CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W. 1, on Thursday, 23rd June, 1960, at 10.45 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. The EARL OF HOME, Lord President of the Council and Secretary of State for Commonwealth Relations
The Right Hon. IAIN MACLEOD, M.P., Secretary of State for the Colonies
The Right Hon. HENRY BROOKE, M.P., Minister of Housing and Local Government and Minister for Welsh Affairs
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. LORD CARRINGTON, First Lord of the Admiralty (Item 4)
The Right Hon. JOHN BOYD-CARPENTER, M.P., Minister of Pensions and National Insurance (Item 3)
The Right Hon. RICHARD WOOD, M.P., Minister of Power (Item 3)
The Right Hon. JOHN PROFUMO, M.P., Minister of State for Foreign Affairs
The Right Hon. MARTIN REDMAYNE, M.P., Parliamentary Secretary, Treasury

The Right Hon. GEORGE WARD, M.P., Secretary of State for Air (Item 4)
The Right Hon. DEREK WALKER-SMITH, Q.C., M.P., Minister of Health (Item 3)
The Right Hon. REGINALD BEVINS, M.P., Postmaster-General (Item 3)
The LORD CRAIGTON, Minister of State, Scottish Office

Secretariat:
The Right Hon. Sir NORMAN BROOK
Mr. F. A. BISHOP
Mr. M. REED
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1. The Cabinet were informed of the business to be taken in the House of Commons in the following week.

The Home Secretary recalled that in the previous year representations had been made by the Opposition, advocating car allowances for Members of Parliament in lieu of travel warrants. The Chancellor of the Exchequer had worked out a practical scheme but the Opposition had recently indicated that they no longer felt able to support it, as they considered it could not be made safe from abuse. In the circumstances the proposal would not be pursued. This could be explained in reply to a Parliamentary Question which the Prime Minister was to answer that day.

The Cabinet—
Took note of this statement by the Home Secretary.

2. The Cabinet had before them a memorandum by the Minister of Housing (C. (60) 96) on the Government's future housing policy for England and Wales.

The Minister of Housing said that it was most desirable that the Government should maintain the initiative in housing policy. His first main proposal was to recast present policy on subsidies. The result of the existing flat-rate system was that many of the authorities of the large cities used the surplus in their housing accounts, derived from the subsidies still payable on houses built cheaply before the war, together sometimes with direct contributions from the rates, to maintain municipal rents at an artificially low level. Other authorities—notably in the rural and smaller urban areas—were obliged to charge rents beyond the means of many potential tenants and were unable to make further progress with their housing programmes without throwing an additional burden on their rates. He therefore proposed that the aggregate amount of Exchequer housing subsidies, worked out on the present basis, should be redistributed in accordance with the financial position of each authority; those who were following a reasonable rent policy and needed additional help from the Exchequer would receive it and might, where appropriate, be able to reduce their rents, while those whose housing accounts were strong would receive reduced subsidies on all future building and would in practice be obliged to raise the rents of their better-off tenants in consequence.

The Minister's second main proposal concerned the building of houses to let by bodies other than the local authorities. There was a real need for this as an alternative to municipalisation. Discussions with the various interests concerned had shown that little could be expected from private enterprise, and he therefore proposed that the Exchequer should either make or underwrite loans at a relatively low rate of interest to housing trusts or associations who were prepared to build for letting. Any houses built under such a scheme would count against the public programme and would not add to the total investment in housing. At the same time there was a very large number of houses owned by small landlords who were unwilling or unable to put and maintain them in proper condition, and one function of the housing trusts might be to buy property of this kind, put it into reasonable condition and continue to manage it.

The Chancellor of the Exchequer said that he regarded the Minister's proposals on housing subsidies as acceptable in principle and a reasonable basis for detailed discussion. The proposal to lend money to housing trusts at less than the market rate of interest involved, however, a concealed subsidy and an additional commitment on which he must reserve his position.
Discussion showed that there was considerable support in the Cabinet for the proposals of the Minister of Housing, although doubt was expressed whether, in view of growing demands on the national resources, the payment of housing subsidies at existing levels could be justified indefinitely. But the timing of the necessary legislation presented difficult questions. The Minister of Housing and the Chancellor of the Exchequer were about to put forward joint proposals for legislation to effect the complete re-rating of industry as from April 1963. The revaluation of all residential property from the same date might result in increases in the rates payable by householders, even taking into account the palliative which the re-rating of industry would offer. For technical and administrative reasons the Rating and Valuation Bill must be introduced in the next session if the revaluation were to operate from the date proposed. The effect of the proposed legislation on housing subsidies would be more immediate than that on rating and valuation, but at the same time it would be spread over a longer period. If the Housing Bill were passed in the session of 1960–61, the consequent gradual increases in the rent of many municipal tenants would begin to take effect at the end of 1961, would continue throughout 1962 and would be completed by early 1963. If, on the other hand, the Housing Bill were deferred until 1961–62, its effect would fall on municipal tenants concurrently with increases in the rates they had to pay. There was therefore a strong case for legislating in 1960–61, although it must be recognised that the provisional programme for that session was already heavily loaded and it might be difficult to accommodate both the Housing Bill and the Rating and Valuation Bill.

Summing up the discussion, the Prime Minister said that the proposals for a redistribution of housing subsidies were generally acceptable to the Cabinet, although much work remained to be done on the details. Some means should also be found, in addition to the facilities for purchase for owner-occupation provided under the Housing Act of 1959, to check the deterioration of many houses let by small landlords; and an effort should be made to devise some alternative to municipalisation which would be both effective and acceptable to the Chancellor of the Exchequer. Further thought was required also on the timing of the legislation on housing subsidies in relation to that proposed on rating and valuation.

The Cabinet—

Took note that the Prime Minister would arrange for a committee of Ministers to give further consideration to the Government’s future housing policy, particularly in relation to the system of Exchequer subsidies and the building of houses to let; to their policy on rating and valuation; and to the content and timing of any necessary legislation on these subjects.

3. The Cabinet had before them a memorandum by the Home Secretary (C. (60) 93) outlining a programme of legislation for 1960–61 and the two subsequent sessions.

The Home Secretary said that, in addition to preparing a detailed programme of Bills to be introduced in the following session, the Future Legislation Committee had formulated the broad outlines of a provisional plan for the sessions of 1961–62 and 1962–63. While general approval of this forward plan at the present stage would not, of course, preclude subsequent variation, it would assist in the orderly preparation and handling of the Government’s legislative business throughout the greater part of the Parliament. The plan, if carried through, would represent a reasonable achievement and was given cohesion by a number of recognisable themes running through it, such as social and moral reform, reform of financial institutions and
commercial practice, improvement of the transport system and improvement of the criminal and civil law and its administration. The plan as presented was not intended to be exhaustive: for example, the reorganisation of the nationalised industries might be represented in 1960–61 by a Bill to deal with the railways and in the following session by one on the coal industry. Any further suggestions to add interest to the programme would be welcomed.

The detailed programme formulated by the Committee for 1960–61 almost certainly contained more material than could be handled in the time available, and further reductions might therefore be necessary when it was reviewed later in the year. Meanwhile, however, Ministers responsible for the Bills included in it should seek at the earliest possible date whatever policy decisions were necessary, in order that preparation of the Bills might proceed without delay.

Discussion showed that the proposed pattern of legislation in the following three sessions was generally acceptable to the Cabinet, although it was open to question whether a Bill on so controversial a subject as Sunday observance would be appropriate as late as 1962–63.

In discussion of the detailed programme for 1960–61 the following points were made:

(a) The Bill conferring independence on Sierra Leone should be transferred to the list of essential Bills (A.1), since a date for independence had now been agreed.

(b) It would be necessary to include in the Government’s own programme the Bill to give effect to the recommendations of the Peppiatt Committee on a levy on betting on horse-racing, which it had earlier been suggested might be prepared for introduction by a Private Member.

(c) It was already possible to suggest some reductions in the lists of programme Bills. That on Reserve Forces was now unlikely to be required. Legislation to change the financial structure of the National Health Service was unlikely to be ready and, if an increase in the weekly Health Service contribution became necessary, it might be possible to effect this in the Finance Bill. Unless it could be demonstrated that deferment of the Trunk Roads Bill would significantly delay the acquisition of land for the roads programme, it should be deferred until a later session.

(d) There would be advantage in adding the Patents (Amendment) Bill to the programme.

(e) It was unfortunate that time could not be found for a Bill on school-leaving dates, on which it was hoped that agreement would be reached with the two sides of industry.

(f) It had now become apparent that the Social Workers’ Bill, which had been proposed for introduction by a Private Member, would not be suitable for that purpose; and a place should, if possible, be found for it in the programme for 1961–62.

(g) The Crown Estate Commissioners must be expected to protest at the deferment of their Bill, but there was no hope that time could be found for it in the next session.

(h) The Scottish legislation would so far as possible be dealt with by the Scottish Grand Committee. The Flooding (Scotland) Bill should be included in the programme if time could be found for it; and the Local Authorities (Contributions to Charities) (Scotland) Bill, previously regarded as a possible subject for a Private Member, should now be included in the Government’s programme for 1960–61 or a later session. It might be possible to combine the Bills on pensions for Sheriffs in Scotland and for Judicial Officers in England and Wales.
The Cabinet—

Approved, subject to the points made in their discussion, the proposals for future legislation in C. (60) 93.

*4. The Cabinet resumed their discussion of the suggestion that facilities should be provided for United States POLARIS submarines in Scottish waters.

The Prime Minister said that the Cabinet should first consider whether the United States request should, in principle, be met. If so, it would then be necessary to consider whether it should be made a condition that the United States Navy should accept facilities at Loch Linnhe and not, as they had originally proposed, in the Clyde area; and whether our agreement should be conditional on our obtaining the right to purchase or manufacture POLARIS submarines and missiles of our own. It would also be necessary to consider the relation of this project to the requirement of the Supreme Allied Commander, Europe (SACEUR) for medium-range ballistic missiles to be deployed in Europe as part of the forces of the North Atlantic Alliance (the NATO M.R.B.M. project).

The Minister of Defence said that, on reflection, he doubted whether it would be possible to represent the facilities which the United States Navy required as temporary, particularly if the arrangements were to be presented as a partnership project. It was also doubtful whether we should suggest that some of the United States POLARIS submarine hulls might be constructed in the United Kingdom, since the United States authorities would feel that British shipyards could not offer the facilities or the security which they could obtain in their own country.

The Minister of Defence also informed the Cabinet that the Chiefs of Staff had been kept fully informed of his proposals and were in agreement with them.

The First Lord of the Admiralty said that a technical examination had now established that Loch Linnhe was suitable for the provision of the necessary facilities for POLARIS submarines, although it had not the logistic or amenity advantages of the Clyde area. The Atomic Energy Authority were satisfied that Loch Linnhe would be acceptable from the point of view of safety.

The Chancellor of the Exchequer said that he was in favour of this project, so long as it was understood that at the present stage we were not seeking more than an option to purchase or manufacture POLARIS submarines. If in due course it were decided to exercise that option, it would be greatly preferable that the submarines should be built in this country. He was increasingly doubtful whether we could afford to finance both the SKYBOLT and the POLARIS projects, and we certainly could not afford to provide both at the same time. The way in which it was proposed to relate this project to the NATO M.R.B.M. project was acceptable to him, since it did not involve any commitment for further expenditure on the latter. If in the future it became necessary to undertake expenditure on account of the latter, some compensating saving would have to be found elsewhere.

In further discussion the following points were made:

(a) It should be made clear to the United States authorities that the POLARIS submarine project, even if it were presented as a partnership between the two Governments, would involve great political difficulties. It would be desirable, for presentational purposes, to minimise the scale of the facilities to be provided. It

* Previously recorded in a Confidential Annex.
would also be helpful if the construction of amenities for American servicemen's dependants could be postponed until a later stage.

(b) If the President of the United States accepted the arrangements and conditions which the Prime Minister would propose, the next stage would be to embody the arrangements in a general memorandum of understanding. A detailed agreement, covering such matters as safety precautions and technical questions, could be left for negotiation later, as also could the despatch of a technical mission to examine the question of our requirements for POLARIS submarines.

(c) It was suggested that the THOR missiles already established in the United Kingdom could, if necessary, be regarded as a specific contribution to the NATO M.R.B.M. project.

(d) It was suggested that, if we were to make these facilities available to the United States authorities, we should at the same time explain that the various forms of our present and future contribution to the nuclear power of the West placed a very heavy burden on our economy; and we might urge the United States authorities to consider the desirability of improving economic and financial relations between the two countries, with a view to ensuring that the economic burden of our defence did not become insupportable. It was the general view of the Cabinet that it might be more appropriate to take up these economic issues separately, at a later stage.

The Cabinet—

(1) Approved the proposals in C. (60) 98.

(2) Invited the Prime Minister to inform the President of the United States of the arrangements proposed to provide facilities for POLARIS submarines in Scottish waters, taking into account the points mentioned in their discussion.

5. The Minister of Transport said that a satisfactory agreement had now been reached with the railway unions that workers in all the British Transport Commission (B.T.C.) ports, who had shared in the 5 per cent. interim increase in wages which had already been awarded on account of the recommendations in the Guillebaud report, should receive a further increase of 2½ per cent.

The main question which remained to be settled was the date from which the further wage increases to B.T.C. employees should commence. The railway unions had rejected the proposal that the operative date should be that on which formal agreement would be reached, namely 1st July, and were pressing for retrospection to 1st January, 1960, on the ground that this was the date on which the recommendations in the Guillebaud report were based. At their meeting on the previous day the Wages Policy Committee had considered that the B.T.C. should be authorised to offer 2nd March, which was the date on which the Guillebaud report was published; and that, if the unions were to reject this, the Chairman of the B.T.C. should seek further instructions from Ministers. The Chairman had now represented that, in view of the urgent need for a settlement, he should be informed what earlier date would be acceptable to the Government if the unions were to reject 2nd March. He thought there was some chance, though not a strong one, that the unions would accept 2nd March or at least 29th February, which was the beginning of the pay week in which the Guillebaud report was published. It was not likely that the railway unions would take official strike action on this issue, but if a settlement were not reached there would probably be sporadic unofficial strike action and the
unions would not willingly co-operate with the B.T.C. in the reorganisation of the industry.

The Chancellor of the Exchequer said that it had always been understood that, having regard to the interim wage increase which had already been made, any further increase in implementation of the recommendations in the Guillebaud report would not be made retrospective. The cost of retrospection to 2nd March would be nearly £5 millions, and over £7 millions if the increase were back-dated to January. The Chairman of the B.T.C. should make every effort to avoid retrospection earlier than 29th February.

It was the general view of the Cabinet that every effort should be made to secure a settlement on the basis of retrospection to 29th February. Failing that, in view of the need for an early settlement, the Chairman of the B.T.C. should be authorised to reach the best possible settlement, provided that the date for retrospection was not earlier than January 1960.

The Cabinet—

Invited the Minister of Transport to inform the Chairman of the British Transport Commission that he should make every effort to secure a settlement on the basis of retrospection to 29th February, but, failing that, he should reach the best settlement he could secure, provided that the date for retrospection was not earlier than 1st January, 1960.

Cabinet Office, S.W. 1,
23rd June, 1960.