CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W. 1, on Thursday, 16th July, 1964, at 10 a.m.

Present:
The Right Hon. Sir ALEC DOUGLAS-HOME, M.P., Prime Minister
The Right Hon. QUINTIN HOGG, Q.C., M.P., Lord President of the Council and Secretary of State for Education and Science
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 for the Colonies
The Right Hon. SELWYN LLOYD, Q.C., M.P., Lord Privy Seal
The Right Hon. CHRISTOPHER SOAMES, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. JOHN BOYD-CARPENTER, M.P., Chief Secretary to the Treasury and Paymaster General
The Right Hon. JOSEPH GODBER, M.P., Minister of Labour
The Right Hon. ANTHONY BARBER, M.P., Minister of Health
The Right Hon. WILLIAM DEEDES, M.P., Minister without Portfolio

The following were also present:
The Right Hon. JULIAN AMERY, M.P., Minister of Aviation (Item 7)
The Right Hon. Sir JOHN HORSON, Q.C., M.P., Attorney-General (Item 8)

The Right Hon. LORD DILHORNE, Lord Chancellor
The Right Hon. HENRY BROOKE, M.P., Secretary of State for the Home Department
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. VISCOUNT BLAKENHAM, Chancellor of the Duchy of Lancaster
The Right Hon. ERNEST MARPLES, M.P., Minister of Transport
The Right Hon. MICHAEL NOBLE, M.P., Secretary of State for Scotland
The Right Hon. Sir KEITH JOSEPH, M.P., Minister of Housing and Local Government and Minister for Welsh Affairs
The Right Hon. GEOFFREY RIPPON, M.P., Minister of Public Building and Works
The Right Hon. LORD CARRINGTON, Minister without Portfolio

The Right Hon. MARTIN REDMAYNE, M.P., Parliamentary Secretary, Treasury

Secretariat:
Sir BURKE TREND
Mr. P. ROGERS
Miss J. J. NUNN
Mr. P. R. BALDWIN
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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.

Meeting of Commonwealth Prime Ministers

2. The Prime Minister said that the outcome of the Meeting of Commonwealth Prime Ministers which had ended on the previous day had been reasonably satisfactory. This was the more important in that the last Meeting, in 1962, had revealed considerable differences within the Commonwealth on the issue of the United Kingdom's proposal to accede to the European Economic Community, while the Meeting in 1961 had resulted in the withdrawal of South Africa from the Commonwealth. On the present occasion, despite significant divergences between member countries on various issues, the Meeting had been characterised by an evident desire on the part of all countries to reinforce the Commonwealth connection and to give it new significance.

The Prime Ministers had examined several contentious issues. The Heads of the African States had been reluctant to allow their membership of the Commonwealth to appear to carry with it any specific commitment to the West as against the Sino-Soviet bloc. They had been concerned to maintain a policy of non-alignment; and some of them had not wished to be seen openly to associate themselves with us in our resistance to Indonesian aggression against Malaysia. Nevertheless, we had finally secured unanimous endorsement of a statement in the communique that the Commonwealth would support the Prime Minister of Malaysia in his efforts to preserve the sovereign independence and integrity of his country and to promote a peaceful and honourable settlement of current differences between Malaysia and neighbouring countries. This was satisfactory.

We had also had the support of all other Prime Ministers, apart from the representative of President Makarios, in confining the reference to Cyprus in the communique to the terms of the United Nations Resolutions which we had already endorsed and in resisting any elaboration of those Resolutions which might be interpreted as indicating that we favoured the Greek, rather than the Turkish, community in the Island.

The discussion on Southern Rhodesia had been difficult and protracted. It had been impossible to ignore the insistence of most of the African Prime Ministers that the African leaders at present in detention in Southern Rhodesia should be released and that a fresh constitutional conference should be convened in order to give effect to the principle of majority rule in the colony. The communique had therefore made it clear that these views had been advanced by some Prime Ministers. It had made it no less clear, however, that we had insisted throughout that, while we shared with all other Prime Ministers the view that Southern Rhodesia could be granted independence only on the basis of sufficiently representative institutions and would take into consideration all the other views which had been expressed, the responsibility for deciding the constitutional development of Southern Rhodesia would continue to lie with the United Kingdom alone.

The Meeting had also considered the future of British Guiana; and the different views which had been expressed about the manner in which we should seek to deal with this problem were a sufficient indication that other members of the Commonwealth now appreciated its complexity more fully than hitherto. It was clear that they would not be without sympathy for us if we were ultimately compelled to revert to direct rule of the colony.
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The prospects of a settlement of the dispute between India and Pakistan about Kashmir had not been significantly improved by the Meeting; but it had proved possible to include in the communiqué a carefully worded reference to recent public statements by the Heads of Government of both countries, indicating their desire for an improvement of relations.

The specific proposals which we had tabled for closer and more practical co-operation between Commonwealth countries had elicited a satisfactory response; and it was indicative of the constructive nature of the discussion on the future of the Commonwealth that it had revealed considerable support for the concept of a Commonwealth Secretariat, which other member countries had hitherto opposed. In general the Heads of Government of the newer member countries had undoubtedly been impressed both by the informal nature of the proceedings and by the underlying strength of the connection which united all those around the table.

In discussion the Cabinet extended their warm congratulations to the Prime Minister on the manner in which he had conducted the Meeting to a successful conclusion.

3. The Minister without Portfolio (Lord Carrington) said that the Government of Iraq had introduced legislation to nationalise certain banks, insurance companies and leading commercial concerns. Since the measure included provision for a degree of compensation, we could not object to it in principle. This step, however, might indicate a development in Iraqi policy which would be unfavourable to our interests and, in particular, might threaten our oil investments.

The Minister without Portfolio (Lord Carrington) said that at the recent meeting of the Council of the North Atlantic Treaty Organisation the increase of Greek forces in Cyprus had been universally condemned. This declaration might have a restraining effect on the Greek Government. On the other hand it seemed unlikely that any positive results would follow from the confidential discussions between the former United States Secretary of State, Mr. Dean Acheson, the United Nations mediator, Mr. Tuomioja, and representatives of the Greek and Turkish Governments, which were still in progress in Geneva.

The Cabinet—
(1) Took note of these statements by the Minister without Portfolio (Lord Carrington).

The Cabinet were informed that it now appeared virtually certain that Senator Goldwater would secure nomination as the Republican candidate in the forthcoming Presidential election in the United States.

The Cabinet—
(2) Invited the Minister without Portfolio (Lord Carrington) to circulate a memorandum about the implications of a Republican victory in the forthcoming Presidential election in the United States.
4. The Secretary of State for Industry informed the Cabinet that the latest trade statistics, to be published on the following day, would disclose that imports were continuing to rise. This was contrary to earlier expectations; and the reasons were not clear. It would be advisable, therefore, to refrain as far as possible from public discussion of the implications of this phenomenon until the statistics had been examined in detail.

The Cabinet—

Took note of this statement by the Secretary of State for Industry.

5. The Cabinet were informed that the Prime Minister of Kenya, Mr. Kenyatta, had been subjected to a personal assault on the previous day, as he was leaving his hotel to attend the final session of the Meeting of Commonwealth Prime Ministers. Although he had accepted the apologies which we had extended to him, he had been shocked by the attack and had indicated that it contrasted unfavourably with the reception which would be accorded to a European statesman visiting Kenya.

In discussion considerable concern was expressed at this incident; and it was suggested that it might be desirable to review the security precautions which were adopted for the protection of distinguished international visitors to this country. It was also suggested that further thought might need to be given to the extent to which it should be permissible to arrange demonstrations designed to embarrass such visitors by the display of slogans and banners. On the other hand it would be necessary to refrain from any action which might be interpreted as an attempt to prevent the peaceful expression of opinion in a free society.

In further discussion the Cabinet were informed that there were some signs that public opinion might be becoming uneasy about the alleged inability of the police to maintain order in an acceptable manner. It might be desirable to consider whether any action was required in this regard.

The Cabinet—

Invited the Home Secretary—

(i) to consider whether any action was required to intensify the protection for visitors to this country against molestation or embarrassment;

(ii) to give further consideration, in the light of their discussion, to the most appropriate means of allaying public concern about the maintenance of law and order.

6. The Colonial Secretary said that negotiations with the Prime Minister of Malta, Dr. Borg Olivier, about the independence of the Island appeared to have reached a virtually final deadlock. Dr. Borg Olivier still refused to accept that the proposed defence agreement should incorporate provisions enabling us to store nuclear weapons in Malta, if we found it necessary to do so; and he was equally unwilling to acquiesce in an amendment of the Maltese electoral law which would prevent the Roman Catholic Church from exercising undue influence over the conduct of elections in the Island. The
present law, which had been introduced during our own administration of Malta, provided that any individual who inflicted or threatened to inflict moral or material injury on a voter was exercising undue influence. On the other hand United Kingdom law in this context referred not to moral or material injury but to spiritual or temporal injury. The difference between "moral injury" and "spiritual injury" lay in the fact that the Maltese courts did not interpret the former as preventing the Church authorities from threatening voters with spiritual harm if they supported a particular political party. While the authorities of the Vatican and the Archbishop of Malta were willing to accept an amendment of the Maltese law which would bring it into line with United Kingdom law, this change was unacceptable to Dr. Olivier on the grounds that his recent victory in the referendum had committed him to maintain the Maltese law in its present form and, if he conceded the point, the Opposition Party in Malta, led by Mr. Mintoff, would turn it to their political advantage.

There was some reason to believe, however, that Dr. Olivier would accept a defence agreement which would be acceptable to us if we would forgo our demand for a change in the Maltese electoral law. On the other hand the Opposition in Parliament had made it clear they would oppose legislation to provide for the independence of Malta unless the electoral law were changed; and there was no longer sufficient time in the remainder of the present session for the enactment of contentious legislation. It was now necessary, therefore, to decide whether we should accept a breakdown in the negotiations or whether we should seek to bring them to a positive conclusion by abandoning the demand for the alteration of the electoral law in return for Dr. Olivier's acceptance of a satisfactory defence agreement and by undertaking that legislation to give effect to the independence of Malta would be introduced in the next Parliament.

If all the other issues were disposed of, it would be necessary to decide the manner in which our offer of financial assistance to Malta over a 10-year period would most appropriately be linked with the defence agreement. During the last 7 of the 10 years the provision of financial assistance should be specifically dependent on the satisfactory discharge of the Maltese obligations under the defence agreement. For the first three years, however, it should be unconditional, since financial support would have to be provided from United Kingdom funds for Malta for that length of time in any event.

In discussion it was suggested that it might be wiser to let the negotiations break down, since the Maltese Labour Party, who were known to be determined to repudiate the defence agreement, might well come to power in the next few years and it would therefore be unwise to appear to have secured an agreement which might be valueless in return for the surrender of a point of principle as regards the exercise of undue spiritual influence in elections. On the other hand it would be inconsistent with our general policy to withhold independence from Malta on the score of a refusal by the Government of the Island to amend a provision in the electoral law which had been introduced during our own administration of Malta and would not, in any event, be regarded by public opinion in the United Kingdom as of critical significance. The increased importance of facilities in Malta to our strategic interests was such that, if a satisfactory defence agreement could be concluded, it would be contrary to British interests to allow the negotiations to break down.

The Prime Minister, summing up the discussion, said that the balance of advantage appeared to incline in favour of seeking to bring the negotiations to a positive conclusion. The Colonial Secretary should therefore endeavour to reach agreement with the Prime Minister of Malta on the basis that we would be prepared to abandon our earlier insistence on a change in the Maltese electoral law.
providing that we secured a defence agreement which satisfied our essential requirements as regards the right to store nuclear weapons in Malta, if necessary. The provisions of the financial agreement could, if necessary, be as proposed by the Colonial Secretary. If a final settlement was reached on this basis, the Government would have to be prepared to introduce the necessary legislation in the next Parliament.

The Cabinet—

(1) Invited the Colonial Secretary to seek to complete the negotiations with the Prime Minister of Malta about the independence of the Island on the basis indicated by the Prime Minister in his summing up of their discussion.

(2) If negotiations were concluded in accordance with Conclusion (1), to arrange for the agreements to be initialed and published.

7. The Cabinet had before them a memorandum by the Minister of Aviation (C.P. (64) 141) about the Super VC.10 and a memorandum by the Foreign Secretary (C.P. (64) 142) about the VC.10 and the South American services of the British Overseas Airways Corporation (B.O.A.C.).

The Lord Privy Seal said that the Chairman of B.O.A.C., Sir Giles Guthrie, had concluded, as a result of a detailed study of the Corporation's route pattern, that by the higher utilisation of aircraft he could maintain their services with 23 aircraft less than the Corporation's planned strength for 1967. He had accordingly recommended that the most economic way of achieving this would be to cancel the order for 30 Super VC.10s and to buy six new American Boeing 707s. This course was argued to be reasonable because the Boeings already in service had been largely amortised and still had many years of life, while the running costs of a fleet of 30 VC.10s would be some £2 million more than those of an equivalent fleet of Boeings. The cost of cancelling the VC.10s would be £65–70 million. When the problem had been considered by a small group of Ministers under the chairmanship of the Prime Minister it had been agreed that the proposal was unacceptable but that, if B.O.A.C. were to be asked to buy VC.10s contrary to their commercial judgment, the Government should enable them to operate these in a commercially profitable fashion. Further Ministerial discussions had subsequently been held to consider in detail the financial and other implications of not cancelling any of the order for VC.10s or of cancelling only a limited number of them. Ministers had agreed that the alternatives lay between no cancellation and the cancellation of 10. The first course would involve B.O.A.C. in taking 27 VC.10s, keeping 8 Boeings and selling 12 Boeings. The cost would be between £106 and £114 million. The cancellation of the order for 10 VC.10s would involve a corresponding increase in the number of Boeings which they would retain; and only two Boeings would then be sold. The cost of this course would be between £79 and £88 1/2 million. The Ministers concerned were divided in their views on the course to be followed. There was a possible compromise course, namely, to postpone a decision on the remaining 10; but before considering this the Cabinet might wish to consider the two main alternative courses.

The Minister of Aviation said that Sir Giles Guthrie would accept whatever decision the Government reached on the number of VC.10s to be ordered, provided that B.O.A.C. was enabled to operate them economically by an arrangement whereby the extra costs would be offset by a Government payment to the Corporation. Since the

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C.M. 38 (64)
earlier discussions he had now informed us that his total requirement for a fleet of aircraft after 1968 would be 47 aircraft as compared with his previous estimate of 40. The financial gain of cancelling 10 VC.10s as compared with cancelling none was substantial. It would, however, make it very unlikely that further VC.10s would be sold; and B.O.A.C. would probably seek to order further American aircraft in the future, with the result that we should in effect be withdrawing from the market for long-range subsonic jet aircraft. Such a step would be most damaging to the United Kingdom aircraft industry. The cancellation of 10 VC.10s would, moreover, involve B.O.A.C. in retaining all but two of the Boeing fleet, and it would be difficult for public opinion to accept this. The matter must be looked at in the general context of our commercial competition with United States industry. The decision had been taken in 1958 to order the VC.10 for B.O.A.C. It was an efficient aircraft and was technically superior to the Boeing in certain important respects. It was admittedly more expensive both in capital cost and in running charges; but the latter might well be reduced by experience and be offset by the greater appeal of the aircraft to passengers. A decision in favour of an all VC.10 fleet, i.e., cancelling none of the present order, would offer the best chance of selling the VC.10 overseas and of developing its considerable potentialities.

The Chancellor of the Exchequer said that the immediate issues for decision must be viewed against the background of the position of the B.O.A.C. The Corporation had ordered 13 too many aircraft. They had wished to cancel the order for VC.10s completely; and, although this was not politically acceptable, it must be borne in mind. The difference in cost of the two courses outlined by the Lord Privy Seal was £30 million. The Government could not afford expenditure of this order, bearing in mind the very substantial rise in total Governmental expenditure which was forecast over the next few years. Nor should the cancellation of the order for 10 aircraft seriously damage the United Kingdom aircraft industry. The Boeing aircraft already in service had many remaining years of effective life and were economically very efficient aircraft. We could not afford to force B.O.A.C. to sell them and to buy aircraft which they did not want.

In discussion the following points were made in favour of a decision to complete the existing order for the VC.10s:

(a) The prestige of the United Kingdom would be enhanced if B.O.A.C. were to operate a complete fleet of British aircraft.

(b) It would be commercially unsound for the Corporation to operate a mixed fleet of VC.10s and Boeings.

(c) Since it appeared probable that B.O.A.C. would require further subsonic aircraft in the 1970s, their commitment to VC.10s would save possible subsequent dollar expenditure and so benefit the United Kingdom balance of payments.

(d) The ability of the VC.10 to land and take off on shorter runways than could accommodate the Boeing offered the prospect of a commercially and politically valuable extension of B.O.A.C. services in the future.

(e) Exports by the United Kingdom aircraft industry were of considerable economic importance; and their prospects would be damaged if the United Kingdom Government were to show a lack of confidence in the future of the VC.10. In considering the potential damage to the industry of a partial cancellation of the order it should be borne in mind that the Super VC.10 would enter the service of B.O.A.C. in 1965. Foreign operators would wish to observe its performance before committing themselves to an order. If there were partial cancellations, production would have to be discontinued in 1967. The best chances of export orders for the aircraft, therefore, lay in assuring, through the completion of the present order, the continuance of production until the end of 1968.
United Kingdom interests required that we should be in a position to compete with United States industry in the field of advanced technology; and lack of support for the aircraft industry would result in a serious gap which would indirectly, as well as directly, damage our future competitive capacity. In the present case, as in others, we might fail to obtain the full advantage of the very heavy expenditure which had been incurred on research and development by hesitation in committing ourselves to the further expenditure involved in following through this work.

The payment from Government funds of £10–20 million for cancellation charges alone would be politically damaging.

In favour of a decision to cancel 10 VC.10s the following points were made:

1. The additional cost of completing the order, amounting to £30 million, was an unacceptable addition to Government expenditure, the projected increase of which was already a matter of grave concern.

2. A decision to complete the order on the score that nationalised industries should, as a matter of policy, buy British goods would be contrary to our wider commercial interests in that it would inhibit us from dissuading other nations from pursuing a similar policy. In particular, it was of great importance to us that the United States Government should be dissuaded from adopting a restrictive policy in this regard.

3. The United Kingdom aircraft industry should not be seriously damaged by a decision to cancel 10 VC.10s. In so far as confidence in the future of the VC.10 might be impaired, the damage had already been inflicted by the publicity which the issue had now received. Greater damage would be done to the industry itself and to broader United Kingdom industrial interests by the continued subsidisation of the industry. In so far as cancellation would involve any risk to the future of the industry, it must be borne in mind that there was in any case a conflict between the economic operation of the industry and the economic operation of B.O.A.C., which was also a matter of major concern.

4. In anticipation of the possible cancellation of the order work had already ceased on the 10 VC.10s. Cancellation, by leading to the maintenance of a mixed fleet of aircraft by B.O.A.C., would enable the Corporation to retain the option of expanding its fleet of VC.10s at a later date if, after experience of their operation, this seemed commercially desirable or, alternatively, of expanding its fleet of Boeings if it did not.

5. The scale on which our resources made it possible for us to conduct research and development in the field of advanced technology meant that we could not hope to compete with the United States over the whole range. Our interests would be better served by concentrating our effort in a narrower field.

6. A decision to carry out the full order for VC.10s despite the economies to be gained by partial cancellation would be damaging to the reputation of the Government for commercial judgment.

In further discussion the Cabinet considered whether, as an alternative to these courses of action, there might be advantage in deferring a decision on them. Against this course it was argued that:

7. This might increase the already high expenditure, despite the undertaking by the British Aircraft Corporation that they would not increase their cancellation charges in respect of a limited extension of this nature.

8. Such a course might give the impression of timidity and indecision.
In favour of a postponement it was argued that:

(p) The delay would offer further opportunity for technical discussions on the extent to which the capability of the aircraft might be enlarged.

(q) It appeared that some uncertainty still remained about the future requirements of B.O.A.C. for aircraft. The Corporation had clarified some aspects of this in the course of the previous two months; and a limited further delay might result in further clarification which would be material to the decision to be taken.

The Prime Minister, summing up the discussion, said that the balance of advantage appeared to lie in postponing a decision for a further limited period. The manner in which this postponement should be announced would require careful consideration. It should be based on the factor of uncertainty about the future requirements of the B.O.A.C. for aircraft and the need for further investigations to be undertaken on this issue.

The Cabinet—

(1) Invited the Minister of Aviation, in consultation with the Chancellor of the Exchequer and the Lord Privy Seal, to consider the terms in which a statement could be made in accordance with the Prime Minister's summing up and to circulate the draft of such a statement for their consideration.

(2) Agreed to resume their discussion in the light of Conclusion (1).

8. The Cabinet considered a memorandum by the Minister of Housing and Local Government (C.P. (64) 137) about security of tenure and rent control, together with the draft of a statement which the Minister proposed to make in the debate on housing later in the day.

The Minister of Housing said that it would be desirable to give some indication in this debate of the Government's future policy on security of tenure and rent control, particularly in relation to London, where it was clear from information already available that it would be essential to take some action as soon as the report of the fact-finding committee under the chairmanship of Sir Milner Holland, Q.C., was published. The release of more building land contemplated in the South-East Study and the increasing production of houses would in the long run provide a solution to the particularly acute problem of London; but it would be necessary to take short-term measures to relieve the distress of those who were either unable to obtain accommodation at all or were suffering from the continuous pressure of rising rents and insecurity of tenure. He had suggested to the Home Affairs Committee that all tenants should be given the right to a longer period of notice, ranging from 3 to 12 months according to the length of occupancy; that tenants should be subject to eviction only by order of a court; and that in London tenants of uncontrolled property should be given the same measure of security as that enjoyed by tenants of controlled property. Since there could be no security without protection against extortionate rents, this would necessitate some form of rent control. The Committee, however, had seen objection to reintroducing any form of rent control in circumstances in which it did not already apply and had suggested that it would be unwise to do more at this stage than to undertake to provide that there should be no eviction without an order of the court. But, since evictions otherwise than under court order were the exception, this would make little contribution to the problem and there was a risk that it would be assumed to represent the limit of the

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Government's intentions. It would be preferable to indicate that the Government intended to give extended security of tenure to all tenants and to provide for eviction only by order of the court; and that, if the Milner Holland report showed that more drastic action was necessary in London, they would be prepared to provide some greater measure of security for London tenants, coupled with a form of control over rents, so long as the acute pressure on housing continued. It would be desirable to say, at the same time, that the level of rents currently subject to control would be increased on the basis of rateable values.

In discussion it was pointed out that the reintroduction of any form of rent control would imply an admission that the Rent Act had failed in its purpose and would be a reversal of the policies that the Government had pursued during the previous 12 years. Moreover, experience suggested that, even in the short term, rent control might aggravate the problem; and, while the proposals put forward by the Minister of Housing might be welcome to the Government's supporters in London, they would be likely to be criticised in other parts of the country where, although the housing shortage was less acute, it was none the less a lively issue. In the circumstances the best course appeared to lie in repeating previous assurances that, if the Milner Holland report showed the necessity for action, the Government would be prepared to take further steps to prevent abuses and to strengthen the safeguards against exploitation. It would be desirable to seek, at the same time, to focus attention particularly on the announcement that the Government were releasing at Woolwich Arsenal an area of land sufficient to provide homes for 50,000 people.

The Cabinet—

Invited the Minister of Housing and Local Government to be guided, in the forthcoming debate on housing, by the considerations which had emerged during their discussion.

Cabinet Office, S.W.1,
16th July, 1964.