CABINET

CONCLUSIONS of a Meeting of the Cabinet held at
10 Downing Street, S.W.1, on Tuesday, 8th February, 1966,
at 10.30 a.m.

Present:

The Right Hon. HAROLD WILSON, M P, Prime Minister
The Right Hon. GEORGE BROWN, M P, First Secretary of State and Secretary of State for Economic Affairs
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 Relations
The Right Hon. WILLIAM ROSS, M P, Secretary of State for Scotland
The Right Hon. THE EARL OF LONGFORD, Secretary of State for the Colonies
The Right Hon. ANTHONY GREENWOOD, M P, Minister of Overseas Development
The Right Hon. Sir FRANK SOSKICE, Q C, M P, Lord Privy Seal
The Right Hon. R. J. GUNTER, M P, Minister of Labour
The Right Hon. FRED PEART, M P, Minister of Agriculture, Fisheries and Food

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. 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. ANTHONY CROSLAND, M P, Secretary of State for Education and Sciences
The Right Hon. DOUGLAS HOUGHTON, M P, Chancellor of the Duchy of Lancaster
The Right Hon. FRANK COUSINS, M P, Minister of Technology
The Right Hon. BARBARA CASTLE, M P, Minister of Transport

The following were also present:

The Right Hon. ANTHONY WEDGWOOD BENN, M P, Postmaster-General (Item 3)
The Right Hon. EDWARD SHOFT, M P, Parliamentary Secretary, Treasury

The Right Hon. JOHN DIAMOND, M P, Chief Secretary, Treasury
Miss JENNIE LEE, M P, Joint Parliamentary Under-Secretary of State, Department of Education and Science (Item 3)

Secretariat:

Sir BURKE TREND
Mr. P. ROGERS
Mr. J. H. LOCKE
Mr. L. ERRINGTON
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1. The Cabinet considered a memorandum by the Chancellor of the Duchy of Lancaster (C (66) 28) reporting a difference of view in the Ministerial Committee on the Farm Price Review.

The Chancellor of the Duchy said that the line to be taken by the Government in the Farm Price Review had to be considered against the background of the decision to seek a selective expansion of agricultural production as part of the National Economic Plan, as well as of the policy on prices and incomes. The differences of opinion in the Farm Price Review Committee centred on two issues. The first was how much the guarantees should be increased for beef and milk. The second was over the total increase in the guarantees.

The main emphasis in the National Economic Plan had been on an expansion of beef production. However, the greater part of any expansion in beef supplies must come from an expansion in the dairy herd to produce additional beef calves. This could only be assured by an increase in the price of milk. The Agricultural Ministers were alone in arguing for an increase of 1½d. a gallon in the price of milk: other Ministers were not prepared to go beyond 1d. a gallon. As regards beef, there was a broad measure of agreement on the desirable increases in the guarantees, although the Agricultural Ministers favoured a slightly higher guaranteed price for fat cattle than did other Ministers.

There was a wider margin of disagreement on the total increase in the guarantees. The Chief Secretary, Treasury, had argued that the total increase should not be more than £13 ½ million, the Agricultural Ministers that an increase of £30 million would not be unreasonable. His own view was that an increase of £20 million would be about right. This would lead to an increase of about 5 per cent in farm incomes but, although this would be above the norm of the prices and incomes policy, it had to be remembered that there had been a substantial fall in farm incomes in 1965. Moreover, farm incomes had to cover the return on capital investment in agriculture which was increasing year by year, as well as remuneration for the farmers’ work. An increase in the guarantees of £20 million could not be expected to satisfy the National Farmers’ Unions, particularly since the President of the English National Farmers’ Union was likely this year to be unyielding in negotiation. Indeed, an imposed settlement at this figure could well create an explosive situation since farmers were now expecting a substantial increase in the guarantees in the light of the policy of expansion set out in the Plan. If the Cabinet agreed to a limit of £20 million for an increase in the guarantees, the opening proposals by the Agricultural Ministers should be at a lower figure—perhaps £15 million. The details of the proposals could be settled by the Farm Price Review Committee.

The Minister of Agriculture said that the Government were committed to a selective expansion in home agriculture in order to enable British farmers to secure an increased share of the growing home market, and so achieve a saving of up to £200 million by 1970.
in foodstuffs which would otherwise have to be imported. Farmers were naturally expecting the Review to be framed in the light of this commitment. It was necessary to secure their co-operation if the policy of expansion were to succeed. Farm incomes had fallen substantially in 1965: moreover, the cost of Exchequer support was declining. In these circumstances it would be reasonable to make an opening offer of £15 million and to seek an agreed settlement at this year's Review if this could be achieved with an increase in the guarantees of between £20 million and £30 million. If, however, an agreed settlement were not considered important, an imposed settlement of around £20 million could be defended. But the advantages of securing an agreed settlement would be substantial and it would be desirable therefore to leave room to manoeuvre in the negotiations. The small increase in the cost to the Exchequer would be more than counterbalanced by the saving in imports.

The Chief Secretary, Treasury, said that British agriculture was in fact prosperous and the reduction in farm incomes in 1965 had been due entirely to unfavourable weather conditions. Had the year been normal, there would have been an increase in farm incomes in 1965 had been due entirely to unfavourable weather conditions. Had the year been normal, there would have been an increase in farm incomes of 3½ per cent and output had increased by 10 per cent in the past two years. An increase in the guarantees of £13½ million would be defensible: within this figure it was possible to make increases in the guarantees for beef and milk which all the members of the Farm Price Review Committee except the Agricultural Ministers considered reasonable. Such a settlement would be about as favourable to farmers as the average of the last seven Reviews; it would be likely to lead to an increase in farm incomes of slightly more than 3½ per cent and would thus be consistent with the incomes norm; and it would be substantially more generous to the farmers than the 1965 Review. An increase above £15 million, at which level farmers would benefit from half their increase in productivity, would represent a more favourable review than would ensue from the policy of the previous Administration and would not be defensible.

In discussion it was recognised that the expectations of the farmers had been raised by the publication of the National Economic Plan and that some increase on a figure that would otherwise accord with the intentions of the Agriculture Act, 1947, might therefore be necessary to achieve their co-operation in the policy of selective agricultural expansion and to secure the necessary level of investment. In these circumstances there was general agreement that an increase in the guarantees of £20 million would be reasonable. It was however also necessary to have regard to the interests of our main overseas suppliers and in particular of Australia and New Zealand and any increase above a settlement of £20 million would be embarrassing in that regard.

As regards the price of milk, it was recognised that an increase which led to an expansion in production would result in an additional production of butter which would create serious difficulties with our
main suppliers, particularly New Zealand and Denmark. The difference between an increase of 1d. a gallon and an increase of 1½d. a gallon would however simply be an increase in the retail price of ½d. a pint for four months or for six months; and this difference was not sufficiently great to justify a breakdown on that account in the discussions with the Farmers’ Unions. It was also suggested that seasonal variations in the retail price of milk were undesirable and that it would be preferable to maintain a steady price throughout the year. On the other hand, it was argued that a reduction in the retail price during the summer helped to stimulate consumption at the time of maximum production. It was also pointed out that, although the increase in the price paid to farmers was passed on to consumers, a significant additional cost fell on the Exchequer because of the resultant increase in the subsidy for school and welfare milk.

The Prime Minister, summing up the discussion, said that the general view of the Cabinet was that a settlement not exceeding £20 million would be acceptable, but that there should be no increase above that figure in order to obtain the agreement of the Farmers’ Unions. The opening proposals to be put to the Farmers’ Unions and the final proposals within this limit should be settled by the Farm Price Review Committee. The Chancellor of the Duchy of Lancaster and the Minister of Agriculture would of course be free to report back to Cabinet if the reactions of the Farmers’ Unions were such as in their view to make a reconsideration of this decision desirable but the Cabinet were not disposed to envisage any increase in the limit they had determined. The Farm Price Review Committee should also consider in the light of the Cabinet’s discussion the question of milk prices, including the advantages and disadvantages of seasonal variations in retail prices and the effect on the cost-of-living index and on the Exchequer of the possible changes.

The Cabinet—

(1) Agreed that a maximum increase of £20 million in the guarantees should be accorded in the Farm Price Review.

(2) Invited the Chancellor of the Duchy of Lancaster to arrange for the Ministerial Committee on the Farm Price Review:

(i) to consider the opening proposals to be put to the Farmers’ Unions and the details of the final proposals accordingly;

(ii) to consider further the question of milk prices in the light of the Prime Minister’s summing up of their discussion.

The Cabinet—

2. The Cabinet considered memoranda by the Minister of Technology (C (66) 24) and by the Secretary of State for Scotland (C (66) 26) on the siting of the prototype fast reactor (PFR).

The Minister of Technology said that it had been agreed that a PFR should be constructed at a capital cost of about £29 million.
choice of the site lay between Dounreay in Caithness and Winfrith in Dorset, since the Atomic Energy Authority (AEA) could not contemplate the development of a third reactor research and development establishment in addition to those at the two sites in question.

A substantial part had now been achieved of the AEA's major task in the civil field of developing nuclear power and henceforth there would be a gradual decline in the scale of effort and expenditure on the development of power reactor systems. The future programme could most efficiently and economically be organised at one major reactor development establishment, rather than at two. Dounreay was concerned almost entirely with fast reactor development and had only one research reactor in addition to the experimental fast reactor. Winfrith, on the other hand, was involved in the development of all four of the AEA's reactor systems and in addition had five other small experimental research reactors.

The present number of employees at Dounreay was 2,300 and if the PFR were to be built there the establishment's work would still begin to decline after 1971, when this came into operation. The major work on fast reactor development would be completed within about five years thereafter and the programme of work that could be foreseen after, say, 1976 would not amount to more than about half the present level, when employment would be confined to the operation of the PFR as an electricity generating station, together with certain connected development activities. If the PFR were not built at Dounreay, the establishment would close about 1974.

The capital cost of construction at Dounreay, together with the necessary high-voltage transmission lines, would be about £30 million or about £3 million more than at Winfrith, but after taking account of the need to construct the latter lines in future years the net additional capital cost would be about £0.7 million at 1970 values. Operating costs would not differ significantly: there would, however, be a 2 per cent greater transmission loss over the long lines from Dounreay and the 1970 value of this loss would be about £0.6 million. The staffing of professional grades at Dounreay had always been difficult and would inevitably remain so and account must be taken of the annual cost of maintaining two reactor development establishments instead of one. This could be assessed in money terms at about £1½ million a year during the period while research and development was being carried out at both establishments. The net estimated saving by siting the PFR at Winfrith rather than Dounreay was therefore of the order of £8 million at 1970 values. There were the additional considerations that the siting of the PFR at Dounreay might discourage oversea visitors and might lead potential oversea customers to conclude that fast reactors could not safely be brought near to populated areas. On the other hand, it must be accepted that many benefits had flowed to Caithness from the setting up of Dounreay and, unless suitable arrangements were made, its running down and eventual closure would create a serious problem for the area. Nevertheless, it must not be supposed that the establishment of the PFR at Dounreay would solve the area's
problems, since the existing establishment had not so far proved to be a point of economic growth and there was no reason to expect that the PFR would do so. The balance of these factors indicated that Winfrith should be chosen as the site.

The Secretary of State for Scotland said that a decision in existing circumstances to site the PFR at Winfrith would have the most damaging consequences for the existing community. The population of Thurso in recent years had increased from some 4,000 to over 9,000 of whom only 2,000 were directly employed at Dounreay. In order to maintain employment in the area at its present level, some 1,100 additional jobs would in any event have to be provided by 1976 but if the PFR were not sited here, this number would be more than doubled. The theoretical cost of providing them would be very high, of the order of £2 million, but in practice it was most improbable that the task would be achieved. Capital expenditure of £7 million had been incurred in developing at Dounreay housing and education facilities of a high order and these would be wasted if a decision were taken by the Government which would involve its early closing down. Such a decision would be contrary to the Government's policy of regional development and would have serious social and economic consequences in the area itself.

In discussion it was suggested that it would not accord with the Government's economic policy to seek to develop an artificial centre at Dounreay which in any event would be bound to reduce to half its present size in a few years' time. The majority of those employed at Dounreay would as employees of AEA find no difficulty in obtaining employment with the Authority elsewhere in the United Kingdom. In these circumstances, the additional capital and operating costs involved in siting the PFR at Dounreay should be a decisive argument in favour of Winfrith. The general view was, however, that these considerations were outweighed by the importance of maintaining as far as possible the community which had already been built up at Dounreay. It was also relevant that, whereas the level of unemployment at Thurso was high, Winfrith on the other hand was in an area of extreme shortage of labour. The additional cost of establishing the PFR at Dounreay was comparable with that of the differential investment grants to private industry in the development regions. Such investment grants were not available for the nationalised industries, partly because their siting could be controlled by the Government as a matter of policy. On these considerations it would therefore be contrary to the Government's policy for the regional development of industry and would cause serious damage to confidence in the Government's determination to pursue this policy in relation to Scotland if the PFR were sited at Winfrith.

The Prime Minister, summing up the discussion, said that the Cabinet were on balance agreed that the PFR should be sited at Dounreay. This decision should be announced by the Minister of Technology at the earliest possible date.
The Cabinet—
(1) Agreed that the prototype fast reactor should be sited at Dounreay.
(2) Invited the Minister of Technology to make an early announcement of this decision.

3. The Cabinet had before them a memorandum by the Lord President of the Council (C (66) 27) on the functions, organisation and finance of a University of the Air and a fourth television network and a note by the Lord President of the Council (C (66) 25) to which was attached a draft White Paper on the University of the Air by the Joint Parliamentary Under-Secretary of State, Department of Education and Science.

The Lord President said that the Ministerial Committee on Broadcasting had based their consideration of a University of the Air on reports by an Advisory Committee convened by the Joint Parliamentary Under-Secretary of State for Education and Science, and by an Official Committee. The Advisory Committee, which had reported on the educational functions of the University, had concluded that it would be essential for University programmes to be broadcast during peak evening hours: it was this consideration that necessitated the establishment of a fourth television network, since peak hour viewing for the University programmes could not be provided by the existing television services on the scale required.

A fourth television network would have to transmit on Ultra High Frequency (UHF) and on 625 lines. This would provide a limited initial coverage which would, however, grow over some 10 years. Reliable estimates of the possible size of the viewing audience and the number of students were not available since nothing comparable to the University of the Air had yet been attempted, but the Broadcasting Authorities estimated that the programmes envisaged might attract total viewing audiences of up to 100,000, and that there might be 10,000 students who would take diplomas and perhaps a further 1,000 who would proceed to degrees. These Authorities had some doubts about the size of audiences during peak hours because of the competition offered by programmes of entertainment, since most households had only one set. This difficulty might however be overcome by providing community viewing centres.

Provisional estimates of the cost of the fourth network and the University, based on figures provided by the British Broadcasting Corporation (BBC) and the Independent Television Authority (ITA), indicated that the capital cost might be some £42 million spread over 10 years, of which the amount attributable to the University would be some £14½ million. The annual operating cost of the network and the University might be about £33 million, of which the annual cost of the University would be £6 million to £7 million. The majority of the Ministerial Committee had concluded that it would undermine
The status of the University if it were made dependent on advertising revenue. Except to the extent that finance could be provided by endowments and such sources as registration fees and sale of books, the cost of the University would thus have to be borne by the Exchequer. The size of the sums involved raised a difficult problem of finance, since there was no provision for the University within the existing public expenditure allocations. There was the further difficulty that the ITA had expressed doubts about the commercial viability of a fourth network even without the University of the Air and the consequential loss of peak-hour transmissions, and had drawn attention to the risk of financial failure which might throw the whole cost of the network and the University on to the Exchequer.

The Ministerial Committee had also concluded that, despite some practical advantages in giving ITA control of the new network, it would be preferable to set up a new corporation which would itself sell advertising time and purchase programmes from the programme companies. The main issue for decision was, however, whether the implications of the University and the fourth network for public expenditure should be accepted and priority given to the University project over other competing demands for additional resources, or whether, because of the implications for public expenditure and the other uncertainties in the project, a pilot scheme should first be introduced, using spare hours on existing services.

The Joint Parliamentary Under-Secretary of State, Department of Education and Science (Miss Lee) said that the Advisory Committee had been drawn from a wide range of educational interests and had been unanimous in their conclusions, in particular on the potential educational value of the University of the Air and the stimulus which it would give to adult education and the development of television for educational purposes. Peak-hour transmission was, however, essential and the University would not be academically viable without the establishment of a fourth network to provide this service: it should be possible within four years to provide a service which covered about 35 million people in all the main industrial centres, with 20 main stations. As regards the capital cost, only about £17 million represented an extra demand on resources. The University could expect a substantial income of its own from the sale of courses overseas, from the sale of books and from endowments. But no part of its cost should be met by reducing existing educational services, nor could its demand for broadcasting facilities be met by reducing the number of lower level educational broadcasts on existing services, the need for which would be intensified by the University.

Apart from its degree courses, the University would greatly encourage and assist the development of adult education generally, and technological education in particular, and would make an important contribution to exports and oversea development. Any financial difficulties would be eased by the fact that it would take some years to cover the country as a whole, although a start might be made in two years, perhaps preferably outside London.
In discussion there was general agreement on the potential educational value of the University, both in providing for the substantial numbers seeking a University education in future years, who could not be accommodated in existing universities under the current programme of expansion, and in stimulating adult education generally. There was also general agreement that any new television network should be used mainly for educational purposes. Concern was, however, expressed at the demand which the fourth television network and the University of the Air would make upon resources and at the cost which might be involved. The latter could only be borne by the Exchequer if as a result of a re-examination of educational priorities other educational services were reduced, unless the total of public expenditure were to exceed the limits that had been determined by the Cabinet. On this view it was suggested that it might be preferable to give further consideration to a pilot experiment which would use spare hours on existing television services, or to achieve economies either by accepting a coverage of less than the total population or by a reduction of the demand on peak hours. It was, however, argued that the advice given by the commercial television interests was not necessarily impartial and that once a decision had been announced to establish a fourth network they might be more favourably inclined to participation, particularly if the use of colour were confined to the 625-line standard.

The Prime Minister, summing up the discussion, said that there was general agreement on the great potential value for education of a University of the Air. The cost of the present proposals was, however, a matter for concern, since it was necessary to avoid the imposition of an additional burden on the Exchequer. Nor should the University itself be dependent on finance from advertising. There was, however, reason to question the validity of the views offered by commercial television interests on this issue. Furthermore, the project would be a pioneer one of wide international interest and it might be possible to secure financial support from international foundations. He would arrange for the cost of the University and the commercial viability of a fourth network to be further examined in the light of these considerations. Meanwhile, further consideration should be given in the light of the discussion to the need for peak-hour transmission and to the possibility of using spare hours on BBC 2 which might be acceptable to those sections of the population primarily concerned, thus avoiding the cost of a fourth network. The possibility of a regional experiment should also be considered. It would be desirable to publish a White Paper at an early date, but this should, in the circumstances, be confined to the educational aspects of the University and should omit references to finance and to the fourth network pending the further consideration to be given to those aspects. The White Paper on Broadcasting Policy to be issued by the Postmaster-General should not be delayed in consequence of these further enquiries: it should state that a decision on the fourth network had been deferred, but should not ascribe this delay to the consideration being given to the University.
The Cabinet—

(1) Approved in principle the educational functions and content of a University of the Air proposed in the Annex to C (66) 25.

(2) Took note that the Prime Minister would arrange for further consideration to be given to the financing of a University of the Air and to the commercial viability of a fourth television network.

(3) Invited the Secretary of State for Education and Science:
   (i) to submit to the Prime Minister the revised draft of a White Paper on the lines indicated in discussion;
   (ii) to give further consideration to the need for peak-hour transmission, to the possibility of using spare hours on BBC 2 and to the desirability of a regional experiment in the use of the University of the Air, on the lines indicated by the Prime Minister in his summing up of their discussion.

Cabinet Office, S.W.1,
8th February, 1966.