CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W. 1, on Tuesday, 23rd February, 1960, at 11 a.m.

Present:
The Right Hon. HAROLD MACMILLAN, M.P., Prime Minister
The Right Hon. R. A. BUTLER, M.P., Secretary of State for the Home Department
The Right Hon. SELWYN LLOYD, Q.C., M.P., Secretary of State for Foreign Affairs
The Right Hon. JOHN MACLAY, M.P., Secretary of State for Scotland
The Right Hon. DUNCAN SANDYS, M.P., Minister of Aviation
The Right Hon. HAROLD WATKINSON, M.P., Minister of Defence
The Right Hon. LORD MILLS, Paymaster-General
The Right Hon. JOHN HARE, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. ERNEST MARPLES, M.P., Minister of Transport

The following were also present:
The Right Hon. RICHARD WOOD, M.P., Minister of Power (Items 1 and 2)
Mr. C. J. M. ALPORT, M.P., Minister of State, Commonwealth Relations Office (Item 4)

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

C.C. (60)
12th Conclusions
<table>
<thead>
<tr>
<th>Minute No.</th>
<th>Subject</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Nationalised Industries</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Parliamentary Questions</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>British Transport Commission</td>
<td>3</td>
</tr>
<tr>
<td>3</td>
<td>Law of the Sea</td>
<td>5</td>
</tr>
<tr>
<td>4</td>
<td>Federation of Rhodesia and Nyasaland</td>
<td>6</td>
</tr>
</tbody>
</table>
1. The Cabinet had before them a memorandum by the Home Secretary (C. (60) 29) on the scope of Parliamentary Questions about the nationalised industries.

The Home Secretary said that the Government had been pressed for some time to agree to an extension of the scope of Parliamentary Questions on the working of the nationalised industries. Hitherto the accepted practice had been that the Ministers responsible should answer Questions relating only to those matters for which they had statutory responsibilities or to matters on which they had, or might have, issued directions. After consultation with the Ministers concerned, he was satisfied that, while no substantial departure from this principle could be conceded, there might be some small scope for broadening current practice at the discretion of the Ministers themselves. He proposed, therefore, after consultation with Mr Speaker, to make in the House of Commons an early statement to this effect.

Discussion showed that the Cabinet were in general agreement with the draft statement annexed to the Home Secretary’s memorandum. It was, however, agreed that, in order to avoid establishing embarrassing precedents, any Minister who contemplated going beyond the present practice should consult his colleagues in advance.

The Cabinet—

Approved the statement on Parliamentary Questions relating to the nationalised industries which was annexed to C. (60) 29.

2. The Prime Minister said that he had had a number of meetings with the Minister of Transport and the other Ministers concerned, as a result of which proposals to deal with the problems of the British Transport Commission could now be put before the Cabinet. These would entail a major reorganisation of the Commission, for which legislation would in due course be required. In the meantime the Commission would of course continue to conduct the various undertakings for which they were statutorily responsible. They would also shortly have to negotiate with the railway unions in the light of the report which the committee under the chairmanship of Professor Guillebaud were expected to present in the following week. It would also be necessary for the Commission to re-examine the railway modernisation plans in consultation with the Ministry of Transport.

While the Government would have to decide the broad lines of the reorganisation of the Commission, the details should be worked out by a planning committee composed of representatives of the Commission, officials of the Treasury and the Ministry of Transport and probably some independent advisers. It would be desirable to appoint an independent person as special adviser to the Minister of Transport who could also be chairman of this planning committee.

The broad lines of the reorganisation plan would be as follows. A Transport Council would be formed to hold, as trustees, all the assets at present held by the Commission. The assets would be allocated among the different undertakings, which would become separate organisations, each with an independent board. The Transport Council would be empowered to retain or dispose of the assets in a number of ways, and it might also act as an advisory body to the Minister of Transport; but the Council would not exercise any
managerial functions, and the Minister of Transport would have
direct access to the chairmen of the separate organisations.

As regards the reorganisation of the railways, the broad principles
should be to remove restrictions on their commercial freedom, to
divide them into autonomous groups, and to entrust co-ordination
between them to a central body which might be composed of the
general managers of the autonomous groups. In order to meet some
part of the Commission's deficit, including the cost of the interim
wages payment and of any further wage increases that might be made
in the light of the report of the Guillebaud Committee, the
Commission should consider increasing railway freight charges and
fares. From a presentational point of view, it was desirable that any
increases should be made in the context of the report of the
Guillebaud Committee and of the serious financial position facing the
Commission. Further study was necessary before it could be decided
how to deal, in the longer term, with the financial difficulties of the
Commission: such questions as the writing-off of capital, the
reorganisation of the capital structure and the payment of subsidies
could not be finally decided except in the light of the detailed plan
for the reorganisation of the Commission.

If these proposals were accepted by the Cabinet, the Minister of
Transport would begin formal discussions with the Transport
Commission. It would also be desirable to prepare a comprehensive
statement of policy towards the Commission, in case it became
necessary for the Government to make such a statement soon after
the report of the Guillebaud Committee became available. This
should cover the financial position of the Commission, the effect of
the findings of the Guillebaud Committee, and the Government's
intention to arrange for a planning committee to study what form
the reorganisation of the Commission should take. In order to avoid
arousing unnecessary apprehensions among the trade unions, the
statement should not go into the details of the reorganisation of the
Commission.

In discussion the following points were made:

(a) The Minister of Transport said that the proposals had been
described informally and in general terms to the Chairman of the
Transport Commission. He had indicated that he would co-operate
in them, though he had expressed the hope that the proposed
Transport Council would be given some effective functions. In view
of the fact that the Commission would in any case have to continue
to conduct their undertakings for some time, and that their
co-operation in planning the details of the reorganisation was
essential, it was important that their full support for the proposals
should be enlisted.

(b) The report of the Guillebaud Committee would be presented
to the Commission and the railway unions, and would be a matter
for negotiation between them. The Chairman of the Commission
would propose to the unions that the normal negotiating machinery
of the industry should be used to consider the report. There was
reason to hope that the Government might not be expected to express
a view about the report. On the other hand there was an expectation
that the Government would shortly announce their general policy
towards the Commission and the railways.

(c) It was also possible that the railway unions would not be
prepared to deal with the report of the Guillebaud Committee through
the normal negotiating machinery. They might press that the
principle of the report should be accepted by the Commission, and
by the Government. They might indeed seek further interim wage
increases immediately. While it would be reasonable to consider
granting an interim increase in respect of differential wages, a second
interim increase in railway wages generally should be resisted, on
the grounds that the general financial position of the Commission
would not justify this. The railwaymen might claim that a further immediate increase was fully justified because of the extent to which the level of their wages had fallen behind the level in comparable industries. But it would have to be explained to them that there was a limit beyond which the deficit of the industry could not be borne by the Exchequer in the current year, and that this meant that the findings of the Guillebaud Committee could only be implemented over a considerable period. In this connexion it was pointed out that it would be difficult to make an interim increase in respect of differential wages until a thorough regrading of railway jobs had been carried out.

(d) The agreement of the railway unions to a phased settlement of the claims which would follow the Guillebaud report could only be obtained if they were prepared to co-operate in dealing with the problem of the reorganisation of the Commission. The unions had accepted the need for a rationalised and smaller railway industry, provided that the reduction in the labour force would be effected by the normal process of wastage. It would be necessary to convince the unions that the Government intended to support a rationalised railway industry even if this meant accepting the need to subsidise the railways in respect of services which could not be commercially profitable.

Further discussion showed that the Cabinet were in general agreement with the proposals outlined by the Prime Minister.

The Cabinet—

(1) Invited the Minister of Transport to discuss the Government’s proposals for reorganisation with the British Transport Commission.

(2) Took note that the Prime Minister had arranged for a statement of the Government’s policy towards the British Transport Commission to be prepared by the Ministers concerned.

3. The Minister of Agriculture said that the fishing industry had now announced that they intended to suspend all fishing on the high seas in the vicinity of Iceland during the period of the conference on the Law of the Sea which was to begin on 17th March. The industry had not been willing to refrain from fishing only within twelve miles of the coast of Iceland. They had expressed the view that it would not be desirable to suggest that the Icelandic authorities, in response to this gesture, should be prepared to afford shelter and hospital facilities to our trawlers during that period. They also thought it was unnecessary to seek the agreement of the Icelandic authorities to limit their landings of fish in this country, since this was already satisfactorily covered by arrangements made between the fishing industries of the two countries. It would, however, be of great value if the Icelandic authorities would agree not to take proceedings against our fishermen in respect of alleged past offences against their fishing regulations. He would consult with the Foreign Secretary about the way in which this point should be pursued with the Chairman and Secretary-General of the North Atlantic Council, with a view to making the best use of their good offices.

The Cabinet—

Invited the Foreign Secretary, in consultation with the Minister of Agriculture, to consider how the announcement by the fishing industry should be pursued with the Chairman and Secretary-General of the North Atlantic Council, with a view to making the best use of their good offices.
*4. The Cabinet were informed of the latest developments (reported in Salisbury telegrams Nos. 183 to 187) in the Commonwealth Secretary’s discussions with the Governments of the Federation of Rhodesia and Nyasaland and of Southern Rhodesia on the release of Dr. Banda and constitutional advance in Nyasaland and Southern Rhodesia.

The Prime Minister said that it was evident that the Governments of the Federation and of Southern Rhodesia could not be shaken in their view that Dr. Banda should not be released until after the Monckton Commission had finished its work in Nyasaland. Their attitude was based on their assessment of the security risks involved (in which they were supported by the Governors of Nyasaland and Northern Rhodesia) and on the view that, if Dr. Banda were released while the Commission was in Nyasaland, moderate and loyal Africans in Nyasaland would be prevented by intimidation from giving evidence to the Commission. The Commonwealth Secretary had achieved a notable success in persuading them to accept an arrangement by which Dr. Banda would be released immediately after the Commission had left Nyasaland. He was satisfied that, if the United Kingdom Government adhered to their original plan to release Dr. Banda early in March, there would be general elections in both the Federation and Southern Rhodesia and a great risk of the early disruption of the Federation; and he was convinced that in this forecast of events by the two Governments there was no element of bluff. If, on the other hand, the United Kingdom Government accepted the compromise proposed and postponed Dr. Banda’s release until after the Commission had left Nyasaland, it would certainly be said that they had yielded to pressure from the European population of the Federation. This would give rise to great political difficulties in this country and would prejudice the Government’s policy in the Federation and elsewhere in Africa. On balance, however, the Commonwealth Secretary advised that the compromise should be accepted.

On the question of constitutional advance in Southern Rhodesia, the Commonwealth Secretary contemplated that informal talks would be held with the Prime Minister of Southern Rhodesia in London in April and that these would be followed by a formal conference in June. Even if agreement were then reached, no action would be taken until after the review of the Federation constitution later in the year. Meanwhile, although he himself intended to announce only that these discussions would take place, the Southern Rhodesian Government were likely to press that at the time of Dr. Banda’s release it should be announced that the reserved powers were to be withdrawn.

In discussion there was general support for the view that the course recommended by the Commonwealth Secretary was the lesser of two evils. The Government would be strongly criticised for giving way to the demands of the Federation and Southern Rhodesia and preventing Dr. Banda from giving evidence to the Monckton Commission. On the other hand, the decision could be presented as based on the Governor’s assessment of the security risks in Nyasaland and as necessary to enable Africans favouring Federation to give evidence to the Commission without fear of intimidation. Dr. Banda’s release would be postponed for only a few weeks beyond the date originally contemplated and the recent release of large numbers of detainees had gone some way towards implementing the Government’s announced policy. The proposed constitutional concessions to Southern Rhodesia were, however, a cause for some misgiving: the reserved powers should not be surrendered unless they were replaced by effective local safeguards for African interests. The Government should not be committed at this stage to making any concessions to Southern Rhodesia on this point.

* Previously recorded in a Confidential Annex.
The Prime Minister said that the present attitude of the Governments of the Federation and of Southern Rhodesia was based on emotion rather than on reasoned argument. In these circumstances the Cabinet were faced with a choice between two evils. He was satisfied that there was no element of bluff in the attitude of Ministers in Salisbury. It seemed to him that it would not be justifiable to risk the disruption of the Federation on the question of delaying the release of Dr. Banda for three or four weeks, and that there was no alternative but to accept the course recommended by the Commonwealth Secretary. This must, however, be on the understanding that the Government were not committed to constitutional concessions to Southern Rhodesia and that, if it were agreed that the reserved powers should be withdrawn, they should be replaced by effective local safeguards for the rights of the African population.

The Colonial Secretary said that, while it might be necessary for the Government to follow the course recommended by the Commonwealth Secretary, this would greatly increase his difficulties in the discharge of his responsibilities as Colonial Secretary, and he would have to consider the implications of such a decision on the conduct of Colonial policy in Africa.

The Cabinet—
Agreed to resume their discussion of this question at a later meeting.

Cabinet Office, S.W. 1,