CABINET

CONCLUSIONS of a Meeting of the Cabinet, held at Admiralty House, S.W. 1, on Thursday, 18th July, 1963, at 10.30 a.m.

Present:

The Right Hon. HAROLD MACMILLAN, M.P., Prime Minister (Items 1-2)
The Right Hon. R. A. BUTLER, M.P., First Secretary of State (In the Chair for Items 3-11)
The Right Hon. LORD DILHORNE, Lord Chancellor
The Right Hon. HENRY BROOKE, M.P., Secretary of State for the Home Department
The Right Hon. IAN MACLEOD, M.P., Chancellor of the Duchy of Lancaster
The Right Hon. JOHN HARE, M.P., Minister of Labour
The Right Hon. ERNEST MARPLES, M.P., Minister of Transport
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. EDWARD BOYD-CARPENTER, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. ERNEST Maudling, 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 (Items 1-3)
The Right Hon. PETER THORNEYCROFT, M.P., Minister of Defence (Items 1-9)
The Right Hon. EDWARD HEATH, M.P., Lord Privy Seal
The Right Hon. CHRISTOPHER SOAMES, M.P., Minister of Defence (Items 1-9)
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. ERNEST MARPLES, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. EARL ST. ALDWYN, Captain, Gentlemen-at-Arms (Items 1-6)
The Right Hon. HUGH FRASER, M.P., Secretary of State for Air (Item 9)
Mr. NEIL MARTEN, M.P., Parliamentary Secretary, Ministry of Aviation (Item 9)
The Right Hon. MARTIN REDMAYNE, M.P., Parliamentary Secretary, Treasury

The following were also present:

Secretariat:
Sir Burke Trend
Mr. A. L. M. Cary
Miss J. J. Nunn
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1. The Foreign Secretary informed the Cabinet that the United Nations Organisation had now initiated an investigation into the allegations that the Republican forces in the Yemen were using poison gas or some similar agent of chemical warfare. These allegations had evoked considerable criticism in this country; but the Government should refrain from any public comment until the United Nations investigation was complete.

The Cabinet—
Took note of this statement by the Foreign Secretary.

2. The Prime Minister informed the Cabinet that the negotiations in Moscow between representatives of the Governments of the United States, the United Kingdom and the Soviet Union about nuclear tests appeared to be developing favourably; and the drafting of a Treaty, prohibiting tests in the atmosphere, in outer space and under water, was now in hand. The Soviet representatives had refused to entertain any suggestion that this prohibition should extend to nuclear tests conducted underground; and they appeared disposed to seek to link it in some way with a non-aggression agreement between the North Atlantic Treaty Organisation and the member States of the Warsaw Pact. In so far as any agreement of this kind might be regarded as implying Western recognition of the East German Republic, it could be embarrassing. Nevertheless, it was satisfactory that there were now prospects of an understanding, even if only on a limited scale, between the West and the Soviet bloc on the issue of nuclear tests; and this might prove to be the first stage in a gradual relaxation of tension, with far-reaching implications which the Cabinet might need to consider in due course.

3. The Cabinet had before them a memorandum by the Minister of Agriculture (C. (63) 127) about future policy for horticulture.

The Minister of Agriculture said that at present the horticulture industry depended on tariff protection. In the case of about half the products of the industry the tariffs were fairly low; but in the case of the “sensitive” items, involving mainly produce grown under glass, the tariffs could rise to very high levels during the seasonal peaks. This rigid system of protection was inconsistent with our general policy for the liberalisation of international trade and presented particular difficulties in the context of the forthcoming negotiations in the General Agreement on Tariffs and Trade (GATT), in which we should be seeking, by a process of bargaining, to secure reductions in industrial tariffs. He therefore proposed that we should offer to make reductions in the tariffs on non-sensitive horticultural items in the immediate future, if it appeared to be in the national interest to do so; that we should put ourselves in a position to bind the tariffs on sensitive items at their present levels, on the understanding that, after a specified period, we should also offer to reduce them; that, in the interim, measures should be taken, particularly by an extension of the Horticulture Improvement Scheme and by the provision of various forms of financial assistance to the industry, to enable it to face foreign competition; and that the industry should be assured that it would be provided with some new type of safeguard against the increasing competition of surpluses.
From other countries which it would face as the protection of the tariff was progressively reduced. On this basis there was a reasonable expectation that the Government could secure the co-operation of the industry; and it would be possible to announce a new policy for horticulture later in the year.

In discussion the following points were made:

(a) Action on the lines proposed would be likely to provoke a sharp reaction from individual growers, particularly those concerned with sensitive items. On the other hand economic issues of greater importance would be at stake in the GATT negotiations; and the chances of a successful outcome to those negotiations should not be prejudiced by the sectional interest of one relatively small industry, particularly since the tariffs on sensitive items would not be reduced until the measures to strengthen the industry had had time to take effect.

(b) In view of the international repercussions of any changes in horticultural tariffs, it would be necessary to arrange for our proposals to be discussed at the appropriate stage with the other members of the Commonwealth concerned and for special consideration to be given to the position of Guernsey, whose economy was largely dependent on horticultural produce.

(c) Legislation would be required to give effect to the proposals. It would be convenient to introduce this, if possible, as part of the wider measure dealing with agricultural policy which would be introduced at the beginning of the next session of Parliament.

(d) Particular attention should be given to the machinery required to provide future protection against the undermining of the domestic market by surpluses from foreign countries. The industry would certainly expect to be given specific assurances on this point; and there would be likely to be considerable difficulty in drawing up a satisfactory scheme for this purpose.

The Cabinet—

(1) Authorised the Minister of Agriculture to continue discussions with representatives of the horticultural industry on the lines indicated in C. (63) 127.

(2) Authorised the Minister of Agriculture to arrange forthwith for the preparation of a draft Bill giving effect to the proposals in C. (63) 127.

(3) Agreed to resume their discussion at a subsequent meeting.
6. The Cabinet had before them a memorandum by the Chancellor of the Duchy of Lancaster (C. (63) 131), examining the situation created by an amendment to the Peerage Bill in the House of Lords, which would bring the Bill into operation when it received the Royal Assent rather than on the dissolution of Parliament.

The Chancellor of the Duchy of Lancaster said that, although the Government had throughout intended that the Bill should come into force only on the dissolution of Parliament, they had been defeated on this issue in the House of Lords and opinion among their supporters in the House of Commons now appeared to be moving towards accepting the amendment in order to avoid the risk of a conflict between the two Houses. The effect might be somewhat mitigated if the Government accepted, in the House of Lords, a further amendment, proposed by Lord Swinton, which would extend to 12 months the period during which a peer who succeeded before the Bill came into effect could disclaim his peerage.

In discussion there was general agreement with this view. A third amendment, however, had now been tabled in the House of Lords, which would concede to a peer who succeeded while a minor a period of four years from the attainment of his majority in which to disclaim the peerage, instead of only one year as at present proposed, on the ground that an individual of only 21 might not be able to decide whether he wished to pursue a political career in the House of Commons. This amendment might be carried; and it might be desirable to avoid a further defeat by accepting it. On the other hand the proposal had been originally rejected by the Select Committee on the Reform of the House of Lords; and it might be inexpedient to contemplate more than the minimum degree of departure from the recommendations of that Committee, especially since they had been endorsed without amendment by the House of Commons. The Lord Chancellor should therefore be free to exercise his discretion in deciding whether or not to accept the amendment, in the light of the support which it received.

The Cabinet—

(1) Agreed that the Government should not advise the House of Commons to reject the amendment to the Peerage Bill by the House of Lords, which would bring the Bill into operation when it received the Royal Assent.

(2) Agreed that the Government should accept an amendment to the Bill in the House of Lords which would extend to 12 months the period during which a peer who succeeded before the Bill came into effect could disclaim his peerage.

(3) Invited the Lord Chancellor to decide, in the light of the views expressed during the debate, whether the Government should accept a further amendment in the House of Lords, which would concede to a peer who succeeded while a minor a period of four years from the attainment of his majority in which to disclaim the peerage.

7. The Chancellor of the Duchy of Lancaster said that, at their meeting on 28th May (C.C. (63) 35th Conclusions, Minute 3), the Cabinet had endorsed, subject to agreement with the Opposition, a proposal that the railway fares of wives of Members of the House of Commons should be paid on a limited number of journeys between a Member's home, his constituency and London and had suggested that a corresponding concession should be made to the wives of peers in relation to journeys between home and London.
It had now been established, however, that the advantages of such a concession in the case of the wives of peers would be largely nullified by the tax liability which it would entail. On the other hand to exclude journeys from home to London in the case of wives of Members of the House of Commons would detract considerably from the merit of the original proposal. Moreover, this modification would involve reopening the discussions with the Opposition. On balance, therefore, it would be expedient to take no further action in this matter.

The Cabinet—

Agreed that no further action should be taken as regards the proposal to provide for the payment of the railway fares of wives of Members of the House of Commons on a limited number of journeys between a Member's home, his constituency and London.

8. The Cabinet had before them memoranda by the Chief Secretary, Treasury, and the Minister without Portfolio (C. (63) 125 and 129 respectively) about the forecast Estimates for 1964-65.

The Chief Secretary, Treasury, said that, on the basis of present policies, the Estimates for 1964-65 appeared likely to amount to approximately £6,725 million, an increase of about £585 million, or 9\% per cent, over the Estimates presented for 1963-64. The latter had themselves represented the largest annual increase in public expenditure since the Korean war; and the further increase implied by the forward Estimates for 1964-65 would equal, if not exceed, this exceptionally fast rate of growth. In the current year it had been possible for the Government to justify an increase of more than 9 per cent by reference to the need to stimulate the economy in the exceptional circumstances which had existed at the beginning of 1963. It was now virtually certain, however, that a further stimulus of this magnitude would not be required in 1964 and that, if public expenditure were allowed to continue to rise as rapidly as hitherto, the economy would be in danger of entering a new phase of inflationary pressure unless the 1964 Budget introduced fresh measures of restriction. Substantial increases in expenditure in 1964-65 were now inevitable in any event; but it was essential to maintain control over the rate at which they accrued and, for this purpose, action would be required:

(i) to establish clear decisions on priorities both between defence and the social services and between the individual social services themselves;
(ii) to achieve specific economies wherever possible;
(iii) to restrain Departments from undertaking new commitments unless they were prepared to reduce others in order to accommodate them.

The Minister without Portfolio suggested that it might be politically difficult for the Government to endorse these measures without reservation. If, however, they were not to appear to be the victims of circumstances beyond their control, they should take steps to justify the present trend of public expenditure on positive lines. A forthcoming series of publications on the requirements of an expanding economy could be used to emphasise that a controlled increase in the rate of Government expenditure was an inescapable consequence of a policy of economic growth.

In discussion the following main points were made:

(a) Progressive increases in Departmental expenditures, particularly in relation to higher education and the redevelopment of school buildings, were probably inevitable; and the effect would
be aggravated if, as appeared probable, some transfer of expenditure from the rates to the Exchequer proved to be desirable.

(b) Nevertheless, it would be difficult to establish firm priorities as between blocks of expenditure which were incommensurable, particularly since their impact on the Budget did not necessarily correspond to the demands which they made on real resources. This issue would require further consideration in relation to the Cabinet’s forthcoming examination of rates of growth of public expenditure in the longer term.

(c) Moreover, it was politically unrealistic to suggest that the Government should refrain henceforward from announcing further developments in their social policies or to seek to stipulate that no new commitments should be undertaken unless corresponding savings could be effected in existing expenditures. Departments should be enjoined to do their utmost to provide compensating economies; but in certain cases it might be essential to sanction new projects, even if their cost could not be wholly offset by savings in existing policies. This would be liable to be particularly true of items which already figured in Departmental forward programmes and would progressively become due for implementation.

(d) On the other hand many of the Government’s supporters were becoming increasingly critical of the sharp rise in public expenditure; and the Government would be unwise to commit themselves to any statement which implied that such expenditure would continue to absorb an increasingly large proportion of the national income.

The Cabinet—

(1) Took note that the Chief Secretary, Treasury, would shortly circulate a memorandum on rates of growth of public expenditure in the longer term.

(2) Invited the Chief Secretary, Treasury, in preparing this memorandum, to give further consideration both to the means by which the Government should seek to establish priorities between various blocks of expenditure and to the extent to which it would be realistic to require Departments to undertake no new commitments unless compensating savings could be secured in existing expenditures.

(3) Invited the Chief Secretary, Treasury, in consultation with the Minister without Portfolio, to examine the means by which the prospective increase in public expenditure would be most convincingly presented to public opinion.

(4) Agreed to resume their discussion at a subsequent meeting.

9. The Cabinet had before them two memoranda by the Home Secretary, as Chairman of the Home Affairs Committee (C. (63) 116 and 130), on the disposal of Chalgrove airfield.

The Home Secretary said that the Committee had been unable to agree whether the sale of Chalgrove airfield to the Martin Baker Aircraft Company, which had been suspended owing to opposition from local residents, should be allowed to proceed or whether an attempt should be made to negotiate a lease. The airfield had been built on land acquired during the 1939-45 war and had been used since 1946 by the Martin Baker Company for testing aircraft ejector seats, of which they were the sole manufacturers in this country. In 1959 it had been decided to sell the land to the company. Consultation with former owners had indicated that only one was...
anxious to repurchase her land, the others either being disinterested or being content with assurances that the agricultural occupancies would continue. Local residents, however, had been opposed to a sale to the company and had urged that the land should either be returned to agricultural use or be leased to the company on a short lease. Ministerial undertakings had then been given that the company would offer the land back to the former owners when they ceased to use it for testing ejector seats. Unfortunately, however, these assurances went beyond the written undertaking obtained from the company, which had been merely to offer the land back to the former owners when the company decided to dispose of it. The discovery of the indefinite character of this undertaking, as a result of the publication of the exchange of letters annexed to C. (63) 116, had intensified the local opposition to a sale of the land to the company. Negotiations had therefore been suspended in the spring of 1963. Since then, however, the Air Ministry had obtained from Mr. Martin, who controlled the company, an undertaking in the terms of the assurances originally given by Ministers, namely that the land would be offered back to the former owners when the company ceased to use it for testing ejector seats.

The Home Affairs Committee had found difficulty in deciding whether, in order to ensure that this undertaking would be honoured, the Government should retain control of the land. Since his original memorandum (C. (63) 116) had been circulated, however, the Committee had been informed that, if the land were sold to the company, it would be possible to require the company, as a condition of the sale, to enter into a covenant not to use the land for industrial purposes or otherwise than for the testing of ejector equipment and to offer it to the former owners when the company ceased to use it for this purpose. Such a covenant could be enforced in relation to the use of the land; and, although there might be some difficulty in enforcing it in relation to the disposal of the land, it would be legally binding on the company and would demonstrate that the Government had taken all reasonable steps to safeguard the interests of the former owners. The covenant would not, however, be binding on any other company which might acquire the Martin Baker Company.

A majority of the Home Affairs Committee considered that, if the company would enter into such a covenant, the sale should proceed, on the grounds that the Government were committed to sell the land, that the company's work was in the national interest and that, if the Government retracted their original undertaking to sell the land to the company, the criticism which this action would evoke from industry would be liable to be no less damaging than the criticism which would otherwise be voiced by the local residents. A minority of the Committee, however, considered that a lease would be a preferable solution; but they agreed that, if this were rejected by the company, the land should be sold, subject to the company's acceptance of the covenant.

In discussion the following main points were made:

(a) The protection given by the proposed covenant would be limited, since it could not be enforced by the local residents and would bind only the existing company. If the company were acquired by other interests on Mr. Martin's death, the purchasers could avoid the obligations by transferring the assets to a different company. The trade name and good will of the Martin Baker Company, however, were themselves a considerable asset, which a new proprietor would be unlikely to sacrifice merely in order to evade the covenant.

(b) On the other hand it was not clear why, if Mr. Martin intended to implement his undertakings, he attached such importance to owning the freehold of the land. It might be possible to persuade him to accept a long lease, which would afford him virtually equivalent security of tenure but would also enable the Government, if necessary, to enforce the relevant undertakings.
(c) On this assumption, however, it would be essential that Mr. Martin should not suppose that the Government would be prepared to contemplate a sale as an alternative to a lease. But if he then implemented his threat to reject a lease and to cease manufacturing ejector seats, both our defence and our export interests would be damaged; and the Government would be exposed to severe criticism from industry.

The First Secretary of State, summing up the discussion, said that the balance of advantage seemed to lie in offering Mr. Martin a long lease, subject to appropriate conditions about the use of the land and its ultimate disposal. Initially, we should offer a 99-year lease; but it might become necessary to contemplate a considerably longer period. The terms of a draft lease should be carefully considered by the Treasury Solicitor before any approach was made to Mr. Martin.

The Cabinet—

Invited the Minister of Defence, in consultation with the Secretary of State for Air, to discuss with Mr. Martin an offer to lease Chalgrove airfield to the Martin Baker Aircraft Company for 99 years, subject to conditions restricting the use of the land to the testing of ejector equipment and ensuring that the former owners would be given the option to purchase it when its use for this purpose ceased.

10. The Cabinet resumed their discussion of the proposal to increase the charge for school meals from 1s. to 1s. 3d. with effect from 30th September. They had before them a memorandum by the Minister of Education and the Secretary of State for Scotland (C. (63) 126) on the arrangements for remitting the charge to needy families.

The Minister of Education said that at present local education authorities in England and Wales were required to exercise their power to remit or to reduce charges according to a scale which he approved. One hundred of these local scales provided, in addition, for remission at the discretion of the authority in cases of hardship not otherwise covered by the scale. In order to remove the disparities between local scales he proposed to introduce in the autumn a uniform model scale of remission, binding on local authorities, which would concede free school meals automatically to the children of families on National Assistance and would help large families with low incomes by raising the level of income which qualified them for remission proportionately with the number of children in the family. Since it was likely that most of the additional families entitled to free meals under the new scale would already be protected by the application of the existing local discretion, there would be little increase in cost. The local education authorities had no objection to the proposed model scale, which should effectively disarm any criticism of the proposed increase in the charge for school meals.

The Secretary of State for Scotland said that in Scotland a model scheme, based on the National Assistance (Determination of Need) Regulations, was already in force. Local authorities were required not only to remit charges in case of hardship but also to reduce them for families with more than one child at school and for families only marginally above hardship level. About half the authorities used the model scheme; four, including Glasgow, operated more generous arrangements. The Scottish schemes afforded adequate protection to needy and large families; and any attempt to revise them would be resisted, particularly by Glasgow. There was therefore no means of
offsetting in Scotland the impact of the proposed increase in the charge for school meals; and, in the light of the high level of Scottish unemployment, it would be unwise to impose the increase at the present time.

In discussion it was suggested that, in view of the continuing increase in public expenditure, it was essential that justifiable economies should be made wherever possible. The proposed national remission scale in England and Wales and the existing arrangements in Scotland appeared to be adequate to protect the families of the unemployed and others with low incomes; and there was reason to believe that public opinion would accept an increase in the charge designed to cover the increase in costs which had occurred since the arrangement was last reviewed in 1957. On the other hand the estimated net saving was small in relation to the total expenditure on education; and the political criticism which an increase in the charge might attract would be out of proportion to the advantage to be gained.

The First Secretary of State, summing up the discussion, said that the issues involved would best be considered further in the context of the discussion of future public expenditure which the Cabinet would shortly resume.

The Cabinet—
Agreed to resume their discussion of C. (63) 126 at a subsequent meeting.

The Minister of Transport said that a joint Anglo-French report by officials on the merits of a Channel tunnel and a Channel bridge had now been submitted to the Governments of the United Kingdom and France. There would be advantage in promoting informed public discussion of the issues involved; and this would be stimulated by early publication of the report, provided that the Government indicated that they had reached no decision on its findings.

The Cabinet—
Authorised the Minister of Transport to seek to secure the agreement of the French Government to the early publication of the Anglo-French report on a Channel tunnel and a Channel bridge.

Cabinet Office, S.W. 1,
18th July, 1963.