CONCLUSIONS of a Meeting of the Cabinet held at Admiralty House, S.W. 1, on Thursday, 30th November, 1961 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. VISCOUNT HAILSHAM, Q.C., Lord President of the Council and Minister for Science
The Right Hon. JOHN MACLAY, M.P., Secretary of State for Scotland
The Right Hon. IAIN MACLEOD, M.P., Chancellor of the Duchy of Lancaster
The Right Hon. PETER THORNEYCROFT, M.P., Minister of Aviation
The Right Hon. JOHN HARE, M.P., Minister of Labour
Dr. The Right Hon. CHARLES HILL, M.P., Minister of Housing and Local Government and Minister for Welsh Affairs
The Right Hon. CHRISTOPHER SOAMES, M.P., Minister of Agriculture, Fisheries and Food

The following were also present:
The Right Hon. JULIAN AMERY, M.P., Secretary of State for Air (Item 8)
The Right Hon. MARTIN REDMAYNE, M.P., Parliamentary Secretary, Treasury

Secretariat:
The Right Hon. Sir NORMAN BROOK
Mr. F. A. BISHOP
Mr. W. GERAGHTY
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1. The Cabinet invited the Prime Minister to send to Sir Winston Churchill on their behalf a message of congratulation and good wishes on the occasion of his 87th birthday.

2. The Prime Minister said that Mr. F. A. Bishop would be leaving the Cabinet Secretariat at the end of the week, to take up his new post as a Deputy Secretary in the Ministry of Agriculture. The Cabinet expressed their appreciation of Mr. Bishop's services, and their good wishes to him in his new appointment.

3. The Cabinet were informed of the business to be taken in the House of Commons in the following week.

4. The Foreign Secretary said that the United Kingdom representative at the United Nations had in the event abstained from voting on the Afro-Asian resolution relating to the Congo, and had dissociated himself from its recommendations. Government supporters in the House of Commons were content with the attitude adopted by the United Kingdom in the discussions in the Security Council, but they were still apprehensive that the Secretary-General of the United Nations might go too far in the use of force against Katanga. Mr. Tshombe, the Prime Minister of Katanga, had now suggested that a distinguished statesman from an uncommitted independent country in Africa should be appointed to act as mediator in the dispute between Katanga and the central Government of the Congo. But the acts of violence which had occurred in Elizabethville on the previous day might reduce the prospect of an early meeting between Mr. Tshombe and Mr. Adoula, the Prime Minister of the central Government.

5. The Cabinet had before them a note by the Prime Minister (C. (61) 194) covering two telegrams to Washington (Nos. 8711 and 8712 of 27th November) about the discussions on Berlin which he had held with General de Gaulle during the latter's stay in this country from 24th to 26th November. The first of these was a factual summary of the main points raised in these discussions. The second contained a message to President Kennedy discussing alternative means by which further efforts might now be made to secure Western agreement on a basis of negotiation with the Soviet Government.

The Prime Minister said that President Kennedy had been able to make some progress in the discussions which he had held with Dr. Adenauer in Washington. Dr. Adenauer was at least prepared for negotiations, though the position which he had so far taken was too narrow to offer the prospect of a negotiated settlement. General de Gaulle on the other hand was still unwilling that the French Government should participate in such negotiations. He seemed to be influenced by a long-term view of the eventual reaction of the German people to any settlement on Berlin which was likely to be reached in present circumstances. He feared that a strong Germany of the future would come to feel the same resentment against such a settlement as Nazi Germany had felt against the Treaty of Versailles. France would be in a better position to
influence such a Germany if she had not been associated with that settlement. General de Gaulle still contended that the Western Powers were under no obligation to offer concessions in order to resolve a crisis over Berlin which had been created by the Russians. He could not be persuaded that the situation in Berlin itself was potentially dangerous. For all these reasons he thought it both unnecessary and inexpedient to enter into negotiations at this stage.

The Prime Minister said that, especially in view of the more forthcoming attitude adopted by Dr. Adenauer, further attempts should now be made to bring the French to agree that negotiations should be opened. The alternative courses were set out in his message to the President. Pressure might be applied successively, at a meeting of senior officials followed by a meeting of Foreign Ministers and culminating in discussion in the North Atlantic Council. Alternatively, it might be that this question should be considered at an early meeting of the Heads of Western Governments. These two alternatives might, indeed, be combined: for, even if the first alternative were followed, a meeting of Heads of Governments might be held after the pressures had been built up in the North Atlantic Council. He would consider the choice of method with the Foreign Secretary, in the light of any views which President Kennedy might express in reply to his message. A decision would have to be taken in the near future.

The Cabinet next considered a memorandum by the Minister of Defence (C. (61) 195) on the state of military planning for contingencies in Berlin.

The Minister of Defence said that there were three groups of military plans. The first, known as Free Style, was a probe to identify a Soviet or East German decision to block Allied ground access to Berlin. The operation might be carried out on one of three different scales, according to the type of obstruction which was judged likely to be encountered. The largest force would consist of only 120 men, and it was not intended that these should open fire except in self defence. The second group was composed of operations to force a way to Berlin along the autobahn, either with a battalion group (Trade Wind) or with a divisional force (June Ball). In the third group were the air operations (Jack Pine) designed to maintain Allied air access to Berlin. The United States authorities had now agreed that the first response to a denial of Allied ground
access to Berlin would be the mounting of the probe (Free Style) and that, if this were turned back, we should resort to air operations to maintain communications before extended ground operations were undertaken. General Norstad, the Supreme Allied Commander, Europe, had asked for authority to assemble the Free Style force at once and to hold it indefinitely at six hours' notice. To this there were both political and military objections. But it might be prudent to give General Norstad authority to assemble the force (though not to launch it) if it appeared that action to block Allied ground access to Berlin was imminent. It was also desirable that some aspects of the arrangements for command in Berlin should be clarified. Authority had already been given for a single military Commander, who would be the United States Commandant, to assume responsibility under the control of General Norstad in the event of grave civil disturbances or overt armed attack. The Ambassadorial Group in Washington should be asked to define the capacity in which General Norstad would control the single Commander. The American Commandant in Berlin had proposed that in an emergency the officer who was currently acting as the Chairman of the three Commandants should have power in certain circumstances to deploy or commit all or part of the Allied garrison in advance of the establishment of a single Commander. It would be imprudent to authorise the Chairman Commandant to commit forces without the unanimous agreement of his colleagues (and hence without the agreement of Governments): we might, however, agree that the Chairman Commandant should be empowered to alert and deploy the garrison, provided that it was clearly understood that the sole object of this authority was to enable Allied forces in Berlin to be alerted and assembled in readiness for the appointment of a single Commander. All these proposals had been considered and endorsed by the Defence Committee on the previous day.

The Cabinet—
(3) Approved the recommendations made in paragraph 15 of C. (61) 195.

The Cabinet also considered a memorandum by the Foreign Secretary (C. (61) 187) on contingency plans for Berlin.

The Foreign Secretary said that if civil air access to Berlin were interfered with by physical means, fighter aircraft would be introduced into the air corridors and military transport aircraft substituted for civil aircraft. Authority had been given for Allied escort fighters to return fire by Soviet or East German aircraft. We had, however, refused to agree that Soviet or East German ground installations which fired on Allied aircraft might be attacked without prior Governmental authority.

The Cabinet—
(4) Took note of C. (61) 187.

6. The Cabinet had before them a memorandum by the Chancellor of the Exchequer (C. (61) 189) covering a report by a working party of officials on the advantages of a decimal coinage.

The Chancellor of the Exchequer said that he had undertaken to make a statement before the end of the year about the Government's attitude to adopting a decimal system of coinage. It appeared from the report of the working party that this would lead to a great saving of time and money in the long run, but that these advantages had to be weighed against the inconvenience to the
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It was thought that the total cost would be in the region of £200 million, but no reliable estimate of cost could be made before much more was known about the number and age of the various monetary machines in use in the country and before a detailed study had been made of the best way of phasing any change. This required a large-scale investigation by a Preparatory Commission in which Government Departments, local authorities and nationalised industries would have to participate. The direct cost to the Exchequer would be substantially increased if the Government were to assume liability for compensating private interests; it would be important to avoid any commitment in this respect until the results of the examination by the Preparatory Commission had been considered.

It would first be necessary to decide what the new unit for a decimal coinage should be. A system based on 10s. divided into 100 units would have considerable advantages over one based on the £, although it would entail adjusting all past financial statistics. There were also psychological objections to a change which might appear to abandon the £ sterling. If, however, the £ were retained as the basic unit, it would be necessary to divide it into 1,000 units if the sub-unit was not to be unacceptably large.

A number of Commonwealth countries already used decimal coinage. In addition, Australia and New Zealand were committed in principle to changing to that system, and it would be important to co-ordinate any action we might take on this subject with the Governments of those two countries. Moreover, the cost of changing the system would continue to increase, since mechanical methods of calculating and accounting were being rapidly developed. On these grounds a decision should not be postponed much longer. If it were decided to appoint a Preparatory Commission, it was for consideration whether the Government should announce now that they were in principle in favour of making the change.

In discussion the following points were made:

(a) The terms of reference of a Preparatory Commission should be so drawn as to avoid recommendations which would increase the pressure on the Government to assume liability for compensating private interests.

(b) On balance it seemed likely that a system based on the 10s. unit would be preferable. To avoid the psychological disadvantages of this unit it might be possible for it to be called, at first, the "new pound".

(c) It was not clear that it would be necessary to introduce a wholly new series of coins. It might be possible to re-value some of the existing coinage, and thus to achieve a substantial saving in the cost.

(d) While it was desirable to co-ordinate policy on this question with the Australian and New Zealand Governments, there would be serious disadvantage from the point of view of the cash machine industry if all three countries were to change to a decimal system at the same time.

(e) It was suggested that the adoption of a decimal system of measurement would provide greater economic advantages than a decimal coinage. Both had been recommended by a committee of the British Association and the Association of British Chambers of Commerce.

The general conclusion which emerged from the Cabinet's discussion was that the advantages of adopting a decimal-coinage were sufficient to justify setting up a Preparatory Commission to make a detailed estimate of the cost and to study the appropriate timing and phasing of the change. It would, however, be inexpedient
Wages Policy
(Previous Reference: C.C. (61) 58th Conclusions, Minute 8) Firemen

The Cabinet—

(1) Agreed that the adoption of a decimal coinage should not be accepted in principle at this stage but that there would be sufficient advantage in making this change to warrant a full-scale investigation into the cost.

(2) Subject to Conclusion (1) approved the recommendations in paragraph 14 of C. (61) 189.

7. The Home Secretary said that on 13th July the employers' side of the National Joint Council for Local Authorities' Fire Brigades had made an offer for an immediate and substantial increase in pay for the London and Middlesex brigades. The unions had neither accepted nor rejected this offer but had asked for a national pay increase, for which they had subsequently suggested an operative date of 31st October. A deputation from both sides of the National Joint Council had recently sought from him and the Chief Secretary, Treasury, an assurance that the Government would not publicly dissent from a settlement reached on that basis. In pursuance of the advice of the Wages Committee, no such assurance had been given: the deputation had instead been asked to take into account the economic situation of the country and it had been suggested to them that the operative date for a settlement should not be earlier than February 1962. The employers had been warned that they should not proceed on the assumption that the Government would be prepared to increase the general grant if, contrary to the Government's advice, they decided to pay increased wages from the dates which they had proposed.

A representative of the employers' side had now asked whether the Government would increase the general grant if a settlement with an earlier operative date were reached, and had also asked what the Government's attitude would be if a settlement were not reached and a request for arbitration were made.

The constitutional position was that the Joint Council were fully responsible for any settlement. It had been announced during the passage of the Fire Services Bill, 1959, that, in the light of the introduction of the general grant to local authorities, the Government had reviewed the statutory powers conferred on the Home Secretary with regard to the determination of pay and other conditions of service in fire brigades and had come to the conclusion that Ministerial intervention would no longer be justified in this field. This made it difficult for the Government to do more than repeat the warnings which had already been given.

In discussion it was argued that, while the offer made on 13th July in respect of the London and Middlesex brigades was clearly a commitment before the introduction of the Government's policy for a pay pause, it would be more difficult to represent an increase for the other brigades as a consequential commitment. This would certainly not be accepted by Government supporters as justification for any retrospection in pay increases, which would be regarded as a serious inroad into the Government's wages policy. Any concession which appeared to be another breach of the pay pause would increase the difficulties in the passage of the Bill to extend the borrowing powers of the coal industry. On this view, the best course might be for the Government to be prepared to use the sanction of withholding any additional payment of general grant in respect of any increases other than those offered to the London and
Middlesex brigades. An incidental difficulty of this course was that, because of the way in which the payment of general grant was calculated, the denial of it would affect London and Middlesex as well as the other local authorities.

On the other hand, the fact that an offer had been made in July for London and Middlesex, and that this in the normal course would set the pattern for increases to other brigades, together with the fact that the negotiations for all brigades could be regarded as directed towards a single settlement, were grounds for arguing that an operative date in February or even January next for increases in respect of the other brigades would be an acceptable compromise. It was difficult to maintain that, in the light of the Government's statements during the passage of the Fire Services Bill in 1959, the discretion rested finally with the Joint Council if, at the same time, the Government were to refuse to meet the cost by denying general grant.

It was pointed out that it would be undesirable to encourage the Joint Council to resort to arbitration. For it was likely that, as an offer in respect of the London and Middlesex brigades had been made last July, any award would involve a considerable element of retrospection.

Further discussion showed that it was the general view of the Cabinet that the Government's advice to the Joint Council, or to the employers' side of it, should follow that which had previously been given and should be on the following lines. The constitutional responsibility for a settlement rested under the Fire Services Act, 1959, with the Joint Council. The increases for London and Middlesex which were offered before the statement by the Chancellor of the Exchequer on 25th July were clearly a commitment before the introduction of the policy of a pay pause. As regards other areas, it would be right for the date of payment of any increase to be deferred; but, because the offer to London and Middlesex implied an element of commitment for an increase in the rest of the country, the Government would regard a date early next year for that increase as a reasonable compromise. Local authorities must not proceed on the assumption that there would be an increase in the general grant for the current financial year in respect of the amount involved if an earlier date for settlement were chosen. This advice should be given to the Joint Council, and the Government should be ready to publish it if, as a result of the meeting of the Joint Council on the following day, any settlement were reached which could be regarded as inconsistent with the Government's policy of a pay pause.

The Cabinet—

Invited the Home Secretary to inform the National Joint Council for Local Authorities' Fire Brigades of the Government's attitude to pay increases in the fire service in the terms set out above.

8. The Cabinet had before them memoranda by the Minister of Aviation (C. (61) 197) and by the Chief Secretary, Treasury (C. (61) 200) about the arrangements for setting up a European Launcher Development Organisation (E.L.D.O.).

The Minister of Aviation said that there was a good prospect that an international organisation could be formed to develop Blue Streak as a satellite launcher. Besides the United Kingdom and France, which had sponsored the Organisation, West Germany, Belgium, Denmark and the Netherlands were likely to participate. Italy remained doubtful, and Austria, Norway, Spain, Sweden and Switzerland were almost certain to decline. Although Governments had been asked to give a final indication of their intentions by
27th November, none had yet done so. Some of the hesitation arose because the position of Italy was uncertain and no firm arrangements had been made for underwriting her financial contribution, which amounted to some 10 per cent. of the total. Meanwhile, United States manufacturers were making attractive offers of assistance in the launching of satellites under joint American-Italian arrangements. If the Italians could be convinced that E.L.D.O. would be established, whether they were members or not, they might well feel impelled to join it; and it was in any case desirable to end the uncertainty felt by other prospective members. He therefore sought authority to inform the French and German Governments that the United Kingdom would be prepared, if necessary, to pay the whole of Italy's subscription provided that France and Germany would share with us in making good the deficiency caused by the defection of the smaller countries. If it should prove necessary to take up this commitment, we should have assumed responsibility for contributing £33 million, spread over five years, towards the Organisation's total budget of £70 million.

The Chief Secretary, Treasury, said that our prospective contribution to E.L.D.O. had steadily increased since it had been originally assessed at the Strasbourg Conference in February 1961. France and Germany, on the other hand, had as yet accepted no additional liabilities and might well refuse to do so until they knew the full extent of the deficiency. It was arguable that we should similarly reserve our position. If the Italians were to decide to join, we were already virtually committed to sharing equally with France and Germany the deficiency caused by the absence of the smaller Powers; and the assumption of the whole Italian liability would add £1.4 million a year to our expenditure. Such a commitment could be met only at the expense of other projects.

In discussion the following points were made:

(a) The construction of a satellite launcher was without scientific interest in itself and should not be financed at the expense of valuable scientific research. The venture would produce a commercial return only if it were to provide the means of establishing a satellite communications system. It was not yet certain that a launcher based on Blue Streak would prove most suitable for this purpose.

(b) Our current expenditure on Blue Streak was of the order of £500,000 a month. The sooner E.L.D.O. could be established, the sooner could we be assured that this expenditure was not being wasted. We should therefore approach the French and Germans on the basis that we would offer to underwrite the Italian subscription if they would thereupon agree to share with us the responsibility for the remaining deficiency and at the same time confirm their adherence to the Organisation on this basis. If this offer were not accepted, it would be necessary to consider whether the project should be abandoned altogether.

The Cabinet—
Invited the Minister of Aviation to approach the French and German Governments on the lines proposed in C. (61) 197, informing them at the same time that our offer was conditional on their proceeding immediately with the establishment of E.L.D.O.

Cabinet Office, S.W. 1,