CABINET

CONCLUSIONS of a Meeting of the Cabinet held at Admiralty House, S.W. 1, on Tuesday, 6th June, 1961, 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. SELWYN LLOYD, Q.C., M.P., Chancellor of the Exchequer
The Right Hon. VISCOUNT 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
The Right Hon. Sir DAVID ECCLES, M.P., Minister of Education
The Right Hon. LORD MILLS, M.P., Paymaster-General
The Right Hon. EDWARD HEATH, M.P., Lord Privy Seal

The following were also present:
The Right Hon. REGINALD BEVINS, M.P., Postmaster-General (Item 5)
The Right Hon. CHRISTOPHER SOAMES, M.P., Minister of Agriculture, Fisheries and Food.

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.

2. The Commonwealth Secretary said that in the course of his recent visit to Salisbury he had reached agreement with the Prime Minister of Southern Rhodesia, Sir Edgar Whitehead, on the final form of the constitutional proposals for that territory. The revised constitution would provide for the termination of the present reserve powers of the United Kingdom Government and for the substitution of other safeguards to protect the African population. These would be entrenched in the new constitution and would include a declaration of rights and the establishment of a constitutional council to advise whether any proposed legislation would be discriminatory. These arrangements would in fact be acceptable to African opinion, although African representatives were unwilling to admit this and had declined to express their views on the constitutional proposals. There would be strong African criticism of the proposals relating to land tenure, but in present circumstances it would not be in the best interests of the Africans that the present restrictions on land holding should be abolished. It was of crucial importance to the future of the Federation that the constitutional proposals for Southern Rhodesia should be approved at the referendum which was likely to be held in the latter part of July.

The Commonwealth Secretary said that he had also been concerned, during his recent visit, to try to lessen the differences between the Governments of the United Kingdom and of the Federation on the course of constitutional development in Northern Rhodesia. The Governor of Northern Rhodesia had suggested certain modifications of the original proposals which went some way towards meeting the apprehensions of the Prime Minister of the Federation, Sir Roy Welensky. While it had not been possible to reach agreement, it now seemed that Sir Roy Welensky had given up his plan to hold a General Election in order to obtain a fresh vote of confidence from the electorate, and the Governor would now try to secure the acquiescence of the other political Parties in Northern Rhodesia to the proposals which he had put forward. There was therefore some hope that a compromise solution might be found which, while it would not be acceptable to any of the Parties in Northern Rhodesia, might be imposed without provoking a crisis.

3. The Minister of Education said that the executive of the National Union of Teachers (N.U.T.) had now decided to recommend the rejection of the agreement reached in the Burnham Committee for an increase of £16 per cent. as from 1st January, 1962, in the pay of teachers in England and Wales. It was probable, though not certain, that this recommendation would be endorsed by a conference of the Union on 17th June, and in that event the whole question was likely to be referred to him. The teachers had not appreciated the generous nature of the Burnham agreement and the Minister would have liked to urge the local authorities to make a more adequate presentation of their case. He could not, however, approach them on this basis without implying that the Government would be prepared to approve an increase of £16 per cent. in England and Wales.

The Secretary of State for Scotland said that, if an early decision were taken not to concede an increase of more than 14 per cent. for the English teachers, he could refuse to concede a similar increase for Scotland from a date earlier than 1st October. If, however, the Government decided to approve £16 per cent. for England and Wales,
he would feel obliged by the decision already announced to allow the 14 per cent. increase for Scottish teachers to operate from 1st July.

In discussion it was pointed out that over the period to 31st March, 1963, taken as a whole—the period for which the current Scottish settlement was to run—an increase of 16½ per cent. from 1st January, 1962, would give the English teachers materially less than the Scottish teachers would receive from a 14 per cent. increase commencing on 1st July, 1961. This would make it more difficult to resist the demands for even higher increases for the English teachers. On the other hand, if the Scottish settlement were to operate from 1st October, 1961, the Government could hardly defend, in the face of threatened strikes by the English teachers, a refusal to concede the same date in England. To do this there would be serious objections, both because of the cost and because the English local authorities were firm in their intention that the new settlement should not come into operation before 1st January, 1962, which was already three months earlier than the end of the period originally contemplated for the current settlement. The date of operation of the new Scottish settlement was therefore less important for its cost than for its effect on the English negotiations. For this reason it might be preferable to defer any announcement in respect of Scotland until after the N.U.T. conference on 17th June, although an earlier announcement might have the advantages of implying that in the Government’s view 14 per cent. was the right figure for England and Wales as well as for Scotland, and of avoiding any possible accusation of disingenuousness on their part.

The Prime Minister said that the Ministers principally concerned should give further consideration, in the light of the latest developments, to the line to be taken on this question both in England and Wales and in Scotland. The possibility of improving the negotiating machinery and, in particular, of giving the Government increased control of it was a relevant factor.

The Cabinet—
Invited the Chancellor of the Exchequer, in consultation with the Secretary of State for Scotland, the Minister of Education and the Minister of Labour, to give further consideration to the amount and timing of increases in the pay of teachers in England and Wales and in Scotland.

4. The Minister of Agriculture said that he had now consulted the institutions holding shares in the British Sugar Corporation about the proposal to reconstruct the Corporation so as to provide for the equity to be held wholly by the Treasury or the Sugar Board and for the existing ordinary shares to be converted into cumulative preference shares bearing interest at 8 per cent. instead of 7 per cent. The institutions had not rejected this scheme but had declined to express a definite view on it until they knew what the attitude of the private shareholders in the Corporation would be. It would not be possible to obtain the views of the private shareholders generally except by summoning a special meeting at which the Chairman of the Corporation could present the reconstruction scheme; but this would involve publicity and might encourage an organised minority group of private shareholders to press for the removal of the present restrictions on the Corporation which limited the dividend to 7 per cent. The Chairman of the Corporation would therefore prefer to take soundings of the representatives of this group of private shareholders, and this could be done without committing the Government in any way. The alternative would be to leave the position as it was at present. In that event the reserves of the Corporation would continue to grow unless the incentive agreement were abrogated.
In discussion it was argued that there was no justification for giving the shareholders an increased return, and that the Government could resist their pressure to obtain some benefit from the increasing value of the equity. On the other hand, the present arrangements were an embarrassment and the Government could not hope to escape political criticism if they remained unchanged. On balance, it was the view of the Cabinet that the Chairman of the Corporation should seek the views of the organised group of private shareholders who were pressing for an increase in the dividend. It was understood that he should be able to do this without publicity and without putting the scheme of reconstruction forward as a Government proposal.

The Cabinet—

Invited the Minister of Agriculture to authorise the Chairman of the British Sugar Corporation to ascertain, in confidence, what view was taken by the representatives of the organised minority of shareholders about the proposed scheme of reconstruction.

*5. The Cabinet had before them a memorandum by the Chancellor of the Exchequer (C. (61) 73) about the extent to which unestablished service should be taken into account in determining the pension of an established civil servant.

The Chancellor of the Exchequer said that on a number of previous occasions the Government had rejected a claim by the Staff Side of the National Whitley Council that unestablished service in the Civil Service between 1919 and 1949 should count in full—instead of one half, as at present—in reckoning the lump sum gratuity and pension paid to an established civil servant on retirement and the pensions, but not the lump sum gratuities, of established civil servants who had already retired. The annual cost of such a concession would be about £7-8 millions in the early years (although it would be £26 millions in the first year if the Government were obliged to concede also an increase in the lump sum gratuities of those already retired) and the total cost would be at least £300 millions over the next half-century. This would be reduced only marginally by certain concessions proposed by the Staff Side. Apart, however, from the cost, the claim would inevitably have repercussions in the nationalised industries and elsewhere in the public services. On the merits the Government should continue to reject the claim, on the ground that it would be wrong to alter at the expense of the tax-payer the conditions of service voluntarily accepted by unestablished officers on entering the Service. But the claim had attracted strong political support on both sides of the House of Commons and there was a motion on the Order Paper, signed by nearly 400 Members calling on the Government "to authorise discussions to take place on the Civil Service National Whitley Council with a view to arriving at a reasonable settlement of this long-standing problem". This political pressure might perhaps be diverted if, while declining to concede the principle, the Government offered to discuss through the Whitley Council such minor adjustments as adopting 1945 instead of 1949 as the date from which unestablished service might be reckoned in full.

The Postmaster-General said that about one-third of the pensioners and serving officers concerned were or had been employed by the General Post Office. The concession would cost the Post Office £3-£3½ millions a year, which it would be necessary to pass on
to their customers. He therefore supported the view that the claim should be rejected.

In discussion it was argued that there had, over the past generation, been a substantial change in the attitude of public opinion to entitlement to pension. The principle of not making retrospective changes in the terms of service of civil servants had already been breached by the Superannuation Act, 1946, which had allowed the reckoning at half-rate of all unestablished service rendered after 1st January, 1919; and, although they had made no positive recommendation, the Priestley Commission on the Civil Service had recorded the view that there was no question of principle outstanding and that the sole consideration was that of cost. After the First World War many civil servants had been required to serve long periods before securing establishment and were now living, or expecting to have to live, on very small pensions.

On the other hand, the Government could readily defend a continued refusal to put upon the tax-payer the substantial burden of giving this wholly uncovenanted benefit to certain civil servants. Moreover, if the claim were conceded, there would be immensely expensive repercussions in many fields of public service and a further impetus would be given to the practice of retrospection which it was a constant preoccupation of the Government to minimise. These arguments, if carefully presented, were likely to be acceptable to Government supporters; and, if that proved to be the case, it would be preferable to refrain from offering to discuss even the minor concessions mentioned by the Chancellor of the Exchequer, since these would require legislation which would reopen the whole controversy.

Summing up the discussion, The Prime Minister said that the balance of opinion in the Cabinet was that the Government should continue to reject this claim and that, as a preliminary to doing so, the arguments against it should be carefully explained to their supporters in Parliament.

The Cabinet—

Invited the Chancellor of the Exchequer to explain to Government supporters in the House of Commons the strong arguments against conceding the claim that all unestablished service should be reckoned in full in determining the pensions of established civil servants.

*6. The Prime Minister made a report to the Cabinet on the discussions which he had held with President Kennedy during the latter’s visit to London on the previous day. For the greater part of the time they had met alone; but towards the end of the morning they had been joined by the Foreign Secretary and two official advisers for a discussion on the question of Berlin. The President had preferred this type of private discussion, so that he could give a frank account of the impressions which he had gained from his talks with General de Gaulle in Paris and with Mr. Khrushchev in Vienna.

Mr. Khrushchev, though civil in manner, had maintained a stubborn and unyielding attitude on almost all the questions discussed. It was only on Laos that he had shown any readiness to compromise. On Berlin he had been insistent that a solution must be found before the end of the year along the lines which he had previously advocated. On nuclear tests he had shown no readiness to reach an agreement and had suggested that this subject should now be absorbed into the discussions on general disarmament. He had also argued, in relation to disarmament as a whole, that inspection must necessarily be used.

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for intelligence purposes so long as any armaments existed—an argument which, if pressed, would preclude progress with any plan of progressive disarmament. The President felt that the members of the Western Alliance would have to consider very carefully what their response should be to this increasingly intransigent attitude of the Soviet Government.

In Paris the President had made little progress towards his aim of knitting France more closely into the Western Alliance. He would have been ready to offer some form of covert tripartite consultation, and some technical assistance in respect of the means of delivery of nuclear weapons (though not in respect of the warheads) if General de Gaulle had shown any readiness to accept more fully the obligations of interdependence. But the General, though preferring to postpone for a time his demands for the reorganisation of the North Atlantic Alliance—in form because of the impending threat over Berlin, but in fact because his position would be stronger when the French Army had been brought back from Algeria—was evidently reluctant to accept the implications of the Alliance in terms of the interdependence or integration of national forces. On the question whether the United Kingdom could join the Common Market he had once again expressed doubt whether we could do so consistently with our economic relations with other Commonwealth countries; but he had laid even more emphasis on the political difficulties which we should find in acceding to the Treaty of Rome. From this the President had deduced that General de Gaulle had no particular wish to see the United Kingdom join the Six.

The impressions which the President had formed from these visits to Paris and Vienna would influence him in his review of the policy of the Western Alliance in general and of the United States Government in particular. It seemed likely that one result, at least, would be a closer understanding and co-operation between the Governments of the United States and the United Kingdom.

The Cabinet—

Took note of this statement by the Prime Minister.

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The Foreign Secretary said that, at the end of his meeting with President Kennedy in Vienna, Mr. Khrushchev had presented an aide-memoire defining the position of the Soviet Government in relation to Berlin. This was a plausible presentation of the Soviet case for the conclusion of a peace treaty which would regularise the position of West Berlin. It argued that, if a treaty could not be concluded with a single Germany, separate treaties should be made with its two separate parts. It proposed that West Berlin should become a demilitarised free city: its people should be left to decide their own future: its contacts with the outside world should not be obstructed: and its constitution should be safeguarded by token forces from the four original occupying Powers, with the addition of some forces from neutral countries and a United Nations presence.

In discussions with President Kennedy on the previous day it had been recognised that this presentation of the Soviet case, if published, would make a favourable impression on opinion in neutral countries and in the United Nations. It had therefore been agreed that the Governments of the United States and the United Kingdom should at once review the various negotiating positions which the Western Powers might take up, if and when international negotiations were opened on the Berlin question. The United States Government were
prepared to take the initiative in this and would subsequently bring the French Government into consultation. It was not however contemplated that any negotiations could be opened until after the German elections in the autumn. It was also possible that it might eventually be thought preferable to allow the Soviet Government to conclude a treaty with East Germany in the hope that they would require the East Germans to continue to allow free access to West Berlin. It now appeared that all the Western Powers would be ready to accept a position in which access to West Berlin was controlled by the East Germans, so long as there was no physical interruption in the flow of traffic between West Berlin and West Germany.

In discussion the view was expressed that a solution on the general lines of the Soviet aide-mémoire might not be disadvantageous to the Western Powers. It might at least be preferable to a situation in which we were faced with the choice between accepting a humiliating diplomatic defeat or initiating military action likely to lead to major war in Europe. On the other hand it was argued that the condition of freedom and prosperity in West Berlin was one of the few victories which the West had won in the cold war, and that for this reason it ought not to be put in jeopardy. It was also pointed out that, though Mr. Khrushchev had been threatening for some time to conclude a peace treaty with East Germany, he had not done so; and this might mean that it would not be to the advantage of the Soviet Government to resolve the problem in this way.

The Cabinet—

Took note of the Foreign Secretary’s statement and of the points raised in discussion.

Angola

8. The Foreign Secretary said that the situation in Angola was to be the subject of a debate that day in the Security Council on the basis of a critical resolution sponsored by the Afro-Asian countries. The Portuguese Government were refusing to co-operate with the committee appointed for that purpose by the United Nations and were deferring the announcement of their programme of political, social and economic reforms for Angola until the disturbances in that country had been suppressed. This attitude would make it difficult for the United States and ourselves to vote against the resolution. At the same time, it was important that the Portuguese Government should not feel that they had lost the sympathy of their allies. In that event the present régime might conceivably be overthrown, and Portugal might withdraw from the Western Alliance. He would therefore continue to urge the Portuguese Government to publish their programme of reforms for Angola without delay, and would consider whether we could abstain, at least in part, from voting in favour of a critical resolution in the Security Council.

Arrangements had been made some time ago for British military forces to take part with Portuguese forces in joint training exercises in Portugal. There was an obvious danger that these exercises, which were not under the auspices of the North Atlantic Alliance, might be misconstrued by African and Asian countries, including some of our partners in the Commonwealth. On balance, therefore, it might be wise to postpone them, despite the disappointment which this would cause to the Portuguese authorities.

The Cabinet—

(1) Agreed that the Anglo-Portuguese joint military exercises should be postponed.
(2) Invited the Foreign Secretary to explain this decision to the Portuguese Government, and to continue to urge them to publish their programme of reforms for Angola without delay.

(3) Took note that the Foreign Secretary would send appropriate instructions to the United Kingdom representative at the United Nations for the forthcoming debate on Angola in the Security Council.

(4) Invited the Commonwealth Secretary, in consultation with the Foreign Secretary, to explain our policy on Angola to other Commonwealth Governments.

Cabinet Office, S.W. 1.