CONCLUSIONS of a Meeting of the Cabinet held in the Prime Minister's Room, House of Commons, S.W. I, on Wednesday, 21st December, 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., Chancellor of the Exchequer
The Right Hon. VICOUNT HAILSHAM, Q.C., Lord President of the Council and Minister for Science
The Right Hon. DUNCAN SANDYS, M.P., Secretary of State for Commonwealth Relations (Items 1-4)
The Right Hon. HAROLD WATKINSON, M.P., Minister of Defence

The Right Hon. Sir DAVID ECCLES, M.P., Minister of Education
The Right Hon. LORD MILLS, M.P., Paymaster-General
The Right Hon. JOHN HARE, M.P., Minister of Labour (Items 1-4)
Dr. The Right Hon. CHARLES HILL, M.P., Chancellor of the Duchy of Lancaster

The following were also present:
The Right Hon. JOHN BOYD-CARPENTER, M.P., Minister of Pensions and National Insurance (Item 4)
The Right Hon. RICHARD WOOD, M.P., Minister of Power (Item 5)
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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1. The Foreign Secretary said that the resolution put forward by the United Kingdom and United States Governments to strengthen the influence of the United Nations Organisation in dealing with the situation in the Congo had failed by one vote to secure the necessary two-thirds majority in the General Assembly. Meanwhile the efforts of the supporters of Mr. Lumumba to set up a separate Government in Stanleyville, which were being encouraged by certain African countries including the United Arab Republic, had increased the dangers of civil war. It was important that the United Nations authorities should continue to control the airports, in order to lessen the chances of direct intervention, and that they should be encouraged to help the administration in Leopoldville to deal with widespread distress and shortage of food in the country.

The Cabinet—

Took note of this statement by the Foreign Secretary.

2. The Foreign Secretary said that General Phoumi had now secured control of Vientiane, but that there were strong forces of the Left-wing Pathet Lao in other parts of the country who were receiving assistance from the Communist bloc. As a result of his recent discussions with the United States Secretary of State and the French Foreign Minister in Paris, the United States authorities now appreciated the dangers of an appeal for intervention by South-East Asia Treaty Organisation forces, and were trying to ensure that neither General Phoumi nor the Government of Thailand made such an appeal. It seemed that the best chance of securing a genuinely neutral Government in Laos might lie in reviving the International Control Commission, but the authorities in Laos had not so far been prepared to agree to this.

He had also sent a message to the Soviet Foreign Minister, warning him of the dangers that would arise from outside intervention in the situation in Laos; there had not yet been any response to this.

The Cabinet—

Took note of this statement by the Foreign Secretary.

3. The Cabinet had before them a memorandum by the Minister of Agriculture (C. (60) 192) about the farm improvements scheme.

The Minister of Agriculture recalled that this scheme, introduced under the Agriculture Act, 1957, provided for grants at the rate of 33½ per cent. on long-term capital improvements. Under the Act the scheme would run for 10 years and was subject to a limit of £50 millions (which might be extended by Order to £55 millions) on the total amount of the grants. The rate of expenditure had outstripped the original estimate and £27 millions had already been committed in the first three years. If this rate were not checked, the total of grants over the full 10-year period was likely to be at least £70 millions.

When the Cabinet had last considered the development of the scheme, the balance of opinion had favoured maintaining the present rate of grant, since any reduction might be unfair to farmers who had planned to apply for assistance in one of the later years of the scheme. The then Minister of Agriculture had, however, been invited to give further consideration to the possibility of limiting expenditure under the scheme by administrative means, and of finding some
compensating reduction in other forms of Exchequer assistance to agriculture. Examination had now shown that no major economies in the scheme could be effected by administrative means and that, since the grants were statutorily excluded from the annual Farm Price Review, there was no possibility of recovering any excess over the limit imposed by the Act by compensating reductions in the value of the price guarantees.

The Government had made it clear when the Agriculture Bill of 1957 had been before Parliament that, if expenditure under the scheme seemed likely to exceed the figure contained in the Bill, the question would be examined afresh. Since the scheme was one of the most successful means of increasing farm efficiency and reducing the long-term dependence of agriculture on Exchequer support, and since to restrict it at this stage might reasonably be regarded as a breach of faith with the industry, the Minister proposed that the scheme should be maintained for its full 10 years at the present rate of grant.

The Chancellor of the Exchequer said that he would welcome further time in which to consider this proposal in the light of the examination which had been made of the alternative courses.

In a short general discussion it was pointed out that, while the existence of the farm improvements scheme had enabled the Government to take a firmer line in recent Farm Price Reviews, the high level of Exchequer assistance to agriculture had led to excessive prices for farm land. It might be desirable to adopt a much more critical attitude to proposals for increasing the amount of assistance.

It was also suggested that it would be helpful if the Cabinet could be given more detailed information about the type of farms which were benefiting from the scheme.

The Cabinet—

(1) Invited the Chancellor of the Exchequer to give further consideration in the light of their discussion to the proposal in C. (60) 192 that the farm improvements scheme should be maintained for its full period at the present rate of grant.

(2) Invited the Minister of Agriculture to circulate a memorandum containing information about the types of farms benefiting from the scheme.

(3) Agreed to resume their discussion at a later meeting.

The Cabinet had before them a memorandum by the Home Secretary (C. (60) 193) about the cost of the National Health Service.

The Minister of Health said that next year would be the fifth in succession in which there had been an increase in the cost of the National Health Service of between 8-10 per cent. Apart from the burden on the taxpayer, this large and continuing increase made it more difficult to effect the reallocation of expenditure within the service which modern trends in medicine demanded. In agreement with the Secretary of State for Scotland, he had put forward a number of proposals which would provide about half of the £54 millions by which the Health Estimates for the following year exceeded the original Estimates for the current year. These were to reduce by 2d. the subsidy on liquid welfare milk and to make an economic charge for the other welfare foods; to increase the charges for dental and optical appliances and for amenity beds in hospitals; and to double the present prescription charge of 1s. per item. These measures could be presented not as cuts in the service but as a move to alter the priorities for expenditure within the service. For example, the
total amount of the welfare milk subsidy was at present not far short of the total capital expenditure in the hospital service; a reduction in the subsidy would make more money available for capital developments. Again, an increase in the charges for dental and optical appliances would make it possible to introduce concessions, desirable on medical grounds, on appliances for children and expectant and nursing mothers. The proposals had been approved by the Home Affairs Committee, although the Home Secretary had reserved his position about the introduction of legislation.

Discussion showed that there was considerable support in the Cabinet for these proposals as the most acceptable method of bringing under control the increasing cost of the health service. There was evidence that the present level of direct taxation was a disincentive to expansion of the economy. If, therefore, any progress was to be made in reducing taxation, some means must be found to relieve the Exchequer of some part of the mounting cost not only of the National Health Service but of other services also. The Government were likely to be under increasing pressure from their own supporters to take action for this purpose.

On the other hand, the proposals could not properly be regarded as genuine economies, since they were not primarily designed 'to reduce the total amount spent on the Service. They would, without question, provoke the strongest political reactions especially in conjunction with the increase to be made in the Health Service weekly contribution. They were also open to the particular objection that, like the increase in the contribution, they would bear most heavily on those sections of the community who were in the least favourable position to meet them.

In discussion of the particular proposals the following main points were made:

(a) When the last reduction in the welfare milk subsidy had been made in 1957, it had resulted in a reduction of average consumption of less than 1 per cent. It might be inferred from this that the present proposal would not result in a further reduction in consumption sufficient to have any significant effect on health. But on the earlier occasion consumption in families with four or more children had been reduced by as much as 7 per cent. It would be necessary to make certain that any further reduction in the subsidy would not endanger the nutritional standards of such families. It might be necessary either to allow the larger families to continue to obtain milk at the present subsidised price or to find some other method of helping them.

An arguable case could be made for abolishing the welfare milk subsidy altogether and at the same time abandoning some or all of the other proposals before the Cabinet. The financial effect on the Exchequer would be approximately the same but the consequent reduction in milk consumption which must then be expected would have a very serious effect on the milk industry and, since milk production would not be proportionately reduced, on the guaranteed price scheme.

An alternative, which should be examined, would be to abolish the welfare milk subsidy altogether for certain classes of recipient but at the same time to make the subsidy more generous for others.

(b) The proposal to double the present prescription charge would provoke strong political criticism and might inflict some degree of genuine hardship on elderly people on an income level slightly above that which would entitle them to help from the National Assistance Board. But it could be justified in part by the 50 per cent. increase in the cost of drugs which had occurred since the present charge was fixed at the end of 1956, and it could be presented in the context of
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action which was being taken to control the price of drugs and to influence the prescribing habits of doctors.

(c) There would be political difficulty in the legislation required if the charges for dental and optical appliances were to be increased, especially if the guillotine had to be applied and if, as seemed probable, the Bill could not appropriately be combined with that which would effect the increase in the health service contribution. On the other hand, the increased charges could be fully justified by increased costs, and the proposed legislation would enable the Government to make the concessions on dental and optical appliances to which the Minister of Health had referred. It would also make it possible to provide that, for the future, the charges for these appliances could be adjusted without legislation.

Summing up, the Prime Minister said that it was the general feeling of the Cabinet that some action must be taken to secure savings to the Exchequer of the order of those which would accrue from the Health Ministers' proposals. "The needs of the economy and the Government's philosophy alike demanded that some check should be put on the increasing burden on the taxpayer." It was, however, difficult to do this without at the same time putting too heavy a burden on the least affluent members of the community and the proposals before the Cabinet gave rise to some apprehension on this score. The balance of opinion appeared to be in favour of the proposed legislation on dental and optical appliances and there seemed to be no objection to increasing the charges for amenity beds in hospitals. But the proposals on the welfare milk subsidy should be reconsidered, with a view to adjusting them by one or other of the methods put forward in the discussion, and revised proposals should be brought before the Cabinet in due course.

The Cabinet—

(1) Took note that the Home Secretary reserved his position on legislation to increase the charges for dental and optical appliances.

(2) Subject to Conclusion (1), approved the proposals in C/ (60) 193 to increase the charges for dental and optical appliances and amenity beds.

(3) Invited the Secretary of State for Scotland and the Minister of Health to give further consideration to the proposals on welfare milk and the prescription charge on the lines indicated by the Prime Minister; and to bring revised proposals before them.
6. The Cabinet had before them a memorandum by the President of the Board of Trade and the Postmaster-General (C. (60) 191) about a proposed experiment in subscription television.

The President of the Board of Trade said that the Government had been asked by a number of groups interested in subscription television to agree to a field trial in Darlington. It seemed probable that, at some time in the future, subscription television would become an important service, and this might provide a valuable opportunity for developing our export trade in equipment necessary for the service. It might also help to reinvigorate the British film industry. If most were to be made of these opportunities, there should be an early experiment in subscription television on a commercial scale. This need not prejudice decisions on the recommendations of the Committee on Broadcasting, under the Chairmanship of Sir Harry Pilkington, which would be received before any experiment had been completed.

The Postmaster-General said that if the proposed experiment proved successful it would, in his view, be virtually impossible for the Government not to allow the introduction of a more general service of subscription television. He could, therefore, agree that such an experiment would not prejudice the findings of the Pilkington Committee and the Government's decisions on them. He recommended that the proposal be rejected and hoped that at least the experiment would not be allowed to proceed without the agreement of the Pilkington Committee.

Discussion showed that there was considerable support in the Cabinet for the view that it would be difficult to refuse to allow the experiment, for which the promoters themselves would provide all the necessary equipment and would assume full financial responsibility. The promoters were convinced that, if an early start were made, they could secure a lead over United States manufacturers in the development of equipment and it would not, therefore, be easy to defend a decision which would appear incompatible with the Government's declared policy of doing everything possible to expand our export trade. On the other hand, the view of the Pilkington Committee that their work would be prejudiced by the introduction, even on an experimental basis, of additional commercial television service (about which there were already widespread misgivings in the country) was supported by a number of members.
country) was by no means unreasonable. Further consideration should therefore be given to this aspect of the question before a decision was reached.

The Cabinet—

Agreed to resume at a later meeting their discussion of the proposal in C. (60) 191 for an experiment in subscription television.

7. The President of the Board of Trade said that it was an essential feature of our proposals for a commercial treaty with Japan that we should maintain import restrictions on certain sensitive products. The Japanese had accepted this in principle but, since the present list covered items which made up more than half of Japan's export trade, it would be necessary to make some further concessions. The Economic Policy Committee had approved the President's proposals, made in response to representations from the Japanese, that we should delete from the sensitive list cigarette lighters made of precious metals, certain types of non-precision cameras, surveying instruments and non-transistorised radio and television apparatus; that we should delete clocks and mechanical timing devices, and ships and boats, on the understanding that for their part the Japanese would liberalise these items by the time the treaty came into force; that we should accept a five-year limit on the maintenance of restrictions on certain other photographic equipment and on transistors and transistorised radio and television apparatus; but that we should refuse to delete from the list textiles and textile manufactures, toys and games, pottery, domestic sewing machines and cutlery. The President had also proposed that we should delete canned pilchards, but on this proposal the Economic Policy Committee had been unable to reach agreement.

Discussion showed that the Cabinet were in general agreement with the President's proposals. The deletion of canned pilchards from the list would have little effect on trade, since present imports of pilchards from Japan were negligible and they could, under the terms of the proposed treaty, be reinserted in the list if the situation changed materially. Although there might be some political reactions in Cornwall, where unemployment was higher than average, on balance it would be preferable in the interests of the trade negotiations to accept the deletion of canned pilchards from the list.

In further discussion it was suggested that further consideration should be given to the precise significance of deleting ships and boats from the sensitive list, especially in relation to ocean-going ships.

The Cabinet—

(1) Invited the President of the Board of Trade to inform the Prime Minister of the significance of deleting ships and boats from the sensitive list of products being negotiated in connexion with the proposed commercial treaty with Japan.

(2) Subject to Conclusion (1), approved the proposals made by the President of the Board of Trade for the contents of the sensitive list.