CABINET

CONCLUSIONS of a Meeting of the Cabinet held at Admiralty House, S.W. 1 on Tuesday, 27th November, 1962, at 11 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,
  Q.C., 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. EDWARD HEATH, M.P.,
  Lord Privy Seal
The Right Hon. JOHN BOYD-CARPENTER,
  M.P., Chief Secretary to the Treasury
  and Paymaster General
The Right Hon. SIR EDWARD BOYLE,
  M.P., Minister of Education
The Right Hon. WILLIAM DEEDES, M.P.,
  Minister without Portfolio

The following were also present:

The Right Hon. REGINALD BEVINS, M.P.,
  Postmaster-General (Item 2)
Sir JOHN HOBBON, Q.C., M.P., Attorney-
  General (Items 4–5)

The Right Hon. THE EARL OF HOME,
  Secretary of State for Foreign Affairs
The Right Hon. LOR D DILHORNE, Lord
  Chancellor
The Right Hon. IAIN MACLEOD, M.P.,
  Chancellor of the Duchy of Lancaster
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. J. ENOCH POWELL, M.P.,
  Minister of Health
The Right Hon. SIR KEITH JOSEPH, M.P.,
  Minister of Housing and Local
  Government and Minister for Welsh
  Affairs

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C.C. (62)

71st Conclusions

Copy No. 39

Secretariat:

Mr. A. L. M. CARY
Mr. J. H. WADDELL

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1. The Foreign Secretary said that the United States Government clearly intended to recognise the republican regime in the Yemen before long. Their original intention had been to obtain, as a prior condition of recognition, statements from the Governments of Saudi Arabia, Jordan and the United Arab Republic (U.A.R.) pledging themselves to a policy of non-intervention in Yemeni affairs as well as specific undertakings from the U.A.R. to withdraw its forces from the Yemen. They had also intended to secure from Brigadier Sallal, the head of the republican regime in the Yemen itself, assurances of his readiness to seek and maintain good neighbourly relations with the surrounding territories. It now appeared that, while the President of the U.A.R., President Nasser, and Brigadier Sallal might be prepared to accede to the request of the United States Government, it was improbable that the Governments of either Saudi Arabia or Jordan would do so. Nevertheless, it was likely that the United States would proceed to recognition. There was increasing evidence of dissatisfaction with the present royalist regime in Saudi Arabia and the United States Government might well have calculated that, with the possibility of revolutionary republican government in Saudi Arabia it would be to their advantage to establish as soon as possible a working relationship with the republican regime in the Yemen. In spite of reports of continued royalist successes in the Yemen, there was as yet no evidence of any serious threat to the republican control of the more settled and populated parts of the country.

Our own position was still complicated by the probability that recognition of the republican regime in the Yemen would have a seriously depressing effect on the morale of our supporters in Aden Colony and the Aden Protectorate. Nevertheless, if the United States Government recognised the new regime, it would be almost inevitable that we should follow suit; preferably not simultaneously, but after a short interval. Much would depend on the precise terms of the statements to be made by President Nasser and Brigadier Sallal. The texts were expected shortly and would be carefully studied in consultation with the Governor of Aden. It was helpful that the United States Government, in their negotiations with President Nasser and with the Yemeni authorities, had been fully mindful of our special interests. It should not be assumed too readily that the new regime in the Yemen or President Nasser would seek to undermine our position in Aden by all means in their power. The Yemeni authorities, quite apart from the harassment from the tribes to which they would be likely to be subject for a long period ahead, had an immense task facing them in improving the administration and the domestic economy of the Yemen itself; and the Egyptian authorities had recently declared that they would wish to see the British position in Aden maintained, partly because of their interest in stable conditions in this area and partly because of their present differences with the Government of Iraq.

The Cabinet—
(1) Took note of this statement.

The Foreign Secretary said that the situation in the Congo was still giving cause for concern. The Acting Secretary-General of the United Nations, U Thant, was determined to secure an early settlement of the continuing differences between Katanga and the Central Government, both because he believed that his reputation and that of the United Nations itself was now in jeopardy and because the United Nations could not maintain its present rate of expenditure in the Congo beyond next February. The Prime Minister of Belgium, M. Spaak, was at present discussing the position with the United States authorities. M. Spaak believed that in two respects the present views
of the United States authorities were unrealistic; they appeared to think it would be possible for the Union Minière to divert a substantial part of their revenue to the Central Government of the Congo without provoking a strong reaction from the Prime Minister of Katanga, Mr. Tshombe; they also seemed to have lost sight of the fact that important constitutional issues between Katanga and the Central Government still remained for settlement.

The Foreign Secretary said that, for his part, he had reminded the United States authorities that a solution of the present difficulties in the Congo still depended on two main issues: an equitable division of revenue between Katanga and the Central Government and agreement on a constitution. He had further suggested that agreement on a division of the revenue might be the more readily secured if the determination of the proportions to be paid to Katanga and the Central Government respectively were to be left to the judgment of some independent international body such as the International Monetary Fund. Following the same line of thought it might be acceptable both to Katanga and to the Central Government if the settlement of the outstanding constitutional issues were to be entrusted to some African leader of standing and independence. The President of Senegal or the Prime Minister of Nigeria might be acceptable to both parties concerned in the Congo and had both indicated that they would be willing to undertake the task if it were entrusted to them. It was however to be expected that the situation would deteriorate and that the question of applying sanctions to Katanga would be raised again. He would continue to do all he could to secure a reasonable compromise settlement.

In discussion it was agreed that the Government could not commit themselves to support any military operations by the United Nations which might follow an attempt to impose sanctions on Katanga; and that it might at some stage be necessary to make our position in this respect clear to the Acting Secretary-General. It was also noted that the recent discussions which were reported to have taken place between Mr. Tshombe and the leader of the United National Independence Party in Northern Rhodesia, Mr. Kaunda, were more likely to have been concerned with financial support for their respective political Parties than with the possibility of some political or federal relationship between Northern Rhodesia and Katanga.

The Cabinet—

(2) Took note of this statement and of the points made in their discussion.

The Foreign Secretary said that, following the settlement of the Cuban crisis, it was possible that the Soviet Government would welcome a period of détente in their relations with the West. There were two fields in particular in which a genuine willingness on the part of the Soviet Government to reach agreement might lead to early results; the negotiation of a ban on nuclear testing, and Berlin.

On the question of a nuclear test ban, Mr. Khrushchev had been showing interest in the proposal that the detection and identification of nuclear explosions might be entrusted to automatic recording devices, referred to in the current discussions as "black boxes". Mr. Khrushchev had appeared to accept that a network of "black boxes" would have to be backed up by arrangements for their regular maintenance and inspection under international supervision. Reliance on "black boxes" by themselves would probably be found inadequate. There would have to be a large number of them and there were continuing doubts about the reliability of the information to be obtained from them. What might be of greater significance was that under cover of the "black boxes" Mr. Khrushchev seemed for the first time to have accepted the idea of some kind of international access to Soviet territory.
On Berlin, Mr. Khrushchev had referred in general terms to the possibility of a solution under which contingents of Western troops would remain in the city under United Nations auspices. The implications of this proposal were still far from clear. If what was intended was that Western troops should be placed under United Nations command there could be no prospect of agreement. If, on the other hand, Mr. Khrushchev had in mind the provision of a United Nations "presence" in Berlin in order to make it possible for the Soviet Government to accept the continued presence of Western troops, the idea might be worth pursuing. In general the advice from Moscow was that it would be undesirable at this stage for us, or our Allies, to take the initiative in putting pressure on Mr. Khrushchev to reach agreement on these or other issues. Mr. Khrushchev had probably strengthened his position with the Russian people by his handling of the Cuban crisis; but his action had given rise to further dissension within the Communist hierarchy and had encouraged his critics. Nor should the current ideological dispute between the Soviet and Chinese Governments be overlooked. At a time when it was more than ever important to Mr. Khrushchev to maintain the Soviet leadership of the world Communist movement, it would be unrealistic to expect him to move too openly or too quickly towards a settlement with the West which could be represented by the Chinese as a further concession to the forces of imperialism and reaction.

The Prime Minister said that a further and important factor in the situation was the outlook of the other major Western Powers, particularly the United States and France. The attitude of the German Government was perhaps of less importance, since they had tended over the past year or two to take their lead from the French. General de Gaulle's position and prestige would have been strengthened by the results of the recent elections; and he would regard the outcome of the Cuban crisis as further confirmation of the view which he had consistently held that it would be as wrong as it would be unnecessary to make any concessions to the Soviet Government in order to secure a settlement of the Berlin question. The Prime Minister said that he thought that such a conclusion would be a mis-reading of the Cuban episode. The fact that the Soviet Government had agreed to withdraw their missiles and their aircraft from Cuba was not evidence of weakness but of realism. Mr. Khrushchev had made an opportunistic move in an area not of critical importance to the general strategy of the Soviet Government. The move had failed in its purpose and Mr. Khrushchev had withdrawn; he had rightly been unwilling to run grave risks for an object of less than vital importance to him. But Berlin was an entirely different question; not only was it of vital importance to the Soviet Government but the Russians had overwhelming conventional superiority in the area, with the result that conventional action by Russian forces could be countered only by a resort to nuclear attack by the Western Powers. In Cuba the situation had been the reverse.

The Prime Minister said that he would discuss the situation with General de Gaulle and with President Kennedy during the course of his visits to them in December. He intended to sound out General de Gaulle's present opinions without committing himself in advance to a declared line of policy. It was not impossible that, in spite of General de Gaulle's previous reluctance to contemplate serious negotiations with the Soviet Government, he might alter that view if he himself could take or appear to be taking the initiative, perhaps in the context of discussions covering a wider area of possible agreement than Berlin alone.

The Cabinet—
(3) Took note of these statements.
2. The Cabinet had before them a memorandum by the Postmaster-General (C. (62) 187) proposing increases in the charges made for a number of Post Office services.

The Postmaster-General said that the financial target of the Post Office for 1963-64 was to secure a return of 8 per cent on net assets. The return had been 8 per cent or more in the three years prior to 1961-62 but the finances of the Post Office had been adversely affected by wage awards and by the general state of business. In consequence the return in the previous year had been 6.5 per cent and in the current year it was likely to be less: for 1963-64 it might be expected to fall to about 6 per cent. The proposals put forward in Annex A of C. (62) 187 would result in an increased income of £20 million in a full year, equivalent to a 2 per cent return on the net assets. If effect were not given to increases of this order, there would be difficulty in maintaining the large capital investment programme of the Post Office without raising unduly the amount borrowed from the Exchequer.

In discussion the following points were raised:

(a) There was a strong argument in general principle for maintaining the return from capital at the agreed target figure. Apart from increasing tariffs there was no way of financing the Post Office's capital investment programme except by authorising additional borrowing from the Exchequer; if no increases were made, the additional borrowing below the line might amount to as much as £40 million for the next financial year. This would make serious inroads on the capital available for other investment programmes and it would be especially unfortunate if the Post Office, which was the one nationalised industry under direct Government control and enjoying a virtual monopoly, were relieved of the obligation imposed on all nationalised industries to secure an agreed return on capital. If, on the other hand, Post Office capital investment were cut back, services would deteriorate, waiting lists for telephones would lengthen and the volume of complaint might be no less than would result from increased charges.

(b) Wage awards accounted for almost half of the additional expenditure which the Post Office would face in the next financial year. While it would be wrong that this outlay should appear to be financed by additional borrowing from the Exchequer, the Government would be equally open to criticism if the immediate result of the awards were substantial increases in charges to the public.

(c) It had been assumed in the calculations made by the Postmaster-General that the existing level of business activity would continue during the next financial year. If there were some improvement in the level of activity (even if the improvement were accompanied by some increase in costs) Post Office revenues would be bound to improve and the need for increased charges would be reduced.

(d) It would be reasonable to consider the return on capital over a period of years. The fact that a return of at least 8 per cent had been secured in certain years might justify acceptance of a lower rate for the immediate future. It would, moreover, be in accordance with normal business practice not to look for immediate maximum returns on new capital investment and it was a little unrealistic to expect the same level of return whether business was slack or active.

(e) There would be advantage in examining how the capital of the Post Office had been calculated since, in relation to the return obtained, the capital invested in the past few years could be held to be more important than the capital spent many years ago.

(f) It seemed likely that, if it were decided to increase charges, the proposals in C. (62) 187 would produce the maximum income whilst avoiding increases on those services, such as the letter rate and telephone rentals, which would attract special complaint. But increases in the charges for local and trunk calls and for parcels
would be generally unpopular and might be criticised, particularly by the business community. The proposed increases in the Commonwealth Press rate and in the Canadian magazine post would in any case have to be deferred to allow time for adequate consultation with the Governments affected.

(g) The terms and timing of the statement to be made if increased charges were approved would require careful consideration. As in the case of the statement made in July 1961, on the occasion of the previous increases, it would be inexpedient to refer specifically to an 8 per cent return on capital and it would be better to avoid the suggested reference to the general state of business activity.

Summing up the discussion, the Prime Minister said that, although the total amount to be obtained by the proposed increases was not large, they raised important questions of financial policy. It would be generally agreed that the Post Office should, so far as possible, be self-financing but various views could be held about the appropriate course to take if this proved to be impracticable. It could be argued, on the one hand, that the proper criterion for the Post Office as a business organisation would be that its borrowings should be strictly related to its earning power. On the other hand, it might be right that in a period calling for expansion in investment less weight should be given to profitability as the main criterion and that Exchequer lending should be governed by broader considerations. The Cabinet should consider these problems and resume their discussion at an early meeting when the Chancellor of the Exchequer could be present.

The Cabinet—

(1) Invited the Postmaster-General to set out for their information how the capital of the Post Office had been assessed for purposes of calculating its financial return.

(2) Agreed to resume their discussion of Post Office tariffs at an early meeting.

3. The First Secretary of State informed the Cabinet that the Nyasaland Constitutional Conference had been satisfactorily concluded and a White Paper on the Conference would be published that afternoon. The Conference had agreed on the grant to Nyasaland of a normal type of self-governing Constitution, including a Bill of Rights for European residents. The leader of the Malawi Congress Party, Dr. Banda, had also agreed to the appointment of a European Minister of Finance. There would be no mention in the White Paper of independence for Nyasaland but, in the light of the Cabinet’s previous discussion of this question, Dr. Banda had been given a private assurance that a programme for the attainment of independence by Nyasaland would be reviewed during 1963.

The First Secretary of State said that a sharp reaction from the Federal Prime Minister, Sir Roy Welensky, was to be expected when the statement acknowledging Nyasaland’s right to withdraw from the Federation was made in Parliament about the middle of December. The Cabinet would recall that Dr. Banda had been promised that such a statement would be made at that time and there could be no question of any further delay. Another complicating factor was that the leaders of the two African Nationalist Parties in Northern Rhodesia, Mr. Kaunda of the United National Independence Party and Mr. Nkumbula of the African National Congress, had announced that they would shortly be visiting London; and their intention no doubt would be to press for an undertaking that their parties would
be invited to form the Government in Northern Rhodesia. The First Secretary of State said that he would be unable to give any such undertaking. In the first place, the elections in Northern Rhodesia had not yet been finished and in the second place the decision would properly fall to the Governor of Northern Rhodesia.

The Cabinet—

Took note of this statement.

4. The Cabinet had before them a memorandum by the Minister of Housing and Local Government (C. (62) 191) about leasehold reform.

*The Minister of Housing* recalled that, at their meeting on 29th May, the Cabinet had invited his predecessor to prepare a scheme for giving leaseholders in certain circumstances a right, in the absence of proposals for re-development, to extension of their leases on market value terms. A scheme of this kind had been worked out but, after careful consideration, he had reached the conclusion that no scheme based on market value, whether for extension of leases or for complete enfranchisement, would meet the grievances of the lessees. The only course that would fully meet those grievances would be enfranchisement on confiscatory terms. But enfranchisement on any terms would involve interference with good estate management and orderly re-development, and some erosion of the law of contract; and on confiscatory terms it would involve abandoning declared Government policy and could not be reconciled with the free market basis for decontrolled rents.

It would be necessary to give some indication of Government policy in the debate which would take place on 7th December on the Second Reading of the Bill introduced by Mr. Denis Howell, M.P., who had been successful in the ballot for Private Members' Bills. The Bill had not yet been published but it was likely that it would provide for enfranchisement at some level short of market value. He suggested that the Government should seek rejection of the Bill on the basis of a promise to produce a White Paper which would examine the arguments for and against various measures of leasehold reform and would give the Government's conclusions. If a White Paper were prepared it might be appropriate to include in it some reference to a possible scheme for giving lessees the right to surrender leases which had less than, say, 20 years to run.

In discussion there was general agreement in the Cabinet that it would be desirable to avoid promising a fully reasoned statement on leasehold reform, since this would be likely to amount to a lengthy argument for doing little or nothing at the present time. The better course in the debate would be to draw attention to the defects of Mr. Howell's Bill and to vote against giving it a Second Reading.

In further discussion the following points were raised:

(a) The agitation for leasehold reform was largely based on the practice of Western Ground Rents, who owned much residential property in Cardiff. In spite of representations which had been made to them they showed little consideration for their lessees and it was believed that the prices they asked for freehold reversions were much too high. If the Government took no action there would be strong local criticism, but there appeared to be no basis on which the Government could encourage drastic action, such as compulsory acquisition by the local authority. It would, however, be useful both in dealing with this criticism and as a guide to general policy if independent valuations could be obtained both of the surrender value of particular leasehold interests, and of the value of the freehold reversions in those cases.

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(b) The principle underlying the Landlord and Tenant Act, 1954, and the various suggestions which were canvassed for enfranchisement and renewal of leases, was that the lessee's stake in his house should be enlarged. Compulsory surrender of leases would be breaking new ground; and if the idea were pursued it would be important to make it clear that its application would be confined to small residential property.

The Cabinet—

Agreed that, in opposing the Second Reading of Mr. Denis Howell's Bill on leasehold reform, the Government's spokesman should not promise to present a White Paper on this subject.

5. The Cabinet had before them a memorandum by the Minister of Labour (C. (62) 192) about arrangements for industrial training, covering the draft of a White Paper setting out the Government's new proposals.

After a short discussion, the Cabinet—

(1) Invited the Minister of Labour to bring the draft White Paper before the Home Affairs Committee for consideration.

(2) Authorised the First Secretary of State, as Chairman of the Home Affairs Committee, to approve the subsequent publication of the White Paper.

6. The Cabinet were informed of Questions, to be answered that day in the House of Lords and on 29th November in the House of Commons, arising out of a case affecting Lord Mowbray, in which the privileges attaching to his status as a member of the House of Lords had been held to prevent him from being arrested under a writ of attachment. Lady Summerskill would ask the Government whether they would "consider examining the law in order to eliminate any provisions which confer exceptional privileges upon Members of both Houses of Parliament"; and it was proposed to answer this Question on the basis that, since the privileges of the House of Commons were also affected, the answer to the further Question in the House of Commons should be awaited. That Question, in the name of Mr. Richard Marsh, M.P., asked the Prime Minister if he would "move the motions necessary to set up a Joint Committee of both Houses to examine the law in so far as it confers exceptional privileges upon Members of both Houses which exempt them from the normal processes of the courts".

In discussion it was suggested that, although freedom of Members of both Houses from arrest in civil proceedings had been important in the distant past, it had now become something of an anachronism. The circumstances of Lord Mowbray's case could arise only in a strictly limited field, but the issues which might be raised by the Questions went very wide. The privilege of freedom from arrest for contempt of court extended in certain circumstances to witnesses and to members of the legal profession as well as to Members of both Houses; and it might be necessary to consider the extent of immunity from arrest in pursuance of injunctions and in connexion with subpoenas. Legislation would probably be required to bring about any change in the law of privilege, certainly so far as it rested on the common law.
In these circumstances it would be desirable that the Prime Minister, in dealing with the Question in the House of Commons on 29th November, should indicate willingness to consider, in consultation with the Leader of the Opposition, the appropriate procedure for examining the question of freedom from arrest arising directly out of the case of Lord Mowbray. Although there might be advantage in extending the terms of reference of the Joint Select Committee which was at present sitting, it would be necessary to consider whether it would be proper that the privileges of either House should come under review by a body which included representatives of the other. The better course might be to establish Committees of each House, sitting in parallel and working on similar terms of reference.

The Cabinet—

Invited the Lord Chancellor, in the light of their discussion, to provide the Prime Minister with a draft answer to Mr. Richard Marsh's Question about the establishment of a Joint Committee to examine the law in relation to the privileges of Members of Parliament.

Cabinet Office, S.W. 1.