CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W. 1, on
Thursday, 23rd January, 1964, at 10.30 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 Minister for Science
The Right Hon. REGINALD MAUDLING, M.P., Chancellor of the Exchequer
The Right Hon. DUNCAN SANDYS, M.P., Secretary of State for Commonwealth Relations and for the Colonies (Items 1-4)
The Right Hon. PETER THORNEYCROFT, M.P., Minister of Defence
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. JOSEPH GODBER, M.P., Minister of Labour
The Right Hon. ANTHONY BARBER, M.P., Minister of Health (Items 1-7)
The Right Hon. GEOFFREY RIPPON, M.P., Minister of Public Building and Works
The Right Hon. LORD DILHORNE, Lord Chancellor
The Right Hon. HENRY BROOKE, M.P., Secretary of State for the Home Department (item 4)
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
The Right Hon. CHRISTOPHER SOAMES, M.P., Minister of Agriculture, Fisheries and Food (items 3-8)
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. SIR KEITH JOSEPH, M.P., Minister of Housing and Local Government and Minister for Welsh Affairs
The Right Hon. FREDERICK ERROLL, M.P., Minister of Power
The Right Hon. WILLIAM DEEDES, M.P., Minister without Portfolio
The Right Hon. LORD CARRINGTON, Minister without Portfolio
The following were also present:
The Right Hon. THE EARL JELLICOE, First Lord of the Admiralty (item 8) | The Right Hon. SIR JOHN HOBSON, Q.C., M.P., Attorney-General (item 8)
The Right Hon. MARTIN REDMAYNE, M.P., Parliamentary Secretary, Treasury

Secretariat:
Sir BURKE TREND
Mr. A. L. M. CARY
Miss J. J. NUNN

SECRET
<table>
<thead>
<tr>
<th>Minute No.</th>
<th>Subject</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Parliament</td>
<td>3</td>
</tr>
<tr>
<td>2</td>
<td>Foreign Affairs</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Cyprus</td>
<td></td>
</tr>
<tr>
<td></td>
<td>East Africa</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Indonesia</td>
<td>4</td>
</tr>
<tr>
<td>4</td>
<td>Shop Hours</td>
<td>4</td>
</tr>
<tr>
<td>5</td>
<td>Government Expenditure after 1968</td>
<td>5</td>
</tr>
<tr>
<td>6</td>
<td>School Leaving Age</td>
<td>6</td>
</tr>
<tr>
<td>7</td>
<td>Channel Tunnel</td>
<td>7</td>
</tr>
<tr>
<td>8</td>
<td>Holy Loch</td>
<td>8</td>
</tr>
</tbody>
</table>
1. The Cabinet were informed of the business to be taken in the House of Commons in the following week.

2. The Commonwealth Secretary said that the situation in Cyprus remained precarious and that there was a considerable risk of a renewal of communal fighting. It was therefore increasingly urgent to find a political solution to the problem of the Island's future; but, although he was doing all he could, in his personal discussions with the representatives of the Greek and Turkish Cypriots, to promote a common understanding which might form the basis of formal negotiations, both parties were showing considerable reluctance to co-operate.

The Commonwealth Secretary said that a critical situation might develop in East Africa in the light of the recent revolution in Zanzibar and the mutiny of certain military units in Tanganyika. Although the Government of Tanganyika appeared to have reassured their authority, it was uncertain whether they could rely in future on the loyalty of the army. In addition there were indications that the Governments of both Uganda and Kenya were apprehensive that they might shortly face similar disturbances, although the presence of United Kingdom troops in Kenya should be a stabilising factor.

There could be no question of our recognising, at least for the time being, the new régime in Zanzibar, which was itself the victim of internal strife. But we had a moral obligation to the Sultan, who had sought refuge in this country; and it would be necessary to give further consideration to the arrangements which would most appropriately be made for him and his retinue.

In discussion there was general agreement that these developments afforded disquieting evidence of the extent to which subversive elements were seeking to establish a footing in Commonwealth territories in East Africa. The implications, particularly as regards our future policy towards Southern Rhodesia, would need to be further examined; and it would also be necessary to consider the situation which might arise if the Government of Kenya invoked the assistance of our troops in the Territory in order to deal with an insurrection.

The Cabinet—

(1) Took note of the statements by the Commonwealth Secretary.

(2) Took note that the Prime Minister would arrange for further consideration to be given to the implications of the progressive subversion of Commonwealth territories in East Africa.

(3) Invited the Minister of Defence, in consultation with the Commonwealth Secretary, to consider the instructions to be given to United Kingdom forces in Kenya if the Government of Kenya invoked their assistance in dealing with an insurrection.

(4) Invited the Commonwealth Secretary, in consultation with the Home Secretary and the Chief Secretary, Treasury, to give further consideration to the provision which would most appropriately be made for the Sultan of Zanzibar.
3. The Minister without Portfolio (Lord Carrington) informed the Cabinet that, as a result of the discussions which the United States Attorney-General, Mr. Robert Kennedy, had recently held with various Governments in South-East Asia, it had been agreed that a meeting of Foreign Ministers of Malaysia, Indonesia and the Philippines should be held early in February in preparation for a subsequent meeting of the three Heads of Government, at which they would make a fresh attempt to resolve their differences. It was not clear whether, in endorsing this project, the Prime Minister of Malaysia, Tunku Abdul Rahman, had waived any or all of the stipulations—e.g., formal recognition of Malaysia by Indonesia—which he had hitherto propounded as the conditions of his willingness to attend any tripartite conference. This aspect of the proposal, together with its other implications, would need to be further explored with Mr. Robert Kennedy during his forthcoming visit to London.

In discussion there was general agreement that, although we shared with the United States Government the common purpose of arresting the advance of Sino-Soviet influence in South-East Asia, there was some risk that the means by which the two Governments sought to achieve this objective would diverge. The United States Government were chiefly concerned to dissuade Indonesia from making common cause with Communist China; we attached greater importance to maintaining the integrity of Malaysia. If, as a result, we judged it right to seek to restrain the Government of Malaysia from making any concessions of substance to Indonesia in the forthcoming discussions, we might appear to the United States Government to be deliberately thwarting their own policy; and, if Indonesia succeeded by these means in promoting disunity between the United States and ourselves, our position in South-East Asia would be weakened. On the other hand it might be no less endangered if we acquiesced in any settlement whereby the Government of Malaysia undertook to arrange for the withdrawal of United Kingdom forces from the Borneo Territories; for in that event those Territories would eventually be overrun by Indonesia, the integrity of Malaysia would be destroyed and our ability to maintain a military presence in South-East Asia for the protection of our interests and the discharge of our commitments in the area would be gravely weakened. It followed that, while we must continue to seek a political solution of the differences between Malaysia and Indonesia—if only because the alternative course of maintaining United Kingdom forces indefinitely on the Borneo frontiers would ultimately be intolerable—we must be on our guard against allowing the Government of Malaysia to pay too high a price for it.

The Cabinet—

Took note that the Prime Minister would arrange for the latest developments in South-East Asia to be discussed in greater detail with the United States Attorney-General, Mr. Robert Kennedy, during his forthcoming visit to London.

4. The Cabinet had before them a memorandum by the Home Secretary (C.P. (64) 22) about shop closing hours.

The Home Secretary said that the Government's recent decision to terminate resale price maintenance had stimulated renewed interest in the question of shop closing hours. Although the Shops Bill, 1956, which had attempted to remedy the defects of the existing legislation, had had to be abandoned in the House of Commons, subsequent discussion had revealed growing support for complete repeal of the restrictions on week-day shop hours, any reform of Sunday closing hours being left to await the report of Lord Crathorne's Committee on Sunday Observance. He therefore proposed to indicate, in reply
to forthcoming Parliamentary Questions, that he would now invite the views of interested organisations, including representatives of shopkeepers, trade unions, consumers and local authorities, about the need, if any, for further legislation on the subject but that the Government had no intention of introducing fresh legislation during the lifetime of the present Parliament.

In discussion there was general agreement with this proposal, with the proviso that it would be preferable to avoid, if possible, any definite statement that there was no prospect of legislation in the present Parliament.

The Cabinet—

Approved, subject to the point made in their discussion, the proposals in C.P. (64) 22.

5. The Cabinet had before them a memorandum by the Chancellor of the Exchequer (C.P. (64) 19) on Government expenditure after 1968.

The Chancellor of the Exchequer said that, even on the optimistic assumption that we should achieve a 4 per cent rate of growth in the gross national product, public expenditure would be absorbing, by 1968, over 41 per cent of the national income; and the momentum of the programmes to which the Government had already committed themselves would continue to entail a very high rate of expenditure in the following years. Those programmes represented the maximum demand on resources which was compatible with prudence and financial probity; and any decisions to add new items should be matched by corresponding decisions to reduce existing programmes by an amount sufficient to offset the probable cost of the new items.

In discussion the following main points were made:

(a) It was arguable that the Government’s freedom of action should not be so strictly limited in relation to a period which still lay a good many years ahead. Apart from the inflexibility of such an approach it could be represented as unrealistic, inasmuch as it imputed to forecasts of the growth of public expenditure and of the national income a precision which they could not possess. Moreover, any announcement that it had been necessary to make adjustments in programmes already announced in order to accommodate, in several years time, projects which were economically sound in themselves might well be taken to imply that the Government had already increased public expenditure beyond the limits of good management.

(b) On the other hand the recent White Paper on Expenditure (Cmd. 2235) had clearly stated that existing programmes would absorb all the resources likely to be available; and the Government would therefore be exposed to justifiable criticism if they now made major additions to those programmes without acknowledging the need to ensure that the corresponding resources would be available at the appropriate point. This could not be achieved by merely withholding or delaying approval for programmes of lower priority which had not yet been announced; the bulk of the expenditure to which the Government were already committed in the years up to 1970 related to projects and programmes already published.

(c) Projects which would bring into use under-employed sectors of the economy would increase the national income by raising the general level of economic activity and would therefore impose a lighter additional burden on the economy than projects which required the use of resources already fully engaged. A decision to build the Channel Tunnel, for example, could provide employment for workers from areas of high unemployment; and a decision to introduce the
decimalisation of the currency could absorb spare capacity in certain sectors of the machine tool industry. On the other hand the assumptions on which present forecasts of expenditure had been based included a 4 per cent rate of growth in the national income; and this, in turn, had assumed that under-employed productive resources would be brought fully into use.

(d) In view of the high level which savings had already reached, the financing of additions to existing programmes might not be feasible without some increase in taxation. But, if confronted with a decision between increased taxation or the abandonment of projects of major social or economic importance, a substantial body of public opinion might regard the former as the less objectionable.

The Prime Minister, summing up the discussion, said that the Government could not easily acquiesce in a position in which their freedom to add new projects to their forward programmes would be conditioned by the need either to specify at the same time which existing projects would be eliminated or, alternatively, to foreshadow increases in taxation. This would imply that the capacity of the economy could be measured more precisely than was in fact the case and that all other relevant circumstances would remain unchanged, assumptions which were at variance with experience. Nevertheless, it would be equally undesirable to create the impression that the Government were prepared to add new projects to their existing programmes without regard to their probable consequences. But, if new projects were justifiable on social and economic grounds, it should be permissible for the Government to endorse them in principle, on the basis that, when the expenditure which they entailed reached significant proportions, the necessary steps would be taken to keep public expenditure as a whole within acceptable limits.

The Cabinet—

Agreed that their approval of new projects involving significant additions to existing programmes of expenditure should be conditioned by the considerations indicated by the Prime Minister in his summing up.

6. The Cabinet resumed their discussion of the proposal that the school leaving age should be raised to 16. They had before them a memorandum by the Chief Secretary, Treasury, and the Minister of Education (C.P. (64) 21) on the financial implications of a decision to raise the age in the years 1969, 1970, 1971 and 1972 respectively.

The Chief Secretary, Treasury, said that a decision to raise the school leaving age would increase current educational expenditure by an amount ranging from £31.5 million to £65 million, according to the extent to which it proved possible to recruit the necessary additional teachers. Non-educational costs would amount to £30–£35 million a year. The capital expenditure necessary for the provision of additional school buildings would amount to a total of about £150 million. The Minister of Education took the view that if, but only if, the leaving age were raised, it would be defensible to accommodate part of the additional capital cost by making a substantial reduction in the programme of improvement of existing school buildings. But, if it was possible to forgo these improvements at all, it ought, not to be assumed that they would in any event have been included in the building programme at a time when the pressure on resources would be very heavy; and they should not, therefore, be offset against the cost of raising the leaving age. The capital expenditure would be phased over three years, beginning two years before the age was raised. If savings on improvements were offset against the cost, the additional expenditure in the three years would
be £8 million, £19 million and £37 million respectively. If the full cost were reckoned, it would be £19 million, £44 million and £87 million. If the age were raised in 1970, this additional expenditure would accrue at a time when expenditure on programmes to which the Government were already committed would be rising rapidly; and it would be impossible to accommodate it unless reductions were made in other proposals. But, in view of the difficulty of making any reductions which would be effective before 1972, the financial objections to raising the leaving age would be aggravated by the choice of any earlier date.

The Minister of Education said that the Government would be expected to announce their policy on the school leaving age in the course of the forthcoming debate on education; and, if they were unable to specify a definite date by which the age would be raised, they would be exposed to criticism on the ground that they were showing insufficient concern for the education of the majority of the country's children. It would be possible to defend on educational grounds a decision to raise the age in 1971, which would ensure that the greater part of the capital expenditure would fall after the years in which expenditure on the Channel Tunnel project, should the Cabinet approve it, might be expected to be heaviest. Moreover, a decision to raise the age in 1971 would not necessarily represent an irrevocable commitment, since final decisions on the provision of additional buildings need not be taken until 1967 and, if it appeared by then that either the capital resources or the teachers necessary to implement the decision were unlikely to be available, the change could be deferred. The position would be further eased if, by the end of the decade, a decision had been taken to raise the age of entry to compulsory schooling, a course which many educationalists would advocate if the leaving age were raised.

In discussion there was general agreement that it was desirable in principle that the school leaving age should be raised to 16 and that, provided that countervailing economies were secured in the programme of improvements in school buildings, planning should proceed on the basis that the age would be raised in 1971. If the decision were made explicitly contingent on the availability of an adequate supply of teachers, the Government might be exposed to pressure for a more rapid expansion of the teacher training colleges; but it should be possible to indicate that a raising of the age in 1971, while not constituting a firm commitment, represented the Government's deliberate aim.

The Cabinet—

(1) Authorised the Minister of Education to announce, in the forthcoming debate on education, that the Government intended that the school leaving age should be raised to 16 in the academic year 1970–71 and would plan on this basis.

(2) Invited the Minister of Education to concert with the Chief Secretary, Treasury, the precise terms in which this decision should be announced.

7. The Cabinet had before them a memorandum by the Chancellor of the Exchequer (C.P. (64) 20), summarising the arguments for and against United Kingdom participation in a Channel tunnel.

The Chancellor of the Exchequer said that the long-term economic arguments in favour of the project were strong. From about 1977 onwards the cumulative cost of the existing sea and air links between the United Kingdom and the Continent would show an
increasing excess over the comparable cost of a tunnel. Moreover, the transport costs of exports to Europe would be reduced by some 10 per cent if the tunnel were available. On the other hand the capital expenditure entailed, amounting to about £80 million if the total cost were shared equally with French interests, would constitute a significant additional commitment, which would accrue in a period when the Government's existing programmes would be making a very heavy demand on our resources.

In discussion the following main points were made:

(a) On political grounds a decision was required urgently. An announcement by the French Government that they would be prepared to build their half of the tunnel but that we had refused to co-operate with them in completing the project would expose us to the charge that, once again, we were demonstrating that we were not truly European at heart. An announcement by the French Government that, if we were not prepared to contribute to the undertaking, they would be prepared to finance and build the whole tunnel themselves would be even more embarrassing.

(b) If we sought to maintain that the addition of £80 million, over a period of years, to programmes of expenditure amounting to many thousands of millions of pounds would endanger the economy, we should do more damage, by displaying a lack of confidence in our prospects for continued economic growth, than if we accepted the additional commitment without more ado.

(c) On the other hand, the same argument could be applied to any additional project considered in isolation; it was the accumulation of a number of such projects which would expose the economy to the risk of excessive strain. It would be irresponsible to undertake to participate in the construction of the tunnel unless we stated at the same time that, if it proved impossible, at the appropriate time, to accommodate the project without excessive demand on our resources, commensurate economies would have to be made elsewhere in order to allow work on the tunnel to proceed.

(d) It would be unwise to assume that a project of this magnitude could be financed by private capital. In particular, it would be objectionable to allow a private company the freedom to vary charges for the use of the tunnel which would be necessary to attract equity capital. Nevertheless, the possibilities of private financing might merit further examination in consultation with the French Government.

The Cabinet—

(1) Invited the Chancellor of the Exchequer and the Minister of Transport to give further consideration, in the light of their discussion, to the terms in which the Government's attitude towards the Channel tunnel project might most appropriately be announced in the near future.

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

Holy Loch

8. The Cabinet had before them a memorandum by the Foreign Secretary and the Minister of Defence (C.P. (64) 17) about the Memorandum of Understanding under negotiation with the United States Government on claims and indemnity for accidents resulting from the stationing of nuclear vessels in the Holy Loch.

The Minister of Defence said that negotiations with the United States Administration on these issues had raised difficult questions about both the principle by reference to which liability should be assessed and the basis on which claims should be met. A formula agreed in 1962 had provided for claims to be settled under the terms of the North Atlantic Treaty Organisation (NATO) Status of Forces Agreement in accordance with the principle of sole and absolute
liability of the operator, subject to a maximum of $100 million for claims arising from any one incident. The United States authorities, however, had now withdrawn their agreement to this formula, on the ground that it would have become a precedent for dealing with incidents arising from the presence of nuclear-powered warships anywhere in the world. They proposed, as an alternative, that claims should be settled not under the Status of Forces Agreement but through diplomatic channels, in accordance with customary procedures for the settlement of international claims under generally accepted principles of law and equity. Acceptance of this revised formula would not be consonant with assurances already given to Parliament that claims would be dealt with under the Status of Forces Agreement and in accordance with the principle of sole and absolute liability of the operator; nor would it be consistent with the legislation which the Government proposed to introduce to extend the application of this principle in our domestic law from land-based reactors to nuclear-powered ships. Moreover, it would not give claimants an unambiguous right to restitution. We were not in a strong position to negotiate better terms; but it might be possible to reach a compromise on the basis of a formula which retained at least some features of the earlier agreement, particularly the explicit recognition that the NATO Status of Forces Agreement should apply to the settlement of claims.

In discussion it was agreed that further consideration should be given to the basis on which we should seek to reach agreement with the United States Government on this matter.

The Cabinet—

(1) Invited the Minister of Defence, in consultation with the Foreign Secretary, the Lord Chancellor, the Secretary of State for Scotland, the Attorney-General and other Ministers concerned, to give further consideration to the terms on which an agreement should be sought with the United States Government about the claims and indemnity provisions to be incorporated in the Memorandum of Understanding governing the administrative and financial arrangements for United States Polaris submarines in the Holy Loch.

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