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C.C. (65)

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36

1st Conclusions

CABINET

*CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing
Street, S.W.1, on Thursday, 14th January, 1965, at 10 a.m.*

Present:

The Right Hon. HAROLD WILSON, M.P., Prime Minister

The Right Hon. PATRICK GORDON
WALKER, Secretary of State for
Foreign Affairs

The Right Hon. LORD GARDINER, Lord
Chancellor

The Right Hon. SIR FRANK SOSKICE,
Q.C., M.P., Secretary of State for the
Home Department

The Right Hon. WILLIAM ROSS, M.P.,
Secretary of State for Scotland

The Right Hon. DOUGLAS JAY, M.P.,
President of the Board of Trade

The Right Hon. MICHAEL STEWART,
M.P., Secretary of State for Education
and Science

The Right Hon. DOUGLAS HOUGHTON,
M.P., Chancellor of the Duchy of
Lancaster

The Right Hon. FRANK COUSINS,
Minister of Technology

The Right Hon. FREDERICK LEE, M.P.,
Minister of Power

The Right Hon. HERBERT BOWDEN,
M.P., Lord President of the Council

The Right Hon. DENIS HEALEY, M.P.,
Secretary of State for Defence

The Right Hon. ARTHUR BOTTOMLEY,
M.P., Secretary of State for Common-
wealth Relations

The Right Hon. JAMES GRIFFITHS,
M.P., Secretary of State for Wales

The Right Hon. THE EARL OF
LONGFORD, Lord Privy Seal

The Right Hon. RICHARD CROSSMAN,
M.P., Minister of Housing and Local
Government

The Right Hon. R. J. GUNTER, M.P.,
Minister of Labour

The Right Hon. FRED PEART, M.P.,
Minister of Agriculture, Fisheries and
Food

The Right Hon. TOM FRASER, M.P.,
Minister of Transport (*Items 3-5*)

The following were also present:

The Right Hon. ANTHONY WEDGWOOD
BENN, M.P., Postmaster-General
(*Item 4*)

Mr. ANTHONY CROSLAND, M.P.,
Minister of State, Department of
Economic Affairs (*Items 1-4*)

Mr. JOHN DIAMOND, M.P., Chief
Secretary, Treasury (*Items 3 and 4*)

The Right Hon. Sir ELWYN JONES,
Q.C., M.P., Attorney-General (*Item 5*)

The Right Hon. EDWARD SHORT, M.P.,
Parliamentary Secretary, Treasury

Secretariat:

Sir BURKE TREND

Mr. P. ROGERS

Miss J. J. NUNN

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Overseas
Affairs
United Arab
Republic

1. *The Foreign Secretary* said that he had now explored in greater detail the possibility of gradually effecting a rapprochement between the United Kingdom and the United Arab Republic (U.A.R.), on the understanding that our relations with the Government of Israel would not be impaired. As a result he was not unhopeful about the prospects; and the U.A.R. Government had been informed that, if they wished discussions to continue, we might be prepared to send a Ministerial spokesman to Cairo for this purpose. On the other hand they showed little signs of being willing to abate their attempts to undermine our position in Aden; and, domestically, President Nasser's régime appeared to be becoming increasingly precarious. In these circumstances we need not be unduly anxious to pursue our initiative; and it would now be for the U.A.R. Government to indicate whether they were interested in following up the overtures which we had made.

Indonesia
(Previous
Reference:
C.C. (64) 2nd
Conclusions,
Minute D)

The Foreign Secretary informed the Cabinet that the Indonesian Government had recently reinforced their troops in Borneo on a very considerable scale. We had therefore been obliged to despatch certain additional units to Borneo; and we might hope, as a result, to be able to continue to hold the position. Meanwhile, it appeared that President Sukarno's health had suffered a further deterioration and that, in the contest for the succession which was now developing, the position of the Communist elements in Indonesia was improving. Even if President Sukarno survived, it seemed probable that Communist influence would increase, although the faction controlled by the Army would probably be able to prevent it from completely dominating Indonesian policy.

The Cabinet—

Took note of these statements by the Foreign Secretary.

Sir Roger
Casement

2. *The Home Secretary* said that the Government of the Irish Republic had recently renewed their long-standing request that the remains of Sir Roger Casement, which had been interred in Pentonville Prison after his execution in 1916, should be returned to the Republic. It had been established that, despite earlier misgivings about the legality of this proposal, there would not, in fact, be any legal objections to our acceding to it. On the other hand it was known that Sir Roger Casement had expressed a wish to be buried in Northern Ireland. This would be wholly unacceptable to the Government of Northern Ireland; and it would therefore be essential that, as a condition of our agreeing to the proposal of the Government of the Irish Republic, they should give an undertaking that the remains would be reinterred in Republican territory and would not be subsequently removed.

In discussion the Cabinet were informed that both the Foreign Secretary and the Commonwealth Secretary endorsed the views of the Home Secretary.

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The Cabinet—

- (1) Agreed that the remains of Sir Roger Casement should be returned to the Irish Republic, on the understanding that they would be finally reinterred in the territory of the Republic.
- (2) Took note that the Home Secretary would announce this decision in the House of Commons at an appropriate moment.

**Children's
Service in
Greater
London**

(Previous
Reference:
C.C. (64) 12th
Conclusions,
Minute 3)

3. The Cabinet considered a memorandum by the Home Secretary (C. (65) 3) about the Children's Service in Greater London.

The Home Secretary recalled that the Cabinet had invited him to consult the local authorities concerned on the proposals to confer on the Greater London Council (G.L.C.) certain functions relating to the children's service. The G.L.C. had agreed with the proposals, which they considered would enrich, rather than detract from, the duties of the boroughs. On the other hand the proposals were opposed, in some cases strongly, by the minority party of the G.L.C., by about half the London boroughs, including several under the control of the Labour Party, by the Association of Municipal Corporations and by the County Councils Association. The opposition was based on the grounds that a two-tier system would be contrary to the principles of the Children Act, 1948, which vested responsibility for all work relating to deprived children in a single committee in each local government area; that residential provision ought to be managed by the authority which had the care of the children concerned; that the training of child-care staff could be better organised through a joint organisation maintained by the boroughs to serve the health and welfare services; and that the headquarters staff which the G.L.C. would require could be obtained only by retaining staff at present due to be transferred to the boroughs. The first two of these objections were based on advice given by the senior professional advisers to the London boroughs and would attract support from professional child-care organisations. Moreover, in so far as the case for legislation rested on the special circumstances of London, it could be argued by the opponents of the scheme that joint arrangements had been made by the boroughs to meet these circumstances. The situation would therefore offer opportunities for delaying tactics in Parliament, particularly in connection with the allocation of the properties of the Middlesex and London County Councils. In addition there would be insufficient time to negotiate afresh the allocation of properties among the boroughs; and this allocation would therefore have to be made by Order without the agreement of the authorities concerned. In order to allow time for this further stage the Bill, which was ready, would have to be enacted by the beginning of March; and, even so, the time available for making the necessary practical arrangements would be very short.

In discussion it was suggested that, whereas informed opinion which was familiar with the problems of the children's service in

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London supported the proposals, the opposition to them derived largely from bodies with no direct experience of running a children's service and merely exemplified the common reluctance of local authorities to surrender any powers which they already possessed. On the other hand the strength of this opposition and of its professional support should not be under-estimated; and, although it might be unwise on general grounds to reverse arrangements resulting from a previous Government's decisions unless a large issue of policy or principle were at stake, no such issue appeared to be involved in the present case and the administrative advantages to be gained by the proposals in question were open to considerable doubt. Moreover, the Bill would present considerable opportunities for Parliamentary obstruction, which might not only prevent its enactment in time but also delay other Government measures of greater importance.

The Prime Minister, summing up the discussion, said that, while the Cabinet might still, on balance, consider that the proposals could be justified on their merits, they had previously taken the view that a Bill could be introduced only if it was substantially an agreed measure. It was apparent, however, that, so far from this being the case, the Bill might well provide an occasion for the obstruction of other Government measures. Since this risk was clearly unacceptable, the Government had no option but to abandon the Bill. They could defend this decision on the ground that the timing of the recent General Election had not allowed them sufficient time in which to reorganise the service and that consultation with the interests concerned had not indicated that at this stage there would be general support for altering the arrangements on which the boroughs' plans had so far been based. The Home Affairs Committee might consider, however, how far the decision might be made less unpalatable by the issue of a general statement about the possibility of changes in the structure of London government in the future and also, perhaps, about the importance of arrangements for close liaison between the various authorities who would henceforward share responsibility for the children's service in Greater London.

The Cabinet—

- (1) Agreed not to proceed with legislation on the Children's Service in Greater London.
- (2) Invited the Minister of Housing and Local Government to bring before the Home Affairs Committee the question whether a statement should be made on the related issue indicated by the Prime Minister in his summing up of their discussion.

Postal Tariffs 4. The Cabinet considered a memorandum by the Postmaster-General (C. (65) 1) about Post Office finance, to which was annexed the draft of a White Paper on Post Office Tariffs.

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The Postmaster-General said that the financial target of the Post Office was a return on net assets averaging 8 per cent over the five years 1963-64 to 1967-68. At present, however, while the telecommunications services were paying their way, the postal services were heavily in deficit. Even on optimistic assumptions about the annual increase in the gross domestic product and in the remuneration of staff over the next few years this deficit would entail, over the five-year period in question, an aggregate loss of £131 million. The difference between the two services derived partly from past decisions on prices and partly from their differing character. The telecommunications services were rapidly expanding and technically progressive, whereas the scope for mechanisation in the postal services was more limited and it was therefore more difficult in their case to absorb rising costs in greater productivity. The Post Office had suffered in the past from insufficient investment, faulty pricing, a wages policy which had retarded recruitment and a gradual decline in the quality of its services. The long-term remedy could not be found in reducing services in quality or quantity, since this would not offer any hope of avoiding continually rising prices. Indeed, an increase in expenditure, primarily on investment, might be required in order to improve the standard of services. For these reasons it would be desirable to announce in the week beginning 18th January increases in postal tariffs in the terms indicated in the draft White Paper annexed to C. (65) 1. The yield of these increases in a full year should be some £37 million. This would fall short of the £45 million which would be required if the Post Office were to achieve in the remaining three years of the five-year period the target of an average return of 8 per cent on their net assets. But it would achieve the target in relation to those three years and would also make some contribution to the deficit in the first two years. The proposed changes would add only about 0.07 of a point to the cost-of-living index; and a new charge of 4d. for the inland letter rate would still compare favourably both with the pre-war rate in terms of current purchasing power and with current rates in other countries in Western Europe. It would be important, however, to announce at the same time certain plans for the modernisation of Post Office services in order to emphasise the positive aspect of the Government's policies in the longer term.

In discussion the following main points were made:

(a) It might be preferable to seek to offset cost increases by stimulating greater productivity than to appear to allow a Government Department to impose on the consumer price increases which, if proposed by private enterprise, would be regarded as evidence of inefficiency.

(b) On the other hand the modernisation of the postal services would not in itself afford any prospect of solving the financial problem of the Post Office. In particular, the scope for mechanisation was limited by the need to deliver letters and parcels by hand.

(c) Moreover, it was important that the Government should be seen to adhere to the concept of an 8 per cent return on net assets as a financial target for the nationalised industries and, therefore, for

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the Post Office; and it would be unwise to create a possible precedent in this respect by appearing to be reluctant to accept price increases in a case where they were required in order to achieve this target.

(d) The size of the proposed increase in rates was determined partly by the short-fall of revenue in the first two years of the five-year period, which had resulted from the failure of the previous Administration to raise charges to an economic level. This should be made clear in the announcement of the changes.

(e) The proposed increase in parcel rates, which compared unfavourably with rates offered by road haulage organisations, might well be reconsidered, particularly since its effect might be to discourage traffic rather than to increase revenue.

(f) The Post Office should pursue as rapidly as possible all suggestions for modernising their services (including the introduction of standard sizes for envelopes); but the proposal that a firm of United States consultants should be engaged for this purpose should be reconsidered.

(g) The announcement of the increased charges at the present juncture might be misinterpreted in relation to the Government's current efforts to encourage price restraint in general. It might therefore be desirable to defer the announcement for a time. On the other hand it might be unwise to contemplate more than a brief postponement, since delay would merely exacerbate the problem. But on any hypothesis about the timing of the announcement it might be appropriate to redraft the White Paper in such a way as to put the main emphasis on the measures to be taken in order to increase efficiency and productivity.

The Cabinet—

- (1) Approved in principle, subject to Conclusion (2) below, the proposals in C. (65) 1 for increases in Post Office tariffs.
- (2) Invited the Postmaster-General to review the proposed increases in parcel rates in the light of their discussion.
- (3) Took note that the Prime Minister, in consultation with the First Secretary of State, the Chancellor of the Exchequer and the Postmaster-General, would give further consideration to the timing of the announcement of the increased tariffs.
- (4) Invited the Postmaster-General to revise the draft of the proposed White Paper in order to place greater emphasis on the measures to be taken in order to increase efficiency and productivity in Post Office services.

5. The Cabinet considered a memorandum by the Minister of Labour (C. (65) 2) on the proposed inquiry into trade unions and employers' associations.

The Minister of Labour recalled that he had been invited to consider, in consultation with the Lord Chancellor, whether the terms of reference for the proposed inquiry into trade unions and

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Trade Unions
and Employers'
Associations
(Previous
Reference:
C.C. (64) 16th
Conclusions,
Minute 3)

employers' associations annexed to C. (64) 29 required amendment in order to make it clear that the inquiry would not be restricted to relations between the unions and the associations but would extend to industrial relations in general. The formula now proposed in C. (65) 2 was in more general terms and should suffice for the purpose in view. Moreover, it omitted the specific reference to productivity and efficiency in the earlier draft, to which the Trades Union Congress (T.U.C.), although accepting that the topic would remain within the ambit of the inquiry, had seen objection. The General Council of the T.U.C. were expected to accept the revised terms of reference at a meeting on 18th January; and it was proposed that, subject to The Queen's approval, the establishment of the Royal Commission and its terms of reference might be announced in a statement on economic measures which the Prime Minister had it in mind to make in the House of Commons on 19th January. It would be desirable that the chairman of the Royal Commission should be a High Court judge.

In discussion the following points were made:

(a) The Government of Northern Ireland had agreed that the inquiry should extend to Northern Ireland, on the ground that, although the Trade Disputes Act, 1906, did not apply to Ulster, the problems which the Royal Commission would consider were common to all parts of the United Kingdom. Since, however, the subject matter of the inquiry was within the responsibility of the Northern Ireland Government, the statement on the appointment of the Royal Commission should make it clear that they had agreed to the extension of the inquiry to Ulster. They had also expressed the hope that the membership of the Royal Commission might include an individual with knowledge of Northern Ireland.

(b) While there were sound arguments in favour of selecting a judge as chairman of the Royal Commission, the increasing demands on the services of the judiciary for non-judicial work might make it necessary to increase their numbers.

(c) More urgency might be imparted to the terms of reference by substituting the phrase "... accelerating the social and economic advance of the nation ..." for the phrase "... advancing the social and economic well-being of the nation ...".

The Cabinet—

- (1) Approved, subject to the drafting amendment suggested in their discussion, the proposed terms of reference for the Royal Commission on Trades Unions and Employers' Associations.
- (2) Took note that, subject to The Queen's approval, the Prime Minister might announce the appointment of the Royal Commission in the House of Commons on 19th January.
- (3) Invited the Minister of Labour, in considering the membership of the Royal Commission, to take account of the interests of Northern Ireland.

Cabinet Office, S.W.1,

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- (1) Approved, subject to the drafting amendment suggested in their discussion, the proposed terms of reference for the Royal Commission on Trades Unions and Employers' Associations.
- (2) Took note that, subject to The Queen's approval, the Prime Minister might announce the appointment of the Royal Commission in the House of Commons on 19th January.
- (3) Invited the Minister of Labour, in considering the membership of the Royal Commission, to take account of the interests of Northern Ireland.

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