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60th Conclusions

CABINET

*CONCLUSIONS of a Meeting of the Cabinet held at
10 Downing Street, S.W.1, on Thursday, 11th November, 1965,
at 10 a.m.*

Present:

The Right Hon. HAROLD WILSON, M.P., Prime Minister (*Items 1-2*)

The Right Hon. GEORGE BROWN, M.P., First Secretary of State and Secretary of State for Economic Affairs (<i>In the Chair for Item 3</i>)	The Right Hon. HERBERT BOWDEN, M.P., Lord President of the Council
The Right Hon. LORD GARDINER, Lord Chancellor	The Right Hon. JAMES CALLAGHAN, M.P., Chancellor of the Exchequer
The Right Hon. MICHAEL STEWART, M.P., Secretary of State for Foreign Affairs	The Right Hon. DENIS HEALEY, M.P., Secretary of State for Defence
The Right Hon. Sir FRANK SOSKICE, Q.C., M.P., Secretary of State for the Home Department	The Right Hon. ARTHUR BOTTOMLEY, M.P., Secretary of State for Common- wealth Relations
The Right Hon. WILLIAM ROSS, M.P., Secretary of State for Scotland	The Right Hon. JAMES GRIFFITHS, M.P., Secretary of State for Wales
The Right Hon. DOUGLAS JAY, M.P., President of the Board of Trade	The Right Hon. THE EARL OF LONGFORD, Lord Privy Seal
The Right Hon. ANTHONY CROSLAND, M.P., Secretary of State for Education and Science	The Right Hon. RICHARD CROSSMAN, M.P., Minister of Housing and Local Government (<i>Items 2 and 3</i>)
The Right Hon. R. J. GUNTER, M.P., Minister of Labour	The Right Hon. DOUGLAS HOUGHTON, M.P., Chancellor of the Duchy of Lancaster
The Right Hon. FRED PEART, M.P., Minister of Agriculture, Fisheries and Food	The Right Hon. FRANK COUSINS, M.P., Minister of Technology
The Right Hon. TOM FRASER, M.P., Minister of Transport	The Right Hon. FREDERICK LEE, M.P., Minister of Power

The Right Hon. BARBARA CASTLE, M.P.,
Minister of Overseas Development

The following were also present:

The Right Hon. KENNETH ROBINSON, M.P., Minister of Health (<i>Item 3</i>)	The Right Hon. MARGARET HERBISON, M.P., Minister of Pensions and National Insurance (<i>Item 3</i>)
The Right Hon. JOHN DIAMOND, M.P., Chief Secretary, Treasury (<i>Item 3</i>)	The Right Hon. Sir ELWYN JONES, Q.C., M.P., Attorney-General (<i>Item 1</i>)

The Right Hon. EDWARD SHORT, M.P.,
Parliamentary Secretary, Treasury

Secretariat:

Sir BURKE TREND
Mr. D. S. LASKEY
Mr. J. H. LOCKE
Mr. L. ERRINGTON

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Rhodesia
(Previous
Reference:
CC (65) 59th
Conclusions)

1. *The Prime Minister* said that a message had been sent to Mr. Smith, the Prime Minister of Rhodesia, on the lines agreed by the Cabinet on the previous day. He had also spoken to Mr. Smith on the telephone earlier that morning and had suggested that the outstanding points could now be resolved and that a senior Minister might go at once to Salisbury to sign an agreement setting up the Royal Commission. Mr. Smith had raised no new points but had nevertheless maintained that the positions of the two Governments were irreconcilable. He had admitted, however, that the Prime Minister had done everything possible to promote agreement and that, if Rhodesia now declared her independence, no responsibility would rest on the United Kingdom Government. It had been announced that Mr. Smith would broadcast at 11.15 a.m.; and it seemed almost certain that he would then make an illegal declaration of independence (i.d.i.)—a term which was preferable to a unilateral declaration of independence and should henceforward be adopted to describe an act of this kind.

He proposed to make a statement in the House of Commons that afternoon and, in the event of an i.d.i., would broadcast to the country in the evening. It would also be necessary to publish as soon as possible after an i.d.i. a White Paper containing the correspondence and records relating to the discussions with the Rhodesian Government since September 1964.

The Cabinet—

(1) Took note, with approval, of the Prime Minister's statement.

General
Enabling
Bill

The Cabinet considered a memorandum by the Attorney General (C (65) 149) on the question whether Orders in Council under the Enabling Bill should be subject to the Negative or to the Affirmative Resolution procedure.

The Prime Minister said that the Government should be seen to be taking the necessary measures to deal with an i.d.i., including the enactment of the Enabling Bill, as quickly as possible. There did not appear, however, to be any measures which would have to be taken under the Bill before the beginning of the following week. In particular, the dismissal of the Rhodesian Ministers and the financial and economic measures which were contemplated, with the relatively minor exception of the exclusion of Rhodesia from the Commonwealth Sugar Agreement, could all be effected under existing powers. It might therefore be preferable, while giving notice of introduction of the Enabling Bill forthwith, to defer its Second Reading until Monday, 15th November, if this would improve its chances of passing through all stages in both Houses on that day. It was important that the Rhodesian question should not, if possible, become a party political issue.

As regards the form of the Bill the Opposition Leaders had pressed strongly for the Affirmative Resolution procedure. This could not be accepted, since it was essential that the Orders to be made under the Bill should take effect immediately. It might be

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possible, however, to adopt a modified Affirmative Resolution procedure, by which the Orders would come into effect immediately but would lapse at the end of a specified period, say, 28 days, unless they had by then received Parliamentary approval. If this procedure were to be adopted, it would be essential that the Opposition Leaders should give an undertaking not to misuse it by insisting on a debate on each Order issued under the Bill.

In discussion it was agreed that the only urgent measure which would need to be taken under the Enabling Bill was the suspension of the Rhodesian Legislature; but no serious risk would be involved if this were deferred until the beginning of the following week. It was suggested that, if the passage of the Bill were delayed until 15th November, this might give time for opposition to the Government's policy to begin to find a focus of expression, particularly in the House of Lords. On the other hand there would be great advantage in securing, so far as possible, the support of the Opposition for the Bill; and a delay until 15th November might be important in this respect. The modified Affirmative Resolution procedure might be tolerable, provided that satisfactory assurances were received from the Opposition to the effect that, *e.g.*, Orders issued under the Bill would be debated together and not separately. Even under the Negative Resolution procedure it would be possible for the Opposition to challenge each Order if they wished to do so.

The Prime Minister, summing up the discussion, said that the decision on the date on which the Enabling Bill should be introduced in Parliament and on the form it should take would depend largely on the willingness of the Opposition to ensure its passage unopposed. He therefore suggested that, together with the Lord President and the Chief Whip, he should discuss the matter with the Opposition Leaders later in the day.

The Cabinet—

- (2) Took note that the Prime Minister, together with the Lord President of the Council and the Chief Whip, would arrange to discuss the Enabling Bill with the Opposition Leaders.
- (3) Subject to the outcome of the discussions to be arranged under Conclusion (2) above, agreed that the Enabling Bill should be introduced in Parliament on 15th November and that it should embody the modified Affirmative Resolution procedure.

Rhodesian
Sterling
Balances

The Chancellor of the Exchequer said that he was concerned about the effect on sterling if the Government blocked the Reserve Bank of Rhodesia's sterling balances in London. If the United Kingdom appeared to be restricting sterling balances for political reasons, this could affect the attitude of other holders of sterling and could diminish confidence in the pound. This result might be minimised if the action were taken under the Enabling Bill rather than under the Exchange Control Act, since it would then be more clearly demonstrated that we were treating Rhodesia as a special case.

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The Prime Minister said that it would be possible to maintain the counter argument that we should be taking action to prevent a usurping authority from having access to funds which belonged not to them but to Rhodesia; and such action, so far from undermining confidence in sterling, might reassure other holders of sterling balances who might be threatened by revolt or illegal pressure within their own territories. Nevertheless, it would be advisable that the matter should be further considered and that, pending a decision, the blocking of Rhodesia's sterling balances should not be among the initial measures to be taken in the event of an i.d.i.

The Cabinet—

- (4) Agreed that the blocking of Rhodesia's sterling balances should be dealt with on the lines indicated by the Prime Minister.

The Prime Minister said that it was agreed that, in the event of an i.d.i., we should at once call for a meeting of the Security Council. It would be appropriate that the Foreign Secretary should himself go to New York in order to lead the United Kingdom delegation. There would undoubtedly be pressure in the United Nations for military action against Rhodesia. This would be ineffective unless a major Power participated; but there was a risk that the Soviet Union might offer to do so. We must therefore seek to divert the United Nations from military action by emphasising our conviction that economic measures, if firmly applied, could bring the rebellion to an end. It must be accepted that the economic measures which we proposed to take might not in themselves be sufficient to achieve this purpose; and we should therefore consider the possibility of an oil embargo, to be implemented on the authority of the United Nations. This might well involve restricting oil supplies to countries adjacent to Rhodesia, such as South Africa and the Portuguese territories; and measures would also have to be taken to counter the effects on Zambia. It would be desirable to give further consideration to this question and to the possibility of promoting related action through the trade unions in the United Kingdom and the International Confederation of Free Trade Unions.

The Cabinet—

- (5) Agreed that, in the event of an i.d.i., we should call for a meeting of the Security Council and invited the Foreign Secretary to represent the United Kingdom in the debate.
- (6) Invited the Foreign Secretary, in consultation with the Ministers concerned, to consider further the possibility of a United Nations oil embargo against Rhodesia.

The Prime Minister informed the Cabinet at 11.18 a.m. that news had just been received that the Rhodesian Government had announced an illegal declaration of independence. The Defence and Oversea Policy Committee would now review the action to be taken by the Government, reporting to the Cabinet as necessary. All

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Action in
the United
Nations

Illegal
Declaration of
Independence

members of the Government should acknowledge, in any public speeches which they might make about Rhodesia, the seriousness of the position which was now developing; but Governmental comment should be restrained and responsible and it would be important to avoid any statement which might impart party political bias or any suspicion of racial prejudice into the situation. All members of the Cabinet should advise their junior Ministers accordingly.

The Cabinet—

(7) Took note of the Prime Minister's statement.

**Parliamentary
Business**

2. The Cabinet were informed of the business to be taken in the House of Commons in the following week. It was recognised that these arrangements must be provisional and subject to amendment in the light of the Parliamentary action which might be required by the illegal declaration of independence by the former Government of Rhodesia.

**Earnings-
Related
Short-term
Benefits**

3. The Cabinet considered a memorandum by the Minister of Pensions and National Insurance (C (65) 145) recording the outcome of her consultations on earnings-related short-term benefits with the Trades Union Congress (TUC) and other bodies.

(Previous
Reference :
CC (65) 43rd
Conclusions,
Minute 4)

The Minister of Pensions and National Insurance recalled that, following the Cabinet's previous discussion of the scheme of earnings-related short-term benefits proposed in C (65) 112, she had been invited to open consultations on her proposals, including those related to injury benefit, with the TUC, the Confederation of British Industries (CBI) and other interested bodies.

In addition to the TUC and CBI, she had consulted representatives of the actuarial profession, insurance interests and Pension Funds. In addition, local authority and other public sector interests had been consulted through the Official Committee on Occupational Pensions. While some features of her proposals had been criticised, her consultations had confirmed her in the view that the scheme proposed was the best that could be achieved as an interim measure in advance of the general review of social security benefits and having regard to the limitations imposed by finance and considerations of practical administration.

Those "contracted out" of the present graduated pension scheme would pay graduated contributions and qualify for graduated pensions like anyone else; but their flat rate contribution and their pension on account of their occupational pension rights would be abated by a fixed amount. Her consultations had shown a general recognition that a change in the present arrangements for contracting out was inevitable and that her proposals offered a sensible way of overcoming not only the immediate problem of introducing earnings-related short-term benefits but also the obstacles offered by the present arrangements to future developments in the pension field.

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There were overriding objections to charging the contracted out a small graduated contribution for earnings-related short-term benefits only, without making the other changes which she proposed. Besides eliminating the inequities in the present arrangements and enabling widows of those "contracted out" to qualify for a graduated widow's pension, the changes could be presented as an essential step towards a dynamic earnings-related pension scheme. Some concern had been expressed, particularly in the public sector, about the consequential changes that would need to be made in occupational pension schemes and their related terms of service. But this was essentially a matter for employer-employee negotiation and such considerations should not dictate the form of the national scheme.

The Cabinet had already approved the inclusion of an earnings-related widow's allowance in the scheme; she now sought approval for the other proposals outlined in C (65) 112. Very early decisions were needed if the necessary legislative and administrative preparations were to be completed in time to enable the new scheme to be in operation from October 1966.

In discussion it was pointed out that the change proposed in the arrangements for contracting out would make it possible subsequently to increase the rate of the graduated pension and to introduce an element of dynamism and thus to improve the return offered by the graduated scheme, the inadequacy of which was its most criticised defect. The low wage earner who was contracted out would pay less and at the same time be given cover for earnings-related short-term benefits and widow's pension. On the other hand the change would not increase Exchequer support of the scheme. Nor would it of itself make contracting out less attractive; but occupational pension schemes were valued by those who were covered by them.

In further discussion the following main points were made:

(a) The changes proposed would lead to extra costs in the public sector, which would in some cases fall on the Exchequer.

(b) The existence of arrangements for sick pay in this sector, together with the low incidence of unemployment and the provisions for adjusting occupational pension against national insurance pension would also imply that employees in the public services and nationalised industries would be adversely affected and would in many cases be paying more without receiving additional benefit. Amendment of occupational schemes and their related terms of employment would involve long and difficult negotiations which might not be completed before the Bill took effect.

(c) The provisions of the National Insurance scheme, which were of general application, could not be tailored to fit particular occupational schemes; nor could employees in the public sector be excepted from the new provisions for earnings-related short-term benefits because of their low risk of unemployment and provision

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for sick pay. The question of adapting occupational schemes to ensure that the new National Insurance provisions did not adversely affect employees in the public sector was essentially a matter for employer/employee negotiation; and some delay in completion of these negotiations would not seriously affect pension entitlement.

(d) Because of the very large numbers in the public sector who would be affected it was difficult to reach conclusions on the National Insurance proposals without knowledge of the extent to which their disadvantageous effects in that sector could be offset by complementary changes in the occupational pension arrangements.

The First Secretary of State, summing up the discussion said that, while it was important not to delay the drafting of the legislation, the Cabinet would need to consider more fully, before reaching a final decision, the implications of the proposals in C (65) 145 for individuals employed in the public sector and the extent to which changes in pension provision in that sector might be negotiated to ensure that employees were not adversely affected.

The Cabinet—

- (1) Invited the Chief Secretary, Treasury, in consultation with the Ministers concerned, to give further consideration to the implications for individuals employed in the public sector of the arrangements for contracting out of the National Insurance scheme proposed in C (65) 145 and the extent to which those arrangements might need to be modified in this regard.
- (2) Agreed to resume their discussion of C (65) 145 in the light of the result of the further inquiries to be undertaken in accordance with Conclusion (1) above.

*Cabinet Office, S.W.1,
11th November, 1965.*



