CABINET

CONCLUSIONS of a Meeting of the Cabinet held at Admiralty House, S.W. 1, on Tuesday, 9th October, 1962, at 10.30 a.m.

Present:

The Right Hon. HAROLD MACMILLAN, M.P., Prime Minister
The Right Hon. R. A. BUTLER, M.P., First Secretary of State
The Right Hon. VISCOUNT HAILSHAM, M.P., Lord President of the Council and Minister for Science
The Right Hon. HENRY BROOKE, M.P., Secretary of State for the Home Department
The Right Hon. PETER THORNEycroft, M.P., Minister of Defence
The Right Hon. ERNEST MARPLES, M.P., Minister of Transport
The Right Hon. JOHN BOYD-CARPENTER, M.P., Chief Secretary to the Treasury and Paymaster General
The Right Hon. J. ENOCH POWELL, M.P., Minister of Health
The Right Hon. THE EARL OF HOME, Secretary of State for Foreign Affairs
The Right Hon. REGINALD MAULDING, M.P., Chancellor of the Exchequer
The Right Hon. DUNCAN SANDYS, M.P., Secretary of State for Commonwealth Relations and Secretary of State for the Colonies (Item 2)
The Right Hon. JOHN HARE, M.P., Minister of Labour
The Right Hon. FREDERICK ERROLL, M.P., President of the Board of Trade
The Right Hon. MICHAEL NOBLE, M.P., Secretary of State for Scotland
The Right Hon. WILLIAM DEEDES, M.P., Minister without Portfolio
The Right Hon. SIR KEITH JOSEPH, M.P., Minister of Housing and Local Government and Minister for Welsh Affairs

The following were also present:

The Right Hon. GEOFFREY RUPPON, M.P., Minister of Public Building and Works (Item 2)
The Right Hon. MARTIN REDMAYNE, M.P., Parliamentary Secretary, Treasury

Secretariat:

Mr. A. L. M. Cary
Mr. J. H. Waddell
Mr. P. R. Baldwin
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The Foreign Secretary said that current Russian activities in Cuba had caused intense feeling in the United States. President Kennedy had been placed in a difficult personal position because of the pledges which he had given during the Presidential Elections and there would be increasing pressure upon him to intervene. He seemed inclined to believe that the Soviet Government were deliberately increasing the scale of Russian activity in Cuba in order to provoke such intervention, which they would then use as a pretext for the forcible occupation of West Berlin. The Foreign Secretary thought this unlikely; the situations were not comparable and the Soviet Government were well aware of the risks that would be involved in Berlin. It was more likely that they would continue to use the Cuban situation to exacerbate President Kennedy's difficulties and then offer a reduction of tension over Cuba in return for concessions over Berlin.

This intensity of public feeling in the United States made it desirable to restrain our reaction to the attempt to restrict the supply of arms to Cuba by denying access to United States ports to ships engaged in this traffic. It would of course be necessary to maintain objection in principle to the action which the United States Administration had taken, but beyond that he hoped that for the time being we could confine ourselves to discussions with the United States authorities to establish exactly what they had in mind and to consider in the light of those discussions how best to minimise its effect on our trade. As a separate issue it might be necessary to consider legislation to prevent the carriage of such arms in United Kingdom ships: it was at least conceivable that the Russians might deliberately ship arms to Cuba in United Kingdom ships under charter.

The Minister of Transport said that he had already appealed to United Kingdom shipowners to refrain from the carriage of arms to Cuba and he had reason to think that his appeal had been effective. The position about the carriage of strategic materials was less clear. He was due to discuss the Cuban situation that afternoon with a delegation of shipowners. A particular difficulty arose over ships under charter. If refusal to carry arms involved a breach of contract under the terms of the charter the shipping companies concerned would be liable for damages. No such liability would lie against them if the carriage of arms had been prohibited by legislation.

After discussion the Cabinet—
(1) Invited the Minister of Transport in his forthcoming discussion with representatives of the shipping industry to confirm the Government's objection in principle to the action which the United States Administration had taken, but to say that consultations were still proceeding with the United States authorities about its practical effects and consideration would be given to the possibility of taking measures to minimise its effect on our trade.

(2) Invited the Foreign Secretary, in consultation with the Minister of Transport, to circulate for their consideration a paper setting out in more detail the issues involved and recommending possible courses of action.

The Cabinet were informed that Mr. Tshombe, the Prime Minister of Katanga, had now agreed in principle to integrate Katangese forces with those of the Central Government, to release food stocks for general distribution and to make the accounts of his Government available to the Commission responsible for proposing the terms of a financial settlement between Katanga and the Central Government. No progress had however been made with the drafting of the Federal Constitution owing to the refusal of Mr. Adoula, the
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Prime Minister of the Central Government, to send representatives to discuss it. Mr. McGhee, the United States special envoy for the Congo, still considered that there was a fair chance of a settlement; and it had been suggested to Mr. Tshombe that it might help to this end if he were now to release funds to the Central Government on a provisional basis making clear that the arrangements would be discontinued if no satisfactory agreement was reached on the Constitution.

In default of a settlement within a reasonable period a large majority in the United Nations would favour the imposition of sanctions; it would be impossible for the United Kingdom to support this, not only because of the probability that sanctions would lead to further fighting, but because of the possibility that attempts might be made later to impose sanctions on Southern Rhodesia. A further possibility, not involving collective action by the United Nations, was that the Belgian Government might be persuaded to close down the operations of the Union Minière. This was unlikely, not only because of the damage to Belgian prestige, but because of the possibility of violent reaction from the Government of Katanga which might extend to nationalisation of the Union Minière.

The Prime Minister said that he would be glad if the President of the Board of Trade would let him have a note setting out the present position of the international copper market and the implications for that market of action involving the Union Minière.

The Foreign Secretary said that he had discussed the Berlin situation at length with the Soviet Foreign Minister, Mr. Gromyko, during his recent visit to New York. He had made it clear to Mr. Gromyko that so long as the Russians refused to contemplate a solution of the Berlin problem based either on self-determination for Germany or on arrangements covering the whole of Berlin, it would be necessary for Western troops to remain in West Berlin, and that any solution would have to be based on that assumption. He had suggested that the idea of an international access authority for Berlin warranted further study. If agreement could be reached on access it would be possible to consider guarantees for the frontiers of East Germany and some formal understanding between the countries of the North Atlantic Alliance and of the Warsaw Pact. Mr. Gromyko, although he had emphasised the objections of the Soviet Government to the continued presence of Western troops in Berlin, had not rejected the idea of further study of an international access authority and had reverted to it in a subsequent discussion with the United States Secretary of State.

The Foreign Secretary said that there was some evidence that Mr. Khrushchev was hoping to arrange a meeting with President Kennedy to discuss broader questions of international policy; the Soviet economy was under strain and the Soviet Government were showing interest in measures to increase world trade. They might also for economic reasons be disposed to consider seriously practical measures of disarmament and an agreement on nuclear tests. If a meeting between Mr. Khrushchev and President Kennedy were to lead to some agreement on any or all of these broader issues, it was at least possible that the Berlin question might be shelved.

The Foreign Secretary said that the situation in the Yemen was still obscure. It was improbable, in spite of rumours to the contrary, that the Imam was still alive. Prince Hassan had not yet arrived in Yemen, but his son was rallying such support as he could from the tribes. He felt that for the time being it would be necessary to pursue a policy of non-involvement and that recognition of the revolutionary régime should be delayed in spite of the arguments which had been advanced in favour of immediate recognition.
The Prime Minister said that the implications of a revolutionary Government in the Yemen could be serious. Such a Government would be bound to work actively against the merger of Aden Colony with the Federation of Aden which was now in process and, if as a result the control of Aden Colony were to pass out of our hands, our whole position in the Persian Gulf would be endangered. At the same time active support of the reactionary forces opposed to the revolutionary Government now trying to establish itself would be politically repugnant. For these reasons there seemed no present alternative to a policy of non-involvement. It would be prudent to delay recognition of the new regime until its position, including the degree of control which it could in practice exercise, could be more clearly seen. He would wish to discuss separately with the Minister of Defence and the Foreign Secretary the military implications of the present situation.

2. The Cabinet had before them memoranda by the Minister of Housing and Local Government (C. (62) 145) and the Chief Secretary, Treasury (C. (62) 148) about housing policy.

The Minister of Housing said that owing to the growth in population and in the number of separate households and to rapid obsolescence and the difficulty of securing land for building, the shortage of houses in many parts of the country had become acute. In seeking to give housing a new impetus he thought it would be right to proceed with a number of linked proposals, which he had set out in general terms in C. (62) 145. These proposals dealt with the need for an increased total housing output; the need to cater for a wider range of demand and provide alternatives to local authority ownership; and the need to improve the standard of older houses.

It had already been agreed that the aim should be to increase output for Great Britain from 300,000 houses per annum to 325,000, mainly by stepping up local authority building. Studies had shown that further ground would be lost if output were not increased to 350,000 and held at that level for a number of years. This further increase should be sought mainly in the private sector but could not be achieved immediately. Increased productivity would be essential and so also would a sounder and more realistic financial basis for both publicly and privately built houses. Some revision of subsidies would be called for to ensure that benefit would accrue to those local authorities and to those tenants who were most in need of assistance. It would not be necessary or expedient to apply a further measure of decontrol of rents in the private sector but in due course the permitted rent limit should be raised for houses remaining in control. More land would be required, and it would be necessary to review green belt policies. It should, however, be possible to confirm most of the green belt plans which had been submitted. Decisions about land would turn on the Cabinet’s consideration of proposals about the distribution of industry and the growth of office building which would shortly be submitted by the Home Secretary, as Chairman of the Committee on Population and Employment. Even with maximum use of expanded towns, there would be a need for further new towns; and announcement of the Government’s willingness to help in this way would enable the local authorities to concentrate on expansion projects which were within their capabilities.

The chief means of catering for a wider range of demand would be by encouraging owner-occupation, which could be helped by the building societies if they had the assurance of continued stability in the housing programme; and by developing co-operative ownership of houses on the Scandinavian model. Co-operative schemes would be fostered by housing societies under central guidance and it was
likely that finance for such schemes would be provided both by building societies and insurance companies. The local authority contribution to an enlarged housing programme should be mainly in terms of more slum clearance, more building for old people and building to deal with obsolescence.

The rate at which advantage had been taken of improvement grants needed to be improved. Some compulsion might be required to achieve this.

In discussion the following points were raised:

(a) The Chief Secretary, Treasury, said that the additional demand on resources which would be made by increasing the output of houses to 350,000 per annum would be about £110 million. Before accepting a commitment of this order it would be prudent to consider the proposal in the context of other major investment proposals which would be coming before the Cabinet shortly and to see how far the construction industries would be able to meet the demands which would be made upon them.

(b) The Minister of Public Building and Works said he believed it would be possible to achieve 350,000 houses a year without prejudicing other demands. But time would be required to secure the necessary improvements in the management, professional and labour aspects of the construction industries. In his view, it would be right to make the first move in the public sector, where Government Departments and other main clients of these industries could place orders big enough to justify the standardisation, modernisation and heavy capital investment which would have to be undertaken. The private sector would then obtain the incidental advantages of these measures. Arrangements would be necessary to secure co-ordination of departmental requirements.

(c) There was general agreement in the Cabinet on the need to improve on the present aim of 325,000 houses a year, but it was noted that if any specific figure was announced there would be a danger that failure to achieve it, by however small a margin, would be represented as a defeat for the Government’s policies. Special care would need to be given to the content and form of any announcement of the Government’s intentions.

(d) The proposal to secure more realistic private rents would be a major political issue and so also might be the proposal to revise the subsidy structure, which would require legislation in due course. There might, however, be advantage in announcing the Government’s policy on these matters in the context of the other proposals which were in mind. Revision of the subsidy structure would be welcomed by many of the bigger cities.

(e) It would be easier to secure the co-operation of the building societies in taking measures which were within their own control if it could be shown that the Government were determined to maintain the general scale of their housing effort and would not try to use the building industry as one of the regulators of the economy. In further examination of proposals for owner-occupation and co-operative schemes the need to encourage mobility of labour should be kept in mind and attention should be given to ways of simplifying the processes of buying and selling land.

Summing up the discussion the Prime Minister suggested that the Cabinet should at this stage do no more than form a general view about the objectives to be sought. Presentation of those objectives, the means to be used to achieve them and the timing of the programme would require careful thought at a later stage. Subject to closer examination of the political, economic and legislative implications, he believed that the Cabinet were prepared to accept the objectives described in C. (62) 145. Although an output of the order of 350,000 houses per annum would impose additional demands on resources it would be wrong to suppose that these demands could only be met
at the expense of other programmes. Some resources were at present under-employed and there was no doubt about the scope for improvement in the performance of the industries concerned with building and building materials. The task before the Government would be difficult but he was convinced that if an energetic approach were adopted it could be achieved. Any immediate announcement should concentrate on slum clearance and should deal only in general terms with owner-occupation, building to let and other features of the proposals. At a later meeting the steps to be taken for securing more land and for further new towns could be considered in the light of the reports to be submitted by the Home Secretary.

The Cabinet—

(1) Approved, as general objectives and subject to later consideration of the political, economic and legislative implications, the proposals on housing policy set out in C. (62) 145.

(2) Took note that the public statement which would shortly be made by the Minister of Housing, after consultation with the Chancellor of the Exchequer, would stress the proposals relating to slum clearance and would deal only in general terms with owner-occupation and building to let.

(3) Agreed to resume their consideration of green belt policy and new towns in the light of the reports which would shortly be submitted by the Home Secretary on the distribution of industry and the growth of office building.

(4) Took note that the Prime Minister would give further consideration to the machinery required to secure implementation of their conclusions and to the timing of announcements about them.

3. The Chancellor of the Exchequer said that following the appointment of Mr. Geoffrey Lawrence, Q.C., as Chairman of the National Incomes Commission, two other full-time appointments would be made together with a few part-time appointments. He had noticed evidence of a greater public support for the proposal to set up the National Incomes Commission, and it would be important to continue to link the Commission in the minds of the public with the National Economic Development Council, particularly because the Trades Union Congress had already agreed that wages generally should be a matter for discussion in the latter. The Commission's terms of reference had not yet been finally determined, but it was hoped that, after consultation with the Chairman, it would be possible to publish them in the near future. He had again considered, with the Minister of Labour, whether there should be powers to refer disputed issues on wages and salaries to the Commission where only one party to the dispute wanted this to be done and had finally decided against it. He had also considered how far the National Incomes Commission should be concerned with profits and dividends. There was some risk that critics of the Commission might argue that it was solely an instrument to restrain wages and salaries, and that the Government had taken care not to extend restraint to profits and dividends. Part of the answer was that the Commission was designed not merely to restrain increases in incomes that might otherwise have been excessive, but also to enable incomes to be increased, where increases were justified, by isolating the appropriate cases; and any ex post facto enquiry would be liable to entail examination of profits and dividends. But there still remained the possibility that large profits might be earned or large dividends paid
by an industry which had not thrown up any issue on wages and salaries for the Commission’s consideration. He thought that such a case would be rare. The Government must not appear to be opposed to large profits except where these derived from monopoly influences or excessive protection. The Monopolies Commission already existed to make enquiries into such industries, but he suggested that the Government might leave the way open to ask the Commission for an opinion in any particular case; and if the Commission advised that further action appeared to be justified it could be taken either by referring the matter to the Monopolies Commission or perhaps by adjusting tariffs.

The President of the Board of Trade said that, strictly, there was no such thing as the profits of an industry; the profits were made by particular concerns. If, therefore, the arrangement suggested by the Chancellor of the Exchequer were adopted, it might be criticised by the Trades Union Congress and by others as a subterfuge which was not intended to have any effect in practice. At the same time the proposal might alarm employers.

In discussion it was pointed out that, in spite of its presentational advantages, the Chancellor’s suggestion would not meet the criticism that the Commission would not cover all incomes; rents, for instance, would still be excluded. Moreover, the enquiries of the Monopolies Commission took a long time, effective though they were in some circumstances. On the other hand, the Government had already declared that their incomes policy embraced profits and dividends; and, although it might be difficult to express them in precise statistics, the profits of an industry were commonly taken into account in wage and salary settlements.

Summing up, the Prime Minister recalled that when he had announced the intention to set up the Commission he had referred to profits and dividends. He had pointed out that it would be wrong to restrain wages and salaries if the effect were to increase profits and dividends, but that, in practice, when profits and dividends were rising, rises normally occurred also in wages and salaries. He had promised, however, that the Government would by fiscal or any other appropriate means restrain any undue growth in aggregate profits that might follow from restraint in wages and salaries. In relation to the National Incomes Commission, the problem was to find a form of words that would make it clear that the Commission were not precluded from examining profits and dividends.

The Cabinet—

Invited the Chancellor of the Exchequer so to frame the terms of reference of the National Incomes Commission that the examination of profits and dividends would not be excluded.

4. The Minister of Labour said that a demarcation dispute had arisen between the Amalgamated Union of Building Trade Workers and the Iron and Steel Trades Federation. A new technique for making steel involved the use of a converter lined with dolomite blocks. These blocks had been laid by steel workers, whereas the bricks which lined open-hearth furnaces of the older pattern were laid by bricklayers. The bricklayers claimed that they should lay the dolomite blocks in the new plant. At the end of the preceding week it had appeared that the leaders of the Bricklayers’ Union were in favour of arbitration or conciliation and that those of the Steel Workers’ Union were prepared to accept arbitration at one particular plant, but not at others. Subsequently, however, a meeting of the
Executive of the Bricklayers’ Union had decided, apparently by a small majority, to continue the strike, and to reject arbitration. The Steel Workers’ Union, on the other hand, had now expressed their readiness to accept arbitration on the dispute for the whole industry. He had told the Bricklayers’ Union that he greatly regretted their action and he had encouraged the Trades Union Congress (T.U.C.) to take action in accordance with their normal procedure in disputes between unions. A meeting had already been held between the spokesman of the T.U.C. and the unions’ leaders on the previous day and another had been arranged for that afternoon. It was possible that this would need to be continued on the following day. Meanwhile, the Bessemer steel plant of Richard Thomas and Baldwins Limited at Ebbw Vale had closed, and certain open-hearth furnaces might be closed within a few days. It was hoped to keep other plants in operation until the middle of the following week, but after that the whole industry might come to a halt unless the dispute had been resolved. The industry might lose permanently many of its orders to its overseas competitors. Some of the smaller firms with older plant might never reopen, though this would not necessarily be detrimental to the economy, since the modern plants had been designed on a scale which should suffice to meet demand. He could not intervene further himself while the T.U.C. were attempting to mediate, but the Government could not stand aside if the industry were forced to close down. The courses open to him if the T.U.C. efforts proved unsuccessful were to appeal to the unions to settle their differences, to set up a Court of Inquiry, or to use his good offices in conciliation or in persuading them to accept arbitration. He had no means, however, of compelling the men to return to work.

The Cabinet—

Took note of this statement by the Minister of Labour.

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5. The First Secretary of State informed the Cabinet that the Prime Minister of Southern Rhodesia, Sir Edgar Whitehead, had expressed the wish to speak at the General Assembly of the United Nations on the situation in Southern Rhodesia. Apart from being a courageous step he felt that a speech by Sir Edgar Whitehead might help to put the Southern Rhodesian situation in a better perspective.

The Foreign Secretary said that, while he welcomed the idea of a personal intervention by Sir Edgar Whitehead, it would be preferable that this should take place in the Fourth Committee rather than in the General Assembly. In the General Assembly it would be necessary for Sir Edgar Whitehead to speak from the United Kingdom seat; and this would tend to confirm the impression that Southern Rhodesia was under the effective control of the United Kingdom Government.

Cabinet Office, S.W. 1,
9th October, 1962.