CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W. 1, on Thursday, 12th December, 1963, at 10.30 a.m.

Present:

The Right Hon. Sir Alec Douglas-Home, M.P., Prime Minister (Items 1–5)
The Right Hon. R. A. Butler, M.P., Secretary of State for Foreign Affairs (in the Chair for Items 6–7)
The Right Hon. Lord Dilhorne, Lord Chancellor
The Right Hon. Edward Heath, M.P., Secretary of State for Industry, Trade and Regional Development and President of the Board of Trade
The Right Hon. Selwyn Lloyd, Q.C., M.P., Lord Privy Seal (Items 1–6)
The Right Hon. Christopher Soames, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. Michael Norrie, M.P., Secretary of State for Scotland
The Right Hon. Joseph Godber, M.P., Minister of Labour
The Right Hon. Frederick Erroll, M.P., Minister of Power
The Right Hon. William Deedes, M.P., Minister without Portfolio

The following were also present:

Mr. John Tilney, M.P., Joint Parliamentary Under-Secretary of State for Commonwealth Relations and for the Colonies (Item 6)

The Right Hon. Martin Redmayne, M.P., Parliamentary Secretary, Treasury

Secretariat:

Sir Burke Trend
Mr. A. L. M. Cary
Miss J. J. Nunn
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Parliament

1. The Cabinet were informed of the business to be taken in the House of Commons in the following week. Parliament would adjourn for the Christmas Recess on 20th December and would reassemble on 14th January.

Foreign Affairs

Federal German Republic

(Previous Reference: C.M. (63) 9th Conclusions, Minute 3)

2. The Foreign Secretary informed the Cabinet that during his recent visit to Bonn and Berlin he had ascertained that the Federal German Government would probably be prepared to support a renewed initiative by the United Kingdom Government to reduce East-West tension. But they would prefer such an initiative to be directed towards achieving agreement on the establishment of observation posts as a safeguard against surprise attack; and they remained opposed to any attempt to conclude a non-aggression pact between the North Atlantic Treaty Organisation (NATO) and the States members of the Warsaw Pact, on the ground that it would tend formally to perpetuate the division of Germany.

The Federal Government appreciated our reasons for supporting Malaysia against Indonesia; they had not exported, and would not export, arms to the Indonesian Government.

Economic relations between the Federal Government and the French Government continued to be strained, particularly in the context of agricultural policy.

In discussion it was suggested that, if the French Government failed to reach agreement with the Federal Government on agricultural policy, they might withdraw from the European Economic Community (E.E.C.). We should be prepared, in that event, to try to devise some means of associating the other five members of the Community with ourselves and our partners in the European Free Trade Association. We should also be ready to consider the implications for ourselves if the French Government, instead of withdrawing from the E.E.C., sought to prevent further participation by the Community in the negotiations on the Kennedy Round in the General Agreement on Tariffs and Trade.

The Cabinet—

(1) Invited the Foreign Secretary, in consultation with other Ministers concerned, to arrange for early examination of the action which might need to be taken if the French Government failed to reach agreement with the other members of the European Economic Community on the Community's future economic policy.

The Foreign Secretary informed the Cabinet that, during his forthcoming visit to Paris to attend the Ministerial Council of NATO, he proposed to discuss with the French Government recent developments in South-East Asia. It would be necessary to consider, in consultation with the United States Government, whether it would be in our interest to support the projected international conference on the precarious situation which was developing in Cambodia.

The Cabinet—

(2) Took note of the statement by the Foreign Secretary.
3. The Cabinet had before them a memorandum by the Lord Chancellor, the Home Secretary and the Secretary of State for Scotland (C.P. (63) 29) on the Tribunals of Inquiry (Evidence) Act, 1921.

The Lord Chancellor said that, in accordance with the decision of the Cabinet at their meeting on 14th November, a debate had been arranged in the House of Lords in order to ascertain whether there was any demand for an independent inquiry into the operation of the Act. Although every speaker had expressed dislike of some aspect of the procedures which its use entailed, there had been general agreement on the need to retain this means of investigation and the debate had suggested that there was no current pressure for any radical amendment or review of the Act. The most important of the proposals put forward for improving the procedures involved related to the payment of the costs of individuals appearing before a tribunal. He had therefore reminded the House of the arrangements made for the _ex gratia_ payment from public funds of the costs of individuals who had been allowed to be legally represented before the Tribunal of Inquiry into matters arising out of the Vassall case. It should be sufficient for Government spokesmen in the forthcoming debate in the House of Commons on the Report of Lord Denning’s Inquiry to indicate that, while there was no case for an inquiry into the Act, the Government would consider any proposals put forward for procedural improvements.

In discussion there was general agreement with these views. There might be advantage, however, in indicating that the Government were prepared to pursue, in consultation with the Leader of the Opposition, the proposal advanced earlier in the year by the Prime Minister of the day, Mr. Harold Macmillan, M.P., for the appointment of a standing Security Commission to investigate cases involving national security which it might be convenient to examine by a less elaborate procedure than the Act required. If so, the terms of reference of this body would need to be further considered. As regards the costs of persons who appeared before tribunals appointed under the Act, it was arguable that the Government should pay in full reasonable costs incurred by persons permitted by the tribunal to be legally represented on the ground that their conduct was impugned or that their reputations were endangered; and the Government’s spokesmen in the forthcoming debate should be in a position to make a clear statement of policy in this respect.

The Cabinet—

(1) Invited the Lord Chancellor, in consultation with the Home Secretary, the Chief Secretary, Treasury, and the Secretary of State for Scotland, to prepare a statement on the costs of persons permitted to be legally represented before tribunals appointed under the Tribunals of Inquiry (Evidence) Act, 1921, for the use of Government spokesmen in the forthcoming debate on the Report of Lord Denning’s Inquiry.

(2) Took note that the Prime Minister would give further consideration to the composition and terms of reference of the proposed Security Commission.

4. The Cabinet resumed their discussion on the desirability of enlisting independent advice on the pay of Members of Parliament and Ministers, on the assumption that the amount of any increase should preferably not be made publicly known until after the General Election but that both the Government and the Opposition would commit themselves in principle to take the necessary action at the outset of the new Parliament.
In discussion it was suggested that advice might be sought either from the National Incomes Commission (N.I.C.) or from an ad hoc body, which might consist of the chairman and a few members of N.I.C., reinforced by Privy Councillors or back-bench Members of the House of Commons. In favour of the former course it was represented that it would be preferable to remit the issue to a body which did not include any individual having a personal interest in the outcome of the inquiry. Moreover, Parliament, having approved the establishment of N.I.C. as an impartial source of advice on wage claims advanced by other sections of the community, should be willing to submit to the Commission the question of the proper remuneration of its own Members. On the other hand a considerable body of opinion held that Parliament should be prepared to decide on its own responsibility an issue which was of peculiar concern to its Members—the more so since the nature of Parliamentary duties was unique and Members of Parliament might have insufficient confidence in opinions expressed by a body none of whose members had practical experience of political life. For these reasons it might be preferable that the question should be remitted to an ad hoc body, which might comprise a few members of N.I.C. but should also include individuals with personal experience of service both in Parliament and in industry and the professions. In any event it would be necessary to ensure adequate representation of the interests of the House of Lords.

The Prime Minister, summing up the discussion, said that the best method of obtaining independent but informed advice on the issues involved might be to remit those issues to a small body, consisting of the Chairman of N.I.C., supported by two members of the Commission and, possibly, a third individual selected by virtue of special knowledge of Parliamentary and constitutional questions, on the understanding that this body would look for detailed information on the responsibilities of political life to an advisory panel of Members of Parliament and Peers, which would need to be specially constituted for this purpose. He would discuss this proposal further with the Leader of the Opposition and, if agreement were reached, would endeavour to make an appropriate announcement in Parliament before the Christmas Recess.

The Cabinet—

Took note that the Prime Minister would discuss with the Leader of the Opposition the desirability of arranging a review of the pay of Members of Parliament and Ministers on the lines indicated in his summing up of their discussion.

5. The Cabinet had before them a memorandum by the Chancellor of the Exchequer (C.P. (63) 32), to which was appended a draft White Paper on Public Expenditure in 1963-64 and 1967-68.

The Chancellor of the Exchequer said that during the Debate on the Address he had announced estimates of public expenditure in 1967-68 on the basis of the Government's present policies. As a result the Government had been challenged to publish a White Paper giving a more comprehensive picture of the growth of public expenditure. It would be advantageous to accept this challenge by publishing a White Paper of this kind before Christmas. The draft annexed to his memorandum had been approved by the Economic Policy Committee; and, subject to further consideration of points of detail, it was proposed to publish it on 19th December.
In discussion there was general agreement with this proposal. The following points were made:

(a) In the table on page 5, comparing public expenditure in 1963-64 and 1967-68, the decrease in expenditure on the item described as "Assistance to agriculture, industry and transport" might be misunderstood to imply that assistance to agriculture was expected to decline, whereas the reduction was in fact attributable to the decrease in the subsidy to be paid to the railways as a result of the progressive reduction of the British Railways Board's deficit. This misunderstanding might be avoided if the order of the words in the description of the item were reversed.

(b) Expenditure on overseas aid would be liable to appear small in comparison with other items; and the fact that the estimated increase was considerable in proportion to the total might usefully be emphasised if it were expressed in percentage terms either in an additional column to the table or in the explanatory text.

The Cabinet—

(1) Invited the Chancellor of the Exchequer to give further consideration, in the light of their discussion and in consultation with the Ministers concerned, to the draft of the White Paper on Public Expenditure in 1963-64 and 1967-68.

(2) Authorised the Chancellor of the Exchequer, in consultation with the Lord Privy Seal, to arrange for the White Paper, amended as necessary in the light of Conclusion (1) above, to be published before the Christmas Recess.

6. The Cabinet had before them a memorandum by the Minister of Agriculture (C.P. (63) 31) on the development of the Government's agricultural policy.

The Minister of Agriculture said that on 16th May the Cabinet had authorised him to discuss with the farmers' representatives and with oversea suppliers certain proposed changes in the support system for agriculture, of which the most important were the imposition of standard quantities, under flexible guarantee arrangements, for home production and the negotiation of voluntary agreements with our main oversea suppliers for the limitation of imports.

The initial reaction of the farmers' representatives had been to seek assurances about the maintenance of farming incomes and about opportunities for further growth. In contrast to the industrial sector, where incomes and productivity had moved broadly in line, farmers had increased their productivity without receiving any comparable benefit in terms of incomes. Opportunities for increasing farming incomes would be still further restricted if, under the new arrangements, there were to be a fixed ratio between home and overseas supplies of any given commodity, whereas the farmers considered that they were entitled gradually to increase their share of a rising domestic demand. He had therefore prepared, in consultation with representatives of the industry but without commitment so far as the Government were concerned, a draft statement of objectives (in the form appended to C.P. (63) 31), which might form part of the Annual Review White Paper in March 1964, and could be used, in the interim, as the basis of the further discussions with oversea suppliers which would now be needed in relation to both cereals and meat.

Negotiations on cereals had reached a stage at which agreement seemed possible, the situation being simplified by the fact that our main cereal imports—maize and hard wheat—were not of a kind
which could be produced at home. The only serious problem, so far as the home producers were concerned, was the level of the standard quantity. The farmers had asked for 10 million tons, which would provide adequate scope for increased production in the coming year. Treasury Ministers, however, had suggested a lower figure of 8½ million tons; and it had been established that overseas suppliers would be unlikely to agree voluntarily to restrict their imports if the standard quantity of home production were set at a higher figure than 9½ million tons. In order to prevent imports at unrealistic prices it was also proposed to establish a minimum import price. There were grounds for hoping that our main overseas suppliers would accept these proposals in principle. If so, it would be necessary to settle the detailed arrangements quickly if final agreement were to be reached before the Farm Price Review in February 1964.

The position as regards meat gave rise to greater concern. For reasons connected with the nature of the trade control of the market could not be secured by the establishment of a minimum import price but would have to be effected by means of quantitative restriction. It would be difficult, if not impossible, to secure the agreement of the domestic producers to a standard quantity for meat, at least in 1964; and the opposition would be particularly strong in Scotland. The farmers considered that an attempt at this stage to restrict home production was not justified by any prospective surplus in world production and would unreasonably deprive the industry of prospects of further growth. So long as home production remained uncontrolled, however, it would be impossible to obtain the agreement of overseas suppliers to limit their own imports; and this situation was further complicated by the fact that, as a result of the withdrawal of medical restrictions, imports of meat from certain European countries were now to be expected. In these circumstances three possible courses of action were open to the Government. The first would be to impose a standard quantity on home production without the agreement of the farming industry. This would make it possible to secure a voluntary restriction of imports, would safeguard our other overseas trading interests and would effectively limit the cost of Exchequer support. But it would have serious political repercussions. Alternatively, no limit could be placed on home production and the level of imports could be controlled by quotas. This course, however, would be liable to do serious damage to our international trade. Thirdly, it might be possible, although not easy, to go as far in the direction of limiting home production as the farmers would voluntarily accept and then to invite overseas suppliers to co-operate in the phasing of their supplies to the United Kingdom market. But, if these voluntary arrangements broke down, the Exchequer would be at considerable risk. Much would depend on the extent to which there was a surplus of world meat production in the following year; it was already known that home production was not likely to increase by more than about 2 per cent and that this would do no more than keep pace with the increasing demand.

In discussion the following points were made:

(a) A policy which could be represented as increasing protection for the home producer and reducing opportunities for the overseas supplier would be liable to place at risk the growth of the industrial exports on which the United Kingdom economy depended. On the other hand it would be socially and economically difficult to defend the deliberate restraint of domestic agriculture. A balance would have to be struck between these conflicting considerations; and this would need to be reflected in any public statement of the Government's policy.

(b) The home producer could not be guaranteed a larger share of the market, or encouraged to expect such an increase at each
successive review, without damaging our relations with oversea suppliers. On the other hand it would be unacceptable to restrict the home producer to a fixed and unalterable percentage of the market or to deny him the opportunity to compete for a larger share if his efficiency entitled him to expect it.

(c) In view of the importance of concluding the negotiations on cereals it would be necessary to decide without delay whether to open formal negotiations with oversea suppliers on the basis of a standard quantity of 10 million tons, which might be reduced in negotiation to $9\frac{1}{2}$ million tons, or whether to adopt lower figures. If possible, a decision should be taken on this point without prejudice to the broader issues of policy, which would remain for later discussion.

The Cabinet—

(1) Took note of C.P. (63) 31 and of the points made in their discussion.

(2) Took note that the Foreign Secretary would consult the Prime Minister on the most appropriate means of securing an early decision about the basis on which formal negotiations should be opened with oversea suppliers of cereals.

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

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7. The Minister of Labour said that he expected to receive during the day an interim report from the Committee of Inquiry under the chairmanship of Professor Phelps-Brown which was considering the pay and conditions of employment of bus crews employed by the London Passenger Transport Board. The report, which would be published on 16th December, was likely to recommend increases in pay based on the proposals put before the committee by the Board.

The Cabinet—

Took note of the statement by the Minister of Labour.

Cabinet Office, S.W. 1.
12th December, 1963.