CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Tuesday, 26th July, 1960, at 10:30 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. The EARL OF HOME, Lord President of the Council and Secretary of State for Commonwealth Relations
The Right Hon. VISCOUNT HAILSHAM, Q.C., Lord Privy Seal and Minister for Science
The Right Hon. IAIN MACLEOD, M.P., Secretary of State for the Colonies (Items 1-2)
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
Dr. The Right Hon. CHARLES HILL, M.P., Chancellor of the Duchy of Lancaster

The following were also present:
The Right Hon. LORD CARRINGTON, First Lord of the Admiralty (Item 6)
The Right Hon. DEAN INGHAM-BULLER, Q.C., M.P., Attorney-General (Item 6)
The Right Hon. MARTIN REDMAYNE, M.P., Parliamentary Secretary, Treasury.

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

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Oversea Civil Service.

(Previous Reference: C.C. (60) 44th Conclusions, Minute 7.)

1. The Prime Minister recalled that at their meeting on 21st July the Cabinet had invited the Colonial Secretary to consider, in consultation with the Chancellor of the Exchequer and the Commonwealth Secretary, what reduction could be made in the scope of the scheme proposed in C. (60) 116 for relieving Colonial Governments of the “expatriate” element in the emoluments of members of the Oversea Civil Service. At the meeting which had been held for this purpose the Treasury had been represented by the Financial Secretary, in the absence of the Chancellor of the Exchequer on official duty abroad, and the Chancellor's position had therefore been reserved. Subject to this it had been agreed that if (i) Colonial Governments were left to pay half the cost of passages of expatriate officers, and (ii) allowance were made for the consequential savings of prospective future expenditure on the Colonial Office Vote, and (iii) account were taken of the fact that the ultimate cost of pensions and compensation would be offset by an eventual decrease in the cost of other parts of the plan, the initial cost of the scheme could be presented as £14 millions, instead of £24 millions. The Commonwealth Secretary and Colonial Secretary were strongly in favour of proceeding with the scheme on this basis.

The Chancellor of the Exchequer said that, as the offsetting economies had not yet been identified, he was naturally reluctant to take them into account. Moreover, even if the budgetary cost of the scheme could be said to amount initially to no more than £14 millions, he would still be concerned at the strain it would impose on the balance of payments of the United Kingdom. It was not possible to estimate with precision what proportion of this additional money would in fact be spent outside the United Kingdom. In a sense, however, these were points of minor difficulty. His main concern was with the mounting cost of public expenditure as a whole and, within that, the rise in expenditure overseas. On several recent occasions he had felt obliged to draw the attention of his colleagues to the great danger which this represented to Government policy as a whole. He considered it his duty, as Chancellor, to warn the Cabinet that no fresh commitment involving expenditure should be undertaken at the present time unless it could be matched by a firm assurance that the cost could be offset by savings in other directions. He felt very strongly that the time was not far distant when the Government would have to consider seriously some major reduction in their overseas commitments. He doubted, for example, whether the country would be able for long to carry the existing burden of military expenditure both in Germany and in South-East Asia.

The Colonial Secretary said that, although this was not susceptible of precise statistical calculation, he was confident that the great bulk of the “expatriate” allowances would be spent in this country and that the scheme would not impose a significant strain on the balance of payments of the United Kingdom. On the main question, while he respected the Chancellor’s anxieties, he was convinced that without some scheme of this kind it would be impossible to maintain an efficient administration in the dependent territories for which we were still responsible. All recent experience confirmed the view that, unless something of this kind were done, an increasing number of expatriate officers would feel compelled to look for alternative careers elsewhere. In that event the administrative structure in territories emerging towards independence would be undermined.

Discussion showed that there was general agreement in the Cabinet that in present circumstances high priority must be given to the maintenance of an efficient system of administration in Colonies advancing towards independence. In recent experience in Africa and in Asia there was ample evidence that, without this, the structure of society in emergent countries could easily collapse. This could imply,
not merely a failure of our Colonial policy, but serious damage to our investment in those countries—which would impose a much more serious strain on our balance of payments. Action on the lines now recommended would also help to re-establish confidence among the European residents in East Africa. For these reasons there was general agreement that the course recommended by the Commonwealth Secretary and the Colonial Secretary was one which ought to be taken, even though it carried with it an obligation to seek offsetting savings in other parts of the Colonial Office Vote or in other sections of our overseas expenditure as a whole.

The Chancellor of the Exchequer said that he did not dissent from the view that high priority should be given to the measures necessary to preserve efficient administration in overseas territories dependent on the United Kingdom. He had however thought it right to warn the Cabinet that, in view of the balance of payments prospects, additional expenditure for this desirable purpose ought not to be allowed to increase the net total of our overseas expenditure.

The Cabinet—

(1) Approved the proposals outlined in C. (60) 116, subject to the modification that Colonial Governments should continue to bear one-half of the cost of passages of expatriate officers in the Oversea Service.

(2) Authorised the Colonial Secretary to announce, in general terms, before Parliament rose for the summer recess, that the Government proposed to transfer to the United Kingdom Exchequer the “expatriate” element in the pay and allowances of members of the Oversea Civil Service.

(3) Invited the Colonial Secretary to consider how far the cost of this new policy could be offset by savings in other parts of the Colonial Office Vote.

2. The Cabinet had before them a memorandum by the Home Secretary (C. (60) 128) calling attention to the continued immigration into the United Kingdom of coloured people from other Commonwealth countries.

The Home Secretary said that this memorandum was in the nature of a further progress report. He did not recommend any further public action at the present time. It would however be useful if the Cabinet Committee which had previously examined this problem could be reconstituted in the autumn to keep it under review. He also hoped that the Colonial Secretary would continue to press Governments in the West Indies, especially in Jamaica, to do all they could to discourage emigration from those countries.

The Cabinet—

Took note of C. (60) 128 and of the statement made by the Home Secretary.

3. The Minister of Labour said that, following the Cabinet’s earlier consideration of the possibility of discussions with employers and trades unions about problems of industrial relations, he had held informal consultations with representatives of the British Employers’ Confederation and the Trades Union Congress. He had received an assurance that representatives of both bodies would be prepared to consider jointly how discussions on a number of problems affecting
industrial relations could best be carried forward. He had therefore arranged for a meeting to take place on the following day of the Joint Consultative Committee, which would be attended by a small number of representatives from the Confederation, the Trades Union Congress and the nationalised industries. He would report to the Prime Minister on the progress of these discussions.

The Cabinet—

Took note with approval of this statement by the Minister of Labour.

4. The Cabinet had before them a memorandum by the Home Secretary (C. (60) 117) submitting the recommendations of the Housing Policy Committee for legislation on rating and on housing subsidies.

The Home Secretary said that in England and Wales the next revaluation for rates would take place in 1963. The Housing Policy Committee had agreed that from that date, when all houses and flats would be revalued and commercial properties would lose the 20 per cent. relief from rates which they now enjoyed, the present 50 per cent. derating of industry and freight transport should also be abolished. For technical reasons it would be necessary that the legislation required should be introduced early in the session of 1960–61; but the Bill was not expected to be seriously controversial, since the total rate burden borne by industry would not be increased. The revaluation of houses and flats would, however, mean a substantial increase in the rates payable by householders, and the Committee had agreed that some temporary measure of relief should be afforded. It would not be possible to determine the proper extent of this until the revaluation was well advanced, and it was therefore proposed that power should be taken in the next session’s Bill to introduce a measure of derating for householders by Ministerial order.

The Committee had also considered the proposals put forward by the Minister of Housing for legislation to reshape the existing system of housing subsidies so as to ensure that the subsidies payable were adjusted to the financial position of each local authority and that artificially low council rents were forced up into line with private rents. These proposals had already been generally accepted by the Cabinet, and the Committee were satisfied that legislation on these lines should be introduced. Further consideration should, however, be given to the details of the new scheme and, in particular, to the level of the new subsidies and their effect on the future level of the Exchequer commitment to housing.

The Committee had found political attractions in the Minister’s proposal that the Housing Bill should also empower the Government to make or underwrite loans to housing associations to enable them to build houses for letting and to buy, modernise and manage houses which neglectful landlords were allowing to deteriorate. The financial implications of this proposal should, however, be further considered before a recommendation could be put before the Cabinet.

The Committee had carefully considered the timing of the proposed legislation on rating and housing subsidies and proposed that it should be so arranged that the impact of the different changes did not fall on householders simultaneously. The final results of the decontrol provisions of the Rent Act, 1957, would provoke in the winter of 1960–61 pressures which the Government would have to resist. In 1963 householders would be faced with an increase in rates, which could be mitigated as the Committee proposed but not altogether avoided. The increase in local authority rents, which
would be one effect of the new system of housing subsidies, should therefore have its greatest impact in the year intervening between these other two periods of difficulty—that is, in 1962—and for this purpose the Housing Bill must be introduced some time in the coming session. The Committee were, however, satisfied that, although the Bill would be unpopular with council tenants whose rents were increased, the principle to which it gave effect would be widely welcomed by the Government’s supporters and that on balance its introduction would be politically advantageous.

The Secretary of State for Scotland, while agreeing generally with these proposals, said that the timing of the parallel legislation for Scotland raised intractable difficulties. The next revaluation in Scotland was due in 1961, so that it would be impossible to abolish industrial derating as early as 1963. He was, however, seeking means of effecting this earlier than the date of the following revaluation in 1966. For similar reasons it would not be possible to provide for the derating of residential properties in Scotland at the same time as in England and Wales, though some simultaneous statement could be made of the Government’s intentions in respect of Scotland. The same general plan for reshaping housing subsidies could apply to Scotland as to England and Wales, though some of the details, including the rate of subsidy, would need to be different and the legislation should be deferred until the session of 1961-62.

The Chancellor of the Exchequer said that he agreed with the Committee’s proposals on rating and, in general, with the new system of housing subsidies. Exchequer expenditure on subsidies would, however, continue under the present system to rise at the rate of £3 to £4 millions a year, and he hoped that it might be possible to determine the new subsidies at a level which would effect some substantial reduction in this rate of increase. He sympathised with the motives behind the proposal that the Exchequer should assist housing associations to build houses to let, but he must point out that it would involve a new form of concealed subsidy and an additional commitment which he could not at present see his way to accept. He was, however, willing to agree that officials of the Departments concerned should work out a detailed scheme, on the understanding that no announcement would be made before the question of including it in the Bill had again been considered by Ministers.

The Cabinet—

1. Approved the proposals in C. (60) 117 for legislation on rating and on housing subsidies in England and Wales, to be introduced in the session of 1960-61.

2. Invited the Home Secretary to arrange for the Housing Policy Committee to give further consideration to the timing and content of parallel legislation for Scotland; to the details of the proposed new system of housing subsidies and, in particular, to its effect on the future Exchequer commitment to housing; and to the proposal in C. (60) 117 for Exchequer loans to enable housing associations to build houses for letting.

5. The Cabinet had before them a memorandum by the Chancellor of the Exchequer (C. (60) 119) proposing simplification and improvement of the present bronze coinage.

The Chancellor of the Exchequer said that the farthing had now outlived its usefulness and there was reason to believe that its abolition would be generally welcomed. This would be a simple step and could be taken at the end of 1960, after three months’ notice. The opportunity might then be taken to sound public opinion on the
introduction, as a matter of convenience, of smaller pennies and halfpennies. This proposal was, however, complicated by the possibility that the coinage might at some time be decimalised and would moreover, affect a wide variety of coin-operated machines.

The Chancellor said that he had also considered the possibility of introducing a smaller crown piece, but he was not satisfied that the trial silver pieces which had been struck would, after a period of use, be sufficiently distinguishable from florins.

Discussion showed that there was general agreement in the Cabinet that the farthing should be abolished at the end of 1960. It was, however, the general view of the Cabinet that, in the absence of any popular demand, there were insufficient grounds for canvassing public opinion on a possible change in the size of pennies and halfpennies.

The Cabinet—

(1) Authorised the Chancellor of the Exchequer to announce that the farthing would be discontinued from the end of 1960.

(2) Agreed that no further consideration need be given at present to the possibility of a change in the size of pennies and halfpennies.

The Cabinet had before them a memorandum by the Lord Chancellor (C. (60) 121) on the latest developments in the fisheries dispute with Iceland.

The Lord Chancellor said that, following the failure of the Second Geneva Conference in April, prolonged efforts had been made, without success, to persuade the Government of Iceland to negotiate some form of agreement. The voluntary ban on fishing within the 12-mile limit, which our own industry had adopted during and after the Conference, was due to expire on 12th August. This self-imposed ban might be extended if direct discussions between the fishing industries of the United Kingdom and Iceland could be arranged. The Committee on the Law of the Sea were satisfied that this was now the most hopeful course to follow. The object of the talks would be to obtain a modus vivendi under which our trawlers would be allowed for a period of years to fish without interference in certain prescribed areas within the 12-mile limit. The majority of the Committee felt that the talks would have a greater prospect of success if at the same time it were made known to the Government of Iceland through diplomatic channels that they must not assume that our industry would be prepared to extend the voluntary ban after 12th August and that, if talks between the industries had not begun or had broken down by then, the United Kingdom Government would have to reconsider the whole position, including the possibility of resuming naval protection within the 12-mile limit. The majority of the Committee considered also that, if no progress had been made by 12th August, the Government should announce their intention to resume naval protection.

The Foreign Secretary said that an announcement of our intention to resume naval protection would provoke strong reactions from the Government of Iceland and might even result in its overthrow. Possible consequences were a hostile resolution in the United Nations, the withdrawal of Iceland from the North Atlantic Alliance and possibly some Soviet intervention in Icelandic waters. Nor could we then count on the continued support of our allies among the fishing nations. A safer course would be for the United Kingdom
industry themselves to threaten that if agreement were not reached a ban would be imposed on landings of fish in this country from Icelandic vessels (even though the value of these landings was now only about £½ million).

Discussion showed that there was general agreement in the Cabinet that all reasonable steps must be taken to secure that negotiations between the two industries were set on foot. A mission from the United Kingdom industry should go at once to Iceland and make clear to their counterparts that they must not assume that the voluntary ban on fishing within the 12-mile limit would continue after 12th August and that if negotiations had not begun or had broken down by that date Her Majesty's Government would be pressed to resume naval protection within the limit. While no formal démarche should be made to the Government of Iceland, an indication should be given by Her Majesty's Ambassador in Reykjavik that the Government would be pressed to consider taking this step, though they would wish to avoid it. The mission from the United Kingdom industry should be asked to keep any discussions going as long as possible (which would have the additional advantage of providing time for the conclusion of the proposed fisheries agreement with Norway) and a decision to resume naval protection within the 12-mile limit should not be taken unless and until the discussions were known finally to have failed.

The Cabinet—

(1) Invited the Minister of Agriculture to arrange for a mission from the United Kingdom fishing industry to Iceland to follow the line approved in their discussion.

(2) Invited the Foreign Secretary to instruct Her Majesty's Ambassador in Reykjavik accordingly.

Cabinet Office, S.W. 1,
26th July, 1960.