CONCLUSIONS of a Meeting of the Cabinet held at
10 Downing Street, S.W.1, on Thursday, 4th 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
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 WEDGWOOD BENN, M.P., Minister of Technology

The following were also present:
The Right Hon. EDWARD SHORT, M.P., Postmaster-General (Item 6)
Mr. AUSTEN ALBU, M.P., Minister of State, Department of Economic Affairs (Items 3-6)
The Right Hon. JOHN SILKIN, M.P., Parliamentary Secretary, Treasury

Secretariat:
SIR BURKE TREND
Mr. P. ROGERS
MISS J. J. NUNN
Mr. L. ERRINGTON
Mr. R. T. ARMSTRONG

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42nd Conclusions
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1. The Cabinet were informed of the business to be taken in the House of Commons in the following week.

The Lord President said that if further difficulties arose in completing the remaining stages of the Prices and Incomes Bill it might be necessary to defer the Second Reading of the Industrial Reorganisation Corporation Bill until after the Summer Recess.

2. The Foreign Secretary said that there had been a number of recent developments in Indonesia, some of which were contrary to our interests, but on balance the general trend of events appeared to be favourable to us. There had been a further incident in Sarawak in which a Gurkha soldier had been wounded and it appeared that Indonesian soldiers had been involved. We had agreed with the Malaysian Government how publicity for this incident should be handled and it was hoped that it would not result in any delay in the ratification of the Bangkok Agreement on the ending of confrontation. We were also discussing with the Malaysian Government how thereafter they should take over full military responsibility in the Borneo territories on the withdrawal of United Kingdom forces. President Sukarno had made a violent speech reaffirming confrontation on the swearing in of the new Cabinet on 28th July, but in the upshot this had redounded to our advantage in that it had led to sharp reactions in the Indonesian Press. It was also noteworthy that General Suharto, rather than President Sukarno, had taken the chair when the Cabinet subsequently met. The Foreign Minister, Mr. Malik, was still confident that the Bangkok Agreement would be ratified.

Four of the leading members of the Government of the People’s Republic of China had recently been removed from office, while President Mao Tse-tung, who had been ill for some time, appeared now to have fully recovered his health, and retained his dominant position. These changes were part of a cultural revolution which had started the previous September. It did not appear that this would involve any change in China’s external policy and the stress which was laid on the part to be played by the army in industry and agriculture suggested that there was no intention of their undertaking a military commitment in Vietnam.

The Prime Minister said that the Ministers primarily concerned with Rhodesia had met the previous day to consider the handling of the next stage of events, with particular reference to the Meeting of Commonwealth Prime Ministers in September. Developments of any importance would, when worked out in detail, be brought before the Cabinet. Meanwhile, he proposed to make a statement in the House of Commons the following Monday on the resumption of talks between United Kingdom and Rhodesian officials in Salisbury. His statement would make it clear that the next round of talks would be devoted primarily to discussion of the fifth of the six principles which
the Government had laid down for a settlement of the dispute (the fifth principle related to the acceptability of any new Constitution to the people of Rhodesia as a whole) and to the return to constitutional rule as a precursor to any formal negotiations. He would also state that no irrevocable step would be taken by the Government in respect of the Rhodesian situation except in circumstances when this could be considered by Parliament: if necessary Parliament would be recalled during the Recess to enable this to be done. The Zambian Government would be informed of this statement and the timing of the talks would be related to the resumption of negotiations with the Zambian Government on further United Kingdom aid.

The Cabinet—

Took note of these statements.

3. The Cabinet resumed their discussion of the economic situation.

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.

4. The Cabinet considered a memorandum by the President of the Board of Trade (C(66) 126) on the reorganisation of the shipbuilding industry.

The President of the Board of Trade said that the Report of the Shipbuilding Inquiry Committee under the chairmanship of Mr. R. Geddes, which was published in March, had recommended a radical reorganisation of the shipbuilding industry and the abandonment of restrictive practices, with the creation of an independent Shipbuilding Industry Board with powers to make loans and grants out of public funds up to a total of £37½ million over five years in order to facilitate the concentration of the existing 27 major yards into four or five large groups. An essential part of the Geddes Committee’s proposals had been a timetable for their implementation, giving the two sides of industry three months to work out their considered reactions and providing for Government decisions shortly thereafter.

The Ministerial Committee on Productivity had broadly agreed that the Government should accept the recommendations of the Geddes Report, and a place had been kept in the current year’s legislative programme for the necessary legislation. Some members of the Committee had, however, taken the view that an announcement at the present time might be interpreted as being inconsistent with the Government’s recent economic measures and could therefore be damaging to confidence in sterling. On the other hand, if an announcement of the Government’s decision were delayed, the sense
of urgency in the industry would be lost, the fresh start in industrial relations which the industry had been trying to make would falter, and confidence in the industry's future would be sapped. The reorganisation of the shipbuilding industry could make a valuable contribution to economic recovery, and a Government announcement in this sense should not be damaging to confidence. The expenditure involved over the next one and a half to two years would be small, and there was no need at this stage for the Government to commit themselves to any particular figure of expenditure during this period. He therefore sought authority to announce before the Summer Recess that the Government had decided to set up the proposed Shipbuilding Industry Board and to provide the finance proposed by the Geddes Committee over a period of five years; that the necessary legislation would be introduced in the current session; that the Government would be putting into effect the concession on indirect taxation for which legislative powers had already been taken; and that the Government would be prepared to use naval procurement orders for the purpose of facilitating and encouraging reorganisation.

In discussion it was pointed out that a decision to go ahead with the Geddes proposals involved a judgment on priorities in public expenditure before the latter could be considered as a whole. None the less there was general agreement that Government decisions, broadly in the sense described by the President of the Board of Trade, should be announced before the Summer Recess, with an emphasis on their relevance to economic recovery. The announcement should stress the measures which were being taken on both sides of industry to follow up the Geddes Report, and in particular the agreement on demarcation recently concluded by the unions which should be valuable in avoiding strikes on this score in future. It should also stress that governmental assistance would be devoted to industrial groups which would be fully viable.

There was also general agreement that, while the Government should be prepared to use their procurement powers in pursuit of wider objectives, the implications of doing so in this case needed further consideration. There was a danger that the concentration of naval orders on three particular yards would deprive other yards (including Fairfields) of business which was the foundation of valuable export orders; nor could it be accepted without further consideration that a policy which ex hypothesi involved not accepting the lowest tender was necessarily conducive to industrial efficiency, quite apart from its implications for governmental expenditure. There was furthermore a danger that a statement on the use of Government procurement orders made in too positive or minatory a form could prejudice the readiness of the industry to co-operate in the changes required to reorganise and rationalise the industry. While the President's statement should retain a reference to the possibility of the Government using their procurement powers, the form of words so far agreed went too far, and a new form of words should be agreed which would constitute a less positive commitment and would avoid the dangers that would arise from the statement hitherto envisaged.
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The Prime Minister, summing up the discussion, said that there was general agreement that the President of the Board of Trade should announce governmental decisions on the reorganisation of the shipbuilding industry on the lines of the proposals in the Geddes Report. The form of words to be adopted on the use of procurement powers should be agreed between the Ministers concerned. The announcement should be made in a statement in the House of Commons before the Summer Recess; its precise timing would be a matter for discussion with the Lord President of the Council.

The Cabinet invited the President of the Board of Trade—

(1) To announce before the Summer Recess the Government's decision broadly to accept the proposals in the Geddes Report, to set up a Shipbuilding Industry Board, to provide finance on the lines proposed in the Geddes Report for assistance to the industry over a period of years, to introduce the necessary legislation in the current Session, and to put into effect the concession on indirect taxation for which powers had been taken in this year's Finance Bill.

(2) To agree with the Chancellor of the Exchequer, the Secretary of State for Defence and the Minister of Technology a form of words to be adopted on the possibility of the use of Government's procurement powers for the purpose of promoting rationalisation, taking account of the points made in discussion.

(3) To agree the timing of his statement with the Lord President of the Council.

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5. The Cabinet considered a memorandum by the Home Secretary (C 126 124) on proposals for a Criminal Justice Bill.

The Home Secretary said that a place was reserved for a Criminal Justice Bill in the legislative programme for the current Session and there would be advantage in introducing a major reforming measure which made no demands on the country's resources. The Cabinet had already approved his predecessor's proposals for the release of prisoners on licence, subject to conditions, after serving a third of their sentence, and for the substitution for the preventive detention of persistent offenders of longer sentences of imprisonment. He now proposed measures to reduce the number of short sentences, which tended to blunt the deterrent effect of imprisonment by acclimatising offenders to it. It was proposed:

(a) to require the courts to suspend sentences of six months or less for offences other than violence or sexual assault where the offender had not previously had a custodial sentence, and to permit them to suspend sentences of up to two years. The requirement to suspend short sentences would not be welcome to all sentencing authorities, but objection should be reduced by the exception for the offences of personal violence;
(b) to take power to provide by order, as soon as adequate institutions for treating drunkenness were available, that the offence of being drunk and disorderly should no longer be punishable with imprisonment;

(c) to enable the courts to attach earnings for the satisfaction of fines and to restrict their powers to commit defaulters to prison. Further consideration was being given to these proposals in the light of the possibility that offenders under the Prices and Incomes Bill who had the means to pay in court but refused to do so might be committed to prison;

(d) to restrict the power of the courts to remand in custody persons accused of minor offences.

An essential part of the proposals, which might be criticised in some quarters as being lenient to offenders, would be the introduction of majority verdicts of 10 to 2 in criminal cases. There was reason to think that persons responsible for the organisation of major criminal conspiracies were securing acquittal by the subornation of jurors. The judges were unanimously in favour of the majority verdict, which was likely to be acceptable to public opinion also. As a safeguard against unconsidered verdicts, it was proposed to provide that a majority verdict should not be returned after less than two hours' discussion, and the system would be further strengthened by implementing the recommendation of the Committee on Jury Service (the Morris Committee) that persons convicted of serious crime should be disqualified from jury service; those who had been sentenced to five years' imprisonment or more would be disqualified for life.

The Bill would give effect to the recommendations of the Committee on Legal Aid in Criminal Proceedings (the Widgery Committee) that the availability of legal advice in criminal cases should be extended and that persons given legal aid should be required to make a contribution appropriate to their means. Other recommendations of the Committee could be implemented by the courts awarding legal aid more freely within their present powers, and it was proposed to emphasise to them the importance of viewing the Committee's recommendations as part of a single scheme so that additional expenditure did not arise before the arrangements for securing contributions came into effect.

The Government were already committed to legislation to permit a limited use of written evidence in committal proceedings and to restrict the reporting of those proceedings. There was now, however, considerable support for more far-reaching changes, and it was proposed that committal proceedings should be held only if the prosecution or defence wanted witnesses' evidence to be given at that stage orally, other evidence taking the form of written statements. In this context it seemed right that, if the defence wished the proceedings to be reported, the restrictions on publication should not apply. It was also proposed that accused persons should be required to give notice before trial of a defence of alibi, to prevent the
prosecution being deprived of the opportunity to investigate the evidence, and to make minor amendments in court procedure which would prevent persons charged with trivial offences being arrested if they failed to appear in court. The Prison Act, 1952, would be amended to abolish corporal punishment for disciplinary offences in prison; maximum fines now out of date because of changes in the value of money would be increased; and provision would be made to extend a magistrates’ court’s powers to order the taking of fingerprints and apply them to palmprints. Other minor and technical amendments would be made in the law on probation and after-care, and on the administration of criminal justice.

In discussion the following principal points were made:

(a) While suspended sentences were an advance on the merely negative recourse to short terms of imprisonment, they were not in themselves a constructive form of treatment and might be criticised on the ground that the offenders concerned were not to be made subject to supervision. It would be important to continue to build up the constructive forces within the penal system.

(b) The Trades Union Congress had abandoned their previous opposition to the attachment of earnings other than as a means of collecting maintenance. In their evidence to the Committee on Civil Debt they had advocated attachment as a means of collecting debts, and they had specifically confirmed that they were prepared to see this method used for the enforcement of fines.

(c) If juries were enabled to return majority verdicts there might be a risk that, particularly in motoring cases or those involving offences with a political element, a majority of the jury would be prejudiced, and that only the insistence of a conscientious minority would ensure a just verdict. There was some safeguard against this in the proposal of the Morris Committee that the basis of jury service should be broadened by replacing the property qualification by a qualification based on the electoral register (which, since it applied to civil as well as to criminal juries, would be implemented in separate legislation), and in the provisions of the Road Safety Bill for offences involving alcohol to be proved by the use of scientific tests.

(d) The mounting cost of the legal aid scheme gave cause for anxiety, and it was desirable that the Ministers concerned should examine the way in which the scheme was now developing.

(e) The proposal to abolish corporal punishment in prisons would be opposed by the Prison Officers’ Association and was likely to be controversial. Corporal punishment was, however, an antiquated method of punishment which many countries no longer found necessary in their prisons, and prison governors were in favour of its abolition.

(f) The proposed Bill would not apply to Scotland, though there might be pressure for similar arrangements to be adopted there. The proposals would not, however, be entirely acceptable in Scotland, in particular the compulsory suspension of short sentences of imprisonment and the restriction of the powers of the courts to commit for non-payment of fines and to remand in custody.
The Prime Minister, summing up the discussion, said that the Cabinet were in general in agreement with the Home Secretary's proposals. Further consideration should be given, in consultation with the First Secretary of State and the Attorney-General to the problem of the enforcement of fines for offences under the Prices and Incomes Bill, and if a solution could not be found the matter might have to be submitted to the Cabinet again. The Home Secretary should also consider, in consultation with the Chancellor of the Exchequer and other Ministers concerned, the development and rising cost of the legal aid system.

The Cabinet—

(1) Invited the Home Secretary to consider further, in consultation with the First Secretary of State and the Attorney-General, the powers proposed to be conferred on the courts for the enforcement of fines.

(2) Invited the Home Secretary, in consultation with the Lord Chancellor, the Chancellor of the Exchequer and the Attorney-General, to consider the development of the legal aid scheme, with particular reference to its cost.

(3) Subject to Conclusion (1) above, approved the proposals in C (66) 124 for a Criminal Justice Bill to be introduced in the current Session of Parliament.

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6. The Cabinet considered a memorandum by the Lord President of the Council (C (66) 125) to which was attached a draft White Paper on broadcasting policy.

The Lord President recalled that on taking office in 1964 the Government had been met with a request from the British Broadcasting Corporation (BBC) to increase the licence fee from £4 to £6 in order to finance their expenditure until 1970. The Government had subsequently agreed to an interim increase of £1, pending the outcome of their review of broadcasting policy. Following discussion of the proposals which the Ministerial Committee on Broadcasting put forward in February 1966, the Cabinet had decided that Exchequer subvention should be rejected as a means of financing the BBC, and that the licence should remain the sole source of finance, in view of the strong objection offered by the Corporation to advertising. The Prime Minister had seen the Vice-Chairman of the Board of Governors of the BBC and Director-General and made it clear that the Government could not agree to an early increase in the licence fee and could not accept that the fee should automatically be increased to meet the whole of the BBC's deficit. The BBC had then offered, subject to certain conditions, to cut their expenditure so as to dispense with the need for an increase in the licence fee until April 1968. The Ministerial Committee had examined the implications of the BBC's proposals and were now satisfied after taking account of the effect of the Selective Employment Tax on the
BBC, that the Corporation could make the necessary economies in order to enable an increase in the licence fee to be deferred until the beginning of 1968 at the earliest, without any significant effect on services to the public. Whether they might manage a little longer would depend on the effect of the administrative and legislative measures which the Government were taking to reduce licence evasion. The proposals now put forward in the draft White Paper had been framed with the object of limiting additional expenditure on broadcasting as far as possible in view of the current economic situation and therefore departed from the proposals which had been put forward earlier in the year. The Ministerial Committee had concluded that there should at present be no increase in the hours of broadcasting, that a fourth television network should not be established for the time being, and that progress with local sound broadcasting should be limited to an experiment to be conducted by the BBC. The publication of the Bill to suppress the pirate radio stations had created a need to provide a substitute programme, and the Committee had concluded that this could be done in time, and without substantially increased expenditure, only if the BBC were authorised to broadcast a continuous music programme on the wavelength at present used for the Light Programme. It had been announced during debate in Parliament that the Government were considering the establishment of a National Broadcasting Commission, but the BBC and the Independent Television Authority (ITA) had raised strong objection since they feared that such a Commission would threaten their authority and responsibility, and the Ministerial Committee had concluded that the proposal should not be pursued. The White Paper, however, referred to the development of machinery for consultation between the two corporations on common matters of policy.

There was strong pressure for the publication of the Government's review of broadcasting, particularly since the publication of the legislation to suppress the pirate stations, as it was known that the Government were considering the possibility of providing a substitute service. He sought the Cabinet's agreement to the publication of the draft White Paper, preferably towards the end of August, when it would be likely to receive considerable publicity.

In discussion of the White Paper, the following principal points were made:

(a) Broadcasting developments. A reference should be made in paragraph 4 to the development of stereophonic sound broadcasting.

(b) BBC finance. The statement in paragraph 10, that there should be no change at present in the arrangements for financing the BBC, would prompt questions on arrangements in the longer term. It was suggested that it would be necessary to undertake a fundamental review of the problems of financing public service broadcasting, since it seemed unlikely that the BBC, in competition with commercial broadcasting, could continue to be financed entirely from licence revenue and that this examination should extend to the role which advertising ought to play in BBC finance. It was agreed that the word "January" should be omitted from the final sentence of paragraph 10.
(c) Licence evasion. Introduction of the Government's legislation against evasion was now urgent and the White Paper should say that a Bill would be introduced in the autumn. It might be desirable to indicate that the Government proposed to provide that no receiver should be installed until a licence had been issued, a matter on which negotiations were currently being held with the retailers.

(d) Fourth network. The passage in square brackets in paragraph 17 was intended to avoid any implication that proposals for the University of the Air had been abandoned. It was, however, undesirable that this should be associated with the section of the White Paper on the fourth television network, and the passage should find a place elsewhere in the White Paper.

(e) Local sound broadcasting. It was suggested that an experiment was required to establish whether there was sufficient demand for local sound broadcasting, and whether sufficient local material would be available, to justify the establishment of a system of local stations over the country as a whole. The BBC should be used for the experiment, since they had the facilities to conduct it without substantial additional capital expenditure and because any new local corporations set up for the purpose would probably have to rely largely, if not entirely, on advertising, which was open to objection. It was desirable that an early experiment should be undertaken if the strong pressure from commercial interests to establish themselves in this field were to be resisted. The proposed establishment of local broadcasting councils in connection with the experiment would ensure a local character for the programmes. On the other hand, it was argued that the outcome of the experiment would be prejudiced by using the BBC, who were unlikely to provide programmes with popular local appeal; and that once the BBC were established in this field it would be very difficult to refuse to allow them to continue when the experiment was completed; that the experiment would further increase their expenditure and the need for a higher licence fee; and that it was wrong in principle that the cost of a local service should be financed from a national licence. Since the pirate radio stations operated to some extent as local stations, consideration ought to be given to the possibility of using local stations, financed from advertising, to broadcast popular music programmes in substitution for those at present provided by the pirate stations. Such stations would meet widespread popular demand at no cost to public funds and would be a source of revenue through the taxation of advertising. Local stations would have to broadcast on very high frequency (VHF); this might lead to an increase in the imports of foreign sets since VHF transistor receivers were not widely manufactured in this country, but might on the other hand stimulate domestic manufacture of such sets.

(f) Continuous music service. It was suggested that the essential need was to provide, without substantial additional capital expenditure, a substitute for the service provided by the pirate stations, which could be introduced when these were suppressed early in 1967. The establishment of a new corporation, financed
from advertising, and using the present BBC wavelength of 247 metres to broadcast a continuous music programme, might take two years and cost over £2 million, since it would be necessary for such a corporation to build its own transmitting stations. The BBC transmitters could not be made available if the medium wave coverage of the BBC’s Light Programme were to be maintained in the north and west, where it had a considerable audience, particularly in the rural areas. It would also be undesirable in present circumstances to set up a new service, financed from advertising, which would increase the demand for consumer goods. Moreover, there was objection to extending the scope of advertising in the field of broadcasting. On the other hand, it was suggested that the type of service that would be provided by the BBC, who were limited by their agreements with the Musicians’ Union in the amount of time they could devote to recorded music, would not in fact meet the demand or provide a range of choice. It was suggested that further consideration should be given urgently to the technical possibility of establishing new transmitting stations, possibly operating on VHF, to transmit a popular music programme in time to coincide with the disappearance of the pirate stations.

The Prime Minister, summing up the discussion, said that before decisions could be taken on local sound broadcasting and the establishment of a music programme the Cabinet required a technical appraisal of the possibility and implications of setting up stations to transmit, soon after the end of the year, programmes similar to those provided by the pirate stations; these might either be local stations operating on VHF, or stations using the BBC’s present medium 247 metre wavelength. The Cabinet would also require an appraisal of the possibility of financing such a service, whether operated by the BBC or otherwise, from advertising. The Postmaster-General should submit a report in the first instance to the Ministerial Committee on Broadcasting who should report to the Cabinet before the end of September. No indication could be given in the meantime to the BBC of the Government’s conclusions on their finances.

The Cabinet—

(1) Invited the Postmaster-General to submit to the Ministerial Committee on Broadcasting a technical appraisal on the lines indicated in the Prime Minister’s summing up of their discussion.

(2) Agreed to resume their discussion at a later meeting in the light of a report by the Ministerial Committee on the material submitted in accordance with (1).

Cabinet Office, S.W.1,

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