CONCLUSIONS of a Meeting of the Cabinet held at
10 Downing Street, S.W.1, on Thursday, 9th November, 1967,
at 10.30 a.m.

Present:
The Right Hon. HAROLD WILSON, M.P., Prime Minister
The Right Hon. GEORGE BROWN, M.P., Secretary of State for Foreign Affairs
The Right Hon. JAMES CALLAGHAN, M.P., Chancellor of the Exchequer
The Right Hon. RICHARD CROSSMAN, M.P., First Secretary of State
The Right Hon. ROY JENKINS, M.P., Secretary of State for the Home Department
The Right Hon. PATRICK GORDON WALKER, M.P., Secretary of State for Education and Science
The Right Hon. PETER SHORE, M.P., Secretary of State for Economic Affairs
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. CLEDWYN HUGHES, M.P., Secretary of State for Wales
The Right Hon. ANTHONY CROSLAND, M.P., President of the Board of Trade
The Right Hon. ANTHONY GREENWOOD, 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. RICHARD MARSH, M.P., Minister of Power

The following were also present:
The Right Hon. JOHN DIAMOND, M.P., Chief Secretary, Treasury (items 3-6)
Mr. GEORGE THOMAS, M.P., Minister of State for Commonwealth Affairs (item 2)

The Right Hon. JOHN SILKIN, M.P., Parliamentary Secretary, Treasury

Secretariat:
Sir BURKE TREND
Mr. W. A. NIELD
Miss J. J. NUNN
Mr. E. M. ROSE
Mr. K. BARNES
Mr. P. E. THORNTON

SECRET

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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 the progress of the Government's legislative programme for the new Session was being endangered because Bills which Ministers had undertaken to have ready for introduction early in the Session were not yet available. Several major Bills which should receive Second Reading before Christmas would not in fact do so, and the Transport Bill could be available in time only if he could arrange for an extra draftsman to work on it at the cost of delaying some other Bill required after Christmas. The result of failure to bring major Bills forward early was that time available for legislation at the beginning of the Session was in effect being wasted. As a consequence it would be necessary either to prolong Parliamentary sittings into August, or to bring the House back earlier than would otherwise be necessary in October. If neither of these were acceptable, some Bills would have to be dropped from the programme. The delays appeared to arise largely because the main policy decisions were not taken early enough and subsidiary questions of policy were not resolved quickly thereafter.

The Prime Minister said that the situation disclosed by the Lord President was serious, particularly in view of his own request earlier in the year that Ministers should make themselves personally responsible for seeing that adequate time was allowed at all stages for the preparation of Bills. It would be unreasonable to ask Parliament to sit longer in the summer because the Government had been unable to have their Bills ready in time, and in future it might be necessary to stipulate that if Bills were not ready when they were required they would have to be dropped. The Future Legislation Committee should review the current programme and decide whether any Bills would need to be deferred until a later Session, and, if so, which.

The Cabinet—

(1) Took note of the statements by the Lord President and the Prime Minister.

(2) Invited the Lord President to arrange for the Future Legislation Committee to review the legislative programme and to decide whether any Bills would need to be deferred to a later Session, and, if so, which.

2. The Foreign Secretary said that two alternative draft resolutions on the Arab/Israel conflict had been tabled in the Security Council. One was a United States draft which we and Israel could accept but to which the Arab States were opposed; and the other an Indian draft which we and the Arab States could accept but which was not acceptable to Israel and the United States. Neither draft looked like commanding a majority. He was discussing
with the United Kingdom Representative at the United Nations, Lord Caradon, what attitude we should take in the face of this deadlock. One possibility was that we might table a resolution ourselves.

The Cabinet—
(1) Took note of the Foreign Secretary's statement.

The Foreign Secretary said that the National Liberation Front (NLF) had publicly announced on 8th November that we must formally recognise it as the sole representative of the South Arabian people before negotiations on the transfer of power in South Arabia could begin. The High Commissioner, Sir Humphrey Trevelyan, favoured such recognition. But if we were the first to recognise the NLF in this way, we might be accused by other Arab States, such as Saudi Arabia and Kuwait, of preventing the formation of a broad-based Government, and we could not be sure of a satisfactory response from the NLF. Meanwhile our withdrawal was proceeding according to plan. The most probable date for final withdrawal was 22nd November, but if negotiations could be started with the NLF, it might be postponed until 30th November.

In discussion the point was made that it was important not to miss any chance there might be of negotiating with the NLF; but that an early decision was necessary if our final withdrawal was to be postponed until 30th November.

The Cabinet—
(2) Took note of the Foreign Secretary's statement and the point made in discussion.

The Cabinet—
(3) Agreed to take an early opportunity to review the Government's policy in regard to Vietnam and Greece.

The Minister of State for Commonwealth Affairs said that on 8th November the Commonwealth Secretary had had four hours' discussion in Salisbury with Mr. Ian Smith about a possible settlement. They had not reached deadlock, but although Mr. Smith had clarified his position on a number of points in regard to the proposed Constitution, he seemed to be going back on several aspects of the settlement provisionally agreed on HMS Tiger in December 1966. The talks were continuing that day with officials present.

The Minister of State for Commonwealth Affairs said that at a Press conference in London on 7th November representatives of the Eastern Region had called on the Commonwealth Secretariat to initiate talks between the Federal Government and the Eastern Region. Their object seemed to be either to destroy the chance of
talks taking place or to bring pressure on the Federal Government to compromise. Nevertheless the Commonwealth Secretariat were still trying to find a basis for the two sides to meet.

The Minister of State for Commonwealth Affairs said that there had recently been two meetings, both on the Chinese side of the frontier, between the Hong Kong authorities and Chinese frontier officials. Provisional agreement had been reached on the return of the Inspector of the Hong Kong Police who had been abducted by the Chinese in October. But the Chinese had then raised further unspecified points. It was now hoped to resume the talks.

The Cabinet—
(4) Took note of the statements by the Minister of State for Commonwealth Affairs.

CONFIDENTIAL

3. The Cabinet considered a memorandum by the President of the Board of Trade and the Minister of Housing and Local Government about the third London airport (C (67) 173).

The President of the Board of Trade said that since the Cabinet had approved the choice of Stansted there had been a number of developments which made it desirable for them to reconsider the matter. It had been discovered that realignment of the runways at Stansted would greatly diminish the disadvantages of the site; recent cost/benefit studies had suggested a possible alternative site; and it was apparent that there would be strong opposition to Stansted in the House of Lords. Of the alternatives set out in the memorandum the practical choice lay between postponing the laying of the Special Development Order (SDO) for upwards of two months in order to consider the realignment of the runways at Stansted, and a full independent public inquiry into the best site for the third London airport. The other possibilities mentioned—a further inter-departmental inquiry with or without publication of its findings, and an independent inquiry limited to sites in the Stansted area—had no attraction.

He suggested that the case for a full independent inquiry was that, despite many years of investigation, new facts affecting the issue had recently come to light which cast serious doubts on the thoroughness of previous investigations. If the Government were to announce that they had now discovered—since the debate in the House of Commons in June—that a realignment of the runways at Stansted would markedly improve the site, this would simply reinforce existing anxieties and doubts on the part of a powerful body of informed public opinion—quite independent of the Stansted lobby—about the thoroughness of the Government’s examination of the whole matter. The siting of the airport was a crucial decision affecting a great many people and a wide area of country for many years ahead, and there would be a favourable public reaction to the
announcement of an inquiry to meet the legitimate doubts which had been so widely expressed. The main case against the inquiry, apart from the charge of Government vacillation which could be satisfactorily answered, appeared to be the cost involved in delay. However, if the independent inquiry found in favour of Stansted the airport would be ready when it was needed. It was only if another site was preferred that there would be delay. An inquiry lasting 18 months followed by six years for construction would bring the third airport into operation in mid-1975 and the costs of delay would in that event be insignificant. If on the other hand inquiry and construction together took 9\(\frac{1}{2}\) years, i.e., to mid-1977, the cost of delay would be £10 million. A reasonable estimate might be that an airport on an alternative site, recommended by the inquiry, would be operational by mid-1976, in which event the cost of delay would be £2 million. He thought it would be generally agreed that £2 million would be a reasonable price for finding the right site and for satisfying public opinion that the right site had been found. He therefore favoured an immediate announcement to the House of Commons that a small independent committee, consisting of perhaps three or four persons, would be established forthwith to advise on the siting of the third airport.

The Minister of Housing and Local Government said that although, as Minister responsible for planning, he had never liked the choice of Stansted, he had been persuaded after thorough and prolonged examination that there was no practical alternative. The issues involved had been considered by Ministers collectively on a number of occasions and the Government had firmly announced its decision in favour of Stansted both in a White Paper (Cmnd. 3259, May 1967) and in the debate in the House of Commons on 29th June, 1967. Since then cost/benefit studies had reaffirmed that Stansted was the best site and that re-alignment of its runways would make it even better than they had thought in June. The alternative site proposed at Nuthampstead was no better than Stansted with runways realigned. Although the South-East Economic Planning Council had not been consulted, and had been opposed to the decision, their chairman had now publicly recognised that the decision must be implemented, and without delay. The East Anglian Economic Planning Council favoured the choice of Stansted as did a significant number of the local inhabitants. A good deal of the opposition had come from quarters influenced by special interests and he did not think that "there was now widespread opposition among well-informed, independent public opinion. There was no reason to suppose that further enquiry would produce a better site than Stansted and it was important that the Government should not appear at this stage to vacillate: vacillation on this issue would lead to increasing pressures on the Government to reverse their stand on other, even more important, questions. Finally the Government would be able to take credit for the realignment of the runways at Stansted, which would be evidence of the attention they had paid to the views of the critics, particularly the local authorities and other organisations whom they had undertaken in the White Paper to
consult. He therefore favoured delaying the SDO to give time to consider runway realignment at Stansted.

In discussion the following principal points were made:

(a) There had been a large number of investigations over the years and all of them had come down in favour of Stansted. The latest interdepartmental cost/benefit study showed that allowing for possible margins of error Stansted had a significant advantage over its nearest competitor. On the other hand, Ministers had been informed in the summer that the matter had been so exhaustively studied that nothing new would be elicited by further studies. But it now transpired that no cost/benefit analysis had in fact been made until after the Government's decision had been announced, and two new possibilities—Nuthampstead and the realignment of the runways at Stansted—had now come to light following a necessarily hurried analysis. It was not possible to be sure in these circumstances that even now all the relevant facts were available to Ministers.

(b) It seemed that, unless Stansted were chosen, the minimum delay caused by an inquiry would be some nine years if a non-estuarial site resulted; and perhaps 11 years for an estuarial site. Table 5 of Appendix C to the memorandum showed the discounted costs of delay. But the actual costs incurred by delay if the airport were not operational until mid-1977 or mid-1978 were £18 million and £44 million respectively.

(c) There was strong opposition in the House of Lords to the choice of Stansted and it would be helpful if the Government felt able to take account of this by instituting an inquiry, particularly in view of the possible repercussions of conflict over Stansted in the negotiations on reform of the House of Lords. However, in the latter connection, the delay in bringing the SDO before Parliament which would result from a decision to examine realignment of the Stansted runways might be of some help.

(d) The main case for an inquiry now was that it would meet pressures for further public examination of the issues involved and for more published information about them. Moreover, the Government would be ill-advised to press on with a decision, which seemed at the least a doubtful one, simply in order to avoid any suggestion of vacillation. On the other hand if an inquiry recommended a site on the London/Birmingham axis or near the Shoeburyness gunnery range, the Government would then be faced with equally difficult and time-consuming problems of re-siting existing military airfields and the gunnery range. The delays which would be involved in reopening the question had probably been seriously under-estimated. The publication of a refined version of the latest cost/benefit analysis would go some way to meet the public demand for more information. No one was seriously expecting the Government to change the decision.

The Prime Minister, summing up the discussion, said that there was broad agreement that the balance of the argument pointed against a public inquiry and in favour of considering the realignment.
of the runways at Stansted. The President of the Board of Trade, together with the other Ministers concerned, should consider whether a refined version of the cost/benefit analysis might be made available in some form to interested parties. Meanwhile, the President of the Board of Trade and the Minister of Housing and Local Government should decide, in consultation with the Lord President, whether a statement about the third London airport should be made that day to the House of Commons, and if so what form it should take.

The Cabinet—

(1) Agreed that the realignment of the Stansted runways should be considered.

(2) Invited the President of the Board of Trade and the Minister of Housing and Local Government, in consultation with the other Ministers concerned, to arrange for the realignment of the runways to be examined; and meanwhile to postpone laying the Special Development Order before Parliament.

(3) Invited the President of the Board of Trade to consider, with the other Ministers concerned, whether a refined version of the latest cost/benefit study might be made available to interested persons outside the Government.

(4) Invited the President of the Board of Trade and the Minister of Housing and Local Government to consider, in consultation with the Lord President, whether a statement about the third London airport should be made that day to the House of Commons, and if so in what terms.

4. The Cabinet considered a memorandum by the Secretary of State for Economic Affairs (C (67) 175) to which was attached a report by officials on outstanding policy issues relating to the Industrial Expansion Bill, and a draft White Paper on Industrial Expansion.

The Secretary of State for Economic Affairs recalled that at their discussion on 26th October, 1967, the Cabinet had invited him to consider further with the Ministers concerned the outstanding policy issues on the Industrial Expansion Bill. The report by officials annexed to his memorandum incorporated the conclusions reached on these issues at a meeting which he had held with his colleagues, and made recommendations on certain other points on which it had seemed desirable to have further study and legal advice.

The report recommended that the composition of the proposed Advisory Committee to evaluate projects promoted under the Bill should not be confined to members of the Industrial Reorganisation Corporation (IRC) and the National Research and Development...
Corporation (NRDC). It was desirable that the Advisory Committee should be serviced mainly by these bodies instead of establishing new machinery for which there might not be an even flow of work; it was also important to associate the IRC with the Advisory Committee since there would be a close relation between the normal functions of the IRC and action taken under the Bill. But the composition of the Advisory Committee should be such as to reassure industry that the financial and technical appraisal of projects would be competent and thorough, and from this point of view it would be undesirable to restrict its composition to members of the IRC and NRDC. It was recommended that reference of projects to the Advisory Committee should not be mandatory.

It was proposed that the powers under the Bill should be available not only to finance individual projects but also to enable a Minister by Order under the Bill to set up a Board to advise on and perhaps supervise a series of related projects to be undertaken within a single industry. Such Industry Boards should be set up only where there was a continuing industry-wide operation to be carried through comparable with the action now being taken in shipbuilding by the Shipbuilding Industry Board. It was further proposed that Boards should be set up only after there had been a preliminary inquiry into the industry concerned. The Boards should not have spending power of their own and their proposals for expenditure would be subject to approval, within the limits of a general Order, by the Minister concerned. A reference to Industry Boards should be included in the White Paper.

As regards the scope of the Bill, the report recommended that it should provide for support of eligible projects in any industry (including transport, distribution and other services) in the private sector. On the question whether the powers should extend to assisting projects in the public sector, it could be argued that, if the public sector were to be covered by the Bill, this would intensify the opposition to the Government’s proposals as a whole. On the other hand, it would be politically difficult to defend the exclusion of the nationalised industries. There was a case for a compromise whereby the main activities of the nationalised industries would be excluded, since they were governed by existing legislative provisions and by the policy set out in the recent White Paper on the Economic and Financial Objectives of the Nationalised Industries (Cmnd. 3437 of 1967); but the subsidiary manufacturing activities of the industries would be included and would thus be treated in the same way as private industry, as they already were for a number of other purposes, such as payment of investment grants.

The report further recommended that the Bill should provide in a separate clause the necessary authority for Government assistance to the Cunard Company; this would avoid expending Parliamentary time on separate legislation. The Bill should also provide in a separate clause the authority needed for financing the production costs of the Concord aircraft; there should be a limit of £100 million
with provision to increase the amount by Order by £25 million. The Bill should also incorporate a financial limit on expenditure generally, excluding the provision for assistance to Cunard and for the production costs of Concord; and the limit here should be £100 million with provision for an increase by Order by £50 million, either once (to £150 million), or twice (to £200 million); he himself favoured the latter.

The Cabinet considered in turn the recommendations in the report by officials.

**Advisory Committee**

In discussion there was general agreement with the recommendations of the report, subject to the modification, proposed by the Secretary of State for Economic Affairs in his covering memorandum, of the reference in the last sentence of paragraph 4 to the role of the Advisory Committee in advising on the extent to which projects involved discrimination between competing firms.

The Cabinet—

(1) Agreed that the composition of the proposed Advisory Committee should not be confined to members of the IRC and NRDC and that reference of projects to the Committee should not be mandatory.

**Industry Boards**

It was suggested that for the Government to take power to establish Boards on the lines proposed would increase the suspicion with which industry already regarded the Government's plans. On the other hand, this method of proceeding might have advantages for a number of industries, and it was possible that industry would be less apprehensive about industry-wide projects if they were administered through Industry Boards than if they were administered directly by the Minister concerned. There was general agreement that Boards should only be set up after a preliminary inquiry into the industry concerned, though the inquiry need not necessarily take the form of an independent committee on the lines of the Geddes Committee for shipbuilding; it would be acceptable to establish a Board following other forms of inquiry, for example a report by the Economic Development Committee of the industry concerned.

The Cabinet—

(2) Agreed that the Industrial Expansion Bill should include provision for the setting up of Industry Boards as proposed in paragraph 7 of the report by officials annexed to C (67) 175.

(3) Invited the Secretary of State for Economic Affairs, in consultation with the Minister of Technology, to incorporate a reference to Industry Boards in the White Paper on Industrial Expansion, reflecting as appropriate the points made in their discussion.
Scope of the Bill

There was general agreement that the Bill should cover industries generally in the private sector, including transport, distribution and other services, but excluding shipbuilding which was already covered by recent legislation. It was argued that power should also be taken to assist projects in the nationalised industries since it might from time to time be desirable for these industries to undertake projects which, though justified in the national interest, would not be consistent with their financial obligations. On the other hand, it was argued that to include the nationalised industries would confuse the main purpose of the Bill, which was to help the private sector, and would increase hostility towards the Government's proposals.

An attempt to distinguish in the Bill between the main and ancillary activities of the nationalised industries would lead to great difficulties. The powers available under existing legislation were sufficient to ensure that the nationalised industries could undertake any projects which it was desirable they should undertake in the national interest, though in considering projects which did not come within their main activities it would be important to have regard to the need for the available managerial capacity in the industries to concentrate on their main functions. Where the nationalised industries undertook projects jointly with private interests, such projects would in any case be eligible for assistance under the Bill.

The Prime Minister, summing up this part of the discussion, said the Cabinet agreed on balance that the nationalised industries should be completely excluded from the Bill.

The Cabinet—

(4) Agreed that the Industrial Expansion Bill should cover all industries in the private sector (including service industries), except for shipbuilding.

(5) Agreed that the nationalised industries should be excluded from the Industrial Expansion Bill.

Cunard

It was suggested that it would be undesirable to provide in the Bill for Government assistance to Cunard, since this was a rescue operation of a kind quite foreign to the main objects of the Bill, and to provide for it in the Bill would tend to substantiate fears that the Bill would be used to support projects which were not viable. On the other hand, it was the general view that it was desirable to avoid the loss of Parliamentary time which would be entailed if separate legislation on Cunard had to be introduced, and that the inclusion of provisions relating to Cunard should be defended on the grounds that it was reasonable to use the Bill in this instance as a vehicle for implementing a past commitment.
The Cabinet—

(6) Agreed that provision for assistance by the Government to the Cunard Company should be included in a separate clause in the Industrial Expansion Bill.

Aircraft projects

The Cabinet—

(7) Agreed that authority for financing the production costs of Concord should be provided in a separate clause of the Industrial Expansion Bill, with a financial limit for expenditure on Concord alone of £100 million with provision to increase it by Order by £25 million.

Financial limits

The Cabinet—

(8) Invited the Secretary of State for Economic Affairs to consider further with the Minister of Technology and the Chief Secretary, Treasury, the limit to be incorporated in the Industrial Expansion Bill on expenditure under the Bill, other than expenditure on assistance to Cunard and on the production costs of Concord.

The Cabinet then considered the draft White Paper annexed to C (67) 175. There was general agreement with the substance of the draft, subject to the amendments and additions which would be necessary following the Cabinet's decisions on the outstanding policy issues. It was noted that the Ministers mainly concerned would wish to propose a number of drafting amendments.

There was general agreement that it would be desirable to defer publication of the White Paper until shortly before the publication of the Bill itself. If the White Paper were published not more than about 10 days before the publication of the Bill, it would then be possible to resist any pressure for a Parliamentary debate on the White Paper separately from debate on the Bill.

The Cabinet—

(9) Invited the Secretary of State for Economic Affairs—

(i) in consultation with the Lord President, the President of the Board of Trade, the Minister of Technology and the Chief Secretary, Treasury, to revise the draft White Paper annexed to C (67) 175 in the light of their discussion, incorporating any drafting amendments which seemed desirable, and to clear the relevant passages with the IRC and NRDC as envisaged in his memorandum;

(ii) in consultation with the Lord President and the Minister of Technology, to arrange for publication of the White Paper, subject to revision as at (i) above, and to be guided as to the timing of publication by the relevant part of their discussion.
5. The Cabinet considered a memorandum by the Minister of Transport (C (67) 174) to which was annexed a draft White Paper on the Transport of Freight.

The Minister of Transport said that her proposals for the establishment of a national freight organisation had been approved by the former Ministerial Committee on Economic Policy and announced to Parliament earlier in the year. Her colleagues had also approved her proposals for revision of the road haulage carriers’ licensing system. These two sets of proposals formed the basis for the White Paper on policies for freight transport which she proposed should be published in advance of the forthcoming Transport Bill. She hoped to lay the Bill before Parliament at the beginning of December. The draft White Paper also included reference to the new charges to be imposed on lorries in respect of abnormal loads and wear and tear, in pursuance of the decision by the Cabinet on 20th July, 1967, in the course of their review of public expenditure.

In preliminary discussion, it emerged that a number of specific policy issues had not yet been satisfactorily resolved between Departments. The Ministry of Agriculture wished to discuss further with the Ministry of Transport the possibility of fixing the limit for goods vehicles exempted from carrier licensing above the limit of 30 cwt. unladen weight specified in paragraph 43 of the draft White Paper. There were also points which had not been resolved relating to the proposed charges on goods vehicles.

The Prime Minister said that in the circumstances it would be preferable for the Cabinet to postpone consideration of the draft White Paper until their meeting on Tuesday, 14th November. The Ministers concerned should ensure that the necessary consideration was given before then to the issues outstanding. The aim should be to publish the White Paper on Thursday, 16th November, but the Cabinet would wish to take a final decision on this at their meeting on 14th November.

The Cabinet—

(1) Invited the Ministers concerned to arrange for any outstanding policy issues affecting the draft White Paper on Transport of Freight to be discussed with the Ministry of Transport before Tuesday, 14th November.

(2) Agreed to resume their discussion of the draft White Paper on that date.

6. The Chancellor of the Exchequer informed the Cabinet that Bank Rate would be increased that day from 6 per cent to 6½ per cent.

The Cabinet—

Took note of the statement by the Chancellor of the Exchequer.

Cabinet Office, S.W.1,
9th November, 1967.