish Chief Constables. But in all the circumstances, and bearing in mind his appellate function, the Secretary of State did not himself propose to give any guidance in this matter to the police authorities.
The Lord Privy Seal said that, in view of the difficulty of explaining the position about the possibility of disciplinary proceedings, it was doubtful whether a formal statement to Parliament should be made. It might be better for the Report to be published on Thursday, 16th April, and for this to be disclosed in the course of the Business Statement which he would make in the House of Commons that day. Any necessary guidance could be given subsequently to Lobby correspondents.

In discussion it was pointed out that, in view of the assurance given to the two constables by the Lord Advocate at the Tribunal's request, there could be no question of criminal proceedings against them. It might strictly be possible for disciplinary action to be taken in respect of the constables' behaviour, other than the alleged assault; but, apart from the fact that the assurance given by the Lord Advocate might be regarded as applicable also to disciplinary action, there would be a general recognition that it would not now be possible for the constables to secure a fair hearing before a disciplinary authority. It was therefore for consideration whether advice could be given to the Chairman of the Association of Scottish Chief Constables to ensure that the Deputy Chief Constable should have it in mind that the Tribunal's Report made it virtually impossible for the constables to obtain a fair hearing in disciplinary proceedings. There was, however, no easy way of giving any such advice. Moreover, there was a reasonable prospect that the police authorities would, of their own accord, decide not to take disciplinary action. It was the general view of the Cabinet that, on balance, it would be best not to give any advice about this matter to the police authorities concerned.

The Cabinet—

(1) Agreed that the Tribunal's Report and evidence should be published on Thursday, 16th April, and that this should be disclosed in the Business Statement to be made in Parliament on that day.

(2) Agreed that no advice about the institution of disciplinary proceedings should be given to the police authorities concerned, but that it should be made clear to Lobby correspondents that the question of such proceedings was a matter for decision by the Deputy Chief Constable on behalf of the Chief Constable as the disciplinary authority.

Cabinet Office, S.W. 1, 14th April, 1959.