CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1., on Thursday, 4th July, 1968, at 11 a.m.

Present:
The Right Hon. Harold Wilson, M.P., Prime Minister
The Right Hon. Michael Stewart, M.P., Secretary of State for Foreign Affairs (Items 1-3)
The Right Hon. Lord Gardiner, Lord Chancellor
The Right Hon. Barbara Castle, M.P., First Secretary of State and Secretary of State for Employment and Productivity
The Right Hon. Denis Healey, M.P., Secretary of State for Defence
The Right Hon. Peter Shore, M.P., Secretary of State for Economic Affairs
The Right Hon. George Thomson, M.P., Secretary of State for Commonwealth Affairs
The Right Hon. Anthony Wedgwood Benn, M.P., Minister of Technology
The Right Hon. Anthony Greenwood, M.P., Minister of Housing and Local Government (Items 1-3)
The Right Hon. Lord Shackleton, Paymaster General
The Right Hon. Roy Jenkins, M.P., Chancellor of the Exchequer
The Right Hon. Richard Crossman, M.P., Lord President of the Council
The Right Hon. James Callaghan, M.P., Secretary of State for the Home Department
The Right Hon. Fred Peart, M.P., Lord Privy Seal
The Right Hon. Anthony Crosland, M.P., President of the Board of Trade
The Right Hon. Edward Short, M.P., Secretary of State for Education and Science (Items 1-3)
The Right Hon. Richard Marsh, M.P., Minister of Transport
The Right Hon. Cledwyn Hughes, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. George Thomas, M.P., Secretary of State for Wales
The Right Hon. Roy Mason, M.P., Minister of Power
The following were also present:
Dr. J. Dickson Mabon, M.P., Minister of State, Scottish Office (Items 3-5)
The Right Hon. John Silkin, M.P., Parliamentary Secretary, Treasury

Secretariat:
Sir Burke Trend
Miss J. J. Nunn
Mr. E. M. Rose
Mr. R. R. D. McIntosh
Mr. H. L. Lawrence-Wilson
<table>
<thead>
<tr>
<th>Item</th>
<th>Subject</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>PARLIAMENT</td>
<td>3</td>
</tr>
<tr>
<td>2</td>
<td>OVERSEA AFFAIRS</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>State Visit of the President of Italy</td>
<td></td>
</tr>
<tr>
<td></td>
<td>France</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Greece</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Zambia</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Tanzania</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Non-Proliferation Treaty</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Nigeria</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>INDUSTRIAL DISPUTES</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Railways</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>DEFENCE</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>Supplementary Statement on Defence Policy, 1968: Draft White Paper</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>BRISTOL: WEST DOCK</td>
<td>10</td>
</tr>
</tbody>
</table>
1. The Cabinet were informed of the business to be taken in the House of Commons in the following week.

2. The Foreign Secretary said that the State Visit of President Saragat of Italy which was to have taken place from 16th to 23rd July had had to be postponed. The President's presence in Italy was considered necessary in view of doubts whether the new Italian Government would receive a vote of confidence from the Italian Parliament. He had explained to the Italian Ambassador that given the complex arrangements involved in a State Visit it might now be some time before the President's visit could take place.

The Foreign Secretary said that the recent French elections were an overwhelming victory for the Gaulists and the Independent Republicans and a defeat for all the other parties. They were a reaction against the disturbances which had taken place in May, and showed the futility of demonstrations against a Government, when the demonstrators did not know what they wished to put in its place and could not count on widespread popular support. There was a possibility that M. Pompidou might be replaced as Prime Minister. French policies were unlikely to change, in particular with regard to the North Atlantic Treaty Organisation and to the British application to join the European Economic Community (EEC). But France's power to carry her policies through might have been weakened as a result of the May disturbances.

The French Government had announced a series of measures involving incentives to exporters, quota restrictions and the administrative surveillance of imports. These measures would leave the Kennedy Round untouched and the French Government had announced its decision to comply fully with its engagements under the EEC and the General Agreement on Tariffs and Trade (GATT). The French would have some difficulty in justifying the measures since their reserves of gold were still very large; but the EEC were likely to give the necessary approval. The real danger lay in the reaction of the protectionist lobby in the United States. We were not in a position to criticise the French measures; and to do so would not help.

In discussion the view was expressed that it was right not to take the lead in opposition to the French measures, but to leave the EEC and the GATT to make the running. There was a possibility that the French Government might be obliged to reduce its expenditure on defence, although it would probably prefer, if necessary, to abandon the Concorde project rather than to sacrifice the French nuclear deterrent.
The Foreign Secretary said that the situation was still not clear with regard to reports that Greek orders for British goods had been cancelled, allegedly following a reply by the Prime Minister to a supplementary Question in the House of Commons. The Greek Director-General of Press and Information, M. Stamatopoulos, had denied reports that the Greek Government had decided to cancel all contracts with British firms. The Ambassador was in touch with the Greek Government.

The Commonwealth Secretary said that President Kaunda of Zambia had accepted an invitation to visit this country from 16th to 20th July. He had accepted that we could not go back on our previous decision to provide no further contingency economic aid for Zambia.

The Commonwealth Secretary said that Tanzania had agreed to resume diplomatic relations and was thus the last country to do so of those which had broken with us over Rhodesia in December 1965. An announcement to this effect would be made that day. The resumption of relations with Tanzania was the result of a visit there by Mr. Malcolm MacDonald, the British Special Representative in East and Central Africa. It would not entail any change in our policy on economic aid.

The Foreign Secretary said that there were signs of progress on the issue of disarmament. Sixty nations had so far signed the Treaty on the Non-Proliferation of Nuclear Weapons. He was now considering, in the light of discussions which the Minister of State for Foreign Affairs, Mr. Mulley, had recently had in Washington, what further proposals might be put to the Eighteen Nation Disarmament Committee. The Soviet Ambassador, M. Smirnovsky, had delivered to the Foreign Office on 1st July a memorandum containing nine proposals on disarmament which the Soviet Government now wished to discuss in the Committee. The memorandum contained some proposals clearly intended to promote the strategic interests of the Soviet Union. But there were others which had previously been advanced by the West; and there was a reference to the possibility of measures to limit the flow of arms to the Middle East, which represented a departure from previous Soviet policy. Agreement had also been reached between the United States and the Soviet Union to discuss in the near future the limitation and reduction of offensive and defensive strategic nuclear weapon delivery systems.

The Prime Minister said the Cabinet would wish to congratulate the Foreign Secretary and the Ministers of State for Foreign Affairs, Mr. Mulley and Lord Chalfont, on the signature of the Non-Proliferation Treaty. The British Government, and the Foreign Secretary personally, had played an important part in bringing to a successful conclusion the negotiations leading up to the Treaty.
The Commonwealth Secretary said that the announcement on 2nd July that Lord Hunt would lead a mission to Nigeria to advise on relief had been well received. He contemplated two stages in the relief operation—an emergency air lift followed by a longer term land lift. It was not intended to wait for Lord Hunt to return before making plans for an air lift to alleviate the immediate suffering.

Our efforts to achieve a cease-fire had recently suffered a setback; and it was clear from a speech on 30th June by Colonel Ojukwu, the Head of the Biafran Government, that Sir Louis Mbanefo, the Biafran representative at the recent talks in Kampala on a cease-fire, would not after all be coming back to London to resume talks with representatives of the Federal Government. This development had demonstrated the importance of direct access to Colonel Ojukwu; and he hoped that Lord Hunt would see Colonel Ojukwu in the course of his relief mission. Meanwhile, the Commonwealth Secretary was supporting a proposal that Mr. Arnold Smith, the Commonwealth Secretary-General, should visit Biafra in order to contact Colonel Ojukwu.

In discussion the question was raised whether it was right to continue to supply arms to the Federal Government when the continuation of the war was causing so much suffering. It was pointed out that we were only supplying arms in normal quantities; that the Federal Government could easily get these arms from other countries; and that it was the intransigence of the Biafrans which was largely responsible for the continuation of the war. Biafra was insisting on recognition of its secession by the Federal Government as a condition for a cease-fire, whereas the Federal Government were fighting for the territorial integrity of Nigeria and could not therefore accept secession. The sympathy which the Biafran cause enjoyed in this country was largely due to the successful public relations of the Biafran authorities. They were employing a public relations firm in the same way as the Katangan authorities had at the time of Katanga's secession from the Congo in 1960-62. It was desirable that a full study should be made of the activities in this country of public relations firms employed by foreign authorities. The Prime Minister said he would consider, in consultation with the Lord President, how to pursue this.

The Cabinet—

Took note of the statements by the Foreign and Commonwealth Secretaries and of the points made in discussion.
several weeks and had considered warning their employees that those who reported for duty but could not be given work because of the action of other employees would in future be sent home without pay. In discussion with the Chairman of British Rail the previous day she and the Minister of Transport had explained that the Government could not approve a general increase which would conflict with the prices and incomes policy; but that it was important that British Rail should avoid taking action which could subsequently be said to have precipitated a national strike. In the light of this British Rail had decided not to announce the suspension of the guaranteed week and the member of the Board responsible for labour relations had flown to Penzance for discussions with the NUR committee. There was in her view a serious risk of a national strike; and the Cabinet should consider what its attitude would be if this materialised. To approve an all-round increase of the kind the NUR were seeking would be in direct conflict with prices and incomes policy and have serious repercussions on the wage negotiations in the engineering industry. There might, however, be scope for a small improvement in the management’s offer without breaching the prices and incomes policy—for example, by providing for some payment on account to be made in return for firm undertakings about future productivity.

The Minister of Transport said that, although the “go-slow” had given rise to great inconvenience for London commuters, its effect on the economy was so far negligible. Both exports and imports were still flowing freely through the ports and the transfer of freight traffic to the roads was proceeding smoothly. He had put in hand a study of the consequences for the economy of a national railway strike. The “go-slow” had had a serious effect on British Rail’s finances. They could not make any increase in their offer without adding to their financial difficulties and conflicting with the prices and incomes policy. The Government should therefore give British Rail their whole-hearted support; their intervention in the dispute could only lead to an increase in British Rail’s offer and this would destroy the credibility of their management decisions. It was in any case by no means certain that there would be a national strike. There were indications that lower paid employees, whose earnings had in some cases fallen substantially because of the “go-slow”, would be reluctant to strike; and British Rail thought that a series of partial stoppages in different parts of the country was more likely.

In discussion there was wide support for the view that it would be wrong for the Government to intervene in the dispute and that they should support the management of British Rail even at the risk of a national strike. A national strike would, however, be a serious matter and the Government’s readiness to face it must be largely conditioned by their assessment of the consequences for the economy, the effect on foreign opinion and the likelihood of sympathetic action by other groups of workers, for example, in the docks. The seamen’s strike of 1966 had had serious consequences for the economy, though these were not likely to be repeated in the present case because of the small proportion of our exports which was carried by rail.
The Prime Minister, summing up the discussion, said that the Cabinet were agreed that it would be wrong for the Government to take any action which might lead the railwaymen to believe that further intransigence would lead to an improvement in the management's offer. British Rail should be left to continue their discussions at the Annual Conference of the NUR, but if these failed to produce results it would be necessary to consider whether the Government could usefully take any initiative with the aim of reaching a settlement which conformed with the prices and incomes policy. In this event, he would consider the matter again with the Chancellor of the Exchequer, the First Secretary of State and the Minister of Transport, and they would consult other Ministers concerned as necessary.

The Cabinet—

Took note with approval of the Prime Minister's summing up.

4. The Cabinet had before them a note by the Secretary of State for Defence (C (68) 83) covering the draft Supplementary Statement on Defence Policy, 1968.

The Defence Secretary said that the draft White Paper took account of amendments agreed by the Defence and Oversea Policy Committee at a meeting in the previous week and of other amendments proposed by individual Ministers. The White Paper was intended to show how the major decisions on defence policy taken earlier in the year would be put into effect. The Defence Budget for 1968-69 and 1969-70 would be contained within the ceilings that had been set and it would only be necessary to provide £25 million for cancellation charges on the F. 111 programme which was much less than the speculative figures which had appeared recently in the Press. Manpower reductions would be somewhat greater and would be made earlier than had been forecast for the long term a year ago and would be achieved by 1973-74. Since 1964 there had been a reduction of a quarter in the planned manpower and equipment programmes of the forces and of a third in planned expenditure. The draft White Paper reported progress on our military withdrawals from Singapore and Malaysia and from the Persian Gulf, and described the additional contributions that we proposed to make to the defence capability of the North Atlantic Treaty Organisation (NATO). In order to maintain the strength of the proposed forces, it would be necessary to recruit at a rate of 35,000 annually compared with the current intake of only 25–28,000 and, unless recruiting could be improved, it might be necessary to consider the reintroduction of conscription. It was important, therefore, to restore public confidence in the Services as a career and for this reason the draft White Paper sought to emphasise the positive aspects of the now primarily European role of the Services.

The Cabinet then considered the draft White Paper in detail and the following main points were made.
Paragraph 21

It should be made plain by inserting quotation marks that the second half of the first sentence of this paragraph was a quotation from the communique of the meeting of NATO Defence Ministers at The Hague in April, 1968.

Paragraph 37

The Defence Secretary said that he and the Chiefs of Staff attached high priority to the proposal mentioned in this paragraph to purchase 26 additional Buccaneer aircraft, which had the support of a majority in the Defence and Oversea Policy Committee. As a result of the re-shaping of NATO strategic thinking, in which we had played a major part, greater emphasis was now placed on conventional operations with a consequent need for more aircraft for the strike/reconnaissance role. We had always made a contribution in this role and it had been the intention that, as the Canberra aircraft which we currently contributed to NATO wasted out, they should be replaced by the F. 111. When the F. 111 was cancelled, he had stated that it would be necessary to do something to mitigate its loss. The additional Buccaneers would cost £62 million over ten years compared with £450 million for the F. 111. They would enable us to make a meaningful contribution to the strike/reconnaissance role and to maintain techniques of this kind of operation in the Royal Air Force. They would also allow us more flexibility in the date by which an advanced combat aircraft would be required in service and thereafter would be available to maintain our contribution to NATO maritime operations in the late 1970s. The order for the aircraft would go to a “grey” area and, because we should avoid the cancellation charges on Buccaneers not required following the decision not to re-fit HMS Victorious, there would be no additional costs this year and under £2 million in 1969–70. Provision had been made for the programme within the Defence Budget ceilings up to 1972–73.

In discussion, it was argued that in our present economic and financial situation we should not purchase the additional Buccaneers. We were already planning to make substantial additional contributions to NATO and should avoid becoming committed to being the only European NATO country which contributed to the expensive strike/reconnaissance role, particularly as this might prejudice our freedom of action in deciding in due course whether or not to participate in the development of an advanced combat aircraft. The purchase, which would involve substantial expenditure in 1970–71 and 1971–72, would introduce additional rigidity into the Defence Budget and make it more difficult to achieve any further economies that might be necessary. It was not a sufficient justification for new programmes of this kind that they could be financed within the ceilings set for the Defence Budget; they must be considered on their merits.

The balance of opinion was, however, in favour of purchasing the additional Buccaneers. The military arguments for the purchase had been strongly made and there were important political
arguments also in relation to our position in NATO. The expenditure involved was, moreover, too small within the Defence Budget as a whole to add materially to its rigidity or to prejudice the extent of any savings that might be necessary in the Defence Budget for 1969–70.

Paragraph 48

An addition should be made to this paragraph to indicate that increasingly substantial savings in Army Support manpower could be expected beyond the current year.

Paragraph 57

The last sentence of this paragraph should be confined to stating the recruiting requirement without indicating the need for it to improve since the point could be better taken and elaborated in the debate on the White Paper.

Paragraph 73

The third sentence of this paragraph, which dealt with the possibility that the United States contribution to European defence might be reduced, should be omitted.

Some minor amendments in the White Paper were agreed or remitted for consideration by the Defence Secretary with the Ministers concerned.

The Prime Minister, summing up the discussion, said that the Cabinet approved the draft Supplementary Statement on Defence Policy, subject to the points made in discussion, and noted that it would be published on 11th July. Since the reductions and closures that would be necessary in the United Kingdom military base organisation in the next few years would have important regional implications, the Ministers concerned with economic and regional affairs should be given adequate opportunity to represent their interests effectively before decisions were taken.

The Cabinet—

(1) Approved the proposal to purchase 26 additional Buccaneer aircraft.

(2) Subject to points agreed in discussion, approved the draft Supplementary Statement on Defence Policy 1968 appended to C (68) 83.

(3) Invited the Secretary of State for Defence, before reaching decisions on United Kingdom military base organisation with regional implications, to consult the Ministers concerned with regional and economic affairs.
5. The Cabinet considered a memorandum by the Minister of Transport on Bristol West Dock (C (68) 84).

The Minister of Transport said that at the Ministerial Steering Committee on Economic Policy on 2nd July (SEP (68) 11th Meeting), opinion was evenly divided between, on the one hand, outright rejection now of the Bristol West Dock project and, on the other, allowing Bristol Corporation to go ahead without any grant or loan from the Ministry of Transport and without access to the Public Works Loan Board. His paper summarised the main considerations involved. There was in his view no economic justification for the dock. The return on a discounted cash flow (dcf) basis was 2\% to 4\% per cent as against a minimum of 8 per cent for public sector projects and between 10 and 20 per cent for most current port development projects. It could be argued that dcf calculations were not appropriate to a long-term project of this sort but they were the only available measure of prospective economic return. Rejection of the scheme would mean that Bristol would lose traffic and that there would be no further expansion; it would not involve the closure of all port facilities there. He recognised, however, that to reject the scheme, on which the Bristol Corporation were prepared to risk their own money, would have serious political implications, would create acute difficulties locally and might lead to resignations from the South-West Economic Planning Council. If the Corporation were allowed to go ahead with the scheme the Government could refuse to give them loans and grants under the Harbours Act, 1964. The Corporation could, however, challenge in the courts the refusal to give a grant, though he was advised that such a challenge was unlikely to be successful. The Government could not stop the Corporation from borrowing about a third of the finance required for the dock from the Public Works Loan Board.

In discussion it was argued that a decision to reject the scheme would preclude further expansion of the port of Bristol and thus lead to its eventual disappearance. If the Corporation were told that they would have to finance the whole of it themselves they might well decide to postpone it until the results of the Severnside study became available. A decision to oppose the Bristol Corporation Bill on Second Reading would give rise to considerable embarrassment in Parliament and the Government might have difficulty in securing a majority. The decision would be regarded as an example of the "Whitehall knows best" attitude towards a project on which the people of Bristol were prepared to risk their own money. It would be a serious blow to regional planning and would almost certainly lead to resignations from the Economic Planning Council. It was unreasonable to prevent the local interests concerned from carrying through a project of this kind while less desirable projects in the private sector, such as the Brighton Marina, which involved equally heavy calls on national resources, were allowed to proceed without challenge.
On the other hand, it was strongly argued that to allow the scheme to go through would involve a gross misuse of national resources. The full cost of the project would in one way or another have to be met from public funds; it represented an addition to public borrowing and expenditure and to the public sector's claim on resources. No provision had been made for it in the Public Expenditure Survey and if it were allowed to go ahead the expenditure would need to be offset by savings on other transport projects for which there was greater economic justification. The development of major ports, which the Government were committed to nationalise, must be planned on a national basis and the port facilities within the Severn estuary should be considered together. There was surplus capacity in the South Wales ports, which were linked to Bristol by the Severn bridge, and a decision to go ahead with the West Dock would prejudice future development in South Wales which already faced growing unemployment problems.

The Prime Minister, summing up the discussion, said that the majority of the Cabinet favoured outright rejection of the Bristol West Dock. The Minister of Transport should announce the Government's attitude to the project before the debate on the Second Reading of the Bristol Corporation Bill and it was possible that the promoters of the Bill might decide not to proceed with it.

The Cabinet—
Invited the Minister of Transport to announce, before the debate on the Second Reading of the Bristol Corporation Bill, that the Government were not prepared to allow the West Dock scheme to proceed.

Cabinet Office, S.W.1.
4th July, 1968.