CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Thursday, 15 January, 1970 at 10 a.m.

Present:

The Right Hon. HAROLD WILSON, M.P., Prime Minister
The Right Hon. MICHAEL STEWART, M.P., Secretary of State for Foreign and Commonwealth Affairs
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. FRED PEART, M.P., Lord President of the Council
The Right Hon. ANTHONY WEDGWOOD BENN, M.P., Minister of Technology
The Right Hon. PETER SHORE, M.P., Minister without Portfolio
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. HARRIET WILSON, M.P., Paymaster General

The following were also present:

The Right Hon. ROY JENKINS, M.P., Chancellor of the Exchequer
The Right Hon. RICHARD CROSSMAN, M.P., Secretary of State for Social Services
The Right Hon. DENIS HEALEY, M.P., Secretary of State for Defence
The Right Hon. ANTHONY CROSLAND, M.P., Secretary of State for Local Government and Regional Planning
The Right Hon. WILLIAM ROSS, M.P., Secretary of State for Scotland
The Right Hon. EDWARD SHORT, M.P., Secretary of State for Education and Science
The Right Hon. LORD SHACKLETON, Lord Privy Seal
The Right Hon. JOHN DIAMOND, M.P., Chief Secretary, Treasury

The Right Hon. ROBERT MELLISH, M.P., Parliamentary Secretary, Treasury

The Right Hon. LORD BROWN, Minister of State, Board of Trade (Items 2-3)

The Right Hon. SHIRLEY WILLIAMS, M.P., Minister of State, Home Office (Item 5)

SECRET
## Secretariat:
Sir Burke Trend  
Mr. P. E. Thornton  
Mr. J. Crocker  
Mr. G. F. Kear  
Miss S. W. Fogarty

## Contents

<table>
<thead>
<tr>
<th>Item</th>
<th>Subject</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td><strong>PARLIAMENTARY AFFAIRS</strong></td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Future Business</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Industrial Action at HMSO</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td><strong>LONDON TRANSPORT FARES</strong></td>
<td>4</td>
</tr>
<tr>
<td>3</td>
<td><strong>COMMISSION FOR INDUSTRY AND MANPOWER</strong></td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Outcome of the Informal Consultations with the CBI</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Top Salaries in the Public Sector</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Procedures of the CIM</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Treatment of Overseas Assets</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Local Authority Rents</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Conclusion</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td><strong>SALARIES OF THE HIGHER JUDICIARY</strong></td>
<td>10</td>
</tr>
<tr>
<td>5</td>
<td><strong>REORGANISATION OF THE NATIONAL HEALTH SERVICE</strong></td>
<td>12</td>
</tr>
</tbody>
</table>
The Cabinet were informed of the business to be taken in the House of Commons in the following week.

*They also considered arrangements for the despatch of Parliamentary business if the printing of Parliamentary papers was interrupted by industrial action.

The Lord Privy Seal said that the Cabinet had asked the group of Ministers under his chairmanship to consider whether any further action should be put in hand to deal with a possible recurrence at Her Majesty’s Stationery Office (HMSO) of the industrial action which had for some time been causing disturbance to the provision of Parliamentary papers. The Ministerial group had concluded that alternative facilities of the kind envisaged would be liable to be needed on a continuing basis and that no accommodation for them could be provided in the Palace of Westminster, since the space would then be incapable of being used for any other purpose. They had accordingly chosen a building in Parliament Street which seemed a suitable location for an emergency service; and Xerox machines were at present being installed there. On the basis of these facilities the Houses of Parliament, including their Committees, could in an emergency be provided with an adequate service of essential papers, with possibly some initial disturbance at the outset. The machines would be operated by clerical staff provided by private employment agencies; but consideration was being given to the possibility of using members of the Armed Forces in this role if the agencies or their staff were dissuaded from taking the work by trade union action. In the last resort, if physical interference with the Parliament Street operation prevented it from being maintained, plans were in train for the establishment of more limited emergency facilities within the Palace of Westminster, which should ensure a minimum service of papers for both Houses of Parliament, although not for their Committees. The cost of operating the arrangements in an emergency would be borne on the Votes of the Houses of Parliament.

The Lord President of the Council agreed that these proposals represented the most effective arrangements which could be devised as an insurance against the contingency in question.

The Cabinet—

Took note, with approval, of the proposed emergency arrangements for printing Parliamentary papers.

* Previously recorded in a Confidential Annex.
2. **The Prime Minister** said that it had been agreed by the Ministers principally concerned that a statement should be issued not later than the following day on the Government's position in relation to public indications by the London Transport Executive that London Transport fares might have to be raised as a direct consequence of decimalisation. The statement should make it clear that the Government did not regard decimalisation as, in itself, a justification for price increases and that it would be inconsistent with Government policy for the change to decimal currency to be used as a pretext for unnecessary increases in prices; that the fares structure of London Transport Services was no longer a direct Governmental responsibility but was primarily a matter for the London Transport Executive, subject to the approval of the Greater London Council; that the Government therefore expected the Executive and the Council to subject their intentions to close examination in the light of the Government's policy; but that they would in any event reserve the right to arrange, as necessary, for further scrutiny of, and action on, any proposals for increases in fares which might subsequently be put forward.

The Cabinet—

Took note, with approval, that the Prime Minister would arrange for the issue on the following day of a statement on the lines proposed.

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3. The Cabinet considered a memorandum by the First Secretary of State and Secretary of State for Employment and Productivity (C (70) 7) about the publication of a consultative document on the Government's proposals for the establishment of a Commission for Industry and Manpower (CIM).

**The First Secretary of State** said that since the Cabinet had last considered her proposals for consultations on the scope and functions of the Commission she had had informal discussions with representatives of the Confederation of British Industry (CBI); and the Ministerial Committee on Industrial Policy (IPY) had examined the proposed machinery to deal with politically sensitive salaries. She hoped to be able to publish a revised version of the document on the following Tuesday after circulating it to the Cabinet for final clearance over the weekend; this would allow a month for public discussion of its proposals without seriously delaying the introduction of the consequential Bill in Parliament. There were, however, a number of issues which must first be decided.
The First Secretary of State said that the CBI had reacted to the document strongly and on the expected lines. They had argued that the proposals represented a substantial extension of the Government’s powers of intervention in industry and had particularly objected to the proposed price control powers. They had suggested that the Government were abandoning all attempts to control the activities of the trades unions and were seeking, instead, greater powers to control prices, a course which could only lead to further reductions in industrial investment. They had maintained, therefore, that the proposals were bound to have an adverse effect on the relations between industry and the Government.

This last suggestion could perhaps be discounted. But it might be possible to allay some of the fears expressed by the CBI by explaining more fully in the opening paragraphs the reasons why the Government felt that the powers of enquiry should cover larger companies and why it was necessary to retain, broadly, the powers in the existing monopolies legislation. But the more stringent conditions which would govern the exercise of those powers could be given further emphasis; and a clearer distinction could also be drawn throughout the document between those enquiries which would be designed to lead to the implementation of the powers and those which would be educative in character, in the sense that they would be directed primarily to elucidating the facts in a given situation and bringing the force of public opinion to bear in improving it. One other concession—i.e. the omission of the requirement on the CIM to have regard not only to the public interest as defined and to the prices and incomes policy but also to “other general considerations which would be set out from time to time in statutory orders made under the Act”—might cause little difficulty in practice, while allaying exaggerated fears about the Government’s intentions.

In discussion it was argued on the one hand that the circumstances in which firms might be referred to the CIM should be both more limited and more closely defined. No adequate case had been made for extending the power of enquiry beyond the existing criteria of technical monopoly situations, large mergers and prices and incomes policy. The criteria for references in the draft discussed with the CBI should therefore be amended in order to make it clear that references would “only”, not “normally”, be related to the listed criteria, which should be limited to those under existing legislation. Even if large companies per se were to be included within the scope of the Commission, the circumstances in which they were liable to be referred should be clearly specified. On the other hand it was pointed out that the scope of enquiries by the
CIM had been considered at length by the IPY Committee. The Cabinet had endorsed the Committee's conclusion that the new body should not simply inherit the existing powers of the Monopolies Commission and the National Board for Prices and Incomes (NBPI), but should concentrate on ensuring, so far as possible, that the larger industrial units remained subject to the normal pressures of competition, while limiting its intervention in relation to smaller firms. Some Ministers had expressed concern that even the limits now proposed by the First Secretary were too restrictive. There was public anxiety about the implications of industrial restructuring; and it was important that its consequences should be kept under review. This might be ensured if the £10 million limit was maintained. It was difficult to specify any more precisely the circumstances in which firms might be referred to the CIM without unduly limiting the Government's future freedom of action.

The Prime Minister, summing up this part of the discussion, said that the Cabinet agreed that the document should be redrafted on the lines proposed by the First Secretary of State in the hope of allaying in some measure the anxieties of the CBI. In addition, however, she should give further thought to the possibility of amending the document in such a way that the circumstances in which firms might be referred to the CIM were made more precise. But the general principles governing the circumstances in which references to the CIM should be made had already been agreed; and these decisions of policy should stand.

The Cabinet—

(1) Took note, with approval, of the summing up by the Prime Minister of this part of their discussion.

(2) Invited the First Secretary of State to arrange for the draft consultative document to be further amended on the lines indicated in the Prime Minister's summing up.

The Lord Privy Seal said that the IPY Committee had agreed that the legislation should make specific provision for the establishment of a self-reporting panel within the CIM, to review and advise on top salaries in the public sector in such groups as Ministers, Members of Parliament, the Boards of nationalised industries, senior civil servants, the most highly paid local authority officers and the judiciary—although it would be undesirable to insist on this last point against the opposition of the judges. The absence of some such co-ordinating institution had created difficulties in the past in determining the salaries of politically sensitive groups of this kind. Following his informal discussions with the National Staff Side he thought that the Civil Service would now accept the proposals and the consequential abolition of the Powden Committee, provided that

SECRET
they were consulted on the appointment of one or more of the members of the new panel, that they were given an opportunity to make their own case to the panel and that the proposed four-year reviews were supplemented by two-year interim reviews which would prevent salaries falling so far behind as to require embarrassingly large increases at one time. He supported the inclusion of both the nationalised industries and local authorities in the scope of the panel. It was regrettable, but inevitable, that the doctors and dentists could not be included at this stage. But the Government should have the power to add or to subtract groups by direction. In principle the judges should be included, since this would both strengthen the new machinery itself and would reduce the risk that the judges would be involved in political controversy. Moreover, it would probably be to the advantage of the judges themselves.

The Lord Chancellor said that his consultation had shown the English judges to be opposed at present to the reference of their remuneration to the proposed panel, not least because they feared that this might involve them in public controversy. The arrangement whereby the salaries of the lower judiciary were related to those of the higher Civil Service was satisfactory; and it would be preferable to seek to establish a similar relationship between those of the High Court judges and Permanent Secretaries. Moreover, since the Act of Settlement the salaries of the judges had been dealt with directly by the Government; and before any outside body was involved in their determination the judges would wish to know more about its scope, constitution and membership.

The Lord Advocate said that the Scottish judges, on the contrary, would be content to be brought within the scope of the panel, provided the English judges were also included.

In discussion it was suggested that a distinction might be drawn between the salaries of Ministers, Members of Parliament, judges and the other groups. For the former, even four-yearly reviews might prove embarrassing. It might be preferable to refer their salaries to the panel on comparatively rare occasions in order to establish a formula for relating them to the higher Civil Service; between such reviews increases would follow those of the analogues. On the other hand it was argued that such fixed relativities were inappropriate and that it would be unsatisfactory for the panel, in considering the salaries of higher civil servants, to take decisions by implication on the salaries of other groups without considering whether such decisions were appropriate on merits.

In further discussion it was argued that to include the judges in the scope of the panel would increase their independence in so
far as their salaries would no longer be solely dependent on the Executive. Moreover, if proposed increases were the result of regular reviews conducted by an independent body, they were likely to arouse less opposition in Parliament than the present infrequent, large and apparently arbitrary increases. If the judges were included in the scope of the panel, it might even prove possible to eliminate the present need to obtain validation of the increases by affirmative Resolution of both Houses of Parliament. These considerations suggested that it might be possible to persuade the English judges that it would be desirable that their remuneration should be brought within the scope of the panel in view of the overall advantages of this course; and it would therefore be appropriate to make further efforts in this direction before any definite decision was reached.

In further discussion the following points were made:

(a) The Government were already publicly committed to a review of the pay of Members of Parliament early in the new Parliament; and this had been welcomed in the House of Commons. It might be inappropriate, therefore, to announce at this stage that these salaries would be reviewed at particular intervals, although fixed relativities were unlikely to be appropriate and there were obvious advantages in including them in principle in general reviews of the politically sensitive groups as a whole.

(b) Local authority Associations should be consulted about the proposal to include the most highly paid local government officials in the scope of the panel.

The Prime Minister, summing up the discussion, said that the Cabinet were in general agreement with the proposals for a special panel to consider politically sensitive salaries. The Lord Chancellor and the Lord Advocate might undertake further consultations with the English and Scottish judges, preferably together, in order to ascertain whether there was any likelihood that the former could be brought to agree to be included in the scope of the panel in the light of the arguments put forward in the Cabinet’s discussion. In the meantime no reference to the judges should be made in the consultative document; and any questioners should be told that the matter was still under consideration. So far as Members of Parliament were concerned it was important that the conduct of the review which the Government were already committed to initiate early in the next Parliament should not be unduly prejudiced in advance by the consultative document; and it would be desirable that the First Secretary of State and the Lord President should give further consideration to the wording of the document on this point in order to preserve the necessary freedom of action to decide how the remuneration of Members of Parliament might best be determined, Parliament by Parliament.

SECRET
The Cabinet—

(3) Took note, with approval, of the summing up by the Prime Minister of this part of their discussion.

(4) Approved the proposals in paragraphs 10-14 of C(70) 7, subject to the points made in discussion.

The First Secretary of State said that a difficulty had arisen over the implementation of the Cabinet's earlier decision that reports from the CIM need not be unanimous but that their panels would have to seek endorsement of their conclusions by the Commission as a whole. At present the powers in the Monopolies Legislation could only be invoked if the report was approved by a two-thirds majority. It would be possible to continue this provision, recognising that, as a result, there would be some cases where it would not be possible to invoke the powers—a course she would not recommend. Alternatively, the Government could refuse to renew the provision, thus straining their relations with the CBI still further. Or the Cabinet might think it best to reconsider the decision to provide for dissenting views and to retain the practice of the NBPI.

In discussion it was pointed out that the two-thirds rule had not in practice caused any significant difficulties in acting on reports of the Monopolies Commission. It was inapplicable to those references whose purposes was mainly educative; and in other cases the Government would not be in a strong position to use the powers if less than two-thirds of the Commission had found that the firm in question were acting against the public interest. Moreover, although it might be possible to dispense with a two-thirds majority where no more was involved than e.g. the short-term control of the price of an individual commodity, it would be regarded as an important safeguard in cases where an industry might be required to make, or to refrain from, major structural changes or fundamental modifications of practice.

The Prime Minister, summing up this part of the discussion, said that the two-thirds rule should apply before powers related to the basic structure of an industry could be invoked. The First Secretary of State might consider, however, whether a distinction could be drawn between cases of this kind and short-term references, to which the rule need not perhaps apply—on the understanding that, if the report on such a reference contained structural recommendations, these would have to be the subject of a further long-term reference and be made conditional on a two-thirds majority decision.
The Cabinet—

(5) Invited the First Secretary of State to consider the proposals further in the light of the summing up of the discussion by the Prime Minister.

The First Secretary of State reported that further consideration had been given to the proposal that, for the purposes of the assets limit which would be included in the legislation, the assets of a group should include those held overseas (though the activities of a foreign parent company could not themselves be referred to the CIM). While there might be difficulties in such a definition, both in principle and in practice, officials of the Departments concerned had concluded, on balance, that its advantages outweighed its disadvantages.

The Cabinet—

(6) Agreed that overseas assets should be included in the definition of capital employed on which the criteria for references to the CIM would be based.

The First Secretary of State said that, unless local authority rents were specifically excluded, they would be within the scope of the CIM, together with other local authority trading services. A special provision to exclude them would be controversial. Moreover, although the powers would not be invoked so long as local authority rents could be dealt with under the new Rent Act, they might be required when the provisions of that Act expired. It should therefore suffice if the subject was not mentioned in the consultative document.

The Cabinet—

(7) Agreed that local authority rents should not be excluded from the statutory definition of the scope of the CIM.

The Cabinet—

(8) Invited First Secretary of State to circulate a further draft of the consultative document, revised in the light of the points made in discussion, for consideration at their next meeting.

4. The Cabinet considered a memorandum by the Lord Chancellor about the salaries of the higher judiciary (C (70) 6).

The Lord Chancellor said that there had been no increase in the salaries of the higher judiciary since 1st April, 1966, i.e. for
almost four years. He was now proposing that these salaries should be increased by amounts equivalent to the Stage 1 increase which the higher Civil Service had received in the previous July. This would involve an increase of some £1,400 in the salaries of High Court judges and corresponding increases in the salaries of other members of the higher judiciary. This increase was equivalent to 3½ per cent per annum, which compared with an increase of over 4 per cent per annum in the retail price index since April 1966, and was within the incomes policy ceiling. Since 1919 the position of High Court judges had deteriorated in relation to, for example, that of Permanent Secretaries. At that date the Permanent Secretary of the Treasury had received a salary amounting to 40 per cent of that of a High Court judge: today the former was paid rather more than the latter. Moreover, the lower judiciary had received an increase at the same time as the higher Civil Service in the previous July; and the differential between the lower and higher judiciary had been significantly constricted as a result.

In discussion it was pointed out that the proposed increases would require to be validated by affirmative Resolutions of both Houses of Parliament and that in 1966 there had been considerable opposition to the Resolutions introduced in relation to the increases granted on that occasion. This opposition had derived not merely from the fact that the Resolutions had come before Parliament during the wage freeze but also from strongly held objections to very substantial increases in salaries which were already large. It would be difficult for the Government to defend the increases now proposed against criticism which would be liable to be revived all the more actively because there had been no full examination of the case by an impartial body. Moreover, it would be inopportune to make these substantial increases in judges’ salaries at a time when it was particularly important to avoid imparting further momentum to demands for excessive wage increases and the Government were continuously endeavouring to moderate the demands of bodies of more lowly-paid workers, e.g. teachers, large numbers of whom were receiving annual salaries which amounted to no more in total than the increases now proposed for High Court judges.

On the other hand it was argued that salaries of the higher judiciary had not kept pace with other salaries over a long period; and it was impossible to maintain that the increases now proposed were not justified on merit and in equity.

The Prime Minister, summing up the discussion, said that it could perhaps be agreed in principle that the salaries of the higher judiciary should be increased to the levels proposed by the Lord
Reorganisation of the National Health Service
(Previous Reference: CC(68) 35th Conclusions, Minute 4)

Chancellor. Nevertheless, it was inopportune to make these increases effective at the present juncture; and the degree of retrospection to be conceded would also require further consideration. In accordance with the Cabinet's decision on the previous item the Lord Chancellor would be holding discussions with representatives of the higher judiciary with the aim of persuading them, if possible, that their salaries should in future be subject to review by a panel of the Commission for Industry and Manpower; and the Cabinet might usefully give further consideration to the proposed salary increases when the outcome of these discussions was known. If the higher judiciary were prepared to accept that their salaries should henceforward be subject to review by the Commission for Industry and Manpower, an announcement of this new arrangement at the same time as that of the salary increases might contribute significantly to mitigating opposition to the latter.

The Cabinet—

Took note, with approval, of the summing up of their discussion by the Prime Minister.

5. The Cabinet considered memoranda by the Secretary of State for Social Services (C (70) 8), the Secretary of State for Scotland (C (70) 10) and the Chief Secretary, Treasury (C (70) 9), on the reorganisation of the National Health Service (NHS).

The Secretary of State for Social Services recalled that the Green Paper, "Administrative Structure of Medical and Allied Services in England and Wales", published in July 1968, had proposed that the hospital service, the general practitioner and dental services and the local authority health services should be integrated in a single service, which it was suggested might be administered by 40-50 area Boards. The possibility had been kept open that these Boards might in fact be reorganised local authorities. The proposal for an integrated service had been generally welcomed; but the administrative structure proposed had been criticised on the grounds that the Boards would be too remote. As a result of further discussion in the Ministerial Committee on Social Services and consultations with the local authority Associations and the professional interests concerned, he had evolved proposals for a different administrative structure, for which he sought the Cabinet's endorsement. Decisions on the structure of the NHS were closely related to the decisions on the reorganisation of local government and on the organisation of the personal social services which the Cabinet were in the course of
taking; and he proposed to publish his revised proposals in a Green Paper as soon as possible after the appearance of the White Paper on Local Government in England.

There were two points on which in his opinion the Government must now announce firm decisions. The first was that the reorganised Health Service would not come under local authority control, as the Royal Commission on Local Government in England had envisaged. Had this course been practicable, it would have greatly simplified the problem of ensuring co-operation between the medical and social work services, as well as injecting a welcome element of local democracy into the arrangements. But the Ministerial Committee were unanimous that it was ruled out by considerations of financial accountability and by the opposition of the medical profession. The second point on which a firm decision was needed was the precise division of functions between the reorganised Health Service under Government control and the social work and other services which would remain with local authorities. The division which he proposed, which was set out in detail to Annex 2 to C (70) 8, was based on the principle that, where the medical element predominated, responsibility should rest with the NHS and, where social works skills were primarily needed, responsibility should rest with the local authorities. There were, however, some fields, particularly the care of the mentally handicapped, where responsibilities overlapped and concurrent powers would be necessary. Here, too, his proposals had the unanimous approval of the Ministerial Committee, except that the Secretary of State for Education and Science had certain reservations in relation to the care of children under five.

Given that an integrated Health Service could not be brought under local authority control, it remained to consider how it could best be organised. The conclusion he had reached was that, in order to facilitate co-operation with the local authority services, the Health Service should be administered by about 90 area health authorities, whose areas should be identical with those of the unitary authorities and metropolitan districts which would emerge from the reorganisation of local government. These area health authorities would be directly responsible to the Secretary of State and would operate within budgets fixed by him. There would also be regional health councils, who would have no executive function but would be concerned with planning, hospital and specialist services, postgraduate education and other activities which required to be organised over wider areas. In most areas health authorities would devolve much of the day-to-day management to district sub-
committees with substantial local representation. This general structure had the unanimous approval of the Ministerial Committee and was recognised as being a substantial improvement on earlier proposals. But differences of opinion persisted on the composition of the area health authorities.

In discussion there was general agreement that in present circumstances it was not practicable to bring the NHS under local government control and that the division of functions between that Service and local authority services should be as proposed in Annex 2 to C (70) 8. On both points the Green Paper should state a firm decision, on the understanding that the question whether care of the under-fives should rest with the social service departments of local authorities or with their education departments could be considered subsequently. There was also general support for the proposal that the NHS should be administered by area health authorities, on the basis of areas coterminous with those proposed for unitary authorities and metropolitan districts. The composition of the proposed health authorities was reserved for subsequent consideration; but it was suggested that a possible way of reconciling the conflict between the managerial and representative functions of the authorities might be to distinguish an executive element within each authority, which might perhaps have a special responsibility for framing the authority's budget. Special arrangements were in any case likely to be needed in Wales.

The Cabinet—

Agreed to resume their discussion at a subsequent meeting.

*Cabinet Office, S.W.1.*

*16th January, 1970.*