CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Tuesday, 2nd August, 1966, at 10 a.m.

Present:
The Right Hon. Harold Wilson, M.P., Prime Minister
The Right Hon. Herbert Bowden, M.P., Lord President of the Council
The Right Hon. James Callaghan, M.P., Chancellor of the Exchequer
The Right Hon. Denis Healey, M.P., Secretary of State for Defence
The Right Hon. Roy Jenkins, M.P., Secretary of State for the Home Department
The Right Hon. Douglas Houghton, M.P., Minister without Portfolio
The Right Hon. Anthony Greenwood, M.P., Minister of Overseas Development
The Right Hon. Richard Crossman, M.P., Minister of Housing and Local Government (Items 1–5)
The Right Hon. R. J. Gunter, M.P., Minister of Labour
The Right Hon. Barbara Castle, M.P., Minister of Transport
The Right Hon. Anthony Wedgewood Benn, M.P., Minister of Technology

The following were also present:
The Right Hon. Frederick Mulley, M.P., Minister of Aviation (Item 6)
Mr. Austen Albu, M.P., Minister of State, Department of Economic Affairs (Items 5 and 6)
The Right Hon. Sir Elwyn Jones, Q.C., M.P., Attorney-General (Item 7)

The Right Hon. Lord Gardiner, Lord Chancellor
The Right Hon. Michael Stewart, M.P., Secretary of State for Foreign Affairs
The Right Hon. Arthur Bottomley, M.P., Secretary of State for Commonwealth Affairs
The Right Hon. William Ross, M.P., Secretary of State for Scotland
The Right Hon. Douglas Jay, M.P., President of the Board of Trade
The Right Hon. Anthony Crosland, M.P., Secretary of State for Education and Science
The Right Hon. The Earl of Longford, Lord Privy Seal
The Right Hon. Fred Peart, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. Richard Marsh, M.P., Minister of Power

Mrs. Judith Hart, M.P., Minister of State for Commonwealth Affairs (Item 5)
The Right Hon. John Silk, M.P., Parliamentary Secretary, Treasury
SECRET

Secretariat:
Sir Burke Trend
Mr. P. Rogers
Mr. W. A. Nield
Miss J. J. Nunn
Mr. D. S. Laskey
Mr. R. T. Armstrong

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1. The Lord President reported that the Opposition had decided to substitute for the Supply Debate arranged for Wednesday, 8th August, a Motion to transfer consideration of the Prices and Incomes Bill from Standing Committee B to a Committee of the whole House. This change was devised to permit a Second Reading Debate on the new clauses of the Bill providing powers to enforce the standstill on wages and prices; and the Debate should be conducted on that basis. It would not necessarily be to the Government's disadvantage.

2. The Minister of Housing and Local Government said that it would be important, both in the debate on the Bill and subsequently, to try to ensure that the standstill on wages and prices should become effective by means of voluntary co-operation. It was open to question how far the standstill could in fact be enforced by the statutory means provided in the Bill; and contingency plans should be prepared for the action to be taken if the voluntary standstill proved abortive, in order that the Cabinet might be able to consider the implications in advance.

In discussion there was some support for this view. The Government's intention had been to try to ensure the success of the standstill by voluntary methods and not to resort to compulsion until these had been seen to fail. Moreover, if, as seemed likely, the Trades Union Congress decided on the following day to support the standstill, this would be an additional reason for preferring the course of voluntary co-operation.

On the other hand it would be wrong to exaggerate the prospect that a standstill could be achieved by voluntary means. The Government, as employer, would be able to enforce a standstill in the very large public sector; but this would be liable to provoke considerable resentment if the standstill were seen to be only partially effective in the private sector. It would be unfortunate, therefore, to give employees in the public sector any reason to suppose that in the private sector voluntary methods would be attempted in the initial period and that only if these failed would compulsion be invoked. From this point of view it might be preferable to be ready to implement the compulsory powers in Part IV of the Bill at an early stage in order to demonstrate the Government's determination to hold the balance evenly as between the public and the private sectors and to deter any attempts by the latter to frustrate the standstill. Indeed, some private employers might need the protection of Part IV of the Bill to indemnify them in relation to contracts made before 20th July.

The Prime Minister recalled that at their previous discussion on the standstill of wages and prices the Cabinet had agreed that the procedure envisaged by Part IV of the Bill, whereby its provisions...
Oversea Affairs
South Arabia
(Previous Reference: CC (66) 33rd Conclusions, Minute 3)

The Cabinet—

(1) Took note, with approval, of the Prime Minister's summing up of their discussion.

(2) Took note that the Prime Minister would arrange for the Cabinet to consider the implications of the action which might be required if it became necessary to enforce a statutory standstill of prices and wages.

3. The Foreign Secretary said that a village in Beihan had been raided the previous day by two aircraft from the Yemen which were almost certainly Egyptian. 75 houses had been hit and three children wounded. The raid had been widely interpreted as action designed both to discredit our ability to defend South Arabia and to destroy the cohesion of the Federal Government. The latter had asked that we should both make a formal protest to the Government of the United Arab Republic (UAR) and also retaliate on Egyptian targets in the Yemen. The Canadian and United States Governments, which were the protecting powers in the UAR and the Yemen respectively during the period in which we did not maintain diplomatic relations with either country, had been asked to make strong protests to the two Governments: we were in addition seeking to call a meeting of the Security Council. While such diplomatic action was being taken we could not simultaneously retaliate, but if that action failed to produce any result we might have to consider retaliation. Alternatively, it might be possible to obtain agreement to a United Nations investigation of the incident on the spot.

In discussion it was pointed out that, since the Yemeni side of the border in question was occupied by the royalists, the raid could
not plausibly have been made in retaliation for raids from Beihan on areas under the control of the Yemeni Government. We were taking such military precautions as were possible to deal with further raids of this nature.

The Commonwealth Secretary said that there had been a further mutiny in Nigeria and that Major-General Ironsi, the Head of State, had been kidnapped and possibly killed. A Lieutenant-Colonel Yakubu Gowon, who was a Hausa from the Northern Region, had assumed charge of the Government, with the support of the Supreme Council. He had been strongly advised by both our own High Commissioner and the United States Ambassador against promoting the secession of the North from the Federation. So far there had been no anti-European feeling, although two Europeans had by accident been killed in cross fire between two bodies of troops.

The Cabinet—

Took note of these statements.

4. The Prime Minister informed the Cabinet of the outcome of his recent discussions with the President of the United States, President Johnson, in Washington.

The Cabinet’s discussion and the conclusions reached are recorded separately in the bound volume of Most Confidential Records held by the Secretary of the Cabinet.

5. The Cabinet considered a note by the Commonwealth Secretary (C (66) 120) covering a memorandum by the Minister of State for Commonwealth Affairs about the intensification of sanctions against Rhodesia by Zambia; and a note by the President of the Board of Trade (C (66) 121) on the effects on the United Kingdom of an interruption in Zambian copper supplies.

The Minister of State for Commonwealth Affairs said that our policy required the intensification of sanctions against Rhodesia if we were to secure a negotiated settlement on our terms within a reasonable period. We also needed to keep up the momentum if international support for sanctions were to be sustained. Apart from the oil supplies reaching Rhodesia from South Africa and Mozambique, which we were unable to prevent, Zambian trade with Rhodesia now constituted the major gap in sanctions. Zambian imports from Rhodesia had already been reduced by about 30 per cent compared with the level before the illegal declaration of independence (i.d.i.); if in co-operation with us the Zambian Government were now to impose a phased cut-off, reducing their
imports by a total of 80 per cent from the level before i.d.i., this would have a major effect on Rhodesian earnings of foreign exchange and on employment in Rhodesia. An agreement on these lines would also help to restore Zambian confidence in the United Kingdom Government and might prevent a decision by Zambia at the Commonwealth Prime Ministers' Meeting in September to leave the Commonwealth or sever relations with us, either of which courses could lead to a break-up of the Commonwealth. In her negotiations with the Zambian Government she had been authorised to offer a total of £6.85 million to be spent in the rest of 1966 on approved projects for developing alternative supply routes and local coal supplies, together with a review of the situation in December 1966 if the emergency had not ended by then. This offer had been rejected by the Zambian Government, partly because of their lack of confidence in the policy of the United Kingdom Government and partly because they regarded it as an inadequate commitment by the United Kingdom to carry through the projects which Zambia wished to undertake. We could not give an unlimited commitment, as the Zambians wished, but it might be possible to reach agreement if we brought forward the review promised for the end of the year and agreed now on the amount of continuing assistance which we could offer for the first half of 1967. She therefore proposed that we should maintain our offer of £6.85 million for expenditure on agreed projects in 1966 and offer a further £7 million for the continuation of agreed projects during the first half of 1967. Our assistance would be discontinued if there were a return to constitutional rule in Rhodesia or to normal communications between Rhodesia and Zambia. Our offer would also be subject to reconsideration if Zambia left the Commonwealth or broke off relations with the United Kingdom.

The President of the Board of Trade said that any substantial reduction in copper exports from Zambia from the normal rate of 60,000 tons a month would increase the price of our copper imports and add to the burden on our balance of payments. This was illustrated by the recent movement in copper prices which had fallen by nearly £100 a ton, to just under £500 a ton, owing to the Zambian Government's decision to permit the resumption of copper exports through Rhodesia provided that the freight charges in Rhodesia were paid by the purchasers. If Zambian copper exports were in the range of 20,000 to 38,000 tons a month this would impose an additional burden on our balance of payments, owing to higher copper prices, of £3.4 million to £7.4 million a month. If the level of Zambian exports fell below 38,000 tons a month there was likely to be a physical shortage of copper which would further affect our manufacturing industry and hence our exports. There was therefore a strong case for trying to reach an agreement with Zambia which would increase the capacity of alternative routes for the export of copper from the present level of 20,000 tons a month to a potential level of 38,000 tons a month, and which might also reduce the risk of unilateral action by Zambia to restrict copper exports.
The Chancellor of the Exchequer said that the Zambian Government were seeking an unlimited commitment of support by the United Kingdom: it therefore seemed doubtful whether they would accept an offer of an additional £7 million since this still set a limit to our aid, even if a higher one. It seemed even more doubtful whether this offer would re-establish Zambian confidence in the United Kingdom Government to such an extent as to alter their whole attitude and induce them to adopt the policy we advocated for Zambian trade with Rhodesia. Copper exports from Zambia were now moving again through Rhodesia and United Kingdom companies were able to purchase supplies through Swiss firms without the need for any alteration in our exchange control regulations against Rhodesia. The Zambian Government would still be in a position to take unilateral action to restrict copper exports and it seemed unlikely that increased aid from the United Kingdom would seriously inhibit them from doing so if they so wished. If the additional offer of £7 million could be found within the ceiling for our economic aid, he would nevertheless not object to it; but in our present economic situation there could be no justification for any increase in the total aid expenditure.

In discussion it was agreed that three main aspects of the problem required consideration: the effect in Rhodesia of more stringent sanctions by Zambia; the degree to which an increased offer of aid might influence Zambia's attitude at the forthcoming Commonwealth Prime Ministers' Meeting; and the extent to which agreement with Zambia would safeguard our supplies of Zambian copper.

As regards the first point, sanctions were already having a considerable economic effect in Rhodesia, and this would be substantially increased if there were a phased reduction of Zambian trade on the lines we had in mind. This would also help to sustain international support for the policy of voluntary sanctions against Rhodesia. On the other hand sanctions had so far had little political effect in Rhodesia itself and even if their economic effects became more severe it was arguable that this might only increase the determination of the régime and of the hard core of the European community not to surrender. Moreover there seemed little prospects of any large scale liberal move against the régime. Nevertheless sanctions could still bring about a change of policy on the part of the régime, although it might well take a considerable time to achieve this: the effective sanction on sales of tobacco was particularly important in this context. The Government were committed to bringing the rebellion to an end and must in honour maintain the policy of sanctions even if this policy would still take a considerable time to show its full effect and the ultimate result could not be regarded as certain.

The Rhodesian situation had had serious political effects in Zambia, but, although the Zambian economy had suffered certain limited damage, Zambian foreign exchange reserves had increased.
considerably, owing to the higher price of copper, and the revenues of the Zambian Government had gained considerably and were relatively substantial. Zambian distrust of the United Kingdom Government was due to political rather than economic causes and specifically to suspicion about the informal talks with the régime in Salisbury. It was doubtful whether an increased offer of aid would substantially affect Zambia's attitude at the Commonwealth Prime Ministers' Meeting but the consequences of Zambia leaving the Commonwealth, particularly if this led to a more extensive break-up of the Commonwealth, would be so serious, both politically and economically, that it would be worth paying the £7 million if this avoided such an outcome. If the offer were rejected by Zambia we should be no worse off and, the offer having been made, our position with other Members at the Commonwealth Prime Ministers' Meeting would be stronger. If the offer were accepted it would be reasonable to stipulate, as was proposed, that the position would be subject to reconsideration should Zambia leave the Commonwealth. In fact, however, we might wish even in this eventuality to maintain the offer if it would help significantly to safeguard our copper supplies.

An agreement with Zambia would not of itself necessarily prevent the Zambian Government from seeking to restrict copper exports. We could however make it clear that our assistance would be terminated if such action were taken and that this must be a condition of our offer. Even if the total amount of our aid to Zambia of some £14 million were regarded as an insurance for continued copper supplies, the premium would not be unduly high since a heavy reduction of supplies could cost us as much as an additional £100 million a year on the balance of payments.

In further discussion it was pointed out that it had been agreed that the £6.85 million which we had already offered should be additional to the total agreed expenditure on aid. It was argued that neither this amount nor the additional £7 million could properly be regarded as aid or found within the aid budget. During the current financial year our aid was fully committed up to the agreed ceiling. In the year 1967-68 there would be a cut of £20 million as a result of the announcement made on 20th July and there would in practice have to be a further cut of £10 million to provide for contingencies.

The Prime Minister, summing up the discussion, said that the balance of opinion was in favour of making a further offer to Zambia on the lines proposed by the Minister of State for Commonwealth Affairs. In addition to the conditions suggested in the memorandum it should be made clear that the offer was conditional on the Zambian Government imposing no restrictions on copper exports. We should in any case be under great pressure at the Commonwealth Prime Ministers' Meeting and subsequently at the United Nations for the imposition of mandatory sanctions against Rhodesia. It was doubtful whether these could be confined to oil sanctions and they could well lead to an economic embargo against the whole of Southern Africa, which would have disastrous consequences for the United Kingdom economy. There would

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also be strong pressure for military action against Rhodesia either by the United Kingdom alone or by a United Nations force. It might be suggested that, since we could not be certain that sanctions would be effective, the question of using military force should be reconsidered. This had however been studied in detail and the difficulties of a military operation and the objections to the use of force, not only in regard to Rhodesia itself but for the whole of Central Africa and indeed for the economic and strategic position of the United Kingdom, had been shown to be decisive. It was arguable that the cost of our aid to Zambia could be regarded as part of a war operation rather than as part of our normal aid programme but further consideration should be given to the manner in which the cost should be borne. In view of the difficulty of making provision for it within any existing departmental budget and since it would be to some extent an insurance for maintaining the supply of Zambian copper to the United Kingdom this consideration should include the possibility of providing the money by means of a levy on imports of copper.

The Cabinet—
(1) Approved C (66) 120, subject to the points made by the Prime Minister in his summing up of their discussion.
(2) Invited the President of the Board of Trade, in consultation with the Chancellor of the Exchequer and the Minister of State, Department of Economic Affairs, to consider the possibility of recovering the cost of our aid to Zambia by a means of a levy on imports of copper.
(3) Subject to Conclusion (2), invited the Chancellor of the Exchequer, in consultation with the Secretary of State for Defence, the Commonwealth Secretary and the Minister of Overseas Development, to consider further in the light of the discussion how the cost of aid to Zambia should be met.

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6. The Cabinet resumed their consideration of a memorandum by the First Secretary of State and Secretary of State for Economic Affairs (C (66) 119) on the aircraft industry.

The Minister of State, Department of Economic Affairs, recalled that at their previous meeting the Cabinet had invited the Minister of Aviation to inform British European Airways (BEA) of the Government's decision that their fleet should be re-equipped with United Kingdom aircraft, and had invited the First Secretary of State, in consultation with the Minister of Aviation, to arrange for a further study to be made of the means by which assistance should be given to BEA to deal with the problems with which this decision would present them, of the size, constitution and timing of BEA orders and of the implications of postponing re-equipment for
Proposed Merger of Rolls-Royce, Limited, and Bristol Siddeley Engines, Limited

domestic routes. The First Secretary of State took the view that the study of these matters should be remitted to the Sub-Committee which it was proposed should consider the reorganisation of the airframe industry.

The Cabinet were now invited to endorse the further conclusions reached by the Ministerial Committee on Economic Development, that Rolls-Royce, Limited, and Bristol Siddeley Engines, Limited, should be told that the Government saw no objection in principle to the proposed merger of their aero-engine interests, and that no decision should be taken for the time being on the reorganisation of the airframe industry, while the matter was further studied by a Sub-Committee of Ministers.

The Minister of Aviation said that he had informed BEA of the Government’s decision that they should re-equip with United Kingdom aircraft. BEA had taken this decision badly, and an unfortunate speech by the Chairman of BEA at a lunch at which the Press were represented had led to premature reports in the Press. He would be making a statement in the House of Commons later in the day on the Government’s decision. It had been suggested that he should not indicate in that statement that BEA would themselves from a commercial point of view have preferred to buy United States aircraft; but BEA had strongly urged that he should do so, and, if he did not, they would certainly make it publicly known themselves. He questioned whether it was appropriate for further study of the questions arising on BEA re-equipment to be undertaken by the Sub-Committee which would be considering the future of the airframe industry, but he supported the conclusions suggested by the First Secretary of State on the aero-engine merger and on further study of the reorganisation of the airframe industry.

In discussion the following points were made:

(a) A key question for the proposed Sub-Committee on the future of the airframe industry would be the future load on the industry. The re-equipment of BEA was an integral part of this, and questions arising on the size, make-up and timing of BEA orders could appropriately be considered by the same Sub-Committee. It might not be appropriate, however, to invite the Sub-Committee to consider the wider question of the future of the Air Traffic Licensing Board and its procedures.

(b) It was suggested that relationships between BEA and the aircraft industry would be improved if BEA were represented on the boards of directors of companies in the industry. On the other hand it was pointed out that this relationship could make for difficulties, and there was no evidence that it would have any substantial practical value.

(c) While a Government statement on the future of the airframe industry during the Recess need not be ruled out, it was suggested that it would be better to defer a final decision until some of the uncertainties about demand on the industry were resolved, even though this might mean postponing an announcement until the autumn.
The Prime Minister, summing up the discussion, said that the Cabinet in general endorsed Conclusions (4) and (5) in paragraph 9 of (C(66) 119). He would give further thought to the composition and terms of reference of the proposed Sub-Committee.

The Cabinet—

(1) Agreed that Rolls-Royce and Bristol Siddeley should be told that the Government saw no objection in principle to the proposed merger of their aero-engine interests.

(2) Agreed that no decision should be taken for the time being on the reorganisation of the airframe industry, while the matter was further studied by a Sub-Committee of Ministers.

(3) Took note that the Prime Minister would arrange for the constitution of a Sub-Committee for this purpose, and would consider how far it was appropriate to remit to that Sub-Committee questions arising from the decision to require BEA to re-equip with United Kingdom aircraft.

7. The Cabinet considered a memorandum by the Lord Chancellor (C (66) 123) proposing the appointment of a Royal Commission on Assizes and Quarter Sessions outside London.

The Lord Chancellor said that there had long been criticism of the wastefulness and inefficiency of the circuit system which required Assize Judges to sit twice a year for hearing civil and criminal cases in each of 61 Assize towns, many of which provided inadequate business or were visited for too short a time to hear the occasional long case, while large centres of population had no Assize of their own. These arrangements resulted in serious delays in hearing civil cases and in accused persons having to travel long distances for trial. The system had not been examined since the Royal Commission on the Dispatch of Business at Common Law (the Peel Commission) of 1936, and there was a strong case for a far-reaching inquiry by an authoritative Royal Commission which could consider not only the reorganisation of the Assize system, but the desirability of establishing district High Courts outside London; the case for extending Crown Courts similar to those at Liverpool and Manchester; the administration of criminal justice at Quarter Sessions which were now so overloaded that it was difficult to find suitable persons to serve as Recorder or Chairman of Quarter Sessions; and the ownership and use of court accommodation, the scarcity of which played a disproportionate part in determining the pattern of the court system. There might now be less local opposition to reform of the system than had been the case in the past, because many local authorities were finding the cost of supporting an Assize a heavy financial burden, and an early
inquiry was likely to be welcome. The Home Affairs Committee had approved in principle the proposal to recommend the appointment of a Royal Commission. It was proposed, after consultation with the other Ministers concerned, that the terms of reference should be: “To enquire into the present arrangements for the administration of justice at Assizes and at Quarter Sessions outside Greater London, and to report what reforms should be made for the more convenient, economic and efficient disposal of the civil and criminal business at present dealt with by those courts.”

In discussion there was general agreement that an inquiry was necessary and that it was of sufficient importance to be undertaken by a Royal Commission. The chairman should be a layman with wide administrative experience, and it would be important that the financial aspects of the system of Assizes and Quarter Sessions and the desirability of the State acquiring court premises outside London should be carefully considered.

The Cabinet—

(1) Agreed that it was desirable that an inquiry should be undertaken into the system of Assizes and Quarter Sessions outside London on the lines proposed in C (66) 123.

(2) Took note that the Prime Minister would submit to The Queen proposals for the appointment of a Royal Commission on Assizes and Quarter Sessions.

Cabinet Office, S.W.1,
2nd August, 1966.