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C.C. (62) 38th Conclusions

CABINET

CONCLUSIONS of a Meeting of the Cabinet held at Admiralty House, S.W. 1, on Tuesday, 29th May, 1962, 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 HALSHAM, 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. Sir DAVID ECCLES, M.P., Minister of Education
The Right Hon. LORD MILLS, M.P., Minister without Portfolio
The Right Hon. JOHN HARE, M.P., Minister of Labour
The Right Hon. CHRISTOPHER SOAMES, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. VISCOUNT KILMUIR, Lord Chancellor
The Right Hon. THE EARL OF HOME, Secretary of State for Foreign Affairs
The Right Hon. HENRY BROOKE, M.P., Chief Secretary to the Treasury and Paymaster General
The Right Hon. DUNCAN SANDYS, M.P., Secretary of State for Commonwealth Relations
The Right Hon. PETER THORNEYCROFT, M.P., Minister of Aviation
The Right Hon. REGINALD MAULDING, M.P., Secretary of State for the Colonies
Dr. The Right Hon. CHARLES HILL, M.P., Minister of Housing and Local Government and Minister for Welsh Affairs
The Right Hon. FREDERICK ERROLL, M.P., President of the Board of Trade

The following were also present:

The Right Hon. JULIAN AMERY, M.P., Secretary of State for Air (Item 6)
The Right Hon. LORD JOHN HOPE, M.P., Minister of Works (Item 2)
The Right Hon. JOHN BOYD-CARPENTER, M.P., Minister of Pensions and National Insurance (Item 5)
The Right Hon. SIR REGINALD MANNINGHAM-BULLER, Q.C., M.P., Attorney-General (Items 3 and 4)
The Right Hon. MARTIN REDMAYNE, M.P., Parliamentary Secretary, Treasury

Secretariat:
The Right Hon. Sir NORMAN BROOK
Mr. J. H. WADDELL
Mr. N. J. ABERCROMBIE

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1. The Foreign Secretary said that no progress was being made in the Geneva discussions on disarmament. The Conference would probably adjourn in June. We should then need to consider, in consultation with the United States Government, what line we should take on its resumption.

The Foreign Secretary said that the Netherlands Government were now prepared to resume negotiations on West Irian on the basis of the proposals put forward by the United States Assistant Secretary for Defense, Mr. Bunker. The Indonesians might now, however, be unwilling to negotiate. They were continuing to infiltrate small bodies of parachute troops into the territory. If these operations were challenged in the United Nations, we should be obliged to condemn them as amounting to armed aggression against Dutch territory.

The Prime Minister recalled that in the early months of 1961 the United States Government had been ready to consider the possibility of using land forces to maintain Western access to West Berlin, if the Russians had transferred control over the access routes to East German authorities. It was a matter for satisfaction that, by patient diplomacy, we had persuaded them to abandon these plans and to recognise that the existence of the East German Government must be accepted as a fact. It was interesting that the Federal German Government, though still refusing to recognise the East German Government for many purposes, were now proposing to make a substantial loan to them.

2. The Cabinet had before them a memorandum by the Minister of Housing (C. (62) 84) on housing policy.

The Minister of Housing said that the number of houses completed annually had been dropping in recent years and the time taken in building them had been lengthening. In view of the growth in the number of separate households, it was clear that future needs would not be met by continuance of present policies. If no policy changes were made, the number of houses completed in 1963 would fall well short of 300,000. Local authorities in England and Wales would contribute towards that total no more than 108,000. Their contribution should be increased to 120,000-125,000. This increase could not be secured immediately but should be regarded as the objective to be reached over the next two or three years, and investment policy should be so adjusted as to enable this to be done. He did not propose any increase in the level of Exchequer subsidies, but high interest rates were a continuing deterrent to many local authorities. On an average three-bedroom house, allowing for reasonable rents and current subsidies, the rates had to carry 20s. to 25s. per week; and a fall of ½ per cent. in the interest rate would reduce this burden by about 4s.

Many people who did not wish to live in subsidised houses found difficulty in raising the deposit money for house purchase. He therefore wished to explore the possibilities of Government assistance towards the provision of deposit money by cash or guarantee. He would also like to encourage building of houses for letting at economic rents and to develop co-operative housing on Scandinavian lines. A practicable scheme for co-operative housing might be founded on loans advanced at fixed rates, though not necessarily concessional rates, over a period of 60 years; such loans would be secured on the house rather than on the life of the occupant.
In discussion there was general recognition that in the past few years housing had had too low a priority and that it would be desirable to increase the scale both of local authority building and of private building, particularly for letting. It could now be expected that there might be a favourable movement in long-term interest rates; and, since there had recently been a slackening in the pressure of industrial and commercial projects on the building industry, the present time was favourable for an increase in the housing programme.

In further discussion the following points were raised:

(a) In Scotland the recent record in house building was worse than in England and Wales and it would be necessary, during the coming summer, to stimulate the local authorities to greater efforts.

(b) Departmental claims for public service expenditure in 1963–64 would, if granted, result in an increase of 11 per cent., instead of the 6 per cent. which had been intended. An analysis showing how the major spending programmes contributed to this increase would shortly be brought before the Cabinet.

(c) Examination of standardisation and other methods of improving productivity and reducing costs in the building industry had been put in hand under the aegis of a sub-committee of the Economic Policy Committee. This examination should be pressed forward rapidly and consideration should be given to the appointment of a single individual with authority to ensure that effective steps were taken to improve performance in the industry.

(d) Encouragement should be provided for housing associations, if necessary by extending the existing scheme which provided for expenditure of up to £25 million as a pump-priming operation; and the Minister of Housing should prepare and submit a scheme for developing co-operative housing projects.

(e) An examination was already being made of the considerations affecting the movement of industry to centres of industrial growth. Officials were also examining means of checking the growth of office building, which in some areas diverted resources from housing and imposed heavy demands on the public services. Proposals on these matters should be submitted to Ministers as soon as practicable.

(f) The building of new towns was a specially effective means of securing increased house building. The existing new towns were beginning to return a surplus to the Exchequer. The decision to go ahead with a new town for Birmingham at Dawley would be announced that day, and it was likely that further new town proposals would be put forward later.

(g) In view of the need to make the most of the existing stock of houses, every effort should be made to encourage applications for improvement grants in appropriate cases; and there should be no hesitation to use compulsory powers against landlords who did not discharge their responsibilities to keep property in good repair or sought to over-charge their tenants.

(h) It would be useful to have information about the proportion of contracts let by housing associations on varying rates of interest and on fixed rates, and to know what were the ruling rates.

The Cabinet—

(1) Authorised the Minister of Housing to aim at increasing the programme of local authority housing over the next two to three years to an annual rate of 120,000–125,000.

(2) Invited the Minister of Housing to bring before them proposals for Government participation in house purchase, in building of houses for letting by housing associations and in building by co-operative housing organisations on the basis of long-term loans on fixed rates of interest.

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(3) Invited the Minister of Housing to submit to the Prime Minister information about the proportion of contracts let by housing associations on varying and fixed rates of interest; and about the ruling rates.

(4) Invited the Chief Secretary, Treasury, to bring before them as soon as practicable the results of work being done by officials on the control of office building.

3. The Cabinet had before them a memorandum by the Minister of Housing and Local Government (C. (62) 83) on leasehold reform.

The Minister of Housing said that he would shortly have to publish the reports by the various professional bodies which had been asked for their views on the practice of landlords in dealing with leasehold properties, and he would be expected to add a statement on the Government's views. The reports showed that much of the complaint made on behalf of leaseholders was due to a misunderstanding of the leasehold system. Explanation of the system would not, however, reconcile leaseholders to the substantial increases of rent which would generally be required on renewal of leases or to the payment of capital sums for purchase of the reversion. Compulsory enfranchisement would not be justifiable; but there was a case for giving the leaseholder in certain circumstances a right, in the absence of proposals for redevelopment, to an extension of the lease at a market value rent; and in that event the landlord should be given the option of selling the freehold to the leaseholder, if he so preferred. A statement accompanying publication of the reports might indicate that the possibilities of giving such rights were being examined.

In discussion there was general agreement that the time had come to re-examine the leasehold system as it applied to small residential properties. Many difficulties would have to be faced, but there was no doubt that the arrangements for statutory tenancies provided by Part I of the Landlord and Tenant Act, 1954, had not proved sufficient to reassure leaseholders. The scale of the problem was tending to increase, partly because so many 99-year leases granted in the latter half of the last century were now falling in and partly because a number of leasehold estates were now in the hands of commercial enterprises, whose attitude to their leaseholders was far from considerate. It should be recognised that a basis of market value for extension of leases, while fair to landlords and the only practicable basis, would not be popular with leaseholders. The necessary legislation would be controversial. For these reasons any statement made in connexion with the reports of the professional bodies should not go beyond indicating that the problems affecting small residential leasehold property were being examined in the light of the reports.

The Cabinet—

(1) Invited the Minister of Housing to arrange for publication of the reports from professional bodies on the practice of ground landlords and to announce that the problems affecting leaseholders of small residential property were being examined.

(2) Invited the Minister of Housing, in consultation with the Lord Chancellor and the Law Officers, to prepare and submit to the Home Affairs Committee a scheme for giving leaseholders in certain circumstances a right, in the absence of proposals for redevelopment, to extension of their leases on market value terms.
4. The Cabinet had before them the following memoranda on the extension of diplomatic immunities and privileges to international organisations:

C. (62) 80: by the Lord Chancellor, reviewing the general question and submitting proposals for future policy;

C. (62) 79: by the Secretary of the Cabinet, covering a report by officials on points raised in the Cabinet's earlier discussion of the proposal that these immunities should be extended to Commonwealth organisations.

The Lord Chancellor said that, in considering the extension of these privileges, the Cabinet should bear in mind the large numbers of persons who would benefit from them in the United Kingdom. The number of individuals concerned already exceeded 4,700; and, if account were taken of their dependents and of the extensions now envisaged, the total might soon rise to about 10,000. This involved a substantial encroachment on the principle that all persons resident in the country should be equal before the law. It was not surprising, therefore, that proposals for extending these privileges should give rise to controversy in Parliament; and Ministers should realise that, if all the extensions now envisaged were made, Parliamentary discussion would have to be faced on two Orders in Council in the current session and, in the next session, on two or three Bills and ten or more Orders in Council. This was a formidable prospect.

He had therefore put forward for consideration proposals for limiting the extension of these privileges to international organisations. While he contemplated that Commonwealth organisations should for this purpose be put on the same footing as other international organisations, he suggested that all alike should be subjected to the limitations proposed in paragraph 15 of his memorandum. He contemplated that each application would be considered on its individual merits, by reference to the criteria there suggested. Finally, he suggested that greater care should be taken in future, by interdepartmental consultation, to ensure that any restrictions which we desired to secure in new international conventions on this subject should be put forward at a sufficiently early stage in the negotiations.

In discussion the following points were made:

(a) The Commonwealth Secretary welcomed the Lord Chancellor's support for his proposal that legislation should be introduced to enable immunities and privileges to be conferred on Commonwealth organisations, and their staffs, established in London.

(b) The Attorney-General suggested that further thought should be given to the disparities which would arise if stricter standards were now applied to future applications of this kind. Immunities had already been granted to some international organisations which would fail to qualify under the criteria now suggested in C. (62) 80.

(c) Due weight should be given to the possibility that international organisations would establish their headquarters elsewhere, if they had no assurance that they would be able to secure full immunities and privileges in this country.

(d) The Chancellor of the Exchequer suggested that, before the general principles set out in paragraph 15 of C. (62) 80 were adopted, the Cabinet should have some estimate of the practical consequences which might be expected to follow. He believed that the consequences to the revenue might be serious.

The Cabinet—

(1) Instructed the Secretary of the Cabinet to arrange for a committee of officials to prepare an estimate of the practical results which might follow from the adoption of the proposals in paragraph 15 of C. (62) 80 for determining the extension of diplomatic immunities and privileges to international and Commonwealth organisations established in this country.
The Cabinet also had before them memoranda by the Foreign Secretary (C. (62) 76) and the Chancellor of the Exchequer (C. (62) 65) on the effects of the Vienna Convention on diplomatic relations.

The Cabinet were informed that the Vienna Conference of 1961, at which 81 nations had been represented, had drawn up a comprehensive Convention regulating the conduct of diplomatic relations. The Convention had been signed on behalf of the United Kingdom, with the concurrence of all Departments concerned. Before it could be ratified United Kingdom law would need to be amended on a number of points which were now under discussion among Departments. On two particular points (that diplomats should be exempt from excise duty, and that the salaries of private servants of all diplomats should be exempt from taxation) the Treasury were unwilling to contemplate amendment of the United Kingdom law and proposed that reservations on these points should be entered on ratification of the Convention.

In discussion it was argued that the whole purpose of negotiating this Convention was to standardise international procedure in these matters, and that this purpose would be frustrated if in ratifying it individual countries made unilateral reservations on particular points. On the two particular points now at issue the Treasury case had been fully argued at the Conference, but the United Kingdom representatives had been out-voted on both.

On the other hand it was argued that it would not be easy to persuade Parliament to amend United Kingdom law to accord with the Convention on these points. Indeed, the legislation required to enable the United Kingdom Government to ratify this Convention might be difficult and controversial in many respects. It was suggested in C. (62) 76 that this legislation might take the form of a comprehensive Bill replacing all the existing statutes passed since 1708 on the subject of diplomatic immunity and privilege. This would represent a heavy addition to the legislative programme for the forthcoming session. It was for consideration whether a smaller amending Bill would not in any event be preferable.

The Cabinet's conclusion was that the two particular points raised in C. (62) 65 and 76 could not be determined without further consideration of the form of the legislation required to enable the United Kingdom to ratify this Convention.

The Cabinet—

(2) Instructed the Secretary of the Cabinet to arrange for officials to prepare, for consideration by the Cabinet, a report on the legislation required to enable the United Kingdom to ratify the Vienna Convention of 1961 on diplomatic relations.

5. The Cabinet had before them a memorandum by the Minister of Pensions and National Insurance (C. (62) 85) setting out the arguments in support of proposals which the Chairman of the National Assistance Board wished shortly to make for increases in the scale of National Assistance, to come into operation about September, 1962; and a memorandum by the Chief Secretary, Treasury (C. (62) 89) showing the total cost of these proposals and putting forward arguments in favour of smaller increases.

After discussion the Cabinet agreed that, on balance, it would be more satisfactory if the Chairman of the Board were to propose increases in the scales of 3s. 6d. a week (single) and 5s. 6d. (married), to come into effect on 1st October, 1962.
The Cabinet—
Invited the Minister of Pensions and National Insurance to suggest to the Chairman of the National Assistance Board that the increases to be proposed by the Board should be within the limits of 3s. 6d. a week (single) and 5s. 6d. a week (married) with effect from 1st October, 1962.

6. The Cabinet had before them a memorandum by the Minister of Aviation (C. (62) 82) on the possibility of a joint Anglo-French project for the development of an airliner designed to carry about 100 passengers with a cruising speed of about Mach 2·2. The memorandum proposed that this project should be referred for consideration by the Committee on Civil Scientific Research and Development.

The Cabinet—
Agreed that the proposal for Anglo-French collaboration in the development of a supersonic airliner should, in the first instance, be referred for consideration by the Committee on Civil Scientific Research and Development.

Cabinet Office, S.W. 1,
29th May, 1962.