251 - The Dodecanese: Memorandum by the Secretary of State for Foreign Affairs.
252 - Industrial Emergencies Committee: Note by the Secretary of the Cabinet.
253 - Parliamentary Procedure: First Report from the Select Committee on Procedure: Memorandum by the Lord President of the Council.
254 - Wheat Supplies for Germany and Austria: Memorandum by the Minister of Food.
255 - Naturalisation Policy: Memorandum by the Home Secretary.
256 - Report for the Month of September, 1915 for the Dominions, India, Burma and the Colonies and Mandated Territories: Report by the Secretary of State for Dominion Affairs.
257 - Commonwealth Telecommunications Services: Memorandum by the Chancellor of the Exchequer.
258 - Political Situation in Burma: Memorandum by the Secretary of State for Burma.
259 - Site of United Nations Organisation: Memorandum by the Secretary of State for Foreign Affairs.
260 - Labour Controls: Memorandum by the Lord President of the Council.
261 - United States Request for Bases in Iceland: Memorandum by the Secretary of State for Foreign Affairs.
262 - Captured German Documents throwing light on German-Soviet Relations April, 1939-November, 1940: Memorandum by the Secretary of State for Foreign Affairs.
263 - Admission to the United Kingdom of Distressed Persons whose Relatives in this Country are Able and Willing to Maintain Them: Memorandum by the Home Secretary.
264 - Committee on Reform of Legal Procedure: Note by the Secretary.
265 - Italian Prisoners of War: Memorandum by the Secretary of State for Foreign Affairs.
266 - Greece: Memorandum by the Secretary of State for Foreign Affairs.
267 - Releases of Doctors from the Armed Forces: Report to the Prime Minister by the Home Secretary and the Attorney-General.
268 - Sarawak: Memorandum by the Secretary of State for the Colonies.
269 - Commercial Policy: Memorandum by the President of the Board of Trade.
270 - Washington Financial Talks: Note by the Chancellor of the Exchequer.
C.P.(45) 271 - The Place of the Department of Overseas Trade in the Machinery of Government.

272 - International Control of Atomic Energy: Memorandum by the Prime Minister.

273 - Agricultural Policy: Memorandum by the Minister of Agriculture and Fisheries, the Secretary of State for Scotland, and the Secretary of State for the Home Department.

274 - Progress Report on Housing, October, 1945: Memorandum by the Minister of Health.

275 - Town and Country Planning Legislation: Memorandum by the Lord President of the Council.

276 - Effects of the Dock Strike: Memorandum by the Minister of War Transport.

277 - Public Announcement about Nationalisation Proposals: Memorandum by the Lord President of the Council.

278 - Town and Country Planning Legislation: Memorandum by the Chancellor of the Exchequer.

279 - Committee on Victory Celebrations: Note by the Secretary of the Cabinet.

280 - Ceylon Constitution: Memorandum by the Secretary of State for the Colonies.

281 - The Indian Situation: Memorandum by the Secretary of State for India.

282 - Secret of Cabinet Proceedings: Note by the Prime Minister.

283 - Status of Spanish Nationals in the United Kingdom who were Overrun by Allied Forces in France: Memorandum by the Secretary of State for War.

284 - Tourist Traffic to Great Britain from the United States: Memorandum by the Secretary of State for Foreign Affairs.

285 - Release of Doctors from the Forces: Memorandum by the Lord President of the Council.

286 - Atomic Energy: Memorandum by the Lord President of the Council.

287 - Canadian Citizenship Bill: Memorandum by the Home Secretary.

288 - Labour Controls: Memorandum by the Minister of Labour and National Service.

289 - Investment (Control and Guarantees) Bill: Memorandum by the Chancellor of the Exchequer.

290 - Return of Volunteers from the Polish Armed Forces to Poland: Memorandum by the Secretary of State for Foreign Affairs.


292 - Newfoundland: Memorandum by the Secretary of State for Dominion Affairs.
C.P. (45) 293 - Broadcasting Policy: Report by the Lord President of the Council, the Minister of Information, the Postmaster-General and the Minister of State.

294 - Palestine Renegades: Memorandum by the Secretary of State for the Colonies.

295 - Commercial Policy: Memorandum by the Secretary of State for Dominion Affairs.

296 - The Indian Situation: Memorandum by the Secretary of State for India.

297 - Commercial Policy: Memorandum by the President of the Board of Trade.

298 - National Health Service: Sale and Purchase of Medical Practices: Memorandum by the Minister of Health.

299 - Shipping Policy: Memorandum by the Minister of War Transport.

300 - Report by the Social Services Committee on Changes in War Pensions: Memorandum by the Lord Privy Seal.
CABINET.

THE DODECANESE.

MEMORANDUM BY THE SECRETARY OF STATE FOR FOREIGN AFFAIRS.

25th October, 1945.

ON the 19th September I circulated a note on the Dodecanese (C.P. (45) 182) in which I suggested that if no decision was reached at the Council of Foreign Ministers the de facto administration of the Islands should be handed over to Greece. I consider that the time has now come to act on this proposal and I suggest that a telegram should be despatched to Athens on the lines of the draft annexed. At the same time, His Majesty's Embassy in Washington would be instructed to inform the State Department of our proposed announcement. I do not anticipate that they will raise any objection, since I mentioned our intention in general terms to Mr. Byrnes while he was here and he did not demur. The Turkish Government should also be informed just before the declaration is made.

2. The Chiefs of Staff and the War Office have expressed their concurrence in the draft telegram, and I have taken steps to inform the Dominions Governments of our intentions.

E. B.

Foreign Office,
26th October, 1945.

ANNEX.

DRAFT TELEGRAM TO HIS MAJESTY'S AMBASSADOR AT ATHENS.

Council of Foreign Ministers ended without having reached any decision about the future of the Dodecanese. I am fully aware of the disappointment which this will cause in Greece, and His Majesty's Government have accordingly decided that de facto administration of the islands should immediately be handed over to the Greek Government. The following announcement will accordingly be published hereat:—

"The Dodecanese islands have been under British military administration since the Germany surrender. This has been a temporary arrangement pending a decision as to the future status of the islands.

"The question of the future of the Dodecanese was discussed at the Council of Foreign Ministers in London. No final decision was taken, but none of the Governments represented expressed any opposition to cession of the islands to Greece.

"In these circumstances His Majesty's Government do not feel it necessary to maintain British military government in the islands, and they accordingly propose to make immediate arrangements with the Greek Government for the latter to assume de facto administration of the Dodecanese, pending a final decision by the United Nations."

12994 [30763]
Note by the Secretary of the Cabinet

The Prime Minister has approved the appointment of a Standing Committee to handle questions of wages policy and other questions arising from industrial disputes.

The composition of the Committee is as follows:

- Chancellor of the Exchequer (Chairman)
- President of the Board of Trade
- Home Secretary
- Minister of Labour and National Service
- Minister of War Transport
- Minister of Food

The Secretary of State for War will be co-opted when any question of using military labour arises.

The Terms of Reference are:

"To keep under review on behalf of the Cabinet questions of wages policy and other questions of policy arising from industrial disputes; and to authorise such emergency action as may be necessary, by reason of industrial disputes, to maintain supplies and services essential to the life of the community."

The Secretaries of the Committee are:

- Mr. W.S. Murrie, Cabinet Office (Secretary)
- Miss J. Nunn, Home Office (Assistant Secretary)

(Signed) E.E. BRIDGES

Cabinet Office, S.W.1.,
26th October, 1945.
PARLIAMENTARY PROCEDURE.

FIRST REPORT FROM THE SELECT COMMITTEE ON PROCEDURE.

MEMORANDUM BY THE LORD PRESIDENT OF THE COUNCIL.

1. The Select Committee have now reported, as they were directed to do, on those parts of the Government Memorandum which relate to the acceleration of proceedings on Public Bills. Their report, which reprints the Government Memorandum, is annexed hereto, together with a detailed comparison between their proposals and those of the Memorandum.

2. It will be seen that in substance the Select Committee endorse the scheme put to them. Two minor proposals (Nos. 8 and 10 in the attached comparison) are rejected and two others (Nos. 12 and 13) are deferred: but the most important features of the plan (viz., that virtually all Bills should be sent upstairs, that Standing Committees should be increased in number and reduced in size, should sit for longer and more often, should be enabled to sit in the afternoon if necessary, and should have their proceedings subject if necessary to a guillotine) are all, in one form or another, accepted.

3. I need only add the following comments (the references are to the proposals as numbered in the attached comparison):

No. 2. Official Reporters.—It is suggested that the present rates of salary make further recruitment impossible. I understand that salaries were substantially increased a year ago to meet this point and that no proposals for further increases have since been made. However, the Reporters must be found.

Accommodation.—This is a real difficulty which must be urgently examined.

Attendance of Law Officers.—The Select Committee tentatively suggest the appointment of a third English Law Officer. The Machinery of Government Committee under the Coalition Government considered two other expedients which did not find their way into the final memorandum:

(a) The Law Officers should be enabled to attend and speak in any Standing Committee.

(b) In view of the well-known method of obstruction, by which in the absence of a Law Officer innumerable points are raised purporting to require authoritative legal explanations, Committee Chairman might be given power to suspend discussion on any such point until a Law Officer can be present.

I suggest that these two expedients might now be favourably considered, but I do not favour an additional Law Officer.

No. 5. We can hardly object to the Select Committee’s modification.

No. 6. The Select Committee’s elaboration seems to me an improvement.
No. 7.—One of the advantages of the original proposal for an Emergency Business Committee was that it would secure a body commanding the respect of all Parties which might be very useful in helping to secure agreed time-tables on the Floor of the House as well as upstairs. The Select Committee’s alternative secures substantially all that was aimed at in respect of proceedings upstairs, but does not meet the point about the Floor of the House. However, I do not think it worth pressing the original proposals in the face of the Select Committee’s objections; indeed, as a whole I think the Committee’s proposals are an improvement.

4. On items 8 and 10, where the Committee reject the Government’s proposals, and item 11, where they agree subject to a reservation, I should not wish to die in the last ditch, but I should like to take some soundings before I finally commit myself, and I hope that my colleagues may be prepared to leave me a little latitude.

5. Subject to this proviso, I therefore suggest that the Government should accept the Select Committee’s modifications of the proposals put to them. Before a statement is made, I would propose as a matter of courtesy to consult Mr. Speaker in case he has any comments on the Report: two of the points raised (Official Reporters and accommodation) are his peculiar concern.

6. If early advantage is to be taken of the changes approved by the Select Committee, the necessary steps should be set in motion without delay. I suggest that in my statement on Business next Thursday I should indicate that there will be a debate the following week, when both the Report and the proposed amendments of the Standing Orders should be dealt with. The necessary amendments to Standing Orders should be put down as early as possible.

7. I therefore seek the authority of my colleagues, as a matter of urgency, to proceed on the lines indicated in this Memorandum.

H. M.

Office of the Lord President, S.W. 1,
26th October, 1945.
ANNEX.

COMPARISON BETWEEN THE PROPOSALS IN THE GOVERNMENT MEMORANDUM AND THOSE IN THE SELECT COMMITTEE’S REPORT.

**Government Memorandum.**
1. Substantially all Bills should be sent upstairs. (Paragraph 5.)
2. The number of Standing Committees should be increased (at present not more than five, including the Scottish). (Paragraph 10.)
3. The size of Standing Committees, other than the Scottish, should if necessary be reduced (at present 30 to 50 permanent members, 10 to 35 added members, quorum of 20. (Paragraph 10.)
4. Standing Committees should meet for 2½ hours instead of 2. (Paragraph 7.)
5. Standing Committees should sit on three days a week instead of two. (Paragraph 7.)
6. The powers of the former Standing Order No. 49a should be revived, providing for the House to be adjourned after Questions to enable Standing Committees to sit in the afternoon, and after dinner if necessary. (Paragraph 7.)

**Select Committee’s Report.**
1. Agreed. (Paragraph 7.)
2. Agreed: the present limit should go. The practical difficulties are—
   (a) recruitment of additional reporters;
   (b) accommodation (all Committees should sit within the Palace of Westminster);
   (c) attendance of English Law Officers when many Committees sit concurrently. (Paragraphs 8–9.)
3. Agreed. Permanent nucleus to be reduced to 20, with not more than 30 added members, quorum of 15. No change in Scottish Committee. (Paragraph 10.)
   N.B. — A defeated Opposition amendment proposed up to 50 added members for important or controversial Bills.
4. Agreed (10:30 a.m. to 1 p.m.) (Paragraph 12.)
5. Agreed, but only as an expedient to relieve congestion when it actually arises, not as a normal practice. (Paragraphs 13–14.)
6. Agreed, but, to preserve the rights of Private Members, the powers should include provision for the alternative courses (a) of a half-hour adjournment immediately after Questions, and (b) for the House to be adjourned until 7:15 p.m. only, after which there could be either Government business or Private Members motions, followed by the normal half-hour adjournment. (Paragraph 15.)
Government Memorandum.

7. Provision for a special type of Guillotine Resolution, specifying a time for each stage of the Bill, subdivision of the stages to be the work of a special Emergency Business Committee. (Paragraphs 8, 9 and 12.)

8. Committee Chairmen should be empowered to disallow debate on the question that the clause stand part, if of opinion that there has been adequate discussion on amendments. (Paragraph 11 (1).)

9. Fuller use should be made of the practice by which Ministers circulate to the Committee notes on any clauses which are difficult to understand. (Paragraph 11 (2).)

10. On Report stage of a Financial Resolution the question should be put without amendment or debate (the stage is at present almost always formal. (Paragraph 13 (1).)

11. The rule which prevents two stages of a Financial Resolution being taken on the same day should be abandoned. (Paragraph 13 (2).)

12. No Financial Resolution should be necessary to cover provisions requiring money to be paid into the Exchequer. (Paragraph 13 (3).)

13. A new clause or amendment should no longer be out of order on report on the ground that it imposes, extends, or varies the incidence of any rate or other local burden. (Paragraph 13 (4).)

Select Committee's Report.

7. Principle of a guillotine on proceedings in Standing Committee accepted, but the motion should merely name a date by which the Bill should be reported; detailed allocation of time in Standing Committee to be the work of a sub-committee of the Standing Committee in question; a central Emergency Business Committee would thus be unnecessary: any allocation of time on Report, or in Committee of the Whole House, should be dealt with as at present. (Paragraphs 16-18.)

8. Rejected. (Paragraph 19.)

9. Agreed. (Paragraph 20.)

10. Rejected. (Paragraph 21.)

11. Agreed, subject to preservation of the right of any Member to object to taking both stages on one day. (Paragraph 22.)

12. Deferred. (Paragraph 23.)

13. Deferred. (Paragraph 23.)
FIRST REPORT
FROM THE
SELECT COMMITTEE
ON
PROCEDURE
TOGETHER WITH THE
PROCEEDINGS OF THE COMMITTEE

Ordered by The House of Commons to be Printed
16th October 1945

LONDON
HIS MAJESTY'S STATIONERY OFFICE
FOURPENCE NET
ORDERS OF REFERENCE

Friday, 24th August, 1945.

Procedure,—Question, "That a Select Committee be appointed to consider the Procedure in the Public Business of this House and to report what alterations, if any, are desirable for the more efficient despatch of such business:"—put, and agreed to:—Committee to consist of Seventeen Members:—Mr. W. J. Brown, Mr. Seymour Cocks, Mr. Cove, Captain Crookshank, Mr. Crossman, Mr. Clement Davies, Mr. Gaitskell, Viscount Hinchingbrooke, Mr. Messer, Mr. Pickthorn, Mr. James Reid, Mr. Sydney Silverman, Mr. Viant, Mr. Maurice Webb, Mr. Octavius Willey, Earl Winterton and Sir Robert Young:—Power to send for persons, papers and records; to sit notwithstanding any Adjournment of the House; and to report from time to time:—Five to be the Quorum:—Power to appoint Sub-Committees for any purpose within the Order of Reference to the Committee:—(Mr. Herbert Morrison:)

Motion made and Question proposed, "That it be an Instruction to the Committee that they do report as soon as possible upon any scheme for the acceleration of proceedings on Public Bills which may be submitted to them on behalf of His Majesty's Government:"—(Mr. Herbert Morrison:)

Question amended by adding, at the end thereof, the words "and that during the consideration of any such scheme they do report from day to day the Minutes of the Evidence taken before them and such other records relating to any such scheme as they may think fit and that if the House be not sitting, they do send such Minutes and records to the Clerk of the House, who shall thereupon give directions for the printing and circulation thereof, and shall lay the same upon the Table of the House at its next meeting."":—(Captain Crowder:)—and, as amended, agreed to.

The cost of printing and publishing this Volume is estimated by H.M Stationery Office at £30 17s. 6d.
FIRST REPORT

The Select Committee appointed to consider the Procedure in the Public Business of this House and to report what alterations, if any, are desirable for the more efficient despatch of such business, have made progress in the matters to them referred and have agreed to the following First Report.

I. INTRODUCTION.

1. Your Committee were instructed to report as soon as possible upon any scheme for the acceleration of proceedings on Public Bills which might be submitted to them on behalf of His Majesty’s Government. In order to carry out the Instruction with due expedition Your Committee have in this the first part of their inquiry confined themselves to considering and reporting on the scheme which is set out in the Appendix, and the evidence which they took was similarly restricted. Thus the present Report is concerned solely with that scheme. Your Committee desire at the outset to emphasise the limited character of the present Report and to make it clear that it is made without prejudice to any wider proposals for the reform of Parliamentary procedure which they may later recommend.


Origin of the Scheme.

3. Before considering the details of the scheme it may be as well to recall the circumstances of its origin. In the words of the Government memorandum: “The scheme was originally drafted by a committee of Ministers of the Coalition Government, but it did not, at any time, receive the approval of the War Cabinet and the members of the War Cabinet are not in any way committed to it. The present Government, whilst not thinking it right to commit itself at this stage, feels that the scheme covers a number of proposals which are eminently worthy of consideration by the Select Committee and form a useful basis from which the Committee may commence its discussions.”

Purpose and character of the Scheme.

4. The scheme was conceived to meet the special circumstances of the period of transition from war to peace. It was assumed that, whatever party should be in power at that time, a heavy programme of legislation would be urgently required for the purposes of reconstruction, and that it would not be possible to put through such a programme under the normal conditions of Parliamentary procedure in the course of one or two sessions. The scheme therefore suggests certain modifications of Parliamentary procedure “which might be given a trial, on an experimental basis, during the first one or two sessions after the end of hostilities in Europe”. Your Committee desire to draw attention to the experimental character of the proposals submitted by the Government and to emphasise that it is on this basis that they have considered them. It would follow that any alterations in the Orders governing the procedure of the House which the adoption of these proposals may require would take the form of Sessional Orders during the experimental period.
II. PROPOSALS FOR EXPEDITING THE COMMITTEE STAGE OF BILLS.

5. The scheme submitted by the Government deals in the main with the Committee stage of Bills. The remaining proposals are concerned with various minor suggestions in regard to financial procedure. The proposals relating to the Committee stage of Bills fall under five main heads:

(1) That substantially all bills should be referred to Standing Committees;
(2) That the number of Standing Committees should be increased, their size being reduced, if necessary, for the purpose;
(3) That the number of hours devoted to the sittings of Standing Committees should be substantially increased over the pre-war minimum standard of four hours per week;
(4) That machinery should be prepared for prescribing and enforcing a time limit on the proceedings in Standing Committee; and
(5) That certain minor amendments should be made in the procedure and practice in the debates in Committee.

First Proposal: That substantially all Bills should be referred to a Standing Committee. (Paragraph 5.)

6. Standing Order No. 46 prescribes that "when a Bill has been read a second time it shall stand committed to one of the Standing Committees, unless the House, on motion to be decided without amendment or debate, otherwise order". The Order excepts:

(a) Bills for imposing taxes or Consolidated Fund or Appropriation Bills;
(b) Bills for confirming Provisional Orders.

To these two classes the Government proposals would in practice add three other classes:

(c) Any Bill which it may be necessary to pass with great expedition;
(d) "One Clause" Bills not requiring detailed examination in Committee; and
(e) Bills '"of first-class constitutional importance'.

The Government would of course retain the right to move that the Committee stage of any important Bill should be taken on the floor of the House, if in the circumstances of the individual case that course seemed preferable.

7. Your Committee approve this proposal which, as explained, would represent a fuller use than hitherto of a procedure for which the Standing Order already provides. In view of the conflict of evidence they consider that it is not possible to estimate precisely how many days of the time of the House would be saved by this proposal. This question is more appropriate to the larger inquiry into the use of Parliamentary time which the Committee will make later. They are, however, satisfied, that in the circumstances likely to obtain in the next few years it would result in an acceleration of Public Business, despite the fact that some increase in time may be required on Second Reading and at the Report stage.

Second Proposal: That the number of Standing Committees should be increased, their size being reduced, if necessary for the purpose. (Paragraph 10.)

8. Standing Order No. 47 lays down that not more than five Standing Committees (including the Scottish) shall be appointed. This number is considered in the Government scheme to be insufficient to deal with the
amount of legislation which is likely to be needed, and it is proposed to increase it. Your Committee agree that as many Standing Committees should be appointed as are necessary expeditiously to dispose of the Bills coming up from the House, and they see no procedural reason for retaining the limit at present fixed by Standing Order No. 47 (1). The difficulties are entirely on the practical side. (See memoranda by the Clerk of the House and the Editor of the Official Report.) Your Committee are in entire sympathy with the intention expressed in the Government scheme to allow none of the difficulties of providing clerks, reporters and accommodation to stand in the way. This is not the place to discuss the solution of these difficulties, but the Committee feel bound to record the view of the Editor of the Official Report, that in existing circumstances he could see his way to provide for only four Committees, and that at the present rate of salary it would not be possible to recruit more reporters of the very high standard required. In the opinion of Your Committee no question of salary should be allowed to stand in the way of securing the necessary number of skilled reporters. Additional clerks will be required and steps must be taken to provide them. As regards accommodation, Your Committee, though aware of the difficulties, are strongly of opinion that all Standing Committees should sit in the precincts of the Palace of Westminster.

9. One other difficulty ought to be mentioned. If six Standing Committees in addition to the Scottish were sitting concurrently, the Law Officers of the Crown of whom there are at present two, apart from the Scottish, would be in some difficulty in performing their duties in regard to the conduct of Bills. A partial solution of this difficulty might perhaps be found in the appointment of a third Law Officer. This, however, is a matter for the Government rather than Your Committee.

10. On the question whether an increase in the number of Standing Committees would involve a decrease in the number of Members serving on each, the Government proposals express the opinion that it would not necessarily do so, but that, if difficulties arose in securing the necessary numbers, the reduction should be in the permanent nucleus rather than in the numbers added in respect of a particular Bill (under the existing Standing Order No. 48, not less than 10 nor more than 35). Your Committee concur with this view and recommend the reduction of the permanent nucleus to 20 with the addition of not more than 30 Members in respect of a Bill, making a total of 50. For a Standing Committee of this size Your Committee consider a quorum of 15 would be sufficient. The constitution and quorum of the Scottish Committee should remain as at present.

Third Proposal: That the number of hours devoted to the sittings of Standing Committees should be substantially increased over the pre-war minimum standard of four hours per week. (Paragraph 7.)

11. The Government scheme contains three suggestions designed to increase the hours of sitting of Standing Committees:—

(a) That Standing Committees should normally meet for a period of 2\(\frac{1}{2}\) hours, instead of two as hitherto;

(b) That Standing Committees should meet three days a week; and

(c) That the former Standing Order No. 49A should be revived, so that Standing Committees could sit in the afternoon when necessary, as well as in the morning. (See below, paragraph 15.)
(a) That Standing Committees should normally sit for a period of 2½ hours.

12. Your Committee approve this proposal. They recommend that Standing Committees should sit from 10.30 a.m. to 1 p.m. This, however, cannot be done unless the staff of reporters is suitably increased.

(b) That Standing Committees should sit three days a week.

13. In Sessions 1919 to 1939 Standing Committees sat on an average of 95 days in a session, the highest total being in 1930-31, when five Standing Committees sat on 152 days. Quite clearly this total might be considerably increased. On the assumption that seven Standing Committees (including the Scottish) were appointed, it would be possible, in theory at least, in a normal session of 30 weeks for them to sit a total of 420 days. If, however, it is regarded as impracticable fully to employ seven Standing Committees in the period before Christmas, because enough Bills would not be ready, it would be possible, if they sat regularly in the remaining 20 weeks of the session, for them to sit not less than 280 days in all. The addition of half an hour to each of these sittings, as proposed in the previous paragraph, would raise this figure by 25 per cent., to the equivalent of 350 days on the old two-hour basis. That is to say, if seven Standing Committees were appointed and sat regularly from Christmas to the Summer Recess, they would be able to accomplish about three and a half times as much work as has been done in Standing Committees on an average in the past, or about two and one-third times the amount in the heaviest recorded Session. It would thus appear that, on the existing basis of two sittings a week, increased by the proposed additional half hour, there would be time to deal with any volume of Bills which could be put through their other stages on the floor of the House.

14. The Lord President of the Council made it clear that the possibility of greatly increasing the output of Standing Committees depends on a steady supply of Bills, and Your Committee recognise that amid the changes and chances of political life it may not always be possible to maintain such a steady flow, with the result that from time to time there will be blockages in the Standing Committees. In such circumstances it would be necessary for Standing Committees to sit three days a week. It has never been easy to get Standing Committees to meet on Wednesdays on account of the regular use of that day for party meetings, and attendance on a Committee on three consecutive mornings imposes a considerable strain upon the Minister who in addition to being in charge of the Bill has his ordinary Departmental duties to discharge. For these reasons Your Committee consider that the proposal that Standing Committees should sit three days a week should be regarded as an expedient to relieve congestion, rather than as a normal practice, and that the arrangement of sittings (after the first, which by custom is fixed by the Chairman) should continue as heretofore to be the right of each Standing Committee.

(c) That the former Standing Order No. 49A should be revived.

15. The former Standing Order No. 49A provided for the adjournment of the House after Questions to enable Standing Committees to sit concurrently in the afternoon. It is a disadvantage of this proposal that it would reduce the time in which the House usually sits and therefore deprive the Government of some of the time which the scheme is intended to save. This disadvantage would, however, be outweighed in the situation contemplated in the Government's proposal, i.e., "if a situation arises where there is a danger of a blockage upstairs while time is relatively easy on the floor of the House." Your Committee accordingly recommend the revival of the powers given by
S.O. No. 49A. They are, however, concerned that there should be no further inroad into the already severely curtailed time available for Private Members to raise matters. This could be secured in either of two ways. Either the half-hour adjournment could be taken immediately after Questions and any Ministerial or personal statement, so that Standing Committees could meet from 4.30 to 7 p.m. and for a further period in the evening if necessary; or alternatively, the House could be adjourned until 7.15 p.m. (6.15 p.m. if an adjournment motion under S.O. No. 8 had been granted). The latter alternative would give two hours in which the Government could do business or Private Members’ motions could be taken and would preserve the right of Private Members to the half-hour adjournment at the usual time. Your Committee recommend that the powers given by the former S.O. No. 49A should be revived so as to permit the adjournment of the House in either of these two ways.

Fourth Proposal: That machinery should be prepared for prescribing and enforcing a time limit on the proceedings in Standing Committees. (Paragraphs 8 and 9.)

16. The scheme proposes that in any case where it is essential to obtain the report of a Bill within a given time, the proceedings in Committee should be governed by a special type of guillotine resolution. This resolution, to which the House would have to agree, would specify the time to be allowed for each of the stages of the Bill, but would not subdivide the stages. The latter function would be the work of a special committee, to be called the Emergency Business Committee, which would consist of the members of the Chairmen’s Panel together with perhaps five additional members nominated by Mr. Speaker.

17. Your Committee have given careful consideration to this proposal. While they recognise that circumstances are likely to arise in which it will be necessary to prescribe a time limit upon the proceedings in a Standing Committee, they do not consider that the method proposed is the best calculated to achieve the result. They were much impressed by the criticisms of the Clerk of the House. These may be stated briefly. First, the main value of the proposal is for the Committee stage of Bills, that being the only stage capable of elaborate subdivision. Secondly, it would provide for a second opportunity of debate, viz., upon the report of the Emergency Business Committee—unless provision were made for the agreement of the House to that Committee’s report without amendment or debate. This might result in saving the time of the House at the expense of good relations in the Standing Committee and might lead after the first experience to lengthy debates on guillotine motions in respect of subsequent Bills. Finally, it would not be a good thing that the Chairmen, who would constitute so large a part of the proposed Committee, should be identified with decisions which could hardly be challenged on any other ground than that they were unfair to some section of the critics of a Bill. For these reasons Your Committee recommend that, where the Government wish to prescribe a time-limit in respect of the proceedings in a Standing Committee, the guillotine motion should take the form of naming a date by which the Bill should be reported; and that the detailed allocation of sittings of the Standing Committee to parts of the Bill should be the work of a Sub-Committee of the Standing Committee, to consist of the Chairman and seven other Members to be nominated by Mr. Speaker. The advantages of such a proposal are twofold. First, the work of detailed allocation would be in the hands of persons who as members of the Standing Committee concerned would in any case have
to make a study of the Bill. Secondly, the necessity of a second reference to
the House, with or without the opportunity of debate, would be avoided, and
the approval of the scheme would be left to the body which, as having to work
under it, would be primarily concerned, namely, the Standing Committee.

18. If this proposal were adopted, the main purpose of the Emergency
Business Committee—to draw up a time table for proceedings in Standing
Committee—would disappear, since the Second and Third Reading stages of
a Bill are not divisible, and the Report stage is only divisible to a minor
extent and in fairly obvious ways. Your Committee therefore consider that a
central Emergency Business Committee is unnecessary; and that, if an alloca-
tion of time is considered necessary for the Committee stage of any of the
few Bills which under the scheme may be referred to a Committee of the
whole House and for the Report stage of any Bills, the details should be
embodied in the guillotine motion as heretofore.

Fifth Proposal: That certain minor amendments should be made in the pro-
cedure and practice in the debate in Committee. (Paragraph 11.)

(a) That if a clause has been amended, debate should not be permitted
on the clause unless the Chairman is of opinion, that the principle of the
clause, or any substantial point arising thereon, has not been adequately
discussed.

19. The principle upon which this suggestion is based appears to apply with
equal force in those cases where, though the clause has not been amended, the
main points have been discussed upon amendments proposed. Your Com-
mittee do not, however, consider the proposal either desirable or necessary.
It would place upon the Chairman the onus of deciding whether the clause as
a whole as distinct from its parts, or as modified by amendment, had been
adequately discussed. Under the existing Standing Orders he already
possesses adequate power to check repetition.

(b) That fuller use should be made of the practice by which the Minister
in charge of a Bill circulates to the Committee notes on any clauses which
are not readily understood without explanation.

20. Your Committee approve this suggestion. Insofar as the notes do in
fact clarify the meaning of the clause, they might do something to obviate
the movement of amendments to obtain explanations from the Minister in
charge of the Bill.

III. PROPOSED MINOR CHANGES IN FINANCIAL PROCEDURE ON BILLS.

(Paragraph 13.)

(1) That on the Report stage of a Financial Resolution the question should
be put without amendment or debate.

21. Under the existing practice the House only very rarely discusses a
Financial Resolution on Report. The saving of time by the adoption of this
proposal would therefore be negligible. On the other hand, it is of some
importance that, where the Government have amended the Resolution, the
House should have an opportunity of discussing it in the amended form.
Your Committee do not therefore recommend any alteration of the existing
practice.

(2) That the rule which prevents two stages of a Financial Resolution being
taken on the same day should be abandoned.

22. Your Committee see no objection to this suggestion, so long as the
right of any Member to object to the taking of both stages on the same day
is preserved.
(3) That the rule under which a Financial Resolution is needed to cover provisions of a Bill requiring money to be paid into the Exchequer should be abolished.

(4) That the rule, that any new clause or amendment is out of order on report if it creates or imposes a charge on the public revenue or imposes or extends any tax, rate or other local burden, or varies the incidence of any such charge or burden, should be abolished in so far as it extends to rates or other local burdens.

23. Your Committee consider that these two suggestions would more appropriately be dealt with in the course of their later inquiries.

IV. SUMMARY.

24. Your Committee's conclusions may be summarised as follows:

(a) Your Committee approve the proposal to refer substantially all Bills to Standing Committees. (Paragraph 7.)

(b) As many Standing Committees should be appointed as are necessary expeditiously to dispose of the Bills coming up from the House. (Paragraph 8.)

(c) The permanent nucleus of Standing Committees (other than the Scottish) should be reduced to 20 and not more 30 Members should be added in respect of a Bill; and the quorum should be 15. (Paragraph 10.)

(d) Standing Committees should normally sit from 10.30 a.m. to 1 p.m. (Paragraph 12.)

(e) The proposal that Standing Committees should sit three days a week should be regarded as an expedient to relieve congestion rather than as a normal practice, and the arrangement of sittings (after the first, which by custom is fixed by the Chairman) should continue as heretofore to be the right of each Standing Committee. (Paragraph 14.)

(f) The Government should be empowered (under the conditions prescribed by the former S.O. No. 49A) to move the adjournment of the House after Questions to enable Standing Committees to sit, but the right of Private Members to the half-hour adjournment should be preserved. (Paragraph 15.)

(g) Where the Government wish to prescribe a time limit in respect of the proceedings in a Standing Committee, the guillotine motion should take the form of naming the date by which the Bill should be reported; the detailed allocation of sittings to parts of the Bill should be made by a Sub-Committee of the Standing Committee consisting of the Chairman and seven other Members nominated by Mr. Speaker. (Paragraph 17.)

(h) If an allocation of time is considered necessary for the Committee stage of the few Bills which under the scheme may be referred to a Committee of the whole House and for the Report stage of any Bills, the details should be embodied in the guillotine motion as heretofore. (Paragraph 18.)

(i) No alteration should be made in the practice in Committee in regard to debate upon the question, "That the Clause stand part of the Bill". (Paragraph 19.)

(j) Fuller use should be made of the practice whereby the Minister in charge of a Bill circulates to the Committee notes on any clauses which are not readily understood without explanation. (Paragraph 20.)

(k) Debate should as heretofore be permissible on the Report of Financial Resolutions. (Paragraph 21.)

(l) It should be permissible to take two stages of a Financial Resolution on the same day, unless a Member objects. (Paragraph 22.)
APPENDIX.
MEMORANDUM BY HIS MAJESTY'S GOVERNMENT.

In moving the Motion to set up the Select Committee on Procedure the Lord President of the Council said that His Majesty's Government felt it might be useful for the Committee to be supplied with the Government's provisional ideas of possible changes in procedure (Hansard, Volume 413, No. 11, column 985). The House, therefore, has instructed the Committee to report as soon as possible upon any scheme for the acceleration of proceedings on Public Bills which may be submitted to them on behalf of His Majesty's Government.

2. In forwarding to the Committee the scheme which is attached to this Memorandum the Government desires to restate the position regarding it. The scheme was originally drafted by a Committee of Ministers of the Coalition Government, but it did not, at any time, receive the approval of the War Cabinet and the members of the War Cabinet are not in any way committed to it. The present Government, whilst not thinking it right to commit itself at this stage, feels that the scheme covers a number of proposals which are eminently worthy of consideration by the Select Committee, and form a useful basis from which the Committee may commence its discussions.

3. His Majesty's Government, therefore, puts forward this scheme for the Committee to consider and to report to the House of Commons.

3rd September, 1945.

SCHEME FOR ACCELERATION OF PROCEEDINGS ON PUBLIC BILLS.
The need for a modification of Parliamentary procedure.

1. During the period of the transition from war to peace a really heavy programme of legislation of one kind and another will be required, and will be required urgently, for the purposes of reconstruction. This will be the case whatever the political complexion of the Government in power at the relevant time; the contents of the programme would no doubt vary according to that factor, but on any view the volume will be such that any attempt to put it through under normal conditions of Parliamentary procedure in the course of one or two sessions would be likely to result in a breakdown which might be disastrous to the interests of the country. His Majesty's Government have accordingly thought it right to submit, for the earnest and urgent consideration of Parliament, certain suggestions for the modification of Parliamentary procedure as proposals which might be given a trial, on an experimental basis, during the first one or two sessions after the end of hostilities in Europe.

Reasons for emphasis on House of Commons procedure.

2. The problem is most acute in relation to the House of Commons. Moreover, any saving of time effected in passing legislation through that House is likely to improve the situation in the House of Lords in so far as it enables Bills introduced in the lower House to be sent up earlier in the session. The Government have accordingly directed their main attention to the procedure in the House of Commons.

Matters not dealt with: subordinate legislation and private and provisional order Bills.

3. This memorandum does not deal with the question of subordinate legislation. The proposals of the Government on that subject have already been made known to the House in connection with the establishment of the Committee on Statutory Rules and Orders, &c., which was set up on the 21st June last. Nor does it deal with questions of private or provisional order Bills. These questions are under consideration by the Government in a different context (as indicated by the answer given by the Prime Minister to a question by Sir Arnold Gridley on the 20th June last), but private and provisional order Bills do not make substantial demands on the time of Parliament. Again, the memorandum does not deal (except incidentally) with the dates of sessions or hours of sitting of the House of Commons. These are matters which necessarily have to be determined in the light of the circumstances prevailing from time to time, but it is evident that it will be necessary to ask Parliament to sit on as many days and for as many hours as is reasonably practicable during the relevant period.
Outline of proposals for the Committee stage: reference of substantially all Bills to Standing Committees and acceleration of passage of Bills in Standing Committees.

4. The main expenditure of time upon legislation arises at the Committee stage. A major Bill may occupy ten or even twenty days in Committee if taken on the floor of the House, or three or four months if taken upstairs. The recent example of the Education Bill, which occupied fourteen days on the floor of the House in Committee alone, provides an indication of the difficulties which would confront any Government seeking to pass three or four Bills of that order in the course of a session—to say nothing of smaller Bills, of which substantial numbers are required in a normal session, and exceptional numbers are likely to be needed in the abnormal conditions following the end of the war in Europe. If the attempt were made at a time when the opposition was organised upon strict party lines, the difficulties would be further magnified. The first main proposals of the Government are accordingly directed to the Committee stage. In their opinion, it will be necessary during the reconstruction period both to send practically all Bills upstairs and to find means of accelerating their passage in Standing Committees. These proposals are set out more fully in paragraphs 5 to 11 below.

Reference of Bills to Standing Committees.

5. In order to secure the committal of Bills to Standing Committees, no change in the Orders of the House is required beyond a return to Standing Order No. 46, under which all Bills (except Bills for imposing taxes, consolidated fund or appropriation Bills, and provisional order confirmation Bills) stand committed to a Standing Committee unless the House otherwise orders. Standing Order No. 46 has been in force since 1907, but it has been the practice to retain "the great measures of the Session" on the floor of the House, as well as short Bills which are unlikely to require a detailed Committee Stage, and Bills introduced in circumstances of such urgency that it is necessary to ask the House to pass them within a few days, or even in one day (for example, the Merchant Shipping (Carriage of Munitions to Spain) Bill of 1936). The practice of retaining Bills on the ground of importance has naturally varied from time to time according to the exigencies of the situation, and a Bill which would be regarded as one of the great measures of one Session would not necessarily be so regarded in the next. In the reconstruction period, the Government propose that the practice should be abandoned in virtually all cases other than—

(a) Bills already excepted under Standing Order No. 46; (b) Any Bill which it may be necessary to pass with great expedition; and (c) "One-Clause" Bills not requiring detailed examination in Committee.

An exception would have to be made if any Bill of first-class constitutional importance were introduced, of the order, for instance, of the Bill for the Parliament Act, 1911, or the Statute of Westminster, 1931; and the Government would not divest themselves of the right to move that any important Bill should be retained on the floor of the House if in the circumstances of the individual case they thought that course preferable. Equally the right of any Member to move that any Bill should be retained on the floor of the House would, of course, remain unimpaired. But, with the exceptions indicated, the Government would for their part make a practice of refraining from moving in that sense, and of opposing such a motion if moved from another quarter.

Outline of proposals for acceleration of Bills in Standing Committees: extension of sitting hours, time table, increase of number of committees, and minor amendments of practice and procedure.

6. The reference of substantially all Government Bills to Standing Committees may be estimated to save anything up to thirty days on the floor of the House of Commons in the course of a session—subject to any allowance which may have to be made for additional time on Report of the Bills.*

* This estimate is based upon figures for the Sessions 1934–35 and 1936–37, in which out of 804 and 611 days respectively devoted to legislation on the floor of the House (excluding the Finance Bill and Consolidated Fund and Appropriation Bills), 38½ and 18½ days respectively were occupied by Committee stages.
This saving would, however, be of little value if it were achieved only at the cost of a bottleneck upstairs. Accordingly, the Government propose that in order to accelerate the passage of the Bills in Standing Committee—

(a) The number of hours devoted to the sittings of Standing Committees should be substantially increased over the pre-war minimum standard of four hours per week;

(b) Machinery should be prepared for prescribing and enforcing a time limit on the proceedings in Standing Committee;

(c) The number of Standing Committees should be increased, the size of the Committees being reduced, if necessary, for the purpose; and

(d) Certain minor amendments should be made in the procedure and practice in the debates in Committee.

**Hours of sittings of Standing Committees.**

7. Before the war it was the normal practice of Standing Committees to sit only for four hours per week, between 11 a.m. and 1 p.m. on Tuesdays and Thursdays. Afternoon sessions were only occasionally held, usually towards the end of the proceedings on a Bill when time was becoming short. The Government propose that these hours should be substantially increased. The possible methods of doing so are to add an additional sitting day or to provide for longer sitting hours on sitting days, and it is suggested that both these methods should be adopted. For example, the Committees might sit on Wednesdays as well as Tuesday and Thursday, and the normal hours of morning sittings might be 10:45 a.m. until 1:15 p.m. These proposals alone, if accepted, would nearly double the normal sitting time of Standing Committees. In addition, the Government suggest that, if a situation arises where there is a danger of a blockage upstairs while time is relatively easy on the floor of the House, the House should adjourn immediately after Questions on a certain number of days in order to enable the Standing Committees to continue in the afternoon. (If substantially all Bills are sent upstairs as proposed above, it is much more probable than it has been hitherto that there will be times when the House itself is comparatively free from work.) For this purpose, therefore, the Government propose that there should be a return to the old Standing Order No. 49A, which was passed in 1919 but was never used and was repealed as obsolete in 1933.* The proposals outlined here as to the hours of sittings of Standing Committees are, of course, based on the assumption that in the relevant period the House will have reverted to its pre-war hours of sitting—at least to the extent that it will no longer meet during the morning. If this is not so the only alternative appears to be to make a much more extensive use of the practice of adjourning the House in order to enable the Committees to sit.

**Time table on proceedings in Standing Committee: alternative methods.**

8. The Government also consider that steps should be taken to secure that Bills committed to Standing Committees are reported to the House at the appropriate time. Without resorting to a guillotine resolution proper, something might be achieved for this purpose if the House were to pass a resolution requiring the Committee to which the Bill is referred to report the Bill by a given date, with or without an instruction enabling them to allocate the available time as between the various clauses or groups of clauses of the Bill. Such a resolution would, however, lack effective sanction, and if the proceedings in Committee were not completed by the time specified in the Resolution, the Committee Stage would have to be finished off on the floor of the House. The Government therefore propose that in any case where it is essential to obtain the report of a Bill within a given time, the proceedings in Committee should be governed by a special type of guillotine resolution.

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* The Standing Order provided that a motion might be made by a Minister at the commencement of public business to adjourn the House in order to facilitate the business of standing committees, and that such a motion should be decided without amendment or debate.
Guillotine resolutions in relation to proceedings in Standing Committee.

This resolution would be passed by the House. It would settle the total time to be made available for the Committee Stage of the Bill, and would also contain provisions, on the lines of a normal guillotine resolution, providing for the conclusion of the proceedings on the whole of the Bill, and on particular clauses or groups of clauses of the Bill, by means of putting without debate all questions necessary to dispose of the business. The resolution would not, however, itself specify the intermediate times at which proceedings on particular clauses or groups of clauses were to be brought to a conclusion, but would leave that to be determined by a Special Committee of the House in accordance with the proposal set out below (see paragraph 12). The main problem arising in connection with the application of a guillotine resolution to proceedings in Standing Committee is the unit to be taken for the purpose of measuring time. The system of "allotted days" which is used in the case of a resolution relating to proceedings on the floor of the House is, as such, inappropriate to proceedings in Standing Committees, and it is for consideration whether it would be best to arrange the time on the basis of sittings, of sitting days or of weeks, or by reference to actual dates. The question depends to some extent upon how much use is made of the practice of adjourning the House as proposed above, and upon the hours and days of the week adopted for the sittings of the Committees. The problem is not, however, an insoluble one; the greatest accuracy would be attained by taking a sitting as the unit (treating afternoon sittings as separate sittings for the purpose), but in practice it might prove more convenient to adopt one of the other alternatives indicated above. It goes without saying that the application of a time limit to proceedings in Standing Committee should not be regarded as absolving the Chairman from the duty to use his powers of selection and closure so as to direct the debate to the main points at issue; on the contrary, the time limit would make it all the more necessary that these powers should be so used.

Number of Standing Committees.

Under Standing Order No. 47 the maximum number of Standing Committees, including the Standing Committee on Scottish Bills, is five. The four Standing Committees other than the Scottish Committee are composed of between thirty and fifty permanent members, and between ten and thirty-five members added by the Committee of Selection for the particular Bill under consideration, and the quorum is twenty. Accordingly the maximum number of members who could be put on a Standing Committee for any Bill was eighty-five, though, in practice the usual numbers appointed before the war were sixty or seventy according to the importance of the Bill. The Government propose that there should be an increase in the number of Standing Committees, and consider that no difficulties of accommodation should be allowed to stand in the way of this increase. In their view an increase will be necessary to secure the passage of the volume of legislation which is likely to be required during the reconstruction period, and is also desirable in order to provide further opportunities for members of the House to perform useful service as such. For the latter reason, it is not in their opinion a necessary corollary of an increase in the number of Committees that there should be a reduction in the size of those Committees. If, however, difficulties were encountered in securing the necessary numbers, they would propose that any reduction in size should be effected in the nucleus of the Committees, leaving the numbers who may be added for a particular Bill as it stands under existing orders.

Minor amendments of practice and procedure: restriction of debate on the clause and increased use of explanatory material.

Two other suggestions may be made as to the proceedings on the Committee Stage:

1. The debates on the question, which has to be put on each clause, "that the clause stand part of the Bill," might be restricted by means of a new standing Order to the effect that where a clause has been amended debate should not be permitted on the clause unless the Chairman is of opinion that the principle of the clause, or any substantial point arising thereon, has not
been adequately discussed. The object of this would be to assist the Chairman in preventing abuse of the debate by means of the delivery of second reading speeches or the repetition of arguments already advanced in the debates on amendments. Any such Standing Order should be framed as to leave it open to members to ask questions as to the effect of the clause, so long as they did not make a speech in doing so.

(2) A fuller use might well be made of a practice occasionally adopted in the past, by which the Minister in charge of a Bill circulates to the committee notes on any clauses which are not readily understood without explanation. This expedient would reduce the number of cases in which amendments are put down for the purpose of obtaining an explanation of the clause, and would prevent the waste of time which occasionally occurs when amendments are based on a misapprehension of the effect of the clause.

**Improvement of time-table procedure: establishment of "Emergency Business Committee."**

12. The second main proposal which the Government wish to put forward is for an improvement in the procedure relating to time-tables. For this purpose they suggest that a Special Committee of the House should be appointed at the beginning of the Session, consisting of the members of the Chairmen's Panel together with perhaps five additional members nominated by Mr. Speaker. In a case where a Bill was subject to a guillotine resolution, the function of the Committee would be to allocate, as between the various parts of the Bill, the time allowed by the resolution for any particular stage of the Bill. In the view of the Government, it might be more satisfactory to the House in general if the detailed allocation of the time were worked out by a Committee of this character instead of being laid down, as hitherto, by the terms of the resolution itself. They do not, however, consider that it would be practicable to leave it to such a Committee to settle the total amount of time to be made available for a Bill. So far as the Committee stage is concerned, the function of the Special Committee of the House would, if the previous proposals are accepted, be limited almost exclusively to proceedings in Standing Committee (see paragraph 9 above); but it would also be required to act in relation to proceedings on the floor of the House in any case where a guillotine was applied to the other stages of the Bill. If any such Committee is appointed it is suggested that it might be known as "the Emergency Business Committee," or by some other title indicating the exceptional nature of the business with which it is to be concerned. Such a Committee might also be of considerable assistance in the arrangement of a voluntary time-table in appropriate cases.

**Minor changes in financial procedure on Bills.**

13. Apart from the proposals outlined above, the Government have a few further suggestions to make for the reform of the procedure at the various stages of Bills. These are of comparatively small importance and are all related to financial matters:

(1) It is suggested that the time has come to give effect to a recommendation put forward some time ago, that on the report stage of a Financial Resolution the question should be put without amendment or debate. This should apply not only to the normal financial resolution moved after second reading of the Bill, but also to Ways and Means resolutions other than those upon which the Finance Bill is founded, and the object would be to prevent the repetition or anticipation on the report of the resolution of the second reading debate on the Bill. In practice debate seldom arises now on the report of a financial resolution, but the opportunity remains and could be used for purposes of obstruction. (With this change there would still be some duplication of debate on the Committee stage of the resolution and the second reading of the Bill, but it does not appear practicable to dispense with this.)

(2) A change might now be made in the rule which prevents two stages of a Financial Resolution from being taken on the same day. Under the present practice no two stages of any financial business may be taken on the same day (except in the case mentioned in Standing Order No. 70) without a special Procedure Resolution, and accordingly the report of a Financial Resolution
cannot be taken immediately after committee, even where it is not desired to debate it. There appears to be little point in the rule so far as it applies to Financial Resolutions, particularly if effect is given to the proposal in this paragraph as to the report stage of such Resolutions.

(3) The technical rule under which a Financial Resolution is required to cover provisions of a Bill requiring money to be paid “into the Exchequer” might now be abolished. The rule does not apply where the payments are directed to be made to a particular Minister, though the effect of such a provision is exactly the same.

(4) Under the present practice of the House, any new clause or amendment is out of order on report if it creates or imposes a charge on the public revenue or imposes or extends any tax, rate or other local burden, or varies the incidence of any such charge or burden. It is suggested that in order to save expenditure of time on the recommittal of Bills this rule might now be abolished so far as it relates to rates or other local burdens.

Methods of curtailing time spent on other business.

14. The proposals outlined in the previous paragraphs are directed to the saving of time occupied by the passage of Bills. The Government have also considered how far it may be practicable to obtain more time for general legislation required for reconstruction purposes by curtailing the time taken up by other business. On this subject their provisional conclusions are mainly negative. As regards private members' time, they consider that the situation is likely to remain as at present during the relevant period. They do not, however, contemplate any inroad upon Question time. The proceedings on the Budget and the Finance Bill offer certain opportunities for the repetition of debates, and have been subject to criticism on that account. On balance, however, the Government are of opinion that it would not be right to propose any change in these proceedings, since the Finance Bill is pre-eminently a case in which the opportunity for second thoughts justifies expenditure of the additional time. The Government have also considered possible economies of time in relation to the business of supply, including Consolidated Fund and Appropriation Bills, but are not able to make any general recommendation on that subject. In particular they do not advocate a repetition of the experiments of sending the estimates upstairs, or of a formal reduction in the number of days allotted to supply and to moving Mr. Speaker out of the Chair on supply. These occasions, together with the proceedings on the Consolidated Fund Bills, provide opportunities for general debates, and if those opportunities were curtailed it would be a practical necessity to find equivalent time elsewhere. For the same reasons they have decided not to recommend the allocation of a fixed number of days to the spring supplementary estimates. On the other hand, the House has on occasion been willing to accept an agreed reduction in the number of supply days where special circumstances have rendered this necessary, and has also on occasion passed the spring supplementaries under an agreed time-table. In the reconstruction period it may well be that the House would allow the Government a similar latitude if it appeared likely that a heavy programme of reconstruction Bills would otherwise become blocked for lack of time. Apart from this, some additional time would be made available if routine financial Bills (such as Public Works Loans Bills and Post Office Telegraph (Money) Bills) were sent upstairs in accordance with the previous recommendation.

Carry over of public Bills.

15. The Government have also examined again the much discussed question of carrying over public Bills at the end of a session. In general they are opposed to the creation of any breach in the present rule, which lies at the root both of effective government and of effective opposition. If in the relevant period a situation arises where one or more important Bills are likely to be lost through lack of time at the end of the session, the first line of defence should be, in their view, to prolong the session so far as this is practicable. If this were not sufficient, the question of carry over could still be considered on its merits in the light of all relevant circumstances, and the Government do not rule out the possibility that in some cases the immediate practical necessities might outweigh the general objections on the other side.
PROCEEDINGS OF THE COMMITTEE.

TUESDAY, 11TH SEPTEMBER, 1945.

Members present:

Mr. W. J. Brown. Mr. Messer. Mr. James Reid. Mr. Sydney Silverman. Mr. Viant.
Mr. Seymour Cocks. Mr. Pickthorn. Mr. Crossman. Mr. Octavius Willey.
Mr. Cove. Mr. James Reid. Mr. Sydney Silverman. Mr. Viant.
Captain Crookshank. Mr. William. Mr. Octavius Willey. Earl Winterton. Sir Robert Young.
Mr. Crossman. Mr. Sydney Silverman. Mr. Viant.
Mr. Clement Davies. Mr. Octavius Willey. Earl Winterton.
Mr. Gaitskell. Mr. Octavius Willey. Earl Winterton.
Viscount Hincbingbrooke. Earl Winterton.

Sir Robert Young was called to the Chair.
The Committee deliberated.

[Adjourned till Tuesday, 18th September, at Eleven o'clock.

TUESDAY, 18TH SEPTEMBER, 1945.

Members present:

Sir ROBERT YOUNG in the Chair.

Mr. W. J. Brown. Mr. Messer. Mr. James Reid. Mr. Sydney Silverman. Mr. Viant.
Mr. Seymour Cocks. Mr. Pickthorn. Mr. Crossman. Mr. Octavius Willey.
Mr. Cove. Mr. James Reid. Mr. Sydney Silverman. Mr. Viant.
Captain Crookshank. Mr. Octavius Willey. Earl Winterton.
Mr. Crossman. Mr. Sydney Silverman. Mr. Viant.
Mr. Clement Davies. Mr. Octavius Willey. Earl Winterton.
Mr. Gaitskell. Mr. Octavius Willey. Earl Winterton.
Viscount Hincbingbrooke. Earl Winterton.

Sir Gilbert Campion, K.C.B., Clerk of the House; Colonel the Right Honourable Douglas Clifton Brown, Speaker of the House of Commons; and the Right Honourable Herbert Morrison, Lord President of the Council, were examined.

[Adjourned till To-morrow at Eleven o'clock.

WEDNESDAY, 19TH SEPTEMBER, 1945.

Members present:

Sir ROBERT YOUNG in the Chair.

Mr. W. J. Brown. Mr. Pickthorn. Mr. James Reid. Mr. Sydney Silverman. Mr. Viant.
Mr. Seymour Cocks. Mr. James Reid. Mr. Sydney Silverman. Mr. Viant.
Mr. Cove. Mr. Sydney Silverman. Mr. Viant.
Captain Crookshank. Mr. Maurice Webb. Mr. Octavius Willey. Earl Winterton.
Mr. Crossman. Mr. Maurice Webb. Mr. Octavius Willey. Earl Winterton.
Mr. Clement Davies. Mr. Octavius Willey. Earl Winterton.
Mr. Gaitskell. Mr. Octavius Willey. Earl Winterton.
Viscount Hincbingbrooke. Earl Winterton.

Sir Gilbert Campion, K.C.B., Clerk of the House, was further examined.
Sir Granville Ram, K.C.B., K.C., First Parliamentary Counsel to the Treasury, was examined.

[Adjourned till Wednesday next at Eleven o'clock.
WEDNESDAY, 26TH SEPTEMBER, 1945.

Members present:

Sir ROBERT YOUNG in the Chair.

Mr. W. J. Brown. Mr. Messer.
Mr. Seymour Cocks. Mr. Pickthorn.
Mr. Cove. Mr. James Reid.
Captain Crookshank. Mr. Viant.
Mr. Crossman. Mr. Maurice Webb.
Mr. Clement Davies. Mr. Octavius Willey.
Mr. Gaitskell. Earl Winterton.
Viscount Hinchingbrooke.

The Right Honourable James Stuart, M.V.O., M.C., a Member of the House; and Mr. P. F. Cole, Editor of the Official Report, were examined.

[Adjourned till To-morrow at Eleven o'clock.

THURSDAY, 27TH SEPTEMBER, 1945.

Members present:

Sir ROBERT YOUNG in the Chair.

Mr. W. J. Brown. Mr. Messer.
Mr. Seymour Cocks. Mr. Pickthorn.
Mr. Cove. Mr. James Reid.
Captain Crookshank. Mr. Viant.
Mr. Crossman. Mr. Maurice Webb.
Mr. Clement Davies. Mr. Octavius Willey.
Mr. Gaitskell. Earl Winterton.
Viscount Hinchingbrooke.

The Committee deliberated.

[Adjourned till Thursday, 11th October, at Eleven o'clock.

THURSDAY, 11TH OCTOBER, 1945.

Members present:

Sir ROBERT YOUNG in the Chair.

Mr. W. J. Brown. Mr. Messer.
Mr. Seymour Cocks. Mr. Pickthorn.
Mr. Cove. Mr. James Reid.
Captain Crookshank. Mr. Viant.
Mr. Crossman. Mr. Maurice Webb.
Mr. Clement Davies. Mr. Octavius Willey.
Mr. Gaitskell. Earl Winterton.
Viscount Hinchingbrooke.

Draft First Report, proposed by the Chairman, brought up and read the first time.

Ordered, That the Draft Report be read a second time Paragraph by Paragraph.

Paragraph 1 amended and agreed to.

Paragraphs 2 and 3 agreed to.

Paragraph 4:—

"The scheme was conceived to meet the special circumstances of the period of transition from war to peace. It was foreseen that, whatever party should be in power at that time, a heavy programme of legislation would be urgently required for the purposes of reconstruction, and that it would not be possible to put through such a programme under the normal conditions of Parliamentary
procedure in the course of one or two sessions. The scheme therefore suggests certain modifications of Parliamentary procedure "which might be given a trial, on an experimental basis, during the first one or two Sessions after the end of hostilities in Europe". Your Committee desire to draw attention to the experimental character of the proposals submitted by the Government and to emphasise that it is purely on this basis that they have considered them. It would follow that any alterations in the Orders governing the procedure of the House which the adoption of these proposals may require would take the form of Sessional Orders during the experimental period," read.

Amendments made.

Another Amendment proposed in line 9 to leave out from "Committee" to "that" in line 12 and insert "have accordingly taken the view". (Mr. Seymour Cocks.)

Question proposed "That the words proposed to be left out stand part of the Paragraph."

The Committee divided: Ayes, 8; Noes, 8.

Ayes. Noes.
Mr. W. J. Brown. Mr. Seymour Cocks.
Mr. Cove. Mr. Crossman.
Captain Crookshank. Mr. Gaitskell.
Mr. Clement Davies. Mr. Messer.
Viscount Hinchingbrooke. Mr. Sydney Silverman.
Mr. Pickthorn. Mr. Viant.
Mr. James Reid. Mr. Maurice Webb.
Earl Winterton. Mr. Octavius Willey.

Whereupon the Chairman declared himself with the Ayes.

Paragraph, as amended, agreed to.

Paragraphs 5 and 6 amended and agreed to.

Paragraph 7:—"In as much as this suggestion merely represents a fuller use than hitherto of a procedure for which the Standing Order already provides, Your Committee have little comment to offer. They are content to observe that the Government's estimate that by this means anything up to thirty days of the time of the House might be saved appears in the light of the figures submitted to them by the Clerk of the House to be optimistic. This question, however, is more appropriate to the larger inquiry into the use of Parliamentary time which the Committee will make later. They would also point out that against whatever saving may be achieved by the removal of the Committee Stage of substantially all Bills from the floor of the House must be set a certain increase of the time required at the Report Stage."

Motion made and Question proposed "That Paragraph 7 be read a second time."

The Committee divided: Ayes, 7; Noes, 9.

Ayes. Noes.
Mr. W. J. Brown. Mr. Seymour Cocks.
Captain Crookshank. Mr. Cove.
Mr. Clement Davies. Mr. Crossman.
Viscount Hinchingbrooke. Mr. Gaitskell.
Mr. Pickthorn. Mr. Messer.
Mr. James Reid. Mr. Sydney Silverman.
Earl Winterton. Mr. Viant.
Mr. Maurice Webb.
Mr. Octavius Willey.

A Paragraph brought up and read the first and second time, amended and inserted.

Paragraphs 8 and 9 amended and agreed to.

Paragraph 10:—"On the question whether an increase in the number of Standing Committees would involve a decrease in the number of Members serving
on each, the Government proposals express the opinion that it would not necessarily do so, but that, if difficulties arose in securing the necessary numbers, the reduction should be in the permanent nucleus rather than in the numbers added in respect of a particular Bill (under the existing Standing Order No. 48, not less than 10 nor more than 35). Your Committee concur with this view and recommend the reduction of the permanent nucleus to 20 with the addition of 30 Members in respect of a Bill, making a total of 50. For a Standing Committee of this size Your Committee consider a quorum of 15 would be sufficient,” read.

Amendment proposed in line 8 to leave out from “20” to the end of the Paragraph and insert:—

“They further recommend that the number of Members added in respect of each Bill should be not less than 30 nor more than 50, the number to be determined by the Committee of Selection. The larger number would be appropriate for important or controversial Bills. For a Standing Committee consisting of 60 Members or less Your Committee consider that a quorum of 15 would be sufficient.’’

(Mr. James Reid.)

Question put, “That the words proposed to be left out stand part of the Paragraph.”

The Committee divided: Ayes, 9; Noes, 5.

Ayes.

Mr. Seymour Cocks.

Mr. Cove.

Mr. Crossman.

Mr. Gaitskell.

Mr. Messer.

Mr. Sydney Silverman.

Mr. Viant.

Mr. Maurice Webb.

Mr. Octavius Willey.

Noes.

Captain Crookshank.

Viscount Hinchingbrooke.

Mr. Pickthorn.

Mr. James Reid.

Earl Winterton.

Amendments made.

Paragraph, as amended, agreed to.

Paragraph 14 agreed to.

[Adjourned till Tuesday next at Eleven o'clock.

TUESDAY, 16TH OCTOBER, 1945.

Members present:

Sir ROBERT YOUNG in the Chair.

Mr. W. J. Brown.

Mr. Seymour Cocks.

Mr. Cove.

Captain Crookshank.

Mr. Crossman.

Mr. Clement Davies.

Mr. Gaiteskell.

Viscount Hinchingbrooke.

Mr. Messer.

Mr. James Reid.

Mr. Sydney Silverman.

Mr. Viant.

Mr. Maurice Webb.

Mr. Octavius Willey.

Earl Winterton.

Draft First Report, proposed by the Chairman, further considered.

Paragraphs 12 to 14 amended and agreed to.

Paragraph 15:—“The former Standing Order No. 49A provided for the adjournment of the House after Questions to enable Standing Committees to sit concurrently in the afternoon. Your Committee are not entirely convinced of the value of this suggestion. The fact that this Order was never put into operation during the period when it was in force, 1919 to 1933, suggests that its usefulness is somewhat problematical. The fundamental difficulty is that its use would reduce the time in which the House usually sits. On the one hand, in a Session which ex hypothesi has a great burden of legislation, there will be great
pressure on the time of the House for the other stages of Bills: Second Readings, Report stages, and Third Readings. On the other hand, even if at any period of the session time on the floor of the House should be relatively easy, the Government would probably be unwilling, by adjourning the House under Standing Order No. 49A, to admit that business was not congested, and Private Members would be encouraged to press for time for the discussion of topics which they held to be urgent. It is, however, possible that a situation such as the Government's scheme contemplates might arise, when the floor of the House was comparatively free and that in the circumstances the House might be willing to agree to such a motion as Standing Order 49A provided for. Your Committee see no objection to the revival of some such power. They are, however, concerned that there should be no further inroad into the already severely curtailed time available for Private Members to raise matters, and they recommend that the revival of Standing Order 49A should take some such form as that suggested by the Clerk of the House (see Memorandum by the Clerk of the House, paragraph 13 and Appendix C 2). This variant, by limiting the time of adjournment to 7.15 p.m. (6.15 p.m. if an adjournment under Standing Order No. 8 had been granted), would preserve the right of Private Members to the half hour adjournment; and would also give the Government two hours in which to do their own business. Alternatively, if it were considered inconvenient and impracticable to recall the House for so short a spell of work, Your Committee would recommend that the half hour adjournment should be taken immediately after Questions and any Ministerial or personal statement, and that the Standing Committees should meet from 4.30 p.m. to 7 p.m., read.

Amendment proposed in line 3 to leave out from "afternoon" to "They" in line 19 and insert,

"It is a disadvantage of this proposal that it would reduce the time in which the House usually sits and therefore deprive the Government of some of the time which the scheme is intended to save. This disadvantage would, however, be outweighed in the situation contemplated in the Government's proposal, i.e., 'if a situation arises where there is a danger of a blockage upstairs while time is relatively easy on the floor of the House.' Your Committee accordingly recommend the revival of the powers given by S.O. No. 49A." (Mr. Maurice Webb.)

Question proposed, "That the words proposed to be left out stand part of the Paragraph?"

The Committee divided: Ayes, 7; Noes, 8.

Ayes. Noes.
Mr. W. J. Brown. Mr. Seymour Cocks.
Mr. Cove. Mr. Crossman.
Captain Crookshank. Mr. Gaitskell.
Mr. Clement Davies. Mr. Messer.
Viscount Hinchingbrooke. Mr. Sydney Silverman.
Mr. James Reid. Mr. Viant.
Earl Winterton. Mr. Maurice Webb.
Mr. Octavius Willey.

Question, "That those words be there inserted" put and agreed to.

Another Amendment made.

Paragraph, as amended, agreed to.

Paragraph 16 agreed to.

Paragraph 17:—"Your Committee have given careful consideration to this proposal. While they recognise that circumstances may arise in which it will be necessary to prescribe a time limit upon the proceedings in a Standing Committee, they do not consider that the method proposed is the best calculated to achieve the result. They were much impressed by the criticisms of the Clerk of the House. These may be stated briefly. First, the main value of the proposal is for the Committee Stage of Bills, that being the only stage capable of elaborate subdivision. Secondly, it would provide for a second opportunity of debate.
upon the report of the Emergency Business Committee—unless provision was made for the agreement of the House to that Committee's report without amendment or debate. This might result in saving the time of the House at the expense of good relations in the Standing Committee and might lead after the first experience to systematic obstruction of guillotine motions in respect of subsequent Bills. Finally, it would not be a good thing that the Chairmen, who constitute so large a part of the proposed Committee, should be identified with decisions which could hardly be challenged on any other ground than that they were unfair to some section of the critics of a Bill. For these reasons Your Committee prefer a method on the lines of the counter-suggestion made by the Clerk of the House, and generally assented to by other witnesses, viz., that in any case where the Government felt it necessary to prescribe a time-limit in respect of the proceedings in a Standing Committee, the guillotine motion should take the form of naming a date by which the Bill should be reported. The detailed allocation of sittings of the Standing Committee to parts of the Bill would be the work of a Sub-Committee of the Standing Committee, to consist of the Chairman and seven other Members to be nominated by Mr. Speaker. The advantages of such a proposal are twofold. First, the work of detailed allocation would be in the hands of persons who as members of the Standing Committee concerned would in any case have to make a study of the Bill. Secondly, the necessity of a second reference to the House, with or without the opportunity of debate, would be avoided and the approval of the scheme would be left to the body which, as having to work under it, would be primarily concerned, namely the Standing Committee," read.

Amendments made.

Another Amendment proposed in line 22 after " reported " to insert, " Your Committee recommend that this motion should also provide that the Standing Committee must have sat for a specified number of meetings of at least two hours each before the guillotine comes into operation. Otherwise if there were no quorum on one or more of the ordinary days of meeting the time available for discussion of the Bill would fall short of that contemplated when the guillotine motion was proposed and might be quite inadequate. It should be in the power of the Committee to fix additional meetings if necessary on Wednesday mornings or at such other time as they should determine."—Mr. James Reid.)

Question proposed, " That those words be there inserted."

The Committee divided: Ayes, 5; Noes, 10.

Ayes. Noes.
Mr. W. J. Brown. Mr. Seymour Cocks.
Captain Crockshank. Mr. Cove.
Viscount Hinchingbrooke. Mr. Crossman.
Mr. James Reid. Mr. Clement Davies.
Earl Winterton. Mr. Gaitskell.
Mr. Messer.
Mr. Sydney Silverman.
Mr. Viant.
Mr. Maurice Webb.
Mr. Octavius Willey.

Paragraph, as amended, agreed to.
Paragraph 18 amended and agreed to.
Paragraphs 19 and 20 agreed to.
Paragraph 21 amended and agreed to.
Paragraphs 22 and 23 agreed to.
Paragraph 24 amended and agreed to.

Resolved, That the Draft Report, as amended, be the First Report of the Committee to the House.

[Adjourned till Thursday, 1st November, at Eleven o'clock.]

(45870) Wt. — 10/45 D.L. G. 335
CABINET

WHEAT SUPPLIES FOR GERMANY AND AUSTRIA

Memorandum by the Minister of Food

Since the meeting of the Cabinet on Tuesday, 23rd October, I have, as I then undertook to do, re-examined the wheat position carefully with a view to making a further recommendation to the Cabinet on C.P.(45) 251, "Wheat Supplies for Germany and Austria". It is my considered judgement that to ship any more wheat to Germany and Austria before we receive assurances from the main exporting countries that they are willing to reduce their stocks of wheat at 30th June, 1946, to levels consistent with the International Wheat Agreement minima would endanger the supply of wheat to the United Kingdom and I therefore recommend that no more wheat be shipped to Germany or Austria till such assurances are given. The countries concerned are being pressed to give an early reply to our request.

In the meantime I must warn my colleagues that the purchase of wheat required for the British zone in Germany and Austria will involve spending dollars.

B.S.

Ministry of Food, W.1.

27TH OCTOBER, 1945.
NATURALISATION POLICY.

MEMORANDUM BY THE HOME SECRETARY.

1. It is my duty as soon as possible to resume the work of dealing with applications for naturalisation. During the last five years this work has been suspended except as regards applications for readmission to British nationality (mostly by women) and certain other limited categories. The law contemplates that certificates of naturalisation shall be issued to aliens of good character who have assimilated themselves to this country, and there ought to be no long interval between the end of hostilities and the restoration of the normal practice of dealing with applications within such limits as is practicable.

2. Subject to the consideration of the views of my colleagues, I propose to announce in the House of Commons that as soon as the necessary staff is available naturalisation will be re-opened, that consideration will be given first to those applications which were submitted before the policy of suspension was announced in November 1940, that it will take not less than two years to deal with these applications, and that when they have been disposed of, applications received after November 1940 will be dealt with in the order of their submission but according to the length of time the applicants have resided in this country.

3. The number of applications which were awaiting consideration when the announcement of November 1940 was made is about 6,500. As there is a statutory requirement of five years' residence, none of these 6,500 applicants had less than five years' residence in 1940 and will now have had at least ten years' residence. But for the war-time decision to suspend the work these 6,500 applications would have been dealt with in the order of their submission and it seems clearly right to give priority to these applicants.

4. It is essential to maintain a proper standard of care in examining each application and in making all necessary enquiries about the applicant, and I doubt whether it will be practicable to dispose of these 6,500 cases in less than two years. Any expansion of the staff of the naturalisation department must be gradual—newcomers must be trained—and the pace of the work is also limited by the rate at which enquiries can be made by experienced police officers.

5. Despite the announcement in November 1940 of suspension, over 6,000 applications have been submitted to the Home Office since that date, and there are many more potential applicants waiting to submit their applications. To deal with applications made after November 1940 in the order of their submission would be unfair, because it would differentiate against those who have been considerate enough not to trouble the Home Office during the war, and in favour of those who, despite the public announcement, have persisted in putting in their applications. For this reason it is proposed that when it becomes practicable to deal with applications submitted after November 1940, these applications shall be dealt with not in the order of submission but according to the length of the applicant's residence in this country.

6. The existing policy will be continued of dealing with applications for readmission to British nationality (most of these are from British-born women who have lost British nationality on marriage to aliens), with special cases of persons who by upbringing and associations are clearly British but are not British subjects in law (for example, illegitimate children born abroad of a British mother and brought up in this country), and with special cases where there is some specific reason in the public interest for the immediate conferment of British nationality.
7. The adoption of the scheme set out in paragraph 2 (above) will mean that most of the applications dealt with during the next two years will be applications from persons who came to this country not later than 1935, and that it will be some years before applications can be dealt with from foreigners who came here in 1936, 1937, 1938 and 1939. Amongst these later comers are many persons who have rendered valuable service to the war effort, both in the Armed Forces and in civil occupations, and pressure will no doubt be put upon me to take out of their turn many applicants whose wartime services can be represented as being of special value. If the policy which I recommend is adopted, it will be necessary to resist these representations unless in quite exceptional cases it can be clearly shown that immediate conferment of British nationality is needed for some purpose of national importance.

8. Representations are being made, and will continue to be made, for the early naturalisation of aliens who have served in the Armed Forces, most of whom will by now have the statutory qualification either of five years’ residence or of five years’ service with the Crown. Sympathy must be felt with the view that there is a special case for naturalising applicants of good character who have served with the Forces, but the question now to be settled is not whether in the future such applicants shall be naturalised, but whether some special measures should be taken to naturalise them without delay. The objections to such a course may be summarised as follows:—

9. First, there is no sound ground of equity or logic for distinguishing between aliens who have served in the Forces and others who have done important and sometimes dangerous work in civilian occupations. Strong representations, for example, have been made in favour of the early naturalisation of scientists whose contributions to the war effort have in many cases been of great value. If it were decided to treat service with the Forces as a ground for preferential treatment, it would be almost impossible to refuse to take up applications from civilians who have made useful contributions not only in the field of science but in other fields.

10. Although service with the British forces makes a strong sentimental appeal, and many who have so served have done fine work and would be welcome as citizens of this country, service in the British army does not necessarily mean that an alien has become assimilated to the British way of life. Some such aliens have naturally felt themselves to be fighting not so much positively for this country as negatively against Nazism and Fascism. Some joined the Pioneer Corps as an alternative to internment. Of these some were discharged on medical grounds after short service.

11. To devise any workable scheme of distinguishing between the applicants according to the nature or length of their service in the Forces would, I am convinced, be impracticable. Amongst the men, for example, with short service, will be some who were engaged in active fighting and were disabled at an early date by wounds. If service with the Forces were to be a ground for preferential treatment, such treatment would have to be accorded to all who were discharged with a good character.

12. There is a further difficulty that many aliens who have served with the Forces have never set foot in this country. They were recruited in the Middle East in 1940 and 1941 and have served with the Forces in the Mediterranean.

13. Secondly, it is in my view important that, for the present, nothing shall be done to prejudice a decision as to the ultimate disposal of the aliens admitted to this country in 1938 and 1939 on the express understanding that they came here for temporary asylum as trans-migrants and in the expectation that they would shortly go overseas. It may well be that in the changed circumstances many of them will ultimately have to be allowed to remain here, but no guarantee on this subject ought to be given at present. As stated by the Prime Minister in a recent reply to a Parliamentary Question (Official Report, the 10th October, cols. 225 and 226): “It is the policy of His Majesty’s Government to create conditions in Europe which will enable and encourage foreigners who are here on a temporary basis to return to their own country.” It is not proposed in present circumstances to compel any refugees of good character to leave this country but, on the other hand, the United Kingdom ought not to be committed at the present date to guaranteeing permanent settlement here to all such refugees as prefer to remain here.

14. Of the aliens who have served in the Forces a large number were admitted to the United Kingdom as trans-migrants for temporary asylum in
1938 and 1939. To naturalise such persons, thereby conferring the right to permanent settlement, and at the same time to avoid holding out the prospect of permanent settlement here to refugees who have contributed as civilians to the war effort, would be a most difficult course. If it be agreed that for the present nothing should be done to prejudice future decisions about aliens admitted here for temporary asylum, it is essential that the question of naturalising such aliens should be postponed. The proposed plan of dealing first with the applications for naturalisation submitted before November 1940 (i.e., applications from persons who came to the United Kingdom before 1935) will mean that consideration will be postponed of applications from persons who were admitted in 1938 and 1939 for temporary refuge as transmigrants.

15. If at a future date it is decided that many of these refugees may be allowed to stop here, then—and not before then—their applications should be considered and full weight given to service in the Forces and to other forms of assistance to the war effort. I fully appreciate the force of the considerations which can be urged on behalf of those aliens who have served with His Majesty's Forces, but I am forced to the conclusion that it would be undesirable to place such applicants at the head of the queue and naturalise them at this stage.

16. I shall no doubt be asked what the Government intend to do to give effect to the hope expressed on the 27th February last by the then Prime Minister that it may be possible to offer the citizenship and freedom of the British Empire, if they so desire, to members of the Polish Forces who fought under British command, if means are not found of enabling them to return in due course to Poland of their own free will, and under every safeguard, to play their part in the future life of their country.

17. In replies to all such questions it is, I think, important to adhere to the line taken by the Prime Minister in replying to a Parliamentary Question on the 9th October. (A copy of the Question and reply is attached.) It is not possible to formulate proposals on this subject until more is known about the number of Poles who will refuse to go back to Poland, and whether there will be amongst them any considerable number of men who served in Italy but have never been in the United Kingdom. Moreover, any Ministerial statement showing that special measures are in preparation for enabling members of the Polish Forces to be naturalised would be inconsistent with the efforts which are being made to encourage members of the Polish Armed Forces who are in this country and in Italy to volunteer for repatriation.

J. C. E.

Home Office, S.W. 1,
26th October, 1945.

QUESTION AND ANSWER.

(House of Commons, 9th October, 1945.)

(Hansard, column 24.)

Polish Armed Forces (British Citizenship).

33. Captain Gammans asked the Prime Minister how far he proposes to implement the pledge given by the Coalition Government to grant British citizenship to those members of the Polish armed Forces who are unwilling, or unable, to return to the new conditions in Poland.

The Prime Minister: It is clearly of primary importance and in the best interests of the Polish nationals concerned, that as many as possible should be encouraged to return to Poland and should have time freely to decide to do so in the light of the information available as to the conditions which they are likely to find on their return; and it is on this aspect of the matter that the Governments concerned are concentrating. It is too soon to form any opinion as to the numbers of those who may eventually decide not to return to their homes, and the question of the steps to be taken to give effect to the hope expressed by my predecessor that it may be possible to offer British nationality to Polish troops who have served under our command is being borne in mind, but cannot be given further consideration until the nature and the size of the problem have been ascertained.
CABINET.

REPORT FOR THE MONTH OF SEPTEMBER 1945 FOR THE DOMINIONS, INDIA, BURMA AND THE COLONIES AND MANDATED TERRITORIES.

THE DOMINIONS.

Report by the Secretary of State for Dominion Affairs.

CANADA.

THE first session of Canada's 20th Parliament was opened on the 6th September. The personality of the new Parliament is very different from that of its predecessor. There are nearly 100 new members in the Commons and 18 newly appointed Senators. Both Progressive-Conservative and C.C.F. parties have increased their numbers considerably. Before the formal opening the Members of the House met to elect Dr. Gaspard Fauveau, of Montreal, as Speaker in succession to Mr. J. A. Glen, who was recently appointed Minister for Mines and Resources. The Speech from the Throne stressed the importance of the reconversion problems, but gave only vague indications of the Government's policies. It stressed that every effort was being made to speed demobilisation, and outlined a comprehensive Social Security programme. The speech also contained an undertaking to introduce legislation to provide for a distinctive Canadian flag, and for a revision and clarification of the definition of Canadian citizenship.

2. When Japan signed the formal articles of unconditional surrender to the Allies on the 1st September, Colonel Moore Cosgrave, the military attaché in the Canadian High Commissioner's office at Canberra, signed on behalf of Canada.

3. Mr. Mackenzie King announced that, as Parliament would be in session during September, neither he nor any of his Ministers would be free to attend the Foreign Ministers' Conference in London. There has been some press criticism of the Prime Minister's decision on the ground that it is not consistent with her aspirations as a middle Power. The fact that the Australian Minister for External Affairs was present made the criticism all the more bitter.

4. Owing to the sudden ending of the war against Japan, Canada entered the reconversion period sooner than had been expected, and the "tapering-off" process has therefore been much shorter. The cancellation of war contracts naturally brought about mass lay-offs from munitions plants, shipyards, and war industries of all kinds, which have overtaxed the labour machine. The transfer of workers from one industry to another is a long and complicated process, and more than 1,300,000 persons had to be dealt with by the National Employment Service between the 2nd June and early August. Arrangements have now been completed between the Department of Labour and the Army to speed up releases. The system is especially designed to facilitate the release of men who will be able to fill vacancies in certain specified industries—the most important being house-building. In general, the policy of "first in, first out" will be followed.

5. A two-year "interim" force will be established until the size and composition of Canada's post-war Regular Army is determined. This force will [30708]
continue in being until the 30th September, 1947, and any person joining it will be subject to duty anywhere inside or outside Canada. An Air Force is also to be set up on similar lines.

6. Another serious educational crisis arose in Montreal early in September, when 1,000 Roman Catholic teachers threatened to strike unless the decision of a special arbitration board to increase the teachers' salaries was implemented. The Montreal Catholic School Commission eventually agreed to pay salary arrears by the 20th November.

7. The Arbitration Tribunal established to consider the Seed Grain Loan dispute between the Dominion Government and the Saskatchewan Provincial Government has given a decision in favour of the Dominion. The Tribunal majority declared that the Federal Government had acted within its rights when it withheld money due to the Saskatchewan Government under the tax agreement of 1941, because the Provincial Government had failed to repay its Seed Grain Debt, which the Dominion Government had guaranteed.

8. At the end of August Mr. MacMillan resigned as Premier of Nova Scotia. Mr. MacMillan, who is 74, has been active in the political life of Nova Scotia for more than forty years. At the Nova Scotia Liberal Convention on the 31st August, Mr. Agnus L. MacDonald, who recently resigned from the Dominion Cabinet, in which he had served as Minister of National Defence for Naval Services, was unanimously re-elected to the leadership of the provincial Liberal party. On the 8th September Mr. MacDonald was sworn in as Premier of Nova Scotia, and later announced that an election would be held in the Province on the 23rd October.

9. General de Gaulle, accompanied by France's Foreign Minister, paid a brief visit to Ottawa at the end of August. Major-General Vanier, the Canadian Ambassador to France, was also present to take part in the welcome to General de Gaulle. Other visitors during the month have been Dr. T. V. Soong, Prime Minister of China, and Lord Keynes.

10. Meat rationing was reintroduced in Canada on the 10th September at the rate of about 2 lb. of carcase meat per person each week. It had been discontinued at the end of February 1944 because lack of shipping for export had caused large supplies of meat to pile up. With more shipping now available, the reintroduction of rationing should enable Canada to increase meat exports to this country and to Europe. The Canadian Government have, however, been faced with considerable opposition in bringing the scheme into operation, particularly from retail butchers; on the other hand, Press editorials have generally emphasised the need for rationing in order to increase supplies of the United Kingdom and liberated areas.

11. As a result of discussions towards the end of September between representatives of retail butchers and the Wartime Prices and Trade Board, it was announced in the Canadian Parliament on the 21st September that there would be a temporary removal of rationing, for six or seven weeks, of such items as fancy meats, kidneys, livers, &c.

12. It is recognised that this concession much affects the effectiveness of the scheme, and that if it is thought impracticable to bring these meats back on the ration, then some other step will need to be taken to keep overall meat consumption within the target set (e.g., a widening of the gap between coupon validity dates). The Minister of Finance has stated that the Canadian authorities are determined that meat rationing should remain in force until overseas commitments are met.

Service Activities.

13. Canadian military forces continued to carry out occupational duties in North-West Europe.

14. Of the four R.C.A.F. transport squadrons operating overseas two have completed their move back to the United Kingdom from S.E.A.C., the third completed its Liberator training on conversion to this type of aircraft, while the fourth, operating Dakotas in the United Kingdom and on the Continent, flew over 1,400 sorties, totalling approximately 2,000 operational hours flying.
15. No. 126 R.C.A.F. Wing of four squadrons of Spitfires participated in the fly-past at The Hague on the 15th of the month to celebrate the liberation of Holland.

16. Four R.C.A.F. heavy bomber squadrons equipped with Lancasters and forming part of No. 1 Group of Bomber Command carried out a considerable number of sorties, while transporting troops to and from Italy.

17. During the month one R.C.A.F. Mosquito Intruder Squadron, two long-range transport squadrons and one Mosquito Fighter-Bomber squadron were disbanded.

COMMONWEALTH OF AUSTRALIA.

18. On the 14th September Dr. Evatt, Minister for External Affairs, in a statement said that he had been "engaged in close discussion with the United Kingdom Government and representatives of other Governments in London with a view to the effective association of Australia with the activities of the Council of Foreign Ministers. The Australian Government is intent on making its contributions to a just and lasting peace, which will render impossible any further resurgence of fascism. For this purpose the Australian Government believed that it was essential to adopt a fair and democratic method of arriving at covenants of peace. Therefore, Australia has consistently urged that those countries, other than the five represented on the Council, which have been active and principal belligerents in the war against the Axis Powers, have a just claim to be closely associated with the work of the Council. These belligerent countries are not many in number, but they obviously include Australia as well as Canada, New Zealand and South Africa." Dr. Evatt, in concluding his statement, said that the principles stated above have received the endorsement and active support of the United Kingdom Government, and that it was hoped that these principles would be recognised by the Council and that a satisfactory procedure would be adopted.

19. Introducing the Budget for 1945-46, the Prime Minister and Treasurer said that for the six years ended the 30th June, 1945, the total expenditure for war and civil purposes had reached £2,790,000,000, of which sum approximately one-half had been met from revenue. Mr. Chifley said that, although there appeared to be no case for an immediate reduction in taxation at the present time, if no relief was granted now, national production might suffer because of the harmful effects of high taxation on incentive. The Commonwealth Government had, therefore, decided to reduce taxation by 12½ per cent. To meet the cost of social services, a social service contribution, which would be entirely separate from the ordinary income, would be levied at a maximum rate of 1s. 6d. in the £ on present taxable incomes. Provision would also be made to raise the exemption for taxpayers without dependents from £104 to £200 a year.

20. The demobilisation of the Australian forces will be slow until October, mounting steadily through November, and be in full flow by the New Year. The target is 3,000 to 4,000 discharges daily. While awaiting discharge, servicemen would be released to their homes on leave: service pay would continue, and men could take employment if they wished.

21. It is estimated that between 60,000 and 100,000 Australian troops may be needed for garrison duties in Pacific areas for several months after the surrender of Japan. Areas in which the Australian Government believe these commitments may be necessary are Nauru, Solomons, Singapore, New Guinea and probably Timor, in addition to the Tokyo occupational force. Particular importance is attached by the Commonwealth Government to the occupancy of Timor, because it is regarded as a vital link in the Australian defence system.

22. During the transition stage from war to peace production, the Commonwealth Government will make a special allowance to men who become unemployed of £2 10s. per week for married men, plus an allowance for each dependent child, and £1 10s. per week for single men. The allowance will be made for a maximum period of six weeks, and will not be additional to payments under the unemployed benefit scheme.

23. Coal strikes have continued and it has now become necessary to ration electricity, and railway services have had to be curtailed. The Prime Minister is
reported as having stated that Australian coal mines would not be nationalised, as nothing would be gained by such a step.

24. With the signing of the surrender in Tokyo, the way became open for Lieut.-General Sturdee, of the First Australian Army, to meet the Commander-in-chief of the Japanese Eighth Army for the formal surrender, in Rabaul harbour, of the Japanese forces in the islands north of Australia, estimated to number 80,000.


26. The retirement of the Right Honourable S. M. Bruce from office as High Commissioner for the Commonwealth in London, after twelve years' service in this capacity, led the Prime Minister, Mr. Chifley, to pay a tribute to the splendid service which Mr. Bruce had rendered to his country. "He has served all (Australian) Governments with distinction to himself and with great advantage to the Commonwealth."

27. Colonel J. K. Murray, of Queensland, has been appointed Administrator of the Provisional Administration of the combined territories of Papua and New Guinea. He will take up his new duties during October.

28. Mr. Cheng Ye-tung presented his credentials as Chinese Minister to the Commonwealth on the 10th September.

Service Activities.

29. The Ninth Australian Division in British North Borneo with Brigades at Kualah-Delait, Beaufort and Tarrakan carried out occupational duties during the month in these areas, and has concentrated and disarmed some 5,000 Japanese at Kuching and some 10,000 at Jesselton.

30. The Seventh Australian Division had two Brigades in Dutch Borneo where some 10,000 Japanese were being concentrated in the Balikpapan area, while the third Brigade was operating at Makassar in the Celebes with a detachment at Menado.

31. The First Tactical Air Force of the R.A.A.F. had some twenty squadrons operating in support of the Land Forces from airfields on Labuan, Tarrakan and Morotai Islands.

New Zealand.

32. The announcement that Lieutenant-General Sir Bernard Freyberg, V.C., is to be the next Governor-General of New Zealand has received a special welcome in New Zealand because of his close association with the Dominion in his youth, and his able leadership of the Second New Zealand Division.

33. A report by Dr. Davidson, of the Ministry of Labour, on factory conditions in New Zealand, contains severe criticisms of working conditions in New Zealand. The New Zealand public, which found pride in its country being among the foremost nations of the world in its social services, is perturbed to find New Zealand out of date in this particular aspect of social welfare.

34. A Bill for the setting up of a special department to organise full employment in the Dominion has been introduced in the House of Representatives.

35. Returning New Zealand troops recently criticised the crowded accommodation on the s.s. Orion, complaining in particular of inadequate ventilation, monotonous provisions, and lack of recreational and other facilities on the long voyage. Speaking in the House of Representatives on this matter, the Prime Minister said that representations had been made to the United Kingdom authorities arguing that the accommodation grievances should be rectified and that special consideration should be given to New Zealand troops in view of the long journey.

Economic.

36. The New Zealand Government announced on the 31st August that the cut in the sugar ration made last March would be restored as from the 1st October, the weekly rate per person reverting from ten ounces to the former level of twelve ounces. From the same date scale rates to collective consumers and allocations to manufacturers would be restored to the pre-March level, while 3 lb. of sugar a person for marmalade making would be released on the 24th September.
37. In view of the tendency elsewhere, including both the United Kingdom and North America, towards still further reductions in sugar consumption in the light of the difficult supply position, the hope has been expressed informally to the New Zealand authorities that the increase will continue only for a limited period. They have explained, however, that the twelve ounce ration is covered by the 1945 allocations for New Zealand agreed to by the London Food Council and the Combined Food Board, and that the reduction to ten ounces was made only as a temporary precaution, in case the whole agreed 1945 allocation should not in practice be shipped to New Zealand; moreover they feel that having regard to the larger ration enjoyed by Australia, it would be politically most difficult for them to reduce the ration below the present twelve ounce level.

Service Activities.

38. The Second New Zealand Division continued to carry out occupational duties in Italy during the month of September.

39. The R.N.Z.A.F., had twelve squadrons operating in the South and South-West Pacific areas during the month, comprising seven Fighter squadrons equipped with Corsairs, two Ventura Bomber Reconnaissance squadrons, two Dakota squadrons and one Flying Boat squadron equipped with Catalinas.

UNION OF SOUTH AFRICA.

40. At a civic banquet given in his honour, at Johannesburg, the Prime Minister, Field-Marshal Smuts, paid a tribute to the heroic endurance of the British people, and said that next to that he regarded Lend-Lease as one of the finest things of the war. Its termination would not rupture the great partnership which had been built up between the United States and the British Commonwealth. Of South African affairs, the Prime Minister said that they had overcome greater difficulties than repatriation, education, health, and housing, and they had good grounds for looking to the future with confidence and courage.

41. A Bye-election in the Kimberley district has resulted in a gain for the Nationalist Party at the expense of the United Party, and is regarded by the Opposition as a sign that the tide is flowing against the Government, taking into account the recent Nationalist gains at Waverstroom and at Zoutpansberg.

42. Speaking at Bloemfontein, the Minister of Economic Development, Mr. S. F. Waterson, declared that South Africa was entering a period of intensive economic activity and development. He was in agreement with the move to place new industries in the central South African region, the zone south of the Vaal River, which is at present only an agricultural area.

43. The Union Government has agreed to extend reinstatement benefits to all Union nationals who served in the Forces of Allied Governments, provided they return to the Union within a reasonable period after their discharge from the forces.

44. Mr. F. C. Sturrock, Minister of Transport, presiding at the Southern African Air Transport Council, announced that the trunk service between South Africa and the United Kingdom would start about the middle of November, one York airplane operating each way.

45. Official figures show that 60,000 Union troops are still awaiting repatriation. Of this total nearly 44,000 are Europeans. 40,000 Italian prisoners of war are still in the Union awaiting ships to take them home.

46. In the Report issued by the Social and Economic Planning Council, an increase of 2 million in the urban population of the Union is anticipated within the next ten years. The report urges the creation of new towns in order to avoid the further concentration of industry in the few existing centres.

47. Following rioting which broke out at the Congress in Johannesburg of the Nationalist Party, when over a hundred persons were injured, the Party formed "combat teams" as a protection against their opponents. Dr. C. Steyn, Minister of Justice, has since given a warning that the Government will not tolerate the formation of anything in the nature of private armies.

48. A new political party, to be known as the "National Party" (as distinct from Dr. D. F. Malan's official "Reunited National Party"), has been
formed in Johannesburg. It is unlikely to make progress in view of its programme, which is directed at the severe repression and complete segregation of the natives.

49. The name of the new Zulu King was announced by the Minister of Native Affairs at a huge gathering of Zulus at Nongoma. Of the three rival claimants, the choice has fallen on Cyprian, the eldest son of the late King. All the claimants were children of three of King Solomon Dinizulu's forty-seven wives. Since 1933 the Zulu nation has been ruled by the late King's brother as Regent.

Service Activities.

50. The Sixth South African Armoured Division continued to carry out occupational duties in Italy.

51. According to the latest co-ordinated reports, five S.A.A.F., bomber squadrons were still stationed in the Central Mediterranean during the month, with the two Liberator squadrons based on Celone and the three Marauder squadrons at Rivolto.

52. Four fighter squadrons of the S.A.A.F., were still in the Central Mediterranean, while one photographic reconnaissance squadron equipped with Mosquitos and two Dakota transport squadrons were also in this theatre.

53. In the Middle East there were still two general reconnaissance squadrons stationed at Gianaclis near Alexandria, of which one was due to return to the Union by the end of the month.

54. The S.A.A.F., Flying-boat squadron was still operational under Air Command South-East Asia, and was based at Durban.

EIRE.

55. Six of the escaped German service internees (see paragraph 63 of previous Report) have been recaptured and handed over to the United Kingdom military authorities.

56. Following public complaints on both sides of the Channel at the difficulties and delays experienced by travellers at Holyhead, it has been decided to abolish embarkation and landing cards for travel between Great Britain and Eire.

57. Arrangements have been made by the Eire authorities with Trans-Continental and Western Airways for the use of Rineanna airport as a landing stage in a new air service which is being opened between the United States, Ireland and other countries.

INDIA.

Report by the Secretary of State for India.

Political.

58. The chief political event of September was the announcement on the 19th September of the intentions of His Majesty's Government in regard to the preparations to be made for further constitutional advance in India. The announcement was made in a broadcast by the Viceroy a few days after his return from consultations with His Majesty's Government in London, and later in the same day by the Prime Minister broadcasting from London. On the whole the announcement had a not unfavourable press in India, but no word of welcome came from the leading political parties. The Congress spokesmen denounced the statement as vague and unsatisfactory; it is plain that the party were deeply disappointed that no immediate change in the present Administration was contemplated. Mr. Jinnah's reaction was a demand for the full acceptance of Pakistan.

59. The All India Congress Committee met this month for the first time since the events of 1942. The proceedings revealed no tendency to go back on the policy of the "Quit India" resolution of August 1942; on the contrary, the national and international objectives laid down in the resolution were endorsed, the demand for independence was reiterated and His Majesty's Government's
declaration of policy condemned as inadequate. Speakers voiced the determination of Congress to have no dealings with the Moslem League. The general policy of Congress in pressing their demand for independence was shown to be “negotiation and settlement when possible, non-co-operation and direct action when necessary.” Fears that Congress might boycott the coming elections were not realised; Congressmen were given a mandate to fight the elections as a demonstration of the will of the people for an immediate transfer of power.

60. Preparations for the elections are now absorbing the attention of all parties. Election manifestos have yet to be issued, but it is plain that Congress will fight on the issue of independence here and now, while the Moslem League will take their stand on the demand for Pakistan and try to establish their claim to be the only organisation truly representative of Moslem interests.

61. The prolonged freedom from serious communal disturbances which marked the war years was broken on the 26th September when for reasons still obscure communal riots broke out in Bombay. The city was still unsettled at the end of the month, when the death roll had risen to 28, with a larger number of injured still in hospital.

Indian States.

62. On the 25th and 26th September the Viceroy met a deputation of the Standing Committee of the Chamber of Princes, which has been reconstituted after remaining in abeyance since the resignation of its members nine months ago. The meeting appears to have been friendly, and it may be assumed that normal relations with the Chamber have now been restored.

Frontier and Foreign Relations.

North-West Frontier.

63. Shortage of grain is causing the political authorities considerable concern, but there have been no serious repercussions among the inhabitants yet.

Afghanistan.

64. The tribal situation in the Kunar area improved somewhat, and the Afghan request for air action by the Royal Air Force has been withdrawn. Warning notices had been dropped from the air in the usual manner but there has been no bombing. At the end of the month, however, the Safis had not submitted and the attitude of the Mohmand tribesmen was still uncertain.

65. Fortunately for the Afghan Government, their Southern province remained quiet in spite of the appearance of a distant and junior relative of the Royal family at the headquarters of the refugee Zadran rebel Mazrak on the borders of Waziristan.

66. The staff of the former German Legation left Afghanistan for Germany via the Soviet Union. Nothing had been heard of them since they crossed the Russo-Afghan frontier.

67. On the insistence of the British, American, Russian, Chinese and French representatives in Kabul, the Japanese Minister agreed to seal his archives and funds. The Legation is still regarded as being in official relations with the Afghan Government, but the representatives of the five Powers have now raised with their Governments the question of its liquidation.

Sinkiang.

68. A well-armed bandit force crossed the Sino-Soviet frontier in the south and caused a panic in Kashgar, but was later, according to the Chinese account, routed in a battle at Yangi Hissar about half-way between Kashgar and Yarkand. Further north Turki rebels, based on Ili, advanced almost to the gates of Urumchi; according to a Chinese report, they were supported by tanks and aircraft. Latest reports indicate that both sides had agreed to accept the mediation of the Soviet consular authorities in the Province.

Nepal.

69. Arrangements have been made for the Nepalese contingent which served with the Indian army to return to Nepal with their full equipment.
Council of Foreign Ministers.


United Nations Organisation.

71. Sir Ramaswami Mudaliar will be Indian delegate to the Preparatory Commission and Leader of the Indian delegation to the first session of the General Assembly.

Economic.

72. Food.—The food situation in Bengal is causing anxiety. Weather conditions have been such that it is practically certain that the main rice crop of the Province, harvested round Christmas 1945, will be short. No exact calculation is possible, but it seems unlikely that the outturn of the Autumn and Winter rice crops together can be better than 20 to 25 per cent, (say 2 million tons) below average. There is no surplus of rice in sight in other parts of India nearly sufficient to fill this gap, nor are imported rice supplies of this order in prospect from Burma and the Far East, while the substitution of other grains is not acceptable to the rice-eating people of the Province.

73. On the other hand there are over half a million tons of rice stocks in the hands of the Bengal Government, and some part of last year's winter crop, as well as this year's autumn harvest, is in the hands of the cultivator. By comparison with the famine year, statistical supplies may be of the same order, but there are other conditions which justify the view that the over-all position is very much better than it was in 1943. In particular, Calcutta and other towns are effectively rationed; there is a great improvement in transport—road, rail and river—and in the storage position in Bengal; the administrative machinery, Central as well as Provincial, is greatly improved; and India is in receipt of imports of wheat arranged by His Majesty's Government at the rate of 100,000 tons a month.

74. The essential need is for the maintenance of confidence without which prices will rise and stocks be held up in a way which must bring the non-cultivating classes of Bengal once again into grave danger. Imports on a small scale from Burma have already begun and the Central Government have promised, as in 1944, to find, if necessary, supplies equivalent to what is required to feed Calcutta, an area of over 4 million souls. Meanwhile the Ministry of Food are pressing the needs of India on the Combined Food Board in Washington. While the position is one of anxiety and requires constant vigilance, no unduly pessimistic view need be taken.

75. Fiscal Policy.—The Government of India are contemplating the setting up of a Tariff Board, for two years in the first instance, to investigate claims to assistance and protection during the transition period from war to peace from industries established or developed in war-time or in respect of which an assurance of post-war protection has been given. The initial list of industries to be referred to the Board is: Non-ferrous metals including antimony; grinding wheels; caustic soda and bleaching powder; sodium thiosulphate, sodium sulphite, anhydrous sodium bisulphite; phosphates and phosphoric acid; butter colour; flour; rubber manufactures; fire hose; wood screws; steel hoops for baling; bichromates; calcium chloride; starch; aluminium. In respect of these industries the Board would be asked to report whether the industry in question is on sound business lines and whether it is either likely within a reasonable time to carry on successfully without assistance, or ought to be protected in the national interest and can be so protected without undue cost to the community. Where these conditions are satisfied, the Board would recommend protective duties with additional or alternative measures if necessary for a period not exceeding three years. The Board is to give due weight to consumer interests.

Service Activities.

Military.

76. During the month there was continuous activity in all countries which came under S.E.A.C. Arrangements for the occupation of these countries and
for the surrender and disarmament of the Japanese forces were put in train. This involved the movement of considerable numbers of Imperial troops by air and sea.

77. Burma.—Once contact had been made with the Japanese forces their disarmament and concentration proceeded smoothly. A number of disarmed Japanese were employed on labour duties in the Mikelpalin quarries and at the Sittang docks. Some sporadic attacks on villages continued to be made by Dacoits.

78. Siam.—Imperial troops were flown to Bangkok area early in the month. The disarmament of the Japanese and the concentration of dumps proceeded on the whole smoothly. Some minor clashes between Siamese and Chinese occurred in which there were a few casualties.

79. Malaya.—The occupation proceeded smoothly and according to plan. Our troops were landed at Penang and Singapore and contact between them was established. No incidents were reported.

80. French Indo-China.—The fly-in of our troops in the first half of the month was slightly delayed by adverse weather, but by the middle of September the Commission to Japanese Southern Army Headquarters at Saigon was fully functioning. Trouble broke out between Annamites and the French and the situation deteriorated. Attacks in strength were made by Annamites on the Power House and Commissariat in Saigon but were repulsed. Imperial troops relieved the French on most of the important buildings. The build-up of our troops continued, and some Japanese troops were employed for enforcing law and order. At the end of the month Saigon on the whole was quiet, but the situation remained tense.

81. Java.—The situation remained difficult and food shortage was acute. The first British troops arrived in Batavia on the 29th September.

82. Sumatra.—Japanese forces were continuing to try and maintain law and order and to protect Allied parties in spite of increasing difficulties. The food situation in cities was acute.

Air.

83. In the early part of the month the main tasks of the Allied Air Forces were supply and leaflet dropping. The leaflets gave detailed instructions for the conduct of the Japanese and the native populations, and the organisation to be undertaken by Allied prisoners of war preparatory to their release. Red Cross teams with doctors, medical supplies and food were dropped on prisoner-of-war camps. Public Relations Officers and teams of administrative personnel were dropped in Malaya, Siam and Saigon. Later troops and supplies were flown in to Siam and Indo-China, and large numbers of prisoners-of-war and internees were evacuated.

General.

84. D.D.T. Spraying.—It is proposed to spray D.D.T. from the air on Singapore, an area of 34 square miles, as soon as possible.

85. Morale.—Release and repatriation continued to pre-occupy the thoughts of British troops. To begin with, most men were extremely optimistic but the prompt warning of shortage of shipping had a steadying influence. Nevertheless there was a very widespread belief that release and repatriation would be considerably faster. Consequently the announcement that Group 23 would be released in the period December 1945—January 1946, came as a shock and a serious blow.

86. Those likely to be repatriated were more resigned than those relying on release, though, when they realised that it would be impossible for some months to hit the target of three years and four months, many of them felt that they had been badly misled.

87. It would appear that, while many give their reasons for demanding early release as the fear that others may get the best jobs, the present outcry is chiefly emotional and based mainly on the intense desire to get out of the Army as soon as possible.

88. Recovered Prisoners of War and Internees.—Up to midnight, the 26th September, the following numbers had been evacuated:

<table>
<thead>
<tr>
<th>Country</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>To India</td>
<td>20,000</td>
</tr>
<tr>
<td>To United Kingdom</td>
<td>14,500</td>
</tr>
<tr>
<td>To Australia</td>
<td>6,057</td>
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</tbody>
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[30768]
89. Perhaps the most important event of the month was the agreement reached at Kandy on the 7th September between S.A.C.S.E.A. and representatives of the Government of Burma on the one hand and Aung San and his colleagues on the other regarding the amalgamation of the Patriot Burma Forces and the Burma Army. The meeting produced satisfactory results, and Aung San concluded by saying: "I venture to say that this has paved the way, not only for a happy present, but also for a happy future that lies ahead."

90. This agreement, however, represented a departure from the demands repeatedly stated in Burma, and particularly at a mass meeting of the Anti-Fascist Peoples Independence League held in Rangoon on the 19th August, that the P.B.F. should form the nucleus of the new Burma Army and any other element be absorbed into it. A criticism has already been heard from certain quarters in Burma, reflecting on Aung San himself, that the agreement reached at Kandy may not satisfy these demands. It is thus possible that, no matter how far Aung San himself justified the confidence which has been placed in him, he may not find it altogether easy to implement his side of the bargain.

91. The power of the A.F.P.I.L., backed as it is by the P.B.F., seems to have shown a marked increase since the practical end of hostilities deprived the P.B.F. of more active and proper employment. The arms behind the A.F.P.I.L. enable it to exercise very considerable pressure on all political groups in Burma, so much so that it seems to be tending to strangle a normal free political development. The attitude of the public towards the A.F.P.I.L. and the P.B.F. is generally one of caution and fear. Since the mass meeting on the 19th August the A.F.P.I.L. has concentrated on consolidating its position, improving its organisation and setting up committees to consider reconstruction, finance and constitutional matters.

92. To the many political parties which have been emerging must now be added Dr. Ba Maw's old party, the Sinyetha. In addition, several labour organisations are starting to function once more.

93. Though Dacoits are still at large, the situation has improved. Gangs are being broken up by the police and some progress has been made in the rounding-up of firearms. In some areas the P.B.F. have co-operated. But the quantities of arms which are believed to have been hidden away still give grounds for considerable anxiety. The concentration and disarmament of the Japanese who are still in Burma at the end of hostilities (particularly along the Tenasserim coast) has been proceeding slowly but quietly.

94. An indication of a more peaceful atmosphere is the interest being taken in education. Emergency university classes have been begun in Rangoon. Provisional selection of fifteen State scholars to study in the United Kingdom has already been made. Postal services are being revived and at the end of August forty post offices had been opened. The civil broadcasting station in Rangoon is now in working order, but its influence is curtailed by the relatively small number of receivers in operation. It is, however, part of the plans of the Public Relations Department of the Government of Burma recently approved to set on foot a scheme of village receivers. The procuring of these is in hand.

THE COLONIAL EMPIRE.

Report by the Secretary of State for the Colonies.

(Note.—In this report "Colonies" is used to cover not only the Colonies in the restricted sense, but also Protectorates and Mandated Territories, and "Colonial Governors" is used to include High Commissioners and the British Resident, Zanzibar.)

Economic Affairs.

Food Supplies.

Ceylon.

95. Tea and Rubber Marketing.—Mr. D. S. Senanayake took advantage of his recent visit to this country to discuss with the Ministry of Food and the Ministry of Supply the question of future bulk purchases of Ceylon tea and rubber.
96. On the former commodity he received an assurance that His Majesty’s Government would consult with the present participants in the bulk purchase scheme with the object of extending the existing arrangements during 1946 and possibly for such longer period as might be necessary. The Ministry of Supply agreed to extend their present price for Ceylon rubber to the end of September 1946 on the understanding that discussions would take place in the Spring of next year as to the price after that date.

Palestine.

97. Citrus Delegation.—A joint Jewish/Arab Delegation representing the citrus growers of Palestine is visiting this country to discuss with the departments concerned the sale of part of this year’s crop to the United Kingdom and long-term problems of the Palestine citrus industry. The Delegation are also exploring the possibilities of new markets on the Continent for Palestine citrus fruit.

Jamaica.

98. Bananas.—Arrangements are in hand for the resumption at the beginning of 1946 of shipments of bananas from Jamaica to this country.

Defence.

Ocean Island.

99. Arrangements have been made for an Australian Force Commander to accept surrender of the Japanese on Ocean Island, the capital of the Gilbert and Ellice Islands Colony, on behalf of the United States Theatre Commander. The Force Commander will be accompanied by representatives of the British Phosphate Commissioners and by the Resident Commissioner, Gilbert and Ellice Islands, together with staff already designated for work on the Island. This party will proceed to Ocean Island from Nauru where the Japanese surrendered on the 13th September.

Japanese prisoners in the British Solomon Islands Protectorate.

100. Arrangements have been made for the transfer of the 26,000 Japanese prisoners of war on Bougainville in the Australian Solomons to the British Solomon Islands Protectorate. The move is necessary because Bougainville is extremely malarious and extensive precautions would have to be taken to protect the Japanese from the vengeance of the natives of the area. It was at first proposed to move the prisoners to Shortland Island but, at the request of the High Commissioner, Western Pacific, this proposal was abandoned; it would have meant that all native inhabitants of Shortland would have had to have been removed. It has now been agreed that the Japanese should be sent to uninhabited islands of the Fauro group in Bougainville Strait, east of Shortland Island.

Demobilisation of members of Colonial Volunteer Defence Forces evacuated from Japanese Prison Camps in Hong Kong and Malaya.

101. About 3,000 British members of the local Hong Kong and Malayan Volunteer Defence Forces are expected to arrive shortly in the United Kingdom for demobilisation after their release from Japanese prison camps. Control of the Far Eastern Volunteer Forces is exercised by the Colonial Office as, unlike the majority of local forces in the colonies, they were not taken over by the Army Council.

102. Arrangements have been made with the War Office for these volunteers to be repatriated to this country through normal military channels and to receive similar treatment to British Army ex-prisoners of war from the Far East during the voyage and on reception at ports of disembarkation. Therefore, unless in need of hospital treatment, they will proceed to their homes for the leave due to them. The period of leave and the terminal release benefits they will receive will be similar to those for British Army personnel but their demobilisation will be carried out under Colonial Office arrangements.

Report on Individual Colonies.

Palestine.

103. The confidence, expressed by Jewish leaders during the early part of the month in the imminent of a favourable decision on the Palestine issue by
His Majesty's Government was reinforced later by President Truman's reported support of a Jewish Agency demand for 100,000 immigration certificates. Latterly, optimism gave way suddenly to a state bordering on panic in Jewish Agency circles, engendered by a series of reports by Reuters to the effect that His Majesty's Government intended substantially to maintain the 1939 White Paper.

104. Public reaction among the Jews was reserved but bewildered. Confidence is widely voiced that, whatever decision His Majesty's Government may take, displaced Jews from devastated Europe will continue to find their way to Palestine in substantial numbers.

105. Arab reactions to President Truman's support of the demand for 100,000 certificates were naturally unfavourable. Apprehension was somewhat allayed by confidence in the active interest of Arab Governments and the League in the Palestine question, and by the belief that Anglo-American interest in Middle East oil precluded a policy likely to antagonise Arabs.

106. Tewfik Es Suweidi, Chairman of the Arab League Economic Committee, visited Palestine and indicated that an attempt to bring Arab political leaders together would be made by invitations to a League meeting in October, to discuss the organisation of Arab Offices and land redemption.

107. The arrival of 1,300 Mauritius detainees, on admission to Palestine as immigrants, was hailed by the Jews as belated reparation of injustice, but satisfaction was tempered by widespread criticism of the inadequacy of arrangements made by Jewish authorities for their reception.

108. On the 2nd September 7 armed Jews dressed as British Police entered the Palestine Discount Bank in Tel Aviv, searched the premises, after holding up the employees, but failed to find the safe keys and were unable to remove anything of value. On the same day an unknown person broke into a textile firm's premises in Tel Aviv and stole textiles to the value of £P. 5,500. Both actions are attributed to the desire of the Irgun Zvai Leumi to collect funds. A British Constable, escorting Post Office salaries, was mortally wounded in Tel Aviv on the 28th September. The money was saved. There were 224 anti-terrorist raids in the course of the month, resulting in the detention of 60 persons. The total number detained on the 21st September was 437.

Trans-Jordan.

109. Excitement caused by the resignation of two Ministers on account of the registration of a Jewish Company has died down following the enactment of a law rendering the registration invalid.

110. Visits have been paid during the month to His Highness the Amir Abdullah by Syrian monarchists, among whom were members of the influential Bakri family.

Malta.

111. The Governor broadcast on the 31st August a statement embodying the results of his recent consultation in London. He suggested that a Commissioner should be invited to visit Malta to advise on the framing of the new constitution; and stated that, meanwhile, it would be necessary to proceed to a general election under the 1939 constitution.

Ceylon.

112. Mr. D. S. Senanayake, Vice-Chairman of the Board of Ministers and Leader of the State Council, left England by air for Ceylon on the 20th September after the conclusion of his discussions with the Secretary of State.

West Indies.

113. The Report of the West India Royal Commission was published on the 4th October in accordance with the approval given by the War Cabinet some months ago. The delay in publication was due to the necessity for sending out copies of the report to the various colonies concerned so that they could be available there for simultaneous publication. In addition to the main report of the Royal Commission there were published as a companion volume the
report by Professor (now Sir Frank) Engledow, on Agriculture, &c., a White Paper recording what steps have been taken so far to carry out the recommendations of the Royal Commission Report, and the Report of the Comptroller for Development and Welfare for the years 1943–44.

British Guiana.

114. In 1944 a local Franchise Commission presented their report recommending various changes in the qualifications for membership of Legislative Council and for the franchise in the colony. The majority of the Commission recommended a reduction in the franchise which, however, fell short of universal suffrage, while a minority recommended universal adult suffrage. My predecessor decided that the majority report should be accepted.

115. The necessary legislation to carry out this decision has been introduced into the Legislative Council of British Guiana and has recently called forth protests from certain East Indian bodies in the Colony and the demand that universal adult suffrage should be introduced forthwith. These claims were not supported by the inhabitants of African descent. After consultation with the Governor I authorised him to make a statement upholding the 1944 decision but stating that, provided the new Legislative Council elected on the basis of the extended franchise worked successfully, and the Legislative Council itself, or some representative commission appointed by the Governor, voted in favour of universal adult suffrage in five years' time, I should then be prepared to give sympathetic consideration to it.

Colonial Service, Recruitment.

116. Although recruitment for the Colonial Service was resumed at the beginning of June and is proceeding as rapidly as possible, the man-power position in the Colonial Government Services still gives cause for great anxiety and, in particular, there is a critical shortage of medical staff. Apart from the needs of the colonies in general, there is a very special urgency for the recruitment of all types of staff for the restored administrations in Malaya and Hong Kong. The speed of recruitment is inevitably affected by the shortage of staff in the Colonial Office and, in particular, shortage of skilled clerical staff; and also, to a lesser extent, by delays in obtaining the release under Class B of selected candidates from the Forces.

Aviation.

British West Indian Airways.

117. Group Captain Dismore has now returned from his visit to the Caribbean area. His report on British West Indian Airways is at present under consideration in consultation with the other Departments concerned.
The Report of the Commonwealth Telecommunications Conference held in London in the summer unanimously recommended the transfer to public ownership of the Commonwealth telecommunications services. The Conference was attended by representatives of all the Commonwealth Governments. It had been convened to discuss the recommendations made by Lord Reith following his mission to the Dominions and India earlier in the year.

2. The essential features of the scheme recommended were:

(a) The transfer of the telecommunication assets of the Commonwealth, in so far as they are not already publicly owned, to public corporations, one in each Dominion (except Eire), in India and in the United Kingdom.

(b) The transfer to the new organisation in the United Kingdom of all the oceanic cable and wireless assets now owned by Cable and Wireless Ltd., excluding only the terminals in the Dominions and India, which would belong to the national bodies in those countries; a Central Fund would be established to which each national body would contribute its fair share of common charges.

(c) The establishment of an advisory Central Body - the Commonwealth Telecommunications Board - representing all the Commonwealth countries.

3. The Cabinet Committee on Empire Telecommunications Services, under my Chairmanship, has unanimously approved these recommendations. So have Canada, India, New Zealand, South Africa and Southern Rhodesia. Australia has not yet replied, but there is little doubt she will approve. Cable and Wireless Ltd. have been approached regarding price and procedure. Should we decide to buy them out, they have protested, but have agreed to talk. If a price cannot be agreed, there must be arbitration. Legislation will be needed.
4. There is to be a conference with the United States of America and the Dominions next month in Bermuda on rates and other questions. Before this, decisions must be taken and announced. A draft of a public announcement is attached (Annex). The Dominions are being consulted on it. The United States Government must also be informed.

5. I ask my colleagues to approve:

(a) the recommendations in paragraph 2;

(b) an early public announcement, as in the draft.

H.D.

Treasury Chambers, S.W.1.

27TH OCTOBER, 1945.
The Commonwealth Telecommunications Conference held in London this summer considered the future of Commonwealth telecommunications services on the basis of a Report prepared by Lord Reith after his mission to the Dominions and India earlier this year.

The Conference unanimously recommended:

(1) A fundamental change in the organisation of Commonwealth telecommunications services.

(2) The public ownership of overseas telecommunications services of all the Commonwealth Governments.

(3) The replacement of the existing Commonwealth Communications Council by a New Board with wider functions, representing all the Governments of the Commonwealth.

(4) Financial contributions by members of the Commonwealth towards the upkeep of the cable system.

His Majesty's Government in the United Kingdom have accepted these recommendations, so far as they affect this country. Subject to the agreement of Parliament the overseas telecommunications services now operated by Cable and Wireless Ltd. will, therefore, be transferred to public ownership. Legislation will be introduced in due course.

The arrangements and terms for this transfer are under discussion.
CABINET

POLITICAL SITUATION IN BURMA

Memorandum by the Secretary of State for Burma

As my colleagues are aware, Sir Reginald Dorman-Smith, the Governor of Burma, returned to Rangoon on the 16th October. The Civil Government, under his control has now taken over from the Military Government under the Supreme Allied Commander in the whole of Burma (save the Southern districts, which still contain substantial armed Japanese elements which are in process of being cleared up.

2. The Governor, under instructions approved by H.M.G., on return to Rangoon initiated negotiations with political leaders with a view to forming a broad-based and representative Executive Council, democratic in character. He has been confronted by a situation in which the body known as the AFPIL (Anti-Fascist People's Independence League) under the leadership of "Major General" Aung San, the leader of the Patriotic Burma Force, which it will be remembered, came over to us from the Japanese in the course of the spring, has established itself in a dominating position and claims to be accepted as speaking on behalf of Burma. There is, however, clear evidence to suggest that it has acquired this dominating position in the countryside by the menace of the armed force of the Patriotic Burma Force and because more moderate political elements in Burma have hesitated to oppose it openly.

3. I now circulate for the information of my colleagues a copy of a telegram No. 5 from the Governor reviewing the position and describing the demands which have been put forward to him on behalf of the AFPIL, and the reply which he has given to them. Those demands would give them a clear majority of the Executive Council. In addition, the AFPIL desire that the Governor shall accept without question the persons whom they nominate to be Executive Councillors; they demand the right to object to an Executive Councillor proposed by the Governor; they wish the Governor to agree that he will assign portfolios to the members whom they nominate to the Executive Council according to the wishes of AFPIL; and they appear to have it in view that any members chosen from their ranks should be instructed by them to communicate the proceedings of the Executive Council to the AFPIL and to receive political guidance from that body. They further claim the right to
nominate the members of the Legislative Council which is to be set up later in the year.

The AFPIL is unquestionably an important and well-organised body which represents a body of opinion of which we shall have to take full account. It has all along been the intention of the Governor to invite it to take a share in his Executive Council and his negotiations have in fact been directed to securing this. But I am assured by the Governor that its claim to be able to speak for all parties greatly overstates the position and that we should make a great mistake to allow ourselves to be manoeuvred into accepting it as the voice of Burma and as adequately representing all political opinion in that country. Demands so extensive as those advanced by AFPIL could not in any event be accepted consistently with the discharge of our obligations to the people of Burma as a whole. Nor would their acceptance be consistent with the policy we have followed in Europe. What is in dispute is not any question of principle as to the constitutional development of Burma but whether AFPIL are to be placed without any electoral mandate in decisive and exclusive control of the Government.

5. I feel no doubt in these circumstances that the Governor has taken the right course in declining to accept the demands of AFPIL and in making independent approaches to individuals, some of them in the AFPIL list, and in my telegram No. 1235 of 28th October also annexed, I have assured him of my full support. A telegram since received from him states that "the omens are pretty favourable" and that two at any rate of the members of AFPIL whom he had approached to serve on his Executive Council are prepared to do so even if (as he understands is likely) this may involve severing their connection with AFPIL. A third, he writes, "is frightened but may join". The Governor concludes: "Moderates are beginning to raise their voices". The informative despatch in to-day's TIMES from the experienced Correspondent of that paper in Rangoon, also suggests that the true position is fully appreciated on the spot. I may be in a position to give my colleagues further information at the Cabinet to-morrow.

F.-L.

Burma Office,

29th October, 1945.
Cypher (U.T.P.) telegram from Governor of Burma to Secretary of State for Burma, dated Rangoon, 20.40 hours, 27th October, 1945.

I have come to the parting of the ways with the "Big Three" of AFPFL (Ba Pe, Than Tun, Aung San) much to the relief of many people and to fear of numerous others.

I have naturally insisted on my constitutional duty to reserve to myself allotment of portfolios. Ostensible reasons for failure of negotiations are:

1. That I insist on Paw Tun being Home Counsellor.
2. That I find myself unable to agree that apart from "my" four portfolios the AFPFL should have right to allocate other available offices.
3. That I refuse to accept Thakin (now "Kg") Thein Pe as Counsellor.

APPFL are also claiming right to nominate members of Legislative Council when formed and obviously I cannot contemplate this.

In other words "Big Three" reckon that they should be in command and refuse to lose face by agreeing to my "dictation". They reckon they have gone a long way to meet me. They have agreed to "my" having four members. They have also shown disposition to agree that in existing circumstances 15 members are too many and that my advice that 11 would be enough should be accepted. They say AFPFL have been most reasonable. How far have I gone to meet them? Their answer will be that I have been intransigent from word go... that I have not tried to reach accommodation on question of Home Member and that I have not accepted fact that they and they alone represent public opinion. It is no credit to me that I should have been disposed to accept their nominations to 7 seats on the Council since their supreme Council embraces all political parties. This is ostensibly true but there are both willing and unwilling adherents to the League which in fact is dominated by "Big Three".

The names they submitted to me were as under:

Aung San
U Mya Py in anticipation.
U Razak.
Th(ран) Mya.
U Aye.
U Bo Pe.

U Nyo/
You will note that Than Tun’s name has been omitted and that Thein Pe has been included. Reason for this is obvious. Than Tun reckons that he can do more for the League outside the Council than he can possibly do inside. Monetary considerations do not count. If my information is correct, the decision is that, of their 4,000 Rupees, every AFPFL member should accept for his own personal use only 1,000 Rupees and put other 3,000 back into AFPFL election fund. 4,000 Rupees under present income tax regulations boils down to less than they think possible but it is disquieting and sadly revealing fact that in not one of my talks with representatives of AFPFL leaders has question of finance been raised. They must think that money like babies grows on AFPFL gooseberry bushes. Aung San and Company appear to hold the simple view that so outstanding have been the services of PBF to the cause of United Nations that all those nations are falling over themselves to provide money and goods to reconstruct Burma. If they are not doing so then it only shows that Great Britain is determined to keep Burma down, this being one of the reasons why UNRRA is not admitted into Burma. The arrogance of Aung San knows no bounds.

This country is now governed by two fears. First fear is that I may not give way to Aung San and so may precipitate trouble which Burma naturally, after her long years of trouble, wishes to avoid. Second fear is that I will give way and so surrender that government to extremists.

I cannot fail to be impressed by the fact that many Burmans have said to me that if we fail them they will have to make themselves voluntary exiles from their own country. The word "fail" means that if we give way to AFPFL and thus face their ultimate control of the country, not through the real wishes of ordinary moderate opinion (in "moderate" I include socialist opinion as I understand it) but by methods of force and fear, there will be no hope for Burma. Whereas in Britain some of us may have had fears for our purses if a left wing government came into power, we never had any physical fears. Here physical fear is predominant. This is bad.

Struggle now is not for independence but for power. Aung San argues that no "stranger" to Burma (which has arisen since 1942) is competent to hold Home portfolio. Such a man would never know (of groups corrupt) or where arms are concealed. Both he and Than Tun warned me that there are a tremendous number of such arms and said quite firmly that only they could deal with this situation. On my suggesting that Home Member in all important questions of policy would be carrying out policy as laid down by me after full discussion with Council they shifted their ground to old point that it is the Home Member who will have most of the important postings in his hands and that unless he knows conditions he will not be able to
get these right. The "new Burma" does not seem to have the incorrect idea that civil servants can be used to assist political parties.

9. As far as Thein Pe is concerned it is not without significance that he was nominated on the grounds that he is now leader of the Communist Party. Not so long ago both Aung San and Than Tud called themselves communists. Thein Pe is clearly not one whom I could accept. He is actively anti-British, his communism is crude to a degree and of a kind which would make even Lenin blush and his contacts with Indian communists bode ill for Burma. (You might like to check up with information from India on this point). His inclusion would certainly antagonise Phongyi which would be most unfortunate. (Swithinbank to whom I should like you to show this telegram will be able to tell you about Tet Phongyi).

10. I suspect that truth really is all the "chief three" are nervous of their position should they appear to lose face by giving way to me and they feel they could only join Council if they can say their power is such that they have made me give way to them.

11. If I were to give way undoubtedly whatever I or my senior colleagues could do Burma would come under complete sway of totalitarian system. If, on the other hand, I stand by my guns, though trouble may repeat may occur in some places model elements will be encouraged and there should be some hope for the future. I am fortified by your view that emergence of single party government would be fatal development in Burma as in any other country. I have also seen, but have not been officially confronted with, document which is in fact instrument of instructions to all electors of APPPL who may accept invitation to serve on Council that they must report all proceedings of Executive Council and must be guided in their actions by (? League) Council. This is last proof, if proof were needed, that I am faced with attempt to set up completely totalitarian regime. Copy of document follows by air mail.

12. It seems clear therefore that whatever may be consequences I can go no further than I have gone to meet the wishes of APPPL. I reckon I have met such wishes as may be deemed legitimate. I cannot however meet unreasonable demands.

13. Therefore in reply to your telegram No. 64 dated 23rd October the names which I suggest for Council are as follows:

(1) Defence - H.C. B.
(2) Frontier areas - Pearce.
(3) Home - Paw Tun.
(4) Finance - Htoon Aung Gyaw.
(5) Commerce and Supplies - U Ayew.
(6) Agriculture and Rural Economy - U Pu.
(7) Education - Thakin Yen Aung.
(8) Labour and Industry - U Ba On.
(9) Social Services - Saw Ba U Gya.
(10) Transport and Communications - U Ba Win.
(11) Public Works and Rehabilitation - Thakin Mya.

Objection/
Objection may be made that some of these collaborated with the Japanese, but I am satisfied that willing collaboration like that of Aung San was short lived if it existed at all. Brief biographical notes will follow on names which may be new to you.

14. Under this arrangement I would propose to include Honourable Counsellor I (Sir John Wise) as Deputy Chairman without portfolio. You will appreciate that this does not mean without work.

15. At the same time I intend to make it known that if at any time either Aung San or Than Tun or Ba Pe wishes to join Executive Council they can approach me and if I agree to their inclusion portfolios can be re-shuffled accordingly.

16. I have instructed Paw Tun as senior Burman Counsellor designate to approach entirely without prejudice to those Burmans whom I intend to invite to serve and to report to me by Monday. I hope this indication that I am determined to back him may have heartening effect and that show of readiness to turn down APPFL may do something to bring them to their senses although I am not too sanguine about this. It might possibly have opposite effect and provoke disorder but I am advised this is not likely in immediate future. I am naturally keeping General Stopford fully informed.

17. I am firmly of opinion that only Burman leader who could get real grip of situation is Saw provided he is fit and I would welcome his return. He would dispel present fears. No doubt he might cause others but unless I have completely misread his character he could be used with most salutary effect in the present situation.

18. May I close on a note which is not as irrelevant as it might appear. A country as devoid as Burma is of all supplies and of transport and means of communication is a ready forcing bed for alarms and disorder. Nothing would have such sobering and reassuring effect as immediate and steady flow of supplies.
OUTWARD TELEGRAMS

Furama Office

CRYPTIC TELEGRAM (O.T.P.)

From Secretary of State for Burma.

To Governor of Burma.

Dispatched 18.00 hours, 28th October, 1945.

MOST IMMEDIATE

1. Your telegram No. 5 of 27th October.

2. I would not have regarded appointment of Paw Tun as Home Counsellor as by itself a matter on which to break. But right of selection must rest wholly with Governor, and to give way on this now would mean a climbdown on the Governor's part which I agree could not be contemplated, particularly as you are, I understand, committed to him as Member designate and have employed him as such as your go-between. And I agree in any event that we could not consider giving APPIL right to distribute portfolios and nominate Legislative Council, nor (see our paragraph 11) could it be acquiesced in breach of oath of secrecy or in guidance of Councillors by instructions of an outside authority. Nor again can you surrender your right of choice and rejection, and I accept your rejection of U Thein Pe. Finally, list offered to you, while in form all-party and broad-based, is, as I understand it, in fact a single party list, dominated by APPIL, and cannot be regarded as satisfying requirements of a democratic administration.

3. I note also views expressed in your paragraph 7 and your judgment that while firm stand and break with APPIL now may repeat may mean trouble, you do not repeat not think that likely, at any rate, at present (your paragraphs 11 and 15).

4. I agree in these circumstances that we cannot let ourselves either be bounced by APPIL into placing them in exclusive authoritarian control of the country or be blackmailed by them, and that a firm stand is necessary; and I approve your action reported in paragraph 16.

5. As regards personnel proposed by you in paragraph 13, I agree as to wisdom of making only 11 appointments plus Wise now and keeping remainder in reserve against contingencies such as those mentioned in paragraph 15. I accept Wise as Deputy Chairman without portfolio; (I assume incidentally that he would count against total of 15, but please confirm this). As regards your remaining choices I note that Nos. 5, 8, 9 and 11 were included in the APPIL list described in your paragraph 4. I presume that your inclusion of them in your list is by way of helping APPIL to save face. But are you satisfied that if now appointed to your Council they can be relied on not to break secrecy (compare your paragraph 11) to APPIL? I note also that Ba Win (though not apparently on the APPIL list) was Ba Maw's Education Minister, while Thakin Mwa was his Deputy Prime Minister, and so, one would have supposed, deeply tainted. But subject to these comments, I await result of Paw Tun's soundings.

6. As regards U Saw, you will now have had my telegram 1207

/October
October 26th. In view of his record, we could place no confidence in him and could not contemplate his being employed in any circumstances. We await your comments on proposal that he and Ba Maw should be permanently excluded from political life.

7. I appreciate point taken in your final paragraph, though you I know also appreciate the sharp practical difficulties that confront us. We will continue to do our best.

8. We fully sympathise with you in the difficult position you are dealing with. You may be certain of our understanding support and swift consideration of any proposals you wish examined. Please continue to keep us in closest touch, and also to maintain close touch with military.

9. If things go badly, and indeed in any event if we break with ASPL, publicity will be of utmost importance. If Holburn is still in Rangoon, I understand that he is a wise and experienced correspondent, whose despatches to the Times carry great weight, and you may think it well to give him background. I will prepare the ground here. Our case is a very strong one, but it is vital to get it across properly, and I know I can rely on you to spare no pains to secure that from your end in Burma.

Copy to: Mr. Joyce
(of Governor's telegram No. 5 and of this reply, to go by hand this evening.)

Mr. Turnbull.
Sir D.T. Montareth.
Sir G. Leithwaite.
CABINET.

SITE OF UNITED NATIONS ORGANISATION.

MEMORANDUM BY THE SECRETARY OF STATE FOR FOREIGN AFFAIRS.

THE change in the situation since C.P. (45) 171 was issued makes it desirable to review the position on a subject of the greatest importance to United Kingdom interests. Before a final decision is made it is necessary to make clear how the present position arose, and the consequences of the establishment of the seat of the Organisation in the United States.

2. At the present moment only six European States have a free vote, the United Kingdom, France, Belgium, Netherlands, Norway and Greece. Two European States on the Executive Committee, Czechoslovakia and Yugoslavia, vote as the Soviet Government directs. Iran is partly occupied by Soviet troops and afraid to offend the U.S.S.R. If these three votes had been cast freely they would have been cast for Europe and two of the three Latin American States would almost certainly have voted for it if the majority had been the other way. The vote in the Executive Committee was thus a false one and not representative of the feelings of the majority of the Governments and countries concerned.

3. This situation is due to the present temporary weakness of Central and Western Europe. They are, in fact, now in the same position as the U.S.S.R. was at the end of the last Great War. Russian interests were ignored in the last peace with disastrous results. Similar results will follow if decisions are taken while Central and Western Europe are weak, which they will refuse to accept when their real strength has revived.

4. The United Kingdom and France are the trustees for Western Europe. There is no doubt of the strong feeling of France on this question, which M. Massigli has expressed in moving terms. If we now refuse to join with France in upholding the claims of Central and Western Europe we shall lose a very valuable asset in our future policy.

5. It is true that the Dominions are divided on this subject. But it is only Australia, and, above all, Dr. Evatt, who press strongly for the seat in the United States. They have associated this question with the idea that the future of the world lies in the Pacific. It is now unlikely that San Francisco will be chosen as the site, but, nevertheless, Dr. Evatt refuses to have anything to do with Europe. Here again it is most dangerous to accept as an established fact what is largely a temporary position. As for the other Dominions, South Africa is strongly for Europe and, though New Zealand may be influenced by Dr. Evatt, the Canadian vote would have been cast for Europe had not Mr. Mackenzie King been on the high seas when the issue was forced upon us.

6. Strong feeling also exists among United States officials against putting the site in the United States. (See Telegram No. 6996 from Washington annexed.) The present position is largely due to the personal desires of Mr. Stettinius.
has been assisted by M. Gromyko, the Soviet Ambassador to the United States, for reasons exactly opposite to those which moved Mr. Stettinius himself. Mr. Stettinius claims that a site in the United States will cause the people of the United States to take a continuous interest in the Organisation. M. Gromyko hopes that if the site is situated in the United States, the United Nations will have less power in Europe, where Soviet interests mainly lie. The reasons of China are quite understandable in view of her experience at Geneva and her position as a Pacific Power, but it seems likely that Dr. Wellington Koo has been pushed on by Mr. Stettinius to clinch the matter at this stage.

7. Mr. Stettinius expressed the wish before he left, in direct opposition to his previous position, that the United Nations should choose the site in the United States. The United States Government clearly dread the responsibility of making such a choice, which might have great political repercussions. This fact alone shows how little suited a Great Power is for the seat of the Organisation.

8. The Executive Committee of the United Nations has already adopted a report which lays down special conditions for the seat of the Organisation. An enclave or special régime is desired for the territory on which the United Nations centre is to be erected and diplomatic immunity for officials is to be secured. It is by no means certain that Congress and the legislature of the State in which the site is placed will readily accept such conditions.

9. It seems probable at the present moment that if the site is in the United States it will be in the East rather than in the West. A number of United States cities and communities have sent invitations which the Executive Committee is now being asked to investigate and appraise. The city of Philadelphia is strongly advocating its claims and Mr. Stettinius has suggested that Hyde Park, President Roosevelt's estate, might be utilised for the purpose. Such a site would certainly be preferable to San Francisco which is more than 2,000 miles from any capital city, an argument which obviously strongly influenced the Executive Committee. Only Australia, China and Chile are likely to support San Francisco, though the Soviet Government may also do so. Whatever the decision, it is clear that it must really be made by the United States Government itself, however much it may try to disguise the fact. Mr. Stettinius has suggested that a United Nations Commission be sent to the United States but officials at Washington have deprecated this idea.

10. It seems, therefore, probable that the United States Administration, apart from Mr. Stettinius, will not be displeased if the decision of the Executive Committee is reversed in the Preparatory Commission. It will certainly be freed from some embarrassing decisions, both as regards the site and as regards the conditions under which the site is to be placed. It may at any rate be possible to defer the decision as to the permanent site and to ensure that the organisational work of the Secretariat and the immediate meetings of the Security Council and the Economic and Social Council be held in Europe. These meetings will undoubtedly have more reality if they are not held at some spot remote from the urgent problems which they should consider at the earliest possible moment.

11. In all the circumstances, I suggest that it would be a great mistake for us to abandon Europe at this stage of the discussion. Our position is a quite natural one and well understood by all the other Governments. There could be no criticism of our conduct if we press strongly in Preparatory Commission the desirability of a European site. On the contrary, if we do not do so, it will be considered that we have lost our power and our nerve. If we are beaten, we shall be in a strong position to urge concessions, such as the retention of the Geneva buildings so that the General Assembly could be held there when necessary, and for the meeting as often as possible of the Security Council and Economic and Social Council in Europe. If we tamely acquiesce, the influence of the United States and the Soviet Union on the United Nations will be considered by all so clearly to outweigh that of Britain and France that other States will cease to look to us for leadership.

12. The conclusion would seem to be that we should continue to support the view that the site should be in Europe. In such case we should instruct our representatives abroad to make known the reasons for which we take up
this position. They can be stated in a manner which is in no way offensive to the United States. Such action will be strongly supported by the French and Netherlands Governments.

13. Such a decision would by no means compel us to choose Geneva, difficult though it is to find another suitable site.

E. B.

*Foreign Office, 20th October, 1945.*

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**ANNEX.**

*The Earl of Halifax to Mr. Bevin.—(Received 21st October)*

(No. 6986. Personal and confidential.)

(Telegraphic.)

*Washington, 21st October, 1945.*

YOUR telegram No. 10504.

It so happens that the director of the Office of European Affairs at the State Department spontaneously volunteered the following remarks quite unofficially to His Majesty's Minister on the 19th October.

2. Matthews said that he would like us to know that the general view of State Department officials, beginning with Mr. Byrnes, was that it would be a "tragic mistake" to establish the headquarters of the world organisation in the United States remote from the scene of European issues which were likely during the post-war period to hold the centre of the international arena. He himself wondered whether there was anything that we could do to ensure that the first vote on this subject should not be endorsed by the provisional committee when it debated the question in November. He pointed out that the United States Government were ill placed to make any move whatever in the matter, as domestic American politics were now acutely involved with a number of leading cities agitating in favour of their being chosen for the site. He reiterated that the choice of an American city, although favoured by Stettinius for personal reasons did not in the least commend itself to the State Department. He incidentally expressed the opinion that some Latin American countries were possibly not keen about the proposal to establish the world organisation in this hemisphere where it would tend to overshadow the Pan-American gatherings.

3. This is a pretty fair indication that your surmise, at least as regards Byrnes's view, is correct. I will, however, take an opportunity of mentioning the matter to him myself.
AN urgent decision is required on the immediate future of labour controls. The question was considered at a meeting of the Industrial Sub-Committee of the Lord President's Committee on the 29th October, on the basis of a report by officials (of which I attach a copy—it is well worth study),* and I was asked to bring the issues involved to the notice of the Cabinet.

2. The Industrial Sub-Committee were unanimous upon three points:

(i) Our current labour difficulties cannot be solved unless the release of labour from the forces is greatly accelerated. We are pledged to release 1½ million men and women by the end of the year and at least 3 million by the end of June 1946, but all the evidence points to our failing to fulfil our promise unless the Services materially speed up the rate of release between now and Christmas.

(ii) In the long run, a proper relationship between the nation's needs and the distribution of the labour force can only be secured by a rational and effective wage policy under which the inducements offered by industries such as coal-mining and building will be commensurate with their importance to the community. I was asked to arrange for this question to be fully examined.

(iii) Controls over raw materials and production are no effective substitute for labour controls. Though they can help in a limited way (e.g., by preventing or limiting the manufacture of less essential goods) towards attaining national economic objectives, their operation is necessarily weakened where labour control is withdrawn (see paragraphs 13 (b) and (c) and 26 of the attached report, and paragraph 2 of L.P. (45) 210).

3. The immediate question is, however, how best to secure the labour we need for essential industries during the next six or nine months. There is no dispute about the necessity of maintaining the Essential Work Orders, which give us an effective means of control over roughly 9 million workers, substantially unaltered. The Industrial Sub-Committee were unable, however, to reach agreement on the future of other forms of labour control, i.e., direction of labour and the Control of Engagement Order. I set out below the alternative policies between which, in our opinion, the Cabinet must decide.

(i) To maintain the present position whereby labour controls are extensive in theory but severely limited in practice because they are not rigorously enforced (see paragraph 11 of attached report).

* The following papers are also relevant:
L.P. (45) 187 by the Minister of Labour and National Service.
L.P. (45) 210 by the President of the Board of Trade and Minister of Supply and Aircraft Production.
C.P. (45) 225 by the Minister of Health and the Under-Secretary of State for Scotland.
C.P. (45) 290 by the Minister of Labour and National Service.
(ii) To release from these controls all workers over the age of 30 (at which liability to conscription now ceases) but to enforce control on workers below that age.

(iii) To modify course (ii) by retaining and enforcing controls above the age of 30 in the case of skilled building operatives, coalminers, agricultural workers and nurses (alternative (a) set out in paragraph 25 of the attached report).

(iv) To modify course (ii) still further by extending the list of exceptions to other industries of major national importance such as foundries, building materials and components, coal distribution, gas supply and essential food industries, in addition to those mentioned under (iii) above.

If Ministers wish to adopt course (iii) or (iv), a decision will also be needed on the question whether persons over the age of 30 are to be directed between industries as well as within a particular industry.

(v) To recognise, and to endeavour actively to persuade the nation to recognise, that if the public need for houses, coal and other essential goods and services is to be met, the whole of the existing system of labour controls must not only be maintained but effectively enforced for a further period (alternative (b) of the attached report).

H. M.

Privy Council Office, S.W. 1,
30th October, 1945.
1. In accordance with the conclusions of the Lord President’s Committee at their meeting on the 5th October, 1945,* and of the Lord President’s (Industrial) Sub-Committee at their meeting on the 11th September, 1945,** we have examined a memorandum submitted to the Lord President’s Committee by the Minister of Labour and National Service (L.P. (45) 187); and have also taken into account views expressed by the President of the Board of Trade and the Minister of Supply and Aircraft Production in L.P. (45) 210, with regard to the future of the economic controls.

2. Ministers have agreed that controls should be used with the constructive purpose of building up the more essential industries and ensuring that less essential activities do not absorb an undue share of the national resources, and that, to achieve these ends, “some measure of control over the allocation of labour and other resources as between industries and trades must be maintained; and that labour, raw materials and production controls should be used as an integrated whole.” In view of the need for an early decision whether labour control should be relaxed as proposed in L.P. (45) 187, we have therefore first considered the degree to which the operation of such a co-ordinated scheme of controls would be affected if such relaxations were made.

3. The labour controls to be considered are as follows:

**Essential Work Orders.**

4. These Orders are the most important and effective of the controls. They tie the worker to his job up to age 65 for men and 60 for women, and they cover about 9 million workers. The Minister proposes to retain the Orders for the time being subject to review of individual firms and industries. Employers formerly engaged on contracts for Supply Departments may now be engaged on less essential work and the withdrawal of the Orders would leave workers free to take other employment and so promote mobility of labour.

5. The Minister also proposes to allow individual workers to leave their war-time job and return to their former employment if it is of value to the community. Each case would be considered on its merits as a matter of administration. It is not expected that large numbers would be involved and the industries affected would be mainly engineering, aircraft, shipbuilding and other munitions industries.

**Directions.**

6. During the war the power of direction was used mainly to recruit for the aircraft and munitions industries large numbers of workers from less essential industries and unoccupied persons, particularly women. It was used to a small extent for the transfer of skilled men from one industry to another where such skill was interchangeable, e.g., building trades craftsmen transferred to shipbuilding.

7. After the European War the use of directions was rapidly discontinued and, as announced in the White Paper, it was hoped to discontinue its use entirely before the end of the Japanese War. In practice, therefore, the power is now used only for a narrow range of industries and large classes of persons are excluded (paragraph 2 of Appendix I to L.P. (45) 187). It is rarely used to direct workers to leave home and in no circumstances is an ex-service man or woman directed away from home. These relaxations have already been announced.

8. The Minister of Labour now proposes to carry relaxations a stage further by confining directions to persons under 30 years of age, with certain possible exceptions for particular industries.

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* L.P. (46) 36th Meeting, Minute 1, Conclusion (2).
† L.P. (I) (45) 1st Meeting, Minute 1, Conclusion (12).
‡ L.P. (I) (45) 1st Meeting, Minute 1, Conclusions (3) and (4).
Control of Engagement Order.

9. This Order was made after the European War and was intended to take the place of directions during Stage II. Its effect is to require engagements of labour to be made through an Employment Exchange up to age 50 for men and age 40 for women. The Order also prohibits advertisement. It was hoped through the Exchanges to guide labour where it was most needed. In practice, the Order is being disregarded by large numbers of employers and workers, including demobilised ex-service men; and a policy of inspection and prosecution is not considered practicable or politically desirable. There is the further point that the Order cannot be used to keep workers unemployed, and, under present procedure, any worker whom it is not intended to direct to employment is permitted to take the work of his choice after a maximum of seven days.

10. The Minister of Labour proposes to regularise the position by lowering the age to 30 and trying to enforce the Order for men and women below that age.

11. It is clear from the above that the immediate issue on labour controls is mainly confined to the use of the power of directions and to the enforcement of the Control of Engagement Order. Further, it is a question not so much of maintaining the existing degree of control, which is already exiguous, but of returning to a more vigorous policy of direction and of enforcement of the Control of Engagement Order by the prosecution of employers and workers who enter into engagements without the approval of the Employment Exchange. The subsequent comments are therefore based on the assumption—

(i) that Ministers, in any case, agree to the retention of the Essential Work Orders for the more essential industries, subject to review of the field now covered and to administrative readjustments. (We set out, in Appendix A, some special considerations which arise in the case of the civil service, where administrative relaxations of the scheme of control may have to be severely limited; and also points that arise in connection with transport and trawler fishing.)

(ii) that the main question on labour controls is whether to accept as inevitable the limitation of the existing scope of direction and of the Control of Engagement Order, and announce relaxations accordingly, or to adopt a more drastic use of existing powers of direction and to try to enforce the Control of Engagement Order up to age 50 for men and 40 for women.

12. Large numbers of men and women are being released from the Forces and from munitions and many will be ready to return to their former employment. Many essential industries have, however, suffered a reduction in the normal rate of recruitment during the past six years and if all ex-operatives returned they would still be below their pre-war strength. Furthermore, their post-war labour needs are likely in some cases to be in excess of their pre-war strength.

13. In order to focus attention on the main issues on which decisions are required, we suggest that the following propositions should be accepted:

(a) Long-term measures to render more attractive the unpopular essential industries can give little help in meeting the present situation.

(b) Steps to discourage the entry of labour into industries such as the engineering industry, where the need for labour is less urgent, will not of themselves appreciably help the unattractive essential industries that are short of labour.

(c) Production and raw material controls alone cannot be relied upon to influence directly the flow of labour.

14. The next few months will be a period of acute general labour shortage. At the same time large numbers of ex-service men and women and workers from munitions will be free to choose their employment and they will tend to go into the more attractive industries. It follows that, if the less attractive essential industries are to retain and even expand their labour force, some form of labour control is needed, though the operation of labour controls would have to be backed up by production and raw material controls.
15. It would seem that there are two main alternative policies that are open to Ministers, with regard to labour controls over the short period of 6-9 months. There are arguments (which we set out below) both for and against each alternative: in particular, the likely effect of each on production in (or depending on) essential industries needs to be taken into account, together with other factors, both political and psychological.

16. On the assumption that it will not be thought desirable to relax control to a greater degree than is proposed by the Minister of Labour in L.P. (45) 187, the first alternative is to make relaxations to that degree (or to a lesser degree by extending the list of exceptions to the general relaxation). The Minister of Labour proposed relaxation of control in respect of age-groups over 30, with exceptions in the case of skilled building operatives, coal-miners, agriculture and nurses. In support of these proposals, it is maintained that no system of labour controls can be effectively enforced unless supported by general public approval, and that such approval is only likely to be obtained for control over the age of 30 (the maximum of call up for military service) in cases of exceptional and obvious public need, as for houses and coal, and then only for transfers within an industry. It is also contended that, while these proposals might not lead to such quick results as a general maintenance of direction for the higher ages, delays in production due to labour troubles would be reduced, and that the more co-operative atmosphere, coupled with the gathering speed of demobilisation, would help to achieve a satisfactory distribution of man-power at an earlier date than might be expected at first sight.

17. If a policy of relaxation with certain exceptions is to be adopted, however, there is difficulty in deciding how many exceptions are to be made. A strong case can be made out—and is urged by the Departments concerned—for extending the list of exceptions to include, in different degrees, workers in the building materials industries, cotton, iron foundries, jute, wool, flax, boots and shoes, gas undertakings, coal distribution, various food industries and the civil service; and, if production were the only criterion, the exceptions would be found to take in a large part of the whole field of industrial employment.

18. It has been suggested, and the argument seems to us to have considerable force, that if a general relaxation is announced, but does not apply to certain industries, the control that remains in the particular cases will be inevitably weakened. It might well seem to the workers affected that they were subjected to discrimination merely because their industry was "unpopular" or in difficulties: this might in itself be expected to lead to a weakening of enforcement, to have a bad effect on efforts now being made to popularise the industries concerned, and to cause labour troubles in the very industries where it is most important that they should be avoided. This is specially true of coal-mining. The practical arguments against an increased number of exceptions are stronger still—

(a) The exception of more than two or three well defined industries would be impossible for the public at large to grasp and remember. The Control of Engagement Order must depend upon general knowledge and acceptance of the Order by employers and workers, and a patchwork affair would produce chaos and widespread disregard of the Order.

(b) Direction over the age of 30 of other than former workers must carry with it control of engagement for the population generally up to the maximum age of direction. Otherwise Exchanges would have no one to direct except those who were unwise enough to come to the Exchange. Direction of former workers over the age of 30 who are now in employment would be dependent upon a registration scheme.

19. There is the further point that, the more exceptions that are made to a general policy of relaxation, the nearer does the scheme approach to a maintenance of the existing degree of control, thus largely discounting the psychological advantages of relaxation, while also giving rise to the objections set out in the preceding paragraph.

20. If, however, it should be decided that it is nevertheless necessary to relax control now for political reasons, it will be necessary to decide whether control should be exceptionally retained over a wider range of industries than that proposed in L.P. (45) 187, and we set out, at paragraph 24 below, the general views that Departments have expressed on this point. It is also relevant to consider whether, if the proposals in L.P. (45) 187 are adopted, it would be
practicable to take any special steps with a view to preventing an undue flow of workers into distributive trades: this question has been under discussion between the Ministry of Labour, the Board of Trade and the Ministry of Food, and we append (Appendix B) a note showing the conclusions that have so far been reached.

21. The alternative to the course put forward in paragraph 16 above is to maintain the existing control(s) for a further period, to use them more fully, and to take steps to make them effective. This implies deliberate maintenance of a more stringent system of labour control than is at present being enforced, or than would be readily accepted by the Trade Unions and the public, while seeking to make it more acceptable by explanation of the important national aims that it is designed to achieve. Such a system would maintain direction above the age of 30 for a wide range of essential industries other than building and coal-mining, and such direction would not be confined to transfers within an industry. A worker would be liable to prosecution, followed by fine or imprisonment, if he refused to accept direction away from the trade of his choice or away from home and into, perhaps, worse-paid employment under worse conditions. This would have to apply equally to ex-service men and women who were unemployed or wished to change their job after eight weeks' leave. Only a system of these lines, operated with the full vigour of wartime by Employment Exchange Officials, could make sure that man-power resources are distributed so as to fit at once into a general scheme for the distribution of all national resources in the way needed to produce quick results from a nationally planned economy. It must, however, be recognised that, if such a system were to be adopted, with the greatly increased flow of labour for civilian work when demobilisation from the Forces and release from munitions work have gathered full momentum, it is quite possible that a considerable degree of unemployment would develop, as workers would have to be kept unemployed while awaiting essential work that was not immediately available. If this arose to any large extent public outcry might well develop on such a scale as to undermine the entire system of labour control, and oblige the Government to make much larger concessions in response to pressure than those that are at present proposed.

22. It might be argued that deliberate adoption of this course and acceptance of the risks that it involves would offer fewer drawbacks than a relaxation made largely illusory by many exceptions to it, as is suggested at paragraph 19 above. To maintain a scheme of control that has long been in operation might prove easier than to enforce more than a very few exceptions to a general relaxation. On the other hand, as announcement of relaxation is expected, it may no longer be possible to contemplate that more drastic control should now be introduced and that the present degree of control should continue even for, say, a further six months.

23. If control were thus continued, political and human factors would be disregarded and, moreover, its enforcement must inevitably depend in the last resort on public approval (and approval by magistrates and benches) of the Government policy, and, in the view of the Ministry of Labour, such approval would not be forthcoming.

24. Against this background, we have considered the views put forward by Departments responsible for the more essential industries. These are, in general terms, as follows:

(a) Board of Trade and Ministry of Supply and Aircraft Production Industries.

It is the view of the President of the Board of Trade and the Minister of Supply and Aircraft Production (see L.P. (45) 210, paragraph 2) that the list of the special categories of labour, over the age of 30, to whom the Minister of Labour would agree to apply the power of direction, should be amplified by adding former workers in cotton, iron foundries, boots and shoes, jute, wool, flax, and perhaps certain housing fitments industries; and that the use of this power should not be confined to promoting transfers within these industries, but it should be also used to direct former workers back to them. (The Minister of Labour has pointed out, however, in C.P. (45) 290, paragraph 3 (c), that this type of direction would have to be based on a registration scheme; and that it is doubtful whether workers would now respond to a call to register.) The need for retention of these controls arises because the President of the Board of Trade and the Minister of Supply and Aircraft Production are satisfied that the loss of direct control over labour over the age of 30 in these industries cannot be made good
by indirect means in the shape of production control on raw material, except to a very limited extent. This need would be met either by extending the Minister of Labour's proposals in L.P. (45) 187 as suggested, or equally, by continuing existing controls for the time being as at paragraph 21 above. If, however, the proposals in L.P. (45) 187 are accepted without modification, the desired increase in production of the following items is likely to be immediately and adversely affected:—clothing, furnishing fabrics, carpets, linoleum, gas and electric cookers, baths, stoves, and many kinds of machinery.

(b) Coal, coal distribution, gas, electricity.

To meet the labour situation in the coal, coal distribution and gas industries, the Minister of Fuel and Power considers that existing powers of labour control must be continued for a further six months, after which relaxations in the case of coal distribution and gas, but not coal mining, might be again considered. (It is not thought that immediate relaxation in the case of the electricity supply industry would have any serious consequences.) The Minister feels that the special problem of the coal mines (which are, in effect, the base of the whole inverted pyramid of industry) justifies almost by itself the continuance of all existing labour controls in full for the next six months. There is no general wage claim outstanding in the industry, and no possibility of any substantial improvement in working conditions except on a long-term basis. The problem of this industry is simply that, for many reasons, it is thoroughly and universally unpopular; thus any step, such as accepting it from relaxation of control (even though certain other industries are also excepted) which has the effect of throwing its unattractiveness into still higher relief might well prove to be the “last straw,” and result in grave unrest in the industry during the coming winter, and possibly even large-scale stoppages. These, in turn, might well hold up the whole work of national reconstruction.

(c) Building and Civil Engineering.

The Minister of Labour proposes in L.P. (45) 187 that building operatives may have to be excluded from certain relaxations of labour control. The Minister of Works supports this proposal and suggests that the present degree of control over labour in the building and civil engineering industries should at least be maintained and, moreover, that direction should be enforced more firmly than in the past. It is necessary to provide a safeguard under the Control of Engagement Order against the drift of building and civil engineering workers to other industries in respect of men up to 50; and the Control of Engagement Order should also continue to apply to all men up to 50 within the industry to see that labour goes to the most important jobs. The Minister also considers that directions should continue to be issued to men up to 50 with previous experience in the building and civil engineering industries (either those who have specially registered or those who visit the Ministry of Labour Offices to apply for work) in order both to build up the total labour force and to secure the proper distribution of labour within the industry. If it should be found impossible to exercise these controls up to the age of 50, direction away from home might only apply to men under 40. The existing Essential Work Order and the Restriction on Transfer Order should remain in force.

d) Building materials industries.

The attention of Ministers has already been drawn to the labour shortages in these industries in a memorandum by the Minister of Health and the Under-Secretary of State for Scotland (C.P. (45) 225), who proposed (at paragraph 8 (c)): (i) that ex-operatives who have left the building materials and component industries since the 3rd September, 1939, should be compulsorily withdrawn from their present employment and directed back to their former employment; (ii) that workers in other industries who would be suitable for employment in the building materials and components industries should be withdrawn from their present employment and directed to those industries; (iii) that men over the age of 30 should be directed as at (i) and (ii), and that the powers should be used to the full, including prosecution if necessary. The Minister of Labour is opposed (see C.P. (45) 230, paragraph 2) to this extended use of compulsory powers. At their meeting on the 15th October, 1945, the Cabinet agreed that the proposal at paragraph 8 (c) or C.P. (45) 225 should be considered by the Lord President's Committee (C.M. (45) 41st Conclusions, Minute 1, Conclusion (9)).

If a policy of relaxation of labour control is adopted, with exceptions in the case of certain industries, there can be no doubt that the building materials and
component industries can claim a high place in any list of such exceptions, in view of repercussions on the housing programme. The Minister of Works presses very strongly for this and for the retention of the existing labour controls in the building materials industries up to the age of 50. In particular, the arrangements should provide not only for a redistribution of workers within these industries, but for the direction of suitable operatives from other industries to the building materials industries.

Not only is there need for this immediate action, but the Minister considers it also necessary to avoid relinquishing any powers or giving any undertakings which would make it more difficult to introduce a very drastic measure of direction into the building materials industries in two or three months' time if it were to become evident that demobilisation from the Forces and releases from the munitions industries were not going to provide the very large further recruitment to building materials that is essential if the housing programme is to be carried out. If such a situation arose, directions on a far more drastic scale than at present would be needed.

(e) Agriculture.

Before the war there was a considerable drift of agricultural workers from the land to other industries which offered higher wages and better conditions of employment. During the war this movement was prevented first by the Restriction on Engagement Order and subsequently (as regards men up to the age of 50 and women up to the age of 40) under the Control of Engagement Order. Under these Orders agricultural workers have not been allowed to take up employment outside the agricultural industry. In England and Wales, however, agriculture is not scheduled under the Essential Work Order.

If the Minister of Labour's proposal is adopted to reduce to 30 the upper age limit in the Control of Engagement Order, agricultural workers above that age will be free to seek other employment. Although agricultural wages are now considerably higher than before the war and accommodation difficulties might prevent any large movement of agricultural workers, there can be no doubt that a considerable number of agricultural workers could leave the land. Moreover, the workers concerned would include the most skilled and experienced workers in the industry.

The present food production programme is already jeopardised by the shortage of skilled labour as the Minister of Agriculture has recently explained in C.P. (45) 193. A loss of skilled workers at this stage would, in his view, inevitably lead to a fall in home production, particularly in the dairy industry where the shortage of skilled workers has already resulted in a decrease in the dairy herd during the past twelve months. The Minister of Agriculture therefore wishes that steps should be taken to retain in the industry, for the present at least, all male workers up to the age of 50. It must, however, be recognised that, in the last resort, this would involve direction of experienced agricultural workers up to that age.

(f) Industries ancillary to agriculture.

The Minister of Labour proposed (in L.P. (45) 187) that workers aged 30 and over should normally be given permission to leave a scheduled undertaking if they wished to return to their peace-time work, and that work was of value to the community. Several of the industries on which agriculture is dependent are scheduled, though agriculture itself is not. These industries include catchment and drainage boards, the seed trade and undertakings manufacturing and repairing agricultural machinery. So long as home food production is to continue at its war-time levels, the Minister of Agriculture considers it essential that the output of these ancillary industries should also be maintained.

Any loss of skilled workers would be particularly serious in the agricultural engineering industry owing to the reduction in imports of machinery due to the cancellation of Lease-Lend. This industry is already unable to fulfil its programmes on account of labour difficulties. The Minister of Agriculture therefore suggests that it should be recognised, if relaxations in labour control are to be made, that it will be impossible for any considerable number of men aged 30 and over to be released from undertakings in these industries for the time being.

(g) Food.

A number of vital food and distributive industries, and industries ancillary to food production, are relatively ill-paid, or are unattractive to workers coming
out of the Forces or munitions industry because of unpleasant conditions of work or lack of reasonable amenities. Relaxations in the administration of controls that have already been made have caused difficulties in this connection, and it may be expected that, if further relaxations are made, these difficulties will increase. If political considerations could be left out of account, the Minister of Food would therefore wish for effective controls to be maintained at least in those industries that experience has shown to need the sanction of directions if they are to maintain an adequate labour force. Should relaxations, however, be made, it is thought that urgent consideration should be given to those trades which are unattractive to workers. Many of these are only being carried on at present by the use of military or prisoner-of-war labour.

Conclusions.

25. On the issue of the immediate future of labour controls our conclusions are as follows. Ministers will have to consider two courses:

(a) to accept in principle that further relaxations in labour controls cannot be any longer delayed, and thus to accept the Minister of Labour’s proposals in L.P. (45) 187 subject to any modification that may be thought essential and practicable in respect of the industries noted under the preceding paragraph. There are, however, narrow practical limits to the exceptions to the proposed relaxations. Former workers could only be directed back to their old employment after registration, and a registration scheme is not likely to be effective. Furthermore, if it was decided to direct workers from other industries into such industries as the food and building materials industries, this would be necessary to retain general control as in alternative (b).

(b) to decide that it is practicable, despite the obvious political and other difficulties, to obtain the necessary measure of public assent to a policy tantamount to the conscription of labour, and accordingly to make no relaxations for a further period of, say, six months when the position might be reviewed again, in the meantime making more effective use of the power of directions and endeavouring to enforce the Control of Engagement Order.

26. It must be made clear that, if course (a) is adopted, this means that labour, raw materials and production controls can only to a very limited degree direct the flow of resources into particular industries. Other controls are no substitute for labour controls, and their operation is necessarily weakened where labour control is withdrawn; they can, however, help in a limited way towards attaining the national objectives of housing, coal, exports, control of inflation, &c.

The maintenance even of strict labour control up to the age of 30 will be inadequate, in the view of the Departments concerned with a number of essential industries, to secure the production results required.

27. If the manifest human and political difficulties in the way of course (b) could be overcome—and they might well prove to be so serious as to jeopardise enforcement of even minimum labour control—there can be little doubt that the national objectives would be more certainly attained, and in any case attained sooner; and it would be more likely that production programmes, to which the Government is committed, would be fulfilled, and to time.

28. We suggest, therefore, that Ministers will need to decide:

(i) whether course (a) or course (b) in paragraph 25 above should be adopted.

(ii) if course (a), whether it will be practicable to except from the relaxation proposed by the Minister of Labour all or any of the industries mentioned under paragraph 24 above, in addition to the exceptions already proposed (viz., coal-miners, skilled building operatives, experienced agricultural workers and nurses); and whether, in the case of all or any of the industries so excepted, direction should be maintained over the age of 30 to transfer workers to them from other industries.

Signed on behalf of the Official Committee,

J. P. R. MAUD.

Cabinet Office, S.W. 1,
24th October, 1945.
APPENDIX A.

(a) Civil Service.

The existing control over temporary civil servants is embodied in the Control of Employment (Civil Servants) Order 1945, which prevents these officers from leaving their employment except with the consent of the National Service Officer. Out of a total number of 667,000 non-industrial civil servants, no less than 466,000 are temporaries, the great bulk of whom are over 30 years of age. A number of Departments are already in great difficulty in maintaining essential services and some of them are overwhelmingly dependent on temporary staff. For instance, 98 per cent of the total staff of the Ministry of Food are temporary. It is not easy to assess the effect of the relaxation of control, but it is certain that there would be serious danger of breakdown in some places. The Post Office, for instance, are particularly anxious about the maintenance of the work of the Savings Department, which has already been in great difficulty; apart from the normal work of this Department, the maintenance of which is essential, it is concerned in the payment of demobilisation benefits.

The danger of relaxation is particularly acute in the case of certain specialist and technical staffs (e.g., architectural and engineering draughtsmen, quantity surveyors, &c., employed in the Ministry of Works). The Inland Revenue are certain that relaxation would mean the loss of considerable numbers of their expert valuers, who are only held by the enforcement of the present Order; these men are needed for essential work in connection with housing and the duties of the Ministry of Town and Country Planning.

If a real risk of breakdown of some essential services and of serious delay in execution of a number of most important reconstruction plans is to be avoided, the Treasury consider that provision should be made for continuance of the Order for the time being, at any rate in some Departments and in some Civil Service grades.

(b) Transport.

In the view of the Minister of War Transport it would be unwise at this stage to withdraw the protection which is now afforded by the Essential Work Orders. The maintenance of existing services, both for passenger and goods, depends on a sufficient labour force, and in view of the many burdens which transport will have to meet during the coming winter, there is serious risk that a substantial number of transport workers would be lost whose places would not immediately be taken.

(c) Trawler Fishing.

During the next few months it is expected that there will be a very serious shortage of trawler hands to man the trawlers being released from Naval Service which are now being reconditioned for fishing. In these circumstances, the Minister of Agriculture considers that it will be necessary to retain the existing control under the Essential Work Order.

APPENDIX B.

FLOW OF LABOUR INTO RETAIL DISTRIBUTION.

I. SIZE OF THE PROBLEM.

Between May 1944 and May 1945, the total labour force in these trades increased by 32,000; during July and August 1945 it increased by a further 20,000. There is some risk, particularly with regard to women, that distributive trades will absorb more labour than would be justified in the national interest; but the extent of the risk should not be exaggerated.

II. NEED FOR SPECIAL MEASURES.

The Ministry of Food consider that, having regard to the importance of increasing the number of workers in the food distributive trades, the proposals for control of labour in L.P. (45) 187 would provide a sufficient safeguard. The Board of Trade, however, consider that further measures are needed.
III. Possible Measures.

(a) To impose labour ceilings making it an offence for an employer to employ more than a stated number of workers. Detailed consideration of a proposal to apply a scheme of this kind to certain manufacturing industries led to the conclusion that difficulties of administration and of enforcement would make it unworkable. Consideration of a similar proposal with regard to the distributive trades led to the same conclusion.

(b) To amend the Control of Engagement Order to provide that no employer in retail distributive trade may engage a worker between the ages of 18 and 50 otherwise than through the Ministry of Labour.

Considerations arising here are:—

(i) Decision would be needed whether this proposal should apply to food distribution trades as well as to retail distributive trades in general. It is thought that it would have to apply to both, because of the number of combined shops selling both food and other goods.

(ii) Strong resentment would be caused in the retail trade—and very likely strong public criticism also—if food trades were included. Administrative arrangements to assist in placing workers in food shops would probably not avoid this.

(iii) To make such an Order fully effective, in the last resort workers between 30 and 50 whom it was desired to keep out of retail distribution would have to be directed to other work. The alternative would be to keep such workers unemployed.

(iv) Such an Order might have some useful effect through bringing powers of persuasion at Labour Exchanges to bear. It would, however, be difficult to get satisfactory results from prosecutions of employers or workers breaking the Order. Though the persuasion might be valuable, the control leading to it would in the last resort be virtually unenforceable.

In the light of these considerations, the Ministry of Labour do not feel that such a proposal can be accepted.

(c) To employ some other means, for example, limitations on the value of goods sold. It is not thought that such a proposal would be practicable or that it would have the desired result.
UNITED STATES REQUEST FOR BASES IN ICELAND

MEMORANDUM BY THE SECRETARY OF STATE FOR FOREIGN AFFAIRS.

I circulate to my colleagues the annexed memorandum, prepared in the Foreign Office, outlining the developments that have taken place since the United States Government informed us of their intention to secure a long-term lease of bases in Iceland.

2. It will be seen that the United States Government have decided not to adopt the alternative proposal, which I put to Mr. Byrnes, that they might ask the Icelandic Government for a lease of the bases in question for a limited period, as a temporary measure pending the coming into force of the security provisions of the United Nations Charter (particularly Article 43) and the admission of Iceland to the United Nations Organisation. (Under Article 43 agreements for base facilities are to be negotiated on the initiative of the Security Council and between the Security Council and Members or groups of Members: there is no provision for such negotiations to take place between one nation and another.)

3. As the Icelandic Prime Minister has formally asked for an expression of our views before deciding how to respond to the United States proposal, I have authorised His Majesty's Minister at Reykjavik to speak to him on the following lines:

"This war has shown that the presence of United States forces in the North Atlantic area is essential for the security of that area. We therefore welcome the proposal that United States forces should continue to occupy bases in Iceland. We naturally assume such occupation will be brought in due course under the international security system provided in the United Nations Charter. In the meantime it would seem natural for an arrangement to be made direct between the Icelandic and United States Governments."

4. I would propose that we should reconsider our attitude in the event of the Russians taking up an openly hostile attitude to the United States initiative or demanding as a counter-move a long-term lease of bases in Denmark or Northern Norway. In such circumstances it might be desirable for His Majesty's Government to come forward as a mediator with the proposal that the Americans should have a short-term lease of bases in Iceland. We could then presumably encourage Denmark and Norway, both of whom are members of the United Nations Organisation, to invoke the Security Council's procedure in respect of any Russian demands and to refuse to negotiate bilaterally. The Norwegian Minister for Foreign Affairs has already expressed the fear that the American demands on Iceland may lead to similar Russian demands in connexion with Spitzbergen, about which they had already made approaches to the Norwegian Government a year ago. I have accordingly authorised His Majesty's Ambassador at Oslo to draw M. Lie's attention to the Security Council procedure as laid down in Article 43 of the United Nations Charter. I am also authorising His Majesty's Minister at Copenhagen to take similar action with the Danish Foreign Minister.
5. My reasons for adopting this policy are as follows:

The choice before us was whether to back the Americans in their policy of trying to secure their position now by bilateral arrangements with the Icelandic Government or to insist on the point of view which I had put to Mr. Byrnes. On the one hand the Chiefs of Staff and the Foreign Office agree that the vital interests of the United Kingdom would be served by the retention of United States forces in permanent bases in Iceland. On the other hand, it is a main objective of His Majesty's Government to make a success of the United Nations Organisation. The United States action may, by antagonising the Russians and minimising the rôle of the Security Council, destroy the whole United Nations Organisation system of security before it has been given a chance. The decisive factor, however, seemed to be that the Americans are now committed to their scheme and have refused to accept my alternative suggestion of a short-term lease pending the setting up of the Security Council and the admission of Iceland to the United Nations Organisation.

*Foreign Office, 30th October, 1945.*

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**ANNEX.**

On the 24th September the United States Government informed us officially of their intention to ask the Icelandic Government for a long-term lease of naval and air bases in Iceland. On the next day the United States Chargé d'Affaires in Moscow so informed the Soviet Government.

2. On the 28th September, the Secretary of State wrote to Mr. Byrnes suggesting that an American demand for a long-term lease would amount to a vote of no confidence in the United Nations Organisation and that the United States Government might instead ask the Icelandic Government for a lease of the bases in question for a limited period and as a temporary measure pending the coming into force of the Security Provisions of the United Nations Charter and the admission of Iceland to the United Nations Organisation.

3. On the 29th September, a member of the State Department was asked orally for an assurance that the presence of the United States forces in Iceland would in no circumstances be allowed to compromise the security of our own communications in the North Atlantic. The hope was also expressed that the United States Government would agree to grant diversionary and emergency landing rights in their airfields in Iceland for aircraft of the British Commonwealth. It was also explained that the suggestion made in the Secretary of State's letter to Mr. Byrnes was intended not only to avoid an apparent vote of no confidence in the United Nations Organisation, but also to deny the Soviet Government an excuse for demanding Russian bases in Denmark or Norway.

4. Mr. Byrnes replied to the Secretary of State's letter that his suggestion had been communicated to the State Department with the request that the matter should be discussed with the War and Navy Departments and the Chiefs of Staff.

5. The requests made in our oral communication were referred by the State Department to the War and Navy Departments with the State Department's recommendation.

6. The Secretary of State's letter to Mr. Byrnes did not stop the United States Government from making their communication to the Icelandic Government, who were approached on the 1st October by the United States Minister in Reykjavik with a request for the lease of bases.

7. The matter was discussed at a secret session of the Icelandic Parliament on the 2nd October. A Committee of three members of each of the four political parties was appointed to consider the matter and to report. His Majesty's Minister in Reykjavik reported on the 15th October that the majority of opinion in the Committee favoured granting the American request, but that a decision was being delayed by uncertainty as to the British attitude. The United States Minister subsequently expressed concern at this delay.
8. On the 12th October, His Majesty's Embassy in Washington were instructed to express the hope to the State Department that the United States Government would seriously and urgently consider the proposal put forward in the Secretary of State's letter to Mr. Byrnes, and, if they were convinced by our arguments, that they would consider amending their demand on the Icelandic Government.

9. On the 25th October His Majesty's Ambassador in Washington reported that he had been informed by the State Department that the United States Government had regretfully decided that they could not do otherwise than adhere to their present course of action.

10. The question of the form in which the assurances we asked for (see paragraph 3 above) should be given has been raised by the State Department. His Majesty's Ambassador in Washington was instructed to press for written assurances in one of various forms. It was, however, decided that in the last resort we should be prepared to content ourselves with an oral communication of which an agreed version would be kept on record. The State Department have been unable to meet us on the point of written assurances, on the grounds that any undertaking which could be construed as having the nature of a treaty would require ratification by two-thirds of the Senate, and any "executive agreement" would have to be published. An oral reply has been given; a copy has been handed to His Majesty's Ambassador and a copy is to be kept on the files of the State Department. This reply is now being examined by the Foreign Office and the Chiefs of Staff.

11. His Majesty's Minister at Reykjavik has on more than one occasion been sounded unofficially on behalf of the Icelandic Government regarding the attitude of His Majesty's Government, and on the 24th October he reported that the Icelandic Prime Minister had officially asked for an expression of our views. Mr. Shepherd has been instructed to speak in the following sense:

"This war has shown that the presence of United States forces in the North Atlantic area is essential for the security of that area. We therefore welcome the proposal that United States forces should continue to occupy bases in Iceland. We naturally assume such occupation will be brought in due course under the international security system provided in the United Nations Charter. In the meantime it would seem natural for an arrangement to be made direct between the Icelandic and United States Governments."

E. B.
CAPTURED GERMAN DOCUMENTS THROWING LIGHT ON GERMAN-SOViet RELATIONS APRIL 1939-NOVEMBER 1940.

MEMORANDUM BY THE SECRETARY OF STATE FOR FOREIGN AFFAIRS.

AMONG the captured German documents now being examined by the Foreign Office are a very large number of confidential files dealing with Soviet-German relations and records of conversations between Ribbentrop and Molotov and Stalin, and between Hitler and Molotov. The material is of great historical value and also of considerable practical importance in relation to the development of Soviet policy. It is, of course, impossible to give a complete picture of the policy of the Soviet Government without access to Russian archives—i.e., we can observe from the German archives what form Soviet policy took, but we cannot be sure of the motives behind it. None the less certain facts emerge about the nature and methods of this policy.

It may therefore be of interest to my colleagues if I give them three examples of the execution of Soviet policy in relation to Germany (and, indirectly, to Great Britain). I therefore take (1) the negotiations leading up to the conclusion of the Soviet-German Non-aggression Pact of August 1939, (2) Ribbentrop’s interview with Stalin immediately after the conclusion of this pact, (3) Molotov’s interviews with Hitler and Ribbentrop on his visit to Berlin in November 1940.

(1) Negotiations leading up to the conclusion of the Soviet-German Non-Aggression Pact of August 1939.

It appears that, as early as the 17th April, 1939, “feelers” were thrown out on the Russian side to explore the possibilities of an improvement in Soviet-German political relations. On the 20th May Molotov told Schulenburg (German Ambassador at Moscow) that the Soviet Government regarded the resumption of Soviet-German trade negotiations (which had drifted into an impasse) as “inopportune” until a “political basis” had been found for them. Schulenburg thought that Molotov used these words not to close down negotiations but because he really wanted the Germans to make a political offer.

On the 26th May Ribbentrop drafted instructions for Schulenburg for an interview with Molotov. These instructions were characteristically German in the sense in which the late Sir Eyre Crowe used to sum up German policy as based on the maxim “Be my friend or I will kill you,” but, while they threatened Russia if she joined the Anglo-French combination, they also made it clear that Germany was willing to make a bargain with Russia if the Soviet Government so desired. Hitler seems to have decided that this combination of “warning plus offer” should be presented in Berlin. Hence Weizsäcker delivered it to the Russian chargé d'affaires.
For the next four-five weeks each party waited for the other to make a move. The Russians were distrustful of Germany; the Germans nervous that the Soviet Government merely wanted a German offer in order to be able to put pressure on England and France. On the 25th June Schulenburg found Molotov still encouraging, and obviously impressed to hear that the German Government regarded the Soviet-German neutrality agreement of 1926 as still valid. (This treaty—originally a counter-move by Russia to the Locarno treaties—had been renewed in 1933, but the Soviet Government considered that Hitler regarded it as obsolete.)

The Soviet-German trade negotiations were resumed on the 21st July. On the 27th July (two days after the Russians had been informed that His Majesty’s Government had agreed to their demand for the opening of Anglo-Franco-Soviet military conversations in Moscow), Schnurre (of the German Foreign Office), who was in charge of the Trade negotiations on the German side, told the Soviet chargé d’affaires in Berlin that the Germans wanted the restoration of good political relations with the Soviet Government either by a revival of the treaty of 1926 or by some new arrangement. From a telegram sent by Weizsäcker to Schulenburg it appears that the chargé d’affaires asked whether, in the event of a highly placed Soviet personage discussing the matter with a highly placed German personage, the German intentions with regard to Russia would be as stated by Schnurre. The chargé d’affaires also said that Danzig would return by one way or another to the Reich, and that the question of the Corridor must be settled in favour of Germany.

Since the chargé d’affaires could not have spoken in this way without instructions, it seems clear that, at the time when the Soviet Government were inviting an Anglo-French military mission to Moscow, they were also letting the Germans know that they would allow the question of Danzig and the Corridor to be settled as Germany desired.

Henceforward matters moved quickly. On the 3rd August Schulenburg reported that Molotov—though still showing signs of distrust—had come out of his “reserve” and had shown “visible interest” in a definite German offer to come to an understanding over Poland and the Baltic States. On the 3rd August also the chargé d’affaires at Berlin informed Schnurre that he had received a reply from Molotov to his report of the conversations of the 27th July. Molotov wanted something “concrete” from the German side. On the 12th August—the day on which the Anglo-Franco-Soviet military talks opened in Moscow—the chargé d’affaires told Schnurre that he had instructions from Molotov to say that the Soviet Government would be interested in opening discussions on certain categories of questions, including the Polish problem and former Russo-German political treaties. They wanted the discussions to be held in Moscow and left it to the German Government to decide whether the Germans would carry on the discussions through their ambassador in Moscow or send a special representative to Moscow. Thus—before the military conversations had begun—the Russians had decided to make it clear that they would welcome a visit of Ribbentrop to Moscow and they were open to a “deal” with Germany over Poland.

On the 14th August Ribbentrop replied that he would come in person. Schulenburg gave this reply to Molotov on the 15th August. Molotov said that he would report the reply at once to the Soviet Government. He asked whether Germany would consider a Soviet-German non-aggression pact and also use her influence towards the improvement of Soviet-Japanese relations.

The first definite mention—in so many words—of a non-aggression pact thus came from the Soviet side.

Ribbentrop replied on the 16th August that Germany would (1) sign a non-aggression pact for 25 years, (2) join the Soviet Government in guaranteeing the Baltic States, (3) use her influence in the desired sense with Japan. Ribbentrop told Schulenburg to do everything possible to hurry up his visit. He wanted to come at once. It appears likely, from other evidence, that the German attack on Poland was planned for the 26th August.

On the 17th August Schulenburg found that, while Molotov was entirely willing to go on with the negotiations, he did not want Ribbentrop to come until details had been worked out for a non-aggression pact and a secret protocol which would deal with Poland, &c.

This method of procedure did not suit German plans, and on the night of the 18th-19th August Schulenburg was again instructed to do his utmost to accelerate the visit. He saw Molotov at 2 p.m. on the 19th August. Molotov stuck to his point, and Schulenburg went away disappointed after an hour’s talk. Half an hour later he was again summoned to the Kremlin. Molotov now
said that the Soviet Government saw no reason against Ribbentrop coming a week after the announcement of the signature of the trade agreement, i.e., if the agreement were announced on the 20th August, the visit might take place on the 26th or 27th August.

There are no telegrams for the 20th or 21st August. (We may yet find some. The captured documents—are about 400 tons of Foreign Office documents alone—are in much confusion after several hasty moves by people not used to transferring archives.) The last telegrams—the 22nd August—deal with details of Ribbentrop's journey, &c.

A longer summary of these documents is printed as Appendix A.

2. Ribbentrop's interview with Stalin after the signature of the Non-Aggression Pact on 23rd August, 1939.

The pact and secret protocol partitioning Poland were signed within a few hours of Ribbentrop's arrival. He then had an interview with Stalin. The record of this interview, which covered a number of questions, is printed as Appendix B. The German record was kept a close secret and is in untyped MS. form. It is interesting that Stalin agreed with Ribbentrop that England was weak and wanted others to fight for her arrogant claim to world domination. If England dominated the world, this fact was due to the stupidity of other countries who allowed themselves to be bluffed. It was ridiculous that a few hundred Englishmen should control India.

3. Molotov's visit to Berlin, November 1940.

This visit seems to have been partly the result of Ribbentrop's vanity. He wanted to get Molotov (he even suggested Stalin) to come to Berlin as a return for his own visit to Moscow in 1939. He failed to arrange a meeting in March 1940, and tried again in September. He took the line that England was now broken and suggested a discussion over the spoils.

A summary of these conversations is printed in Appendix C. The effect of Ribbentrop's "pep talk" about the collapse of England was a little marred by the facts that most of the conversations were cut short by air raid warnings and that the last conversation took place in Ribbentrop's private air raid shelter during an R.A.F. raid on Berlin. It is interesting that Hitler was at this time talking of "Hemisphere defence" against America, though he said that the danger would not materialise until 1970–80. He wanted, obviously, to insure himself against a possible Russian attack when delivering his grand assault on England in the spring of 1941. Molotov, however, did not rise to any of Hitler's or Ribbentrop's offers. He agreed on the general principles put forward, but was evidently determined to await events before committing himself. It is also clear that he regarded Russia as threatened through the Dardanelles by a British occupation of Greece and that the Soviet Government considered Russian domination of Bulgaria, with Bulgarian access to the Aegean, as a necessary guarantee of any revised Montreux agreement.

E. B.

Foreign Office, 29th October, 1945.

[30776]
APPENDIX A.

Summary of negotiations (17th April-19th August) preceding the conclusion of the Soviet-German Non-Aggression Pact of 23rd August, 1939.

(For purposes of comparison, certain important stages in the Anglo-Franco-Soviet negotiations have been included under their respective dates. These references are distinguished by square brackets.) All other material is taken from captured German documents.

17th April.—Soviet Ambassador in Berlin visited Weizsäcker (State Secretary, German Foreign Office) and raised the question of Russo-German relations. The Ambassador said that Russian policy had always been straightforward, and that ideological considerations need not affect Russo-German relations. Russia had not exploited and did not wish to exploit in an anti-German sense the present differences between Germany and the Western democracies.

18th April. —[Litvinov gave Sæksa Soviet reply to British proposal for a declaration by the Soviet Government with regard to Soviet assistance in the event of aggression against any one of their European neighbours. The Soviet Government rejected the proposal and suggested a 5-10 years non-aggression pact.]

19th May.—Molotov succeeded Litvinov as Kommissar for Foreign Affairs.

20th May.—Molotov told Schulenburg (German Ambassador at Moscow) that Soviet Government regarded the resumption of Russo-German economic negotiations as inopportune until a political basis had been found for them.

21st May.—[Discussion between Halifax and Maisky at Geneva.]

21st May.—Weizsäcker instructed Schulenburg that as a result of "feelers" with Molotov German policy should be to wait and see whether the Russians wanted to "go on."

22nd May.—Schulenburg wrote to Weizsäcker that Molotov did not regard the resumption of economic negotiations as a sufficient political gesture and that he clearly wanted further offers of a political kind from Germany. It would be necessary to be extremely cautious until it could be certain that any approaches from the German side were not used merely to put pressure on England and France. On the other hand, if Germany wanted to get results, sooner or later some démarche would be necessary.

26th May.—Draft of instructions from Ribbentrop to Schulenburg. (i) Since Anglo-Russian negotiations were likely to lead to some positive result, Germany must come out of her reserve. Schulenburg was therefore told to see Molotov as soon as possible and to explain: (a) That German policy had been and would remain opposed to Communist tendencies inside Germany, but that, if the Soviet Government did not interfere in German internal affairs, Russo-German relations might take a new shape. (b) It appeared, e.g., from Stalin’s speech in March that Russia also had these considerations in mind. (c) In such case, there would
be no conflict of interests between Russia and Germany, and German-Russian relations could be put on a "normal" basis. (d) The alliance with Italy, which formed the basis of German policy, was directed against England and France, and not against Russia. German relations with Japan, though "historically" on an anti-Komintern basis, really rested on common opposition to England, and need not imply hostility to Russia. (e) The problems of Danzig and the Corridor must be settled. If the solution required war with Poland, there need be no conflict of interests with Russia. From a military point of view Poland was not a problem, and a military decision could be reached with such speed that Anglo-French help to Poland would be "illusory." (f) There were reasons to doubt whether England and France intended, in the last resort, to intervene on the side of Poland, but anyhow their intervention would not affect the settlement of the Polish question. (g) Russia had nothing to gain from participating in the English "Einkreisungspolitik." In view of the fact that England could not bring help to Russia either in Europe—owing to the West Wall—or in the Far East—owing to Japanese naval superiority in Far Eastern waters—English policy was simply on the traditional line of getting other Powers to pull the chestnuts out of the fire for her. (h) Germany therefore considered it necessary to warn Russia that, if she joined England and France in an anti-German bloc, she would bring on herself the enmity of Germany and Japan. (i) On the other hand, there was no reason why the mutual lack of confidence between Russia and Germany should not be overcome. A possible method of improvement would be through economic negotiations leading to an official statement about the political "normalisation" of Russo-German relations. The stages in this procedure were matters for discussion. (j) Italy and Japan had been informed generally of this démarche. (These instructions do not appear to have been sent to Schulenburg. Apparently it was decided by Hitler that the démarche should be made in Berlin.)

27th May.—[Molotov raised objections to formula proposed by His Majesty's Government.]

30th May.—With Hitler's approval Weizsäcker reminded the Russian Chargé d'Affaires of the Ambassador's conversation of the 17th April and then made a statement to the Chargé d'Affaires on the lines of Ribbentrop's draft instructions to Schulenburg.

2nd June.—[Molotov gave Seeds a new draft for His Majesty's Government.]

5th June.—Schulenburg in a letter to Weizsäcker repeated his view that Molotov really wanted Germany to propose political conversations.

7th June.—Unsigned memorandum (from German Embassy, Moscow) on the conditions necessary for establishing the "political basis" referred to by Molotov. The most important condition in the sphere of external relations would be the "revival" of the German-Soviet Treaty of 1926 (Treaty of Berlin). This treaty had been prolonged indefinitely in May 1933. Clause 2 ran as follows: "Should one of the contracting parties be attacked by a third Power or several Powers, the other contracting party will observe neutrality throughout the whole duration of the conflict."

17th June.—[His Majesty's Government decided to recall Sir W. Seeds for consultation. Owing to Sir W. Seeds's illness, Mr. Strang was sent to Moscow. Negotiations continued on Soviet demands with regard to Baltic States and the definition of "non-aggression".]

17th June.—Schulenburg (while on leave in Berlin) asked the Russian Chargé d'Affaires why no answer had been made to Weizsäcker's démarche of the 30th May. The Chargé d'Affaires said that an answer would be given to Schulenburg in Moscow, but that Weizsäcker's statement seemed very vague. Schulenburg replied that Molotov's remarks had been vague but that Weizsäcker's statement was quite clear. Russia had to choose (i.e., between Germany and England).

28th June.—On his return to Moscow Schulenburg saw Molotov. Schulenburg said that, as Weizsäcker had explained, Germany would welcome a "normalisation" of Russo-German relations. As long as the Berlin Treaty was in force, Germany had no unfriendly designs against Russia. On the other hand there had been no answer from the Russian side to the German question, what did Molotov mean by his words about finding a new basis of discussion. Molotov did not take up this point, but said that Russian policy aimed at good relations with all States, including, of course, Germany, on a basis of neutrality. He was glad to know that the Berlin Treaty was still in force, because the Soviet Government had been doubtful about it.
APPENDIX A.

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Schulenburg thought that the Soviet Government was greatly interested in knowing the German attitude and maintaining contact. Molotov was obviously very distrustful but said that the "normalisation" of Russo-German relations was desirable and possible. (Hitler appears to have ordered on the 29th June that the Russians should be told that the discussions about the resumption of economic negotiations should be broken off because the Russian conditions were unacceptable.)

(The German Ambassador in Paris reported on the 29th June information from a source generally reliable—

(i) that the Komintern was being more and more pushed into the background, and the Politburo—which had "national-imperialist" ideas—was taking its place;

(ii) Russia was being dominated by four men, Zdanov, Molotov, Andriev and Voroshilov. Stalin was being kept uninformed by these men and was becoming more a "living monument";

(iii) the Anglo-French negotiators did not realise this position;

(iv) Russian policy was directed towards a "free hand" and the "Great Russian" aims required neutrality in the event of war, with the idea of using the unweakened power of Russia to extract concessions from the exhausted victors after the war.)

30th June.—Schulenburg instructed by Weizsäcker that Ribbentrop considered that for the present enough had been said about the political question and that this question should not, for the time, be raised again from the German side.

9th July.—[Molotov insisted that the Anglo-Franco-Soviet military agreement should be signed simultaneously with the political agreement, i.e., he would agree to initial the political agreement, but military conversations would then take place, and the military agreement would be drawn up and signed with the political agreement.]

21st July.—Announcement of resumption of Russo-German trade conversations.

24th July.—Soviet Chargé d'Affaires in Berlin asked Weizsäcker whether the German Government would accept an invitation to send two German representatives to the first great agricultural exhibition in Russia.

25th July.—[Maisky told that His Majesty's Government agreed to the opening of military conversations in Moscow.]

27th July.—Soviet invitation of the 24th July accepted by German Government.

Schnurre had a long discussion in Berlin with the Russian Chargé d'Affaires and Barbarin (leader of the Russian delegation for trade discussions). Schnurre (who was acting under instructions from Ribbentrop) repeated the German view that these stages were necessary to restore the former close collaboration between Russia and Germany.

(i) Renewal of economic collaboration.

(ii) "Normalisation" and improvement of political relations (press, &c.).

(iii) Restoration of good political relations, either by a revival of the Berlin Treaty (i.e., of 1926) or by a new arrangement based on recognition of the vital political interests of each country.

Stage (iii) was possible because there were no real Russo-German conflicts of interest anywhere from the Baltic to the Black Sea and the Far East. There was also a common "ideological" basis in Russian and German opposition to the capitalist democracies. Astachov and Barbarin agreed with enthusiasm. Astachov said that the tempo would have to be slow. Schnurre said that German policy was directed against England. This point was decisive, and a Russo-German rapprochement would be impossible after Russia had ranged herself against Germany by a pact with England. What could England offer Russia? At best, participation in a European war and the enmity of Germany—not a very desirable aim for Russia.

What, on the other hand, could Germany offer Russia? Neutrality and non-participation in a European war, and, if Moscow wished, a Russo-German understanding on the material interests of the two countries.

Astachov said that Danzig would return in some way or another to the Reich and the question of the Corridor must be settled in favour of the Reich.
Schnurre said that the Germans regarded the character of Bolshevism as somewhat changed since it had become blended with Russian national history and Stalin postponed the international revolution to the Greek Kalends.

Finally, Astachov said that the conversation had been most valuable and that he would report it to Moscow.

29th July.—In a note of the 29th July to Schulenburg summarising the conversation Weizsäcker added the important point (not in Schnurre's report) that Astachov asked whether, in the event of a highly-placed Soviet personality discussing the questions with a highly-placed German personality, the German view would be as represented by Schnurre. Schnurre had answered "Yes." Schulenburg was therefore instructed to sound Molotov and to try to get him out of his reserve. If he succeeded, he should go a step further and explain that Germany would respect Russian interests in any settlement (peaceful or otherwise) of the Polish question, and was ready to come to an understanding on the subject with Russia. Germany would also respect Russian interests in the Baltic.

2nd August.—[Molotov (i) complained to Sir W. Seeds about the terms of Mr. R. A. Butler's reference in the House of Commons to the independence of the Baltic States, (ii) continued to dispute British definition of "non-aggression,"
Sir W. Seeds thought that "Molotov was a different man from what he had been at our last interview" and that the negotiations has received a severe set-back.]

3rd August.—Schnurre had another discussion with Astachov. Schnurre more or less repeated Schnurre's statements but in a rather bullying manner. Ribbentrop said he would go into details if Soviet Government formally stated their wish to put Russo-German relations on a new basis.
12th August.—[Anglo-French military mission begin conversations with Russians in Moscow.]

12th August.—Astachov told Schnurre that he had received instructions from Molotov to state that the Soviet Government would be interested in opening discussions on certain categories of questions, including the Polish problem and former Russo-German political treaties. The discussions would have to proceed by stages, and the Soviet Government would like to hold them in Moscow. Astachov left it open whether the German representative would be the ambassador or "some other person to be sent" to Moscow.

14th August.—Ribbentrop instructed Schulenburg to tell Molotov that he was prepared to come to Moscow on behalf of the Führer to explain the latter's view to Stalin. (This offer was to be made verbally to Molotov. If necessary, Schulenburg was to ask for an interview with Stalin.)

14th August.—Voroshilov asked Military Missions whether Soviet troops would be allowed to move against Germany through Polish territory and to use Roumanian territory in the event of aggression against Roumania. Military Mission replied that this question was political and that they must consult their Governments.

14th August.—[Article in Pravda stating that "the war of the Soviet Union against fascism will be the most just and lawful of all the wars of humanity."]

15th August.—Schulenburg saw Molotov. Molotov agreed to tell Stalin at once of Ribbentrop's proposal. He said that Schulenburg's communication was so important that he could not answer it without consulting the Soviet Government. He could say only that the Soviet Government would welcome the German move to improve relations with the Soviet Union. The Soviet Government was now convinced that the Germans really wanted this improvement. Molotov referred to reports received via Ciano in June 1939 that Germany was ready to sign a non-aggression pact with Russia and to join the Soviet Government in a guarantee to the Baltic States. Molotov asked (irrespective of the truth of this earlier report) whether Germany would consider a non-aggression pact and would use her influence for the improvement of Russo-Japanese relations. Schulenburg asked Molotov whether he was to understand that the Soviet Government desired these questions to be discussed during Ribbentrop's visit. Molotov said he could give only a provisional answer to the question of Ribbentrop's visit, but that it was necessary to prepare the ground in advance so that the conversations would lead to positive results. He repeated his view that, if the German Government were ready to agree to a non-aggression pact, the negotiations should be given concrete form.

16th August.—Ribbentrop instructed Schulenburg to tell Molotov that Germany was willing (a) to negotiate a non-aggression pact for 25 years, (b) to join the U.S.S.R. in guaranteeing the Baltic States, (c) to use her influence towards the improvement of Russo-Japanese relations. The Führer considered that a full settlement of Russo-German relations should take place quickly in view of the possibility of serious events. (Schulenburg was instructed to tell Molotov that Germany could not continue indefinitely to put up with provocation from Poland.) Ribbentrop was therefore prepared to fly to Moscow at any time after the 18th August with full powers from Hitler to negotiate and sign a treaty. Schulenburg was instructed confidentially that it was of particular importance that his journey to Moscow should take place at the end of the week. (16th August was a Wednesday) or early in the following week.

17th August.—Schulenburg read these latest instructions to Molotov. Without discussing them, Molotov said that he would give the official answer of the Soviet Government to Schulenburg's proposal of the 15th August that Ribbentrop should come to Moscow. The official answer stated that until recently the Soviet Government had considered German policy to be hostile to the U.S.S.R., and had therefore been compelled to take counter-measures against possible German aggression and to participate in the organisation of a defensive front with a number of other States against such aggression. If German policy had undergone a change in the direction of an improvement of relations with the U.S.S.R., the Soviet Government would welcome this new course and modify its own policy in the direction of an improvement of relations with Germany.

The Soviet Government had never had any aggressive intentions towards Germany, and had always considered it possible to reach a peaceful solution of differences with Germany. The conditions existed therefore for successful practical steps towards the improvement of relations.

The Soviet Government suggested as a first step the conclusion of a trade agreement, and, as a second step (to follow shortly after the first) the conclusion
of a non-aggression pact or the confirmation of the neutrality agreement of 1926, 
together with a special protocol defining the interests of the contracting parties in 
various questions of foreign policy and forming an integral part of the pact.

Molotov added that in contrast with England, which had sent only a sub-
ordinate official to Moscow, the decision to send so outstanding a politician and 
statesman as Ribbentrop showed the seriousness of the German intentions. For 
this reason careful preparation would be needed before the visit took place.

Schulenburg asked whether the communication which he had just made 
would not hasten matters, but Molotov did not think that the Soviet answer 
would be modified in any important particular. He suggested that each side 
should get to work on the drafts of a non-aggression pact, or on the revival of the 
neutrality treaty, and on the protocol.

17th August.—[Military conversations adjourned until the 21st August.]

18th August.—In reply to his report of this interview Schulenburg was 
invited by Ribbentrop to see Molotov at once and to say that in normal circum-
stances the German Government would agree to the preparation of the new 
definition of German-Soviet relations through the usual diplomatic channels.

Hitler considered, however, that owing to the situation with regard to Poland,
an immediate discussion was necessary in order to secure that, in the event of war 
with Poland, Germany could take account of Russian interests. The trade agree-
ment was being signed at once; the second stage would therefore be reached 
immediately, and Ribbentrop's visit could take place forthwith. The German 
proposals for a non-aggression pact were extremely simple: a pact of two 
articles, viz.:

1) Germany and the U.S.S.R. will in no case go to war with each other or 
proceed to any other measures involving the use of force.

2) This treaty comes into force at once and has a duration of 25 years.

Ribbentrop could explain details in Moscow and meet the Russian wishes 
about a protocol.

19th August.—Schulenburg saw Molotov at 2 p.m. and tried—in an hour's 
conversation—to persuade him that an immediate visit by Ribbentrop was the 
only way of securing the acceleration necessary in view of the political situation.

Molotov, however, insisted that it was still not possible to fix a date for 
Ribbentrop's visit because careful preparation was essential. The German draft 
was not sufficient. The Soviet Government wanted the pact to be in line with 
other Soviet non-aggression pacts. They also wanted to know details about the 
protocol. Molotov added some pointed remarks about the seriousness with which 
the Soviet Government regarded agreements signed by them.

Schulenburg repeated his arguments, but Molotov was unmoved. Half an 
hour later Schulenburg was asked to see Molotov again (at 4:30 p.m.). At this 
second visit Molotov said that he had been authorised to give Schulenburg the 
draft of a non-aggression pact, and to say that the Soviet Government agreed that 
Ribbentrop should come to Moscow a week after the announcement of the signature 
of the trade agreement, i.e., if this agreement were announced on the 20th August, 
Ribbentrop could come on the 26th or 27th August.

Schulenburg reported that Molotov gave no reasons for this sudden change 
of attitude. He thought that Stalin must have intervened. He (Schulenburg) 
tried to get an earlier date than the 26th-27th August but did not succeed.

The Soviet draft was longer than the German draft. The duration of the 
pact was fixed for 5 years unless either party had given a year's notice of non-
renewal. A reference was made to the protocol “over the points on which the 
contracting parties were interested in the field of foreign policy” There was a 
clause pledging each party, in the event of an attack on the other by a third party, 
to give no support of any kind to the third party.

There were no further telegrams of the 19th, 20th or 21st August dealing 
with Ribbentrop's visit. The file includes telegrams of the 22nd August about 
Ribbentrop's time of arrival, explanations with the Japanese, and a general state-
ment, for publication, of the reasons for the change in German policy.]
APPENDIX B.

Conversation between Ribbentrop, Stalin and Molotov during the night of 23rd/24th August.

Japan.

Ribbentrop explained that the close relations between Germany and Japan were in no way directed against the Soviet Union. On the contrary, thanks to Germany’s good relations with Japan, she was in a position to contribute to a settlement of the differences between the Soviet Union and Japan. Ribbentrop was prepared to work to this end if Stalin and the Soviet Government desired it. He would take steps to influence the Japanese Government accordingly and remain in communication with the Russian representative in Berlin on the subject.

Stalin replied that although the Soviet Union desired an improvement in relations with Japan, there were limits to its patience where Japanese provocation was concerned. If Japan wanted peace, so much the better. Stalin considered German co-operation towards an improvement of Russo-Japanese relations to be useful, but did not wish the Japanese to get the impression that the initiative in this matter had come from the Soviet Union.

Ribbentrop agreed, and pointed out that his co-operation would only mean the continuation of conversations which he had been having for months with the Japanese Ambassador in Berlin with a view to an improvement in Russo-Japanese relations. There would therefore be no question of a new initiative in this matter even on the German side.

Italy.

Stalin asked Ribbentrop what Italy’s intentions were. Had not Italy further aspirations beyond the annexation of Albania—perhaps to Greek territory! Albania which was small, mountainous and only thinly populated was, in his opinion, of no special value to Italy.

Ribbentrop replied that Albania was important to Italy for strategical reasons. In any case Mussolini was a strong man who was not to be intimidated. He had proved this in the course of the Abyssinian war in which Italy had gained her ends by her own strength against an enemy coalition. Even Germany was at that time not yet in a position to give Italy any notable degree of support.

Mussolini welcomed the re-establishment of friendly relations between Germany and the Soviet Union. He had said he was very pleased at the signing of the Non-Aggression Pact.

Turkey.

Stalin asked Ribbentrop what was Germany’s opinion of Turkey.

Ribbentrop replied that he had informed the Turkish Government some months ago that Germany wished for friendly relations with Turkey. He had himself done everything possible to achieve this end. Turkey had replied by being one of the first countries to join in the encirclement of Germany, and had not even considered it necessary to notify the German Government.

Stalin and Molotov remarked that the Soviet Union had also had unfortunate experiences with the vagaries of Turkish politics.

Ribbentrop went on to say that England had spent 5 million pounds in Turkey on propaganda against Germany.

Stalin remarked that the sum for which Turkish politicians had sold themselves to England was, according to his information, considerably more than 5 million pounds.

England.

Stalin and Molotov spoke unfavourably of the British Military Mission in Moscow, which had never told the Soviet Government exactly what it wanted.

Ribbentrop then said that England had always tried and was still trying to hinder the development of good relations between Germany and the Soviet Union. England was weak and wanted to let others fight for her arrogant claim to world domination.
Stalin expressed strong agreement, and added that the British army was weak; and that even the British Navy was no longer as important as it had been. The R.A.F. was certainly being expanded, but there was a shortage of pilots. If England nevertheless dominated the world that was the result of the stupidity of other countries, who continually allowed themselves to be bluffed. It was, for example, ridiculous that a few hundred Englishmen should control India.

Ribbentrop agreed and informed Stalin confidentially that England had recently put out a few feelers, accompanied by certain references to 1914. This manoeuvre was typical of British stupidity. He had suggested to the Führer that the British should be told that in the event of a German-Polish conflict Germany would reply to any hostile British action by bombing London.

Stalin presumed that he must be referring to the letter from Chamberlain to the Führer which Henderson had delivered at the Obersalzburg on the 23rd August. He added that, in spite of her weakness, England would wage war with cunning and determination.

France.

Stalin said that France still possessed a considerable army.

Ribbentrop pointed out the numerical inferiority of France; while Germany could count on more than 300,000 soldiers in each age group France could only call up 150,000 recruits each year. The West Wall was five times as strong as the Maginot Line. If France wished to make war on Germany she would be beaten in any case.

The Anti-Comintern Pact.

Ribbentrop said that the Anti-Comintern Pact had been directed basically not against the Soviet Union but against the Western Democracies. He knew himself, and could see also from Russian press opinion, that the Soviet Government had properly recognised this fact.

Stalin interposed that the Anti-Comintern Pact had indeed chiefly scared the City of London and little British tradesmen.

Ribbentrop agreed and remarked jokingly that Stalin had certainly been less scared than they had been. What the German people thought could be gathered from a joke, invented by the Berliners (whose wit and humour was well known), which had been going round for some months. This was that "Stalin himself would be joining the Anti-Comintern Pact next."

Attitude of the German People to the German-Russian Non-Aggression Pact.

Ribbentrop said that he could confirm that all sections of the German population, and in particular the more humble people, welcomed most warmly the understanding with the Soviet Union. The people felt instinctively that there could be no natural differences of opinion between Germany and the Soviet Union, and that the development of good relations had up to now only been prevented by the machinations of other countries, particularly England.

Stalin replied that he gladly believed this. The Germans wished for peace and therefore welcomed friendly relations between the Reich and the Soviet Union.

Ribbentrop here interposed that it was certainly true that the German people wished for peace; but, on the other hand, indignation against Poland was so great that every single man was ready for battle. The German people would no longer put up with Polish provocation.

[Stalin and Molotov then proposed toasts to Hitler, Ribbentrop and Schulemburg, &c., which were returned by Ribbentrop.]

Molotov remarked that it was Stalin who, by his speech in March of this year, which had been well understood in Germany, had initiated the improvement in political relations.

Stalin finally took his leave and said that the Soviet Government took the new pact very seriously, and pledged his word that the Soviet Union would not betray its partner.
APPENDIX C.

Analysis of Conversations during Molotov's Visit to Berlin in November 1940.
(The German records cover 100 pp. of typescript.)

First Conversation between Ribbentrop and Molotov (consisted generally of a monologue by Ribbentrop).

He began by saying that many things (as described in the letter to Stalin) had happened since Ribbentrop's visit to Moscow and the signing of the protocols at the end of the Polish campaign. He then delivered a “pep talk” on the following lines: Britain was broken and it was only a matter of time before she would sue for peace; invasion had been held up owing to the weather, but would be carried out when the weather improved; air attacks continued by day and night; U-boat attacks were now beginning to reach their planned scale; very little chance of United States entry into the war, but Germany would not care if she did. There was no possibility of a successful landing of British forces in Europe; and Churchill was a political and military dilettante who had always failed in the past and would fail again.

Germany's interest was to end as soon as possible the war which she had already won, and she was anxious to exchange views with other States which had similar wishes.

1. Germany hoped for a Soviet declaration of solidarity with the three Powers who had signed the Axis Pact. This pact did not prejudice in any way relations between the Axis and Russia, and Germany hoped in particular, by her mediation, to establish better relations between Russia and Japan.

2. Hitler wished to reach a definition of the spheres of interest of the three Axis Powers and Russia respectively. Japan's natural direction of expansion was southwards towards South-East Asia, Italy's was the Mediterranean and North and North-East Africa, Germany's towards Central Africa, and that of Russia would surely also be southwards, giving access to the sea in the Persian Gulf.

3. Germany, who had no territorial claims against Turkey, wished Turkey to cut herself free from the British alliance and to come nearer to Russia and Germany. The Montreux Convention, like the Danube Commission, would have to be revised and would provide for special privileges for Russia.

4. Germany hoped to proceed further with these plans by means of a Four-Power meeting in Moscow, if this was Stalin's desire.

5. She wished to assist, if possible, in making peace between Japan and China.

In reply, Molotov said that Russia would welcome a Sino-Japanese settlement, and a general discussion with Germany. Russia would like, however, to be clear on points of detail before agreeing to the four-Power discussions:

1. Clarification of the significance, character and object of the Three-Power Pact.

2. Definition of the phrase “Greater East Asia.”


Detailed discussions would be necessary before a permanent settlement could be reached.

First Conversation between Hitler and Molotov, 12th November, 1940.

Hitler said he wished to avoid all possible causes of friction and conflict, especially between two countries which by their form of authoritarian government were so suited to understand one another. He wished for the continuation of the already fruitful Russo-German co-operation, and though 100 per cent. agreement might not be possible, it would be a great advantage to reach 20 or 25 per cent. degree of agreement.

1. The war had extended in certain directions which Germany had not intended and where she had no political interests.

2. Germany was in absolute need of certain raw materials (some modification in Germany's favour of the areas in Eastern Europe allotted to the two countries was therefore necessary, comparable to Germany’s renunciation of Lithuania in the interests of Russia and of the South Tyrol in the interests of Italy).
Germany could not allow enemy bases to be established in certain areas, i.e., the British in Greece.

Germany had no colonial aspirations in Asia, only in Central Africa.

Germany had already reached a definition of spheres of influence in Western Europe with Italy and France, and her interest in the Balkans was purely one of raw materials for the duration of the war.

Germany saw great danger to the rest of the world coming from America in about the period 1970-1980. European countries should organise to prevent the establishment of Anglo-Saxon bases. In particular, the British must be prevented from securing a base at Salonica as a threat to Roumanian oil, and Germany would welcome a definition by Russia of Russian interests in the Black Sea and the Dardanelles.

Molotov was in general agreement with the general objectives described. The 1939 agreement had been of mutual advantage, and the exchange of Lithuania against the Lublin area had removed all sources of friction except one, that is Finland. He repeated that the Soviet Government expected clarifications on more concrete questions, such as the significance of the Three-Power Pact and the definition of "Greater East Asia."

Hitler replied that the Three Powers who signed the Pact wished to decide post-war questions not only for Western Europe (this had already been done) but, in co-operation with Russia, as regards Eastern Europe and Asia. The problem of co-operation between Germany, Italy and France had been solved; he now wanted to discuss with Russia the questions of the Black Sea, the Balkans and Turkey. Germany wished to mediate in the Far Eastern question between Russia and Japan.

Molotov agreed in principle to Russian co-operation as an equal partner with the Three Powers, but the questions at issue must be more clearly defined.

Second Conversation between Hitler and Molotov, 13th November, 1940.

The conversation opened with a lengthy sparring match. There were two questions at issue—

(1) Whether Russia or Germany had gained more advantages from the modifications (Lublin against Lithuania and the cession of Northern Bukovina) which had been made to the 1939 protocol.

(2) Finland.

Finland.

Hitler said that the secret protocol had defined zones of influence, not of occupation, in Finland, that Germany had no political interest in Finland, had sent no troops to occupy any part of the country and though some had passed through on their way to Kirkenes no further contingents would be sent. Germany had an economic interest in deliveries of nickel and timber from Finland, and a general interest in keeping the war away from the Baltic (fear of the establishment of British bases in Finland).

Molotov said that Finland was a question which might poison Russo-German relations, as Russia did not wish German troops to be kept there, nor should anti-Soviet demonstrations be allowed. The Soviet Union desired a definite final settlement on the Finnish question under the terms of the 1939 Agreement. He evaded answering Hitler's question whether Russia intended to go to war with Finland. Neither Russia nor Germany had, however, bound their hands over Finland and peace in the Baltic could be absolutely assured if full clarity existed on the question of Finland between Russia and Germany. Russia intended to treat Finland in the same way as she had Bessarabia.

Hitler said that Germany would intervene, but very unwillingly, if either Finland or Sweden became a base for the British or the United States. She wished to avoid such intervention and intervention at Salonika was "enough." A second Russo-Finnish war would not be in the interests of Russo-German relations and Hitler feared the possibility of America being involved owing to support of Finland.
The discussion about Finland became at times heated, and Ribbentrop intervened and summed up by saying that—

(1) Finland was in the Russian zone of influence,
(2) Germany had no connection with the anti-Soviet demonstrations,
(3) she would co-operate with Russia over Finland in the interests of both countries. There was perhaps no real problem, only a “misunderstanding.”

Hitler then turned to the real purpose of the conversation, the carving-up of the British Empire. The key of the problem was the end of resistance in the United Kingdom, which Hitler expected before long, after which the Empire would collapse. He did not believe resistance could continue, directed, e.g., from Canada. He wished the clarification of Russia’s attitude to the question of world spheres of influence.

(1) Hitler wished to avoid an unnecessary outward spread of the war away from areas essential for the attack on the United Kingdom. He was displeased at the Italian attack on Greece.
(2) He wished to establish a world coalition. He had no wish to annex France, and had solved the question of Western Europe in spite of Franco-Spanish difficulties in respect of North Africa by establishing a coalition between France, Spain and the Axis. He hoped to make a similar arrangement in the East with Russia over the question of (a) Turkey, (b) Greater East Asia, and (c) Russia’s access to the sea in the middle eastern area.

Molotov wished to know more about Germany’s views on Turkey and the Straits.

(1) Roumania’s acceptance of an Axis guarantee without Russia having been consulted had caused consternation in Russia, against whom the guarantee appeared to be directed. Hitler explained that the guarantee had been necessary to persuade Roumania to cede Bessarabia to Russia.
(2) The Dardanelles were the historic British gate-way for attaching Russia in the Black Sea, and the danger was closer now that the British were established in Greece. (Hitler remarked that Ribbentrop had already suggested a revision of the Montreux Convention.)
(3) Russia wished to guarantee Bulgaria in the same way as Germany had guaranteed Roumania, since she wished to be secure against attack and would thus have to settle the question of the Straits with Turkey. Hitler enquired whether Bulgaria had asked for this guarantee, and would not Russian interests in the Black Sea be adequately safeguarded by the revision of Montreux alone? He was prepared to agree to an arrangement whereby Russian naval units and those of no other Power should be allowed free access through the Straits. Molotov replied that a guarantee of Bulgaria (providing also for Bulgarian access to the Aegean) was an essential part of the Russian scheme. What was Germany’s attitude to this project?

Hitler gave no definite reply and said he would have to consult Mussolini. He finished by saying that the main question of a definition of world spheres of influence would have to be discussed at Moscow after preparatory diplomatic discussion on particular points.

Final Conversation between Ribbentrop and Molotov in Ribbentrop’s Air Raid Shelter, 13th November, 1940.

Ribbentrop said that further and more exact definition was necessary on—

(1) The main lines of co-operation between the three Axis Powers and Russia about their respective spheres of influence.
(2) The question of Turkey.

He therefore proposed that their ultimate objective should be a treaty of ten years’ duration on the following lines:—

Article 1 would contain a Russian declaration of solidarity with the signatories of the Three-Power agreement of the 27th September, 1940, in order to prevent an extension of the war and bring about an early peace.

Article 2 would be a declaration by the Four Powers that they would mutually respect one another’s spheres of influence and would consult together on matters affecting these spheres.
Article 3 would be an undertaking by each of the Four Powers not to join or support any combination directed against any of the others. There might also be a secret protocol defining more closely the territorial aspirations of the Four Powers (generally on the lines of (2) in Ribbentrop's first conversation, though a suggestion was made here of limiting Japanese expansion by a line south of the Japanese Islands and Manchukuo; the definition of Japanese aspirations would be clarified through diplomatic channels.) Finally, a second secret protocol signed by Germany, Italy and Russia would contain a declaration of common interest in freeing Turkey from the British Alliance, and in obtaining her co-operation for the Axis.

Ribbentrop made three further points:—
(a) Germany approved of the idea of a revision of the Montreux Convention on the lines of (3) at the end of Hitler's last conversation.
(b) Germany hoped that Russo-Japanese relations might be improved by the conclusion of a non-aggression pact as suggested by Japan. Japan would be ready to make concessions to Russia over naphtha and coal in Southern Sakhalin.
(c) An understanding with the Axis Powers would also be possible about any aspirations which Russia might have in the direction of India.

Molotov replied that—
(1) In spite of many difficulties the prospects of an understanding with Japan now seemed better, but time was still necessary before negotiations could be concluded.
(2) The Straits question was primarily one for direct negotiations with Turkey. Montreux was worthless and something more than paper was necessary to guarantee Russian security. Russia was closely interested in Bulgaria, nor could she be indifferent to the fate of Roumania and Hungary.
(3) What were Axis intentions in Poland, Yugoslavia and Greece? Was the protocol still in force as regards Poland?
(4) Russia was also interested in Swedish neutrality. Did Germany wish to maintain it?
(5) The question of the outlet from the Baltic (the Belts, Kattegat and Skagerrak). Russia considered that similar discussions were indicated about this question as had taken place about the Danube Commission.

Ribbentrop evaded most of these questions saying that he had nothing to add to Hitler's remarks about Bulgaria, that it was not yet time to discuss Poland again, that the Baltic was an internal sea in which Germany was interested in the freedom of navigation while the war raged outside in the Atlantic. He agreed, however, about Sweden. He summed up by repeating—
(1) German interests in the Baltic were purely economic and directed to prevent British intervention. The German guarantee to Roumania had been necessary to prevent immediate conflict between Hungary and Roumania about Transylvania. (Note the difference from the reason given by Hitler.) Once peace had been made with Great Britain, Germany would withdraw her troops from Roumania. Germany had no territorial interests in the Balkans
(2) The main question was that of Russian co-operation in the liquidation of the British Empire. Russia and Germany should stand, not face to face in possible opposition, but back to back in mutual support.
(3) He would like to know whether Russia agreed basically with the idea of southerly expansion towards the Indian Ocean.

Molotov agreed to the main objective of co-operation, but wished for further detailed consultation. He remarked that a definition of Russian and German spheres of influence was also necessary, but here he would give no definite answer until he had consulted "Stalin and his other friends" in Moscow. Finally, he thought that "the questions of to-morrow could not be separated from those of to-day and the task that had already been begun should be finished before these further questions could be discussed."

Note to Appendix C.

An interesting sequel to these conversations is an interview between Hitler and the German Ambassador, Schulenburg, on the 28th April, 1941. In this
conversation Schulenburg all the time emphasised his belief that British diplomacy was making no headway at all with Russia, that Russia had no designs on Germany and that what had been mistaken for threats were merely symptoms of the Russian mania for 300 per cent. security.

Hitler, however, was extremely suspicious of Russia, considering in particular—

1. that the Russian Pact with Yugoslavia was an attempt to intimidate Germany and that Russia rather than England was probably behind the change of régime at Belgrade;
2. that Russian concentrations in the Baltic area were the beginning of hostile moves against Germany.

Hitler had clearly lost any confidence in Russia, and said that during Molotov’s visit it had been easy to see how much hatred for Germany was still alive in Russia, and that Russian intentions to encroach further in Finland and the Dardanelles were unchanged.

23rd October, 1945.
CABINET.

ADMISSION TO THE UNITED KINGDOM OF DISTRESSED PERSONS WHOSE RELATIVES IN THIS COUNTRY ARE ABLE AND WILLING TO MAINTAIN THEM.

MEMORANDUM BY THE HOME SECRETARY.

I am being pressed to admit to this country survivors of German concentration camps who have relatives here able and willing to look after them, and also other distressed persons who have been in hiding from the Gestapo or for various reasons are especially in need of care.

2. It would not, I think, be right to contemplate any large-scale addition to our foreign population at the present time, but inability to grant all these requests is not a reason for refusing to grant any of them, if some scheme can be devised for differentiating in favour of limited classes of persons.

Subject to the consideration of the views of my colleagues, I propose the following scheme:—Where there are compassionate grounds and the relative in this country is able and willing to provide accommodation and maintenance, persons should be admitted who fall into the following limited classes:—

(a) The wife and minor or dependant children of a man in this country.
(b) The husband of a wife who is in the United Kingdom if the husband is incapacitated, infirm or elderly and unable to support his wife and children (if any) abroad. Categories based on other degrees of relationship than membership of the limited family unit (husband, wife and minor or dependant children) present great difficulties if we are to avoid opening the door too widely, and I propose as regards other admissions to differentiate in favour of the aged who have special need of filial care and of the young who have special need of a guardian's care, and to admit persons falling into the following categories:—

(c) Mother or grandmother, if widowed and in need of filial care; father or grandfather if such men are in special need of care owing to age or infirmity. If both the man and wife are living together abroad it should not be the general practice to admit such couples, but exceptions may be made it because of age or infirmity or other special circumstances they are unable to look after and support one another.

(d) Males under 18 and females under 21 (with their children (if any) who have no-one to look after them except some relative in this country who is able and willing to take them into his household. For such young persons there is, I suggest, a special case for admission without regard to the degree of consanguinity.

Some limited schemes for the provision by voluntary organisations of special hostels for children and young persons have already been authorised, but any large-scale extension of schemes of this kind would involve unjustifiable demands on available housing accommodation, and my proposal as regards youths under 18 and girls or women under 21 applies only to those whose relatives in this country can provide them with accommodation.
3. It is impossible to give an estimated figure of the number of persons who would be admitted under this limited scheme. The applications coming to my Department during recent weeks for the admission of foreign relatives have been extremely numerous. I am clear—although on humanitarian grounds I reach the conclusion with the utmost regret—that any policy of granting these applications freely ought not to be contemplated. The large number of applications already received, despite the fact that hitherto most such applications have been refused, indicates that as soon as any relaxation is made, the flood of applications would be beyond any figure which could be contemplated as the limit for admissions to this country in present circumstances. If, however, admissions are limited to prescribed categories on the lines indicated above, I do not think that the total number would be inordinate.

4. The scheme proposed will necessarily involve refusals in many distressing cases where strong appeals can be made on compassionate grounds, but no scheme limiting the number of admissions to this country is administratively workable unless clearly-defined categories are prescribed and publicly announced, and the principle is accepted that other applications must be refused.

5. As a general rule, the admission of these additional foreigners to this country will involve their stopping here for substantial or indefinite periods. In some cases it is possible to admit foreign relatives on short visits to this country for rest and recuperation, but as regards most of these people who are in distressed circumstances in Europe, insistence on their departure after a visit and on separation from the family to whom they have been reunited, might involve greater hardship than refusal to admit them at all. Those whose relatives already in this country have been admitted on a temporary basis should be admitted on the same basis and be expected to leave the United Kingdom when the alien who is already here departs. Some, however, of the people in this country who wish to invite foreign relatives are British subjects; some are aliens established in residence here; and in such cases many of the newcomers, although they will usually be admitted on a temporary basis in the first instance, will probably become permanent additions to our population, subject, of course, to good behaviour.

6. There has been consultation at the official level with the various Departments concerned with this problem, and these consultations have confirmed the view that for numerous reasons the addition of foreigners to our population at the present time must be closely limited. In addition to such considerations as the shortage of housing and of clothing and supplies of various sorts, there is the consideration that at the time when demobilisation is in process the admission of a large number of foreigners would create apprehension as to competition in the labour market. It is proposed to impose generally on persons admitted under the scheme outlined above a condition that the newcomer does not take employment without the consent of the Ministry of Labour and National Service.

7. I suggest that the question should be considered of informing the Government of the United States of the policy which we propose to adopt and asking that Government to consider whether the United States can provide corresponding measures of relief for distressed persons on the Continent whose relatives in the United States are prepared to give them hospitality.

8. Questions about the admission to the United Kingdom of distressed persons whose relatives here want to receive them have been asked in the House of Commons, and I propose, if the Cabinet agree, to make a statement at an early date about the scheme outlined above.

J. C. E.

Home Office, S.W.1.
30th October, 1945.
CABINET.

COMMITTEE ON REFORM OF LEGAL PROCEDURE.

NOTE BY THE SECRETARY.

The Prime Minister has approved the appointment of a Committee of Ministers with the following terms of reference:

"To consider whether there are grounds for an enquiry into the system of administering civil justice in Great Britain, with a view to reducing the cost of litigation; and to make recommendations to the Cabinet regarding the scope of any such enquiry and the means by which it could best be carried out.

"The Committee will, in particular, consider whether there is need for a special enquiry into the costs and delays involved in divorce proceedings; and may, if desired, make an interim report to the Cabinet on this aspect of the matter."

The composition of the Committee will be:

Lord Chancellor (Chairman).
Home Secretary.
Minister of Education.
Minister of Health.
Minister of Town and Country Planning.
Lord Advocate.
Attorney-General.
Solicitor-General.

The Joint Secretaries of the Committee will be:

Mr. G. P. Coldstream, Lord Chancellor's Department.
Mr. J. D. Peck, Cabinet Office.

E. E. BRIDGES.

Cabinet Office, S.W. 1, 7th November, 1945.
CABINET.

ITALIAN PRISONERS OF WAR.

MEMORANDUM BY THE SECRETARY OF STATE FOR FOREIGN AFFAIRS.

I should be grateful if the Cabinet would give the necessary instructions to ensure that at least 3-4,000 Italian prisoners of war are repatriated this month or before the middle of next.

2. At their meeting on the 18th September, 1945, the Cabinet authorised me to make a communication to the Italian Government Representative in regard to the beginning of repatriation. In this communication, which was duly made on the 28th September in the form approved by the Cabinet, it was stated that repatriation would begin as soon as this year's harvest was completed and as soon thereafter as transport was available. It was further stated that every effort would be made to ensure that repatriation was started before the end of this year.

3. So far as I can ascertain from the War Office, existing priorities will only permit of a "trickle" of Italian prisoners of war during the months of December to March, after which there should be some improvement. For the time being, no details are available. I cannot regard this as satisfactory. It is our policy to build up Italy and to give encouragement to the Government in its present somewhat precarious situation. I consider that as an immediate earnest of our intention at least 3-4,000 Italian prisoners of war should be sent home at an early date, even if this means revising existing priorities. In view of the condition, that this year's harvest should first be completed, I consider that this draft should be moved this month or at the latest in the first half of next. Thereafter a regular flow should be kept up. I attach more importance to regularity than to numbers.

E. B.

CABINET.

GREECE.

MEMORANDUM BY THE SECRETARY OF STATE FOR FOREIGN AFFAIRS.

A delegation from the Foreign Affairs Committee of the Labour Party visited me on the 31st October to urge on me more active intervention in Greek internal affairs.

2. Hitherto, my policy has been that the Greeks must form their own Government without my intervention, though I have always been ready to advocate all possible assistance to Greece in her reconstruction.

3. The Regent has now formed a new Government, headed by M. Kanellopoulos. This was done on the Regent's own initiative, without consultation with me. Sir R. Leeper was informed in advance, but made no comment. The new Prime Minister is a young man (42), with a reputation for honesty and sincerity, but not for great practical ability. His views are Liberal, but he has no definite connexion with any of the major Parties in Greece. He was banished to one of the islands under the Metaxas dictatorship, returned to join the Army as a private when the Italians invaded Greece, escaped abroad under the German occupation and returned to Greece after the liberation. The other members of his Cabinet are mainly unknown figures.

4. The Regent's choice is thus by no means perfect, but it is something that a Government has at last been established, and I think we ought now to try to help it in every possible way to consolidate the difficult position in Greece until the elections can be held. I therefore propose to send the Parliamentary Under-Secretary to Athens at once. I suggest that he should put to the new Greek Government the following programme. They will be told that, if they desire it, we are prepared to provide advisers to help them on the following subjects:

- Army.
- Finance.
- Railways.
- Roads.
- Distribution and Supplies.

5. These advisers would be attached to the appropriate Greek Ministries. They would not have executive powers, but would have to work through Greek agencies and, together, would co-ordinate their efforts and policy. Their object would be to get Greek economy working again. We should hope to withdraw them as soon as possible. But as long as they were there, we should hope that their advice would as a general rule be taken.

6. In addition, we should offer to assist the Greeks in regard to their import programme. In this respect, we should concentrate on imports likely to get Greek economy working, rather than on consumption goods, e.g., we should import agricultural machinery rather than food, and raw materials rather than finished articles.

7. We should also do what we can to strengthen U.N.R.R.A.

8. We should also advise the Greek Government to issue a lottery loan. If such a loan were a success it would not only mop up surplus purchasing power but would provide the Greek Government with the drachmae which it requires.
At the moment it is financing over 50 per cent. of its expenditure in the most
directly inflationary manner, i.e., by the printing of notes, the circulation of
which has increased from 49\frac{1}{2} milliard drachmae to 62 milliard in October. If
the loan were a failure the damage would not be serious as there is so little
confidence left to destroy. With the present inflationary situation it would be
impossible to float an ordinary interest-bearing stock since no rate of interest
is likely to attract subscribers who would have no confidence in the future value
of their capital. But the Near Eastern mentality discounts these risks when
offered a chance of drawing a large prize, and, even during an inflationary
period, lottery loans were over-subscribed in Cyprus, Iraq and Palestine.

9. In return, we should expect the Greeks to undertake the following
programme:

(a) they should purge the Army;
(b) they should give every facility to the Legal Commission which is to go
out to investigate prisons (this they have already undertaken to do);
(c) they should issue a lottery loan (see paragraph 8);
(d) they should pass empowering legislation enabling them where necessary
to take over industries, to use compulsion to get roads in order and
to institute a system to Government retail;
(e) they should work out a long-term policy of railway development;
(f) they should consider with the Electoral Commissions of the three Powers
(Great Britain, United States and France) whether the electoral
registers require revision;
(g) they should fix a date for the elections and abide by it.

IN your directive of the 20th September (C.P. (45) 186), you asked us to examine the possibility of increasing the number of doctors to be released from the Armed Forces in 1945 beyond the gross release of about 4,500 then planned. You pointed out that the great disparity between the standards of medical service available for men and women in the Armed Forces and those available for the civilian population should be reduced, and that particular regard should be paid to means of securing economies in the use of doctors in the forces.

2. The Minister of Health and Secretary of State for Scotland consider that there should be at least 9,000 more doctors in civil practice at the end of 1945 than there were at the middle of the year. The most urgent need is for general practitioners; while the Ministers estimate that 7,125 general practitioners are needed to replace over-age practitioners and to bring civilian standards up to a reasonable level, they are prepared to accept a figure of 4,700 under this head. To meet the needs of other branches of the medical service, e.g., hospitals, teaching, public health, 4,300 doctors are required by the end of the year. There are other demands as well as those of the civilian population in this country. To restore the 1939 standards in the Colonial Medical Service, 250 doctors are needed, while there are certain small requirements for relief work under the Foreign Office.

3. As a result of discussion, the Service Ministers have somewhat increased the rates of release of doctors which were originally proposed for the period from the 18th June to the 31st December. On certain assumptions about intake (considered in paragraph 4 below), the following are the net releases which would result from the Service Ministers' proposals:

<table>
<thead>
<tr>
<th>Service</th>
<th>Net Release</th>
</tr>
</thead>
<tbody>
<tr>
<td>Royal Navy</td>
<td>435</td>
</tr>
<tr>
<td>Army</td>
<td>3,719</td>
</tr>
<tr>
<td>R.A.F.</td>
<td>720</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4,874</strong></td>
</tr>
</tbody>
</table>

(There will also be a net release of 117 doctors from the Indian Army Medical Corps bringing the total up to a net release of 4,991.)

4. In putting forward their proposals, the Service Ministers asked for intakes of young practitioners in the four months from September to December 1945 as follows:

<table>
<thead>
<tr>
<th>Service</th>
<th>Intake</th>
</tr>
</thead>
<tbody>
<tr>
<td>Royal Navy</td>
<td>60</td>
</tr>
<tr>
<td>Army</td>
<td>480</td>
</tr>
<tr>
<td>R.A.F.</td>
<td>nil</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>540</td>
</tr>
</tbody>
</table>

Against this demand it is estimated that only 200 young practitioners will become available for call up. It is recommended that this call up should continue, in conformity with the general principle that young men should be called up in
order to relieve older men who have undergone a period of service. We recommend that the intakes should be as follows:—

<table>
<thead>
<tr>
<th>Service</th>
<th>Intake</th>
</tr>
</thead>
<tbody>
<tr>
<td>Royal Navy</td>
<td>30</td>
</tr>
<tr>
<td>Army</td>
<td>170</td>
</tr>
<tr>
<td>R.A.F.</td>
<td>nil</td>
</tr>
</tbody>
</table>

Total: 200

On the assumption that the gross releases in Class "A" and other releases in Class "B" as proposed by the Service Ministers were to stand, the net release of doctors would, of course, be increased by the difference between the intake of 540, for which they ask and the figure of 200 which we propose, i.e., the net release would become 5,214.

5. The proposals of the Service Ministers assume that doctors will continue to be released in accordance with the general principles of the demobilisation scheme based on age and length of service. These are, however, of different application in the three Services:

**Royal Navy.**—The Admiralty propose ultimately to release three doctors for every 1,000 men and women released, this being their present overall ratio of doctors to personnel. This cannot, however, be achieved in 1945, when the release of doctors will be smaller than would result from observance of this principle.

**Army.**—In accordance with the principle that all branches of the Army should release the same groups at the same time, the release of doctors will proceed up to Group 24 by the end of the year, to give a gross release of 3,900 doctors in Class "A." In addition, the Secretary of State for War proposes a special release of 100 doctors in Class "B."

**R.A.F.**—The R.A.F. will release doctors up to Group 28 by the end of the year.

6. We consider that the needs of the civil population demand a bigger release of doctors than that proposed by the Service Ministers. The present ratio of general practitioners to civil population is 0.4 per 1,000; if all doctors, i.e., those in hospitals, public health service, &c., are included the ratio is only 0.77 per 1,000. It is unnecessary for us to emphasise the grave dangers attendant upon this shortage of civilian medical practitioners. The strength of the medical protection in civilian practice now seems to us to provide entirely inadequate cover against the risks which must be faced. We believe that it is imperative that the strength of the civilian medical service should be substantially increased in the immediate future and certainly before the end of the year.

7. At the 31st May, the position in the three Services was as follows:

<table>
<thead>
<tr>
<th>Service</th>
<th>Physicians per 1,000 men and women</th>
</tr>
</thead>
<tbody>
<tr>
<td>Royal Navy</td>
<td>2.596</td>
</tr>
<tr>
<td>Army</td>
<td>11.421</td>
</tr>
<tr>
<td>R.A.F.</td>
<td>2.520</td>
</tr>
</tbody>
</table>

It is to be strongly emphasised that these ratios were based on a war-time establishment intended to meet the risk of possibly heavy battle casualties and to maintain the normal standard of health of the Services at a level consistent with the necessities of active service against the enemy. The cessation of hostilities has not, however, been followed by any substantial decrease in the ratio of doctors to ordinary Service personnel. As between different Military theatres the ratio varies more widely. In the United Kingdom the Army ratio as at the 31st August, 1945, was 2.28 per 1,000; whilst in the India and A.L.F.S.E.A. theatre the ratio was as high as 4.32. The Rhine Army, including Norway and the Channel Islands, shows a ratio of 2.24, whilst in East Africa, for a force of 157,000 odd the ratio is as low as 1.68. The figures for the R.A.F. show similar variations, the ratio being as high as 2.9 in South-East Asia as against 1.3 in Western Europe and 1.04 in the United Kingdom. It is said the United Kingdom ratio will soon be down to 1.4. No figures as to ratio as between different theatres are available for the Navy. While the release proposed by the Secretary of State for War involves an appreciable reduction in the ratio of doctors to total strength in the Army, the proposed release from the R.A.F. involves only a very slight
fall in the ratio, while in the Navy there will be an increase in the proportion of doctors to personnel.

8. The Service Ministers urge that a comparison of ratios of doctors to personnel in the Forces with that of doctors to civil population is misleading; they point to the special nature of their commitments. We do not think there is now much substance in the plea that the duties of the Service Doctors are necessarily more extensive than those of civilian practitioners and embrace preventive and positive medicine. In fact, the Service Doctor is concerned with what is probably the most healthy section of the community, and he does not, in general, have the additional work involved in caring for the elderly and the diseased, not to mention the maternity and other special cases which are primarily the concern of civilian practitioners. Moreover, the importance of preventive medicine is scarcely less in the case of the civilian community than it is in the Services although it is, unfortunately, true that the practice of preventive medicine outside the Services has been gravely reduced by the shortage of civilian doctors. Whilst we would not suggest that the Services could operate on the same ratio of doctors to personnel as exists in civilian practice we should certainly expect that in the exceptional and critical conditions existing at present and having regard to the cessation of hostilities the Services would be able, no doubt at some sacrifice of existing standards, so to reorganise their arrangements as to make do with a ratio of doctors to personnel not exceeding about twice that available to the civilian community.

9. We accordingly propose that the number of doctors in the Services should, by the end of 1945, be reduced to that needed to give a ratio of two doctors per 1,000 personnel. This would involve the following net releases for the period from the 18th June to the 31st December:

- Royal Navy: 1,265
- Army: 5,600
- R.A.F: 880

Total: 7,745

(Note.—In calculating the release for the Army, we have made full allowance—amounting to 1,100 doctors—for R.A.M.C. doctors needed for Indian and Colonial troops. This figure is short of the minimum demand of the Minister of Health and Secretary of State for Scotland by 1,255 doctors, but exceeds the proposals of the Service Ministers by over 2,500.)

10. We realise that we have reached this result by a somewhat arbitrary method, but, as a detailed examination of establishments is manifestly impossible, we see no other method. We are, however, satisfied that an overall ratio of 2 per 1,000 should be sufficient to provide a medical service adequate for existing Military needs if it is averaged out as between the different theatres. No doubt the ratio to be maintained in the Far East must be higher: something substantially less than 2 per 1,000 can, however, be achieved in the Home Theatre; the R.A.F. in fact improve upon it easily in the United Kingdom and in Western Europe.

11. The reduction in the proportion of doctors to total strength which we propose will enforce economies in the Services. We have examined the standards of establishment in certain branches of the Services (e.g., hospital establishments) and while there is no evidence that these standards are wasteful in themselves, the scale of medical provision generally is more generous than we can afford in present circumstances. We are inclined to think that the ratio of available hospital beds to 1,000 personnel now maintained involves some over-insurance and we think also that with some inevitable sacrifice of standards, although without reducing these to the point of danger, the ratio of doctors to occupied beds in hospitals could be lowered. Moreover, we are inclined to think that the number of routine examinations and boardings could be reduced and that the medical examination on demobilisation might safely be simplified with resultant economy in personnel. It is at present more important that medical practitioners should be made available for civilian practice than that every possible Service pension claim should be excluded.

12. There is already a considerable degree of co-operation among the three Services. Apart from the creation of a new inter-service organisation, which we do not recommend, further co-operation can be achieved only by detailed consideration of medical establishments throughout the Services, and we recommend...
that the Service Ministers should ensure that special attention is given by their medical departments to this question.

13. In order to achieve the releases which we propose, it will be necessary to depart to some extent from the principles of demobilisation by age and length of service. This is an issue of policy which must be the subject of Cabinet decision. We would point out, however, that doctors cannot be made available for the civil population in adequate numbers and in time to meet the dangers of the winter unless the release scheme is modified. It is, however, important not only to increase the number of doctors in civil practice, but also to ensure that the right kind of doctors are released and that they practise in the places where the need is greatest. This could be achieved by increasing the number of releases in Class "B," with the machinery of the Central Medical War Committee providing the names of the doctors who are most needed to the Service Departments.

Home Office, S. W. 1.
5th November, 1945.
SECRET.

C.P. (45) 268.
5th November, 1945.

CABINET.

SARAWAK.

MEMORANDUM BY THE SECRETARY OF STATE FOR THE COLONIES.

In the conclusions of the Cabinet Meeting on the 3rd September (C.M. (45) 27th) I was invited by my colleagues to consider the possibility of bringing to an end the rule of the Rajah of Sarawak.

2. I am advised that there is nothing in our formal Agreements with the Rajah of Sarawak which would enable the rule of the Rajah to be brought to an end by unilateral action on the part of His Majesty's Government.

But in the last few weeks there have been important developments in Sarawak affairs which make it unnecessary to consider such action. I decided to see the Rajah myself and to find out from him what his future plan and policy was for himself and the territory.

3. In my memorandum (C.P. (45) 133), paragraphs 12 to 14, I referred to the fact that the Rajah appeared to be taking refuge behind the recalcitrancy of "a Provisional Government" which he had set up in London under his nephew and heir presumptive, Mr. Anthony Brooke, the Rajah Muda. The Rajah has recently sent a message to the Rajah Muda and the members of the "Provisional Government," to say that he has decided, in view of the end of the war with Japan, to reassume all his powers and prerogatives and thus to terminate the appointment of the Rajah Muda as "Officer Administering the Government," and also the functions of the Provisional Government itself. He has further informed me that he wishes to make fresh arrangements in respect of the relations of His Majesty's Government and Sarawak with a view not merely to establishing His Majesty's jurisdiction in Sarawak and the appointment of a British representative in the State with the authority we desire, but also to providing for the cession of the State of Sarawak to His Majesty so that the exercise of any other authority in the State except that of His Majesty will thereupon be determined.

4. He has explained, however, that, under the Constitution of Sarawak, it will be an essential preliminary that he should obtain the consent of the Asiatic members of the Supreme Council of the State to his proceeding with this policy and with the conclusion of an Agreement for these purposes. He has proposed to me that his private secretary should be sent as his emissary at an early date to Sarawak for the purpose of obtaining such consent. I have signified to him my readiness to agree to this mission on certain conditions, particularly that a senior member of the Colonial Service appointed by me, in consultation with the Rajah, should accompany his personal emissary and should at his discretion take part with the latter in all discussions on this subject in Sarawak.

5. I ask for my colleagues' approval of my proposal that the Rajah should for the present continue to be recognised as the ruler of Sarawak and that I should be authorised to facilitate the Rajah's intentions regarding the future government of Sarawak and to proceed to these fresh arrangements with him as soon as he obtains the consent of his Councillors in the territory.

G. H. H.

Colonial Office, S.W. 1,
5th November, 1945.
CABINET.

COMMERCIAL POLICY.

MEMORANDUM BY THE PRESIDENT OF THE BOARD OF TRADE.

DISCUSSIONS with the Americans which have been proceeding side by side with the financial talks have reached an advanced stage, and they now hope to publish on Sunday, as their proposal, the document which has been under discussion. We should hope, with the general support of the Dominions, to be able immediately thereafter to indicate our support of the document as a basis for discussion. Following is a brief indication of the main points, on all of which our negotiators have established our essential point of view where it differed from the original United States proposals.

1. Procedure.-(a) A conference of fifteen nations (including all the Dominions and India) in, say, March, to consider the document and to initiate bilateral negotiations on tariff matters.

(b) A United Nations conference in, say, June, to set up an International Trading Organisation on the basis of the document as revised in March. Nations joining, and thereby subscribing to the general rules in the document, if not in the original fifteen, would be required within a reasonable space of time to make comparable agreements on tariff matters.

2. Imperial Preference. This has been the critical point. At Annex A is the full text of the American proposal on preferences as it has emerged from a long discussion. At first the Americans were inclined to make it a **sine qua non** that we (and therefore the Dominions) should agree to a form of words which would have bound us to do away with preference in a comparatively short space of time. We resisted this. Relying upon Article VII of the Mutual Aid Agreements, we have brought them round to a formula which, subject to an interpretation which we are seeking to be enabled to give without fear of contradiction, can be accepted. The text of this interpretation is at Annex B.

3. Apart from the preference issue, the United States proposal (entitled “Proposal to set up an International Organisation”) is arranged as shown in Appendix C.

The main points of interest are—

(a) The Preamble. This emphasises the need for international co-operation on economic matters, requires each member of the Organisation to adopt full employment policies and says that no nation should seek the maintenance of employment through measures that aggravate the problems of other nations.

(b) State Trading. Our own policies are safeguarded, but State Trading is not to be used to introduce by a side-wind protection greater than that allowed for as a result of the proposed tariff negotiations. Empire preference and long-term contracts are also safeguarded.
Subsidies and Export Subsidies.—The former are allowed, the latter are subject to rules which considerably limit the freedom of the United States to force her agricultural products on export markets.

Transitional Period and Balance of Payments Difficulties.—Our need for Import Regulation and Exchange Control in such circumstances is recognised, but import quotas are not to be used for protective purposes. (This use of quotas by other countries is a potential menace to our exports.)

International Cartels.—The Americans have been induced to give up their proposal for outlawing certain named practices (e.g., division of markets). Instead there is provision for complaint by a Government, consideration by the Organisation, and recommendation to the Government of the offending concern, the latter Government being then left to act in accordance with its own procedures.

United Kingdom Agriculture.—Our negotiators were instructed to safeguard the position for a long-term policy of reasonable stabilisation and adequate remuneration for our agriculture. On this point we have had a very frank exchange of views with the Americans, who well understand our position and have made provision in their document which gives us the elbow-room that we need for our policy of State purchase and averaged prices.

Board of Trade, S.W. 1,
6th November, 1945.

R. S. C.

ANNEX A.
REVIEW OF PREFERENCES FORMULA.

1. In the light of the principles set forth in Article VII of the Mutual Aid Agreements, members should enter into arrangements for the substantial reduction of tariffs and for the elimination of tariff preferences, action for the elimination of tariff preferences being taken in conjunction with adequate measures for the substantial reduction of barriers to world trade, as part of the mutually advantageous international arrangements contemplated in this document.

2. As an initial step in the process of eliminating tariff preferences it should be agreed that—
(a) Existing international commitments will not be permitted to stand in the way of such action as may be agreed upon with respect to tariff preferences.
(b) All negotiated reductions in most-favoured-nation tariffs will operate automatically to reduce or eliminate margins of preference.
(c) Margins of preference on any product will in no case be increased and no new preferences will be introduced.

ANNEX B.
EXPLANATION OF PREFERENCES FORMULA.

1. The formula determines the procedure to be followed by common consent in considering, in the context of a general lowering of tariffs and other trade barriers, what contribution can be made from our side by way of reduction or elimination of preferences.

2. The formula makes it clear that, in pursuit of the objectives of Article VII of the Mutual Aid Agreements, we for our part are ready to agree that the existing system of preferences within the British Commonwealth and Empire is capable of contraction pari passu with the improvement in trading conditions between Commonwealth and Empire countries and the rest of the world.
3. The formula further provides that in entering negotiations for the reduction of tariffs the parties concerned will not refuse to discuss the modification of particular preferences on the ground that these are the subject of prior commitments; on the contrary, all margins of preference will be regarded as open to negotiation and it will, of course, be for the party negotiating the modification of any margin of preference which it is bound by an existing commitment to give to a third party to obtain the consent of the third party concerned.

4. Further points to be noted are:

(1) The formula makes it clear there is no commitment on any country in advance of negotiations to reduce or eliminate any particular margin of preference. The position is that each country remains free to judge, in the light of the offers made by all the others, the extent of the contribution it can make towards the realisation of the agreed objective.

(2) It is recognised that reduction or elimination of preferences can only be considered in relation to and in return for reductions of tariffs and other barriers in the world as a whole which would make for mutually advantageous arrangements for the expansion of trade. There is thus no question of any unilateral surrender of preferences. There must be adequate compensation for all parties affected.

5. This formula does not in advance of the detailed negotiations lay down how far the process of reduction and elimination of preferences will be carried at this immediate stage. It must be realised that some preferences are of particular importance to the economy of certain parts of the world just as some tariffs are important in others. The immediate elimination of all preferences would be such a step as would require a very drastic clearance of other trade barriers involving substantial and widespread reductions in tariffs and other trade barriers by a large number of countries. All this is well recognised. Thus, the degree to which the final objectives can be reached at the initial stage can only appear at the negotiations themselves and as the result of a mutually advantageous settlement.

ANNEX C.

SUMMARY OF UNITED STATES PROPOSAL TO ESTABLISH AN INTERNATIONAL TRADE ORGANISATION.

Inter-relation of Trade and Employment Problems and Measures.

High and stable levels of employment are essential for an enlarged volume of trade. Prosperity in each nation depends on the prosperity of other nations, the levels of employment in the major industrial nations having an especially important influence in this respect. Accordingly there should be an undertaking that—

(1) Each signatory nation will take appropriate action designed to secure full employment within its own jurisdiction.

(2) Maintenance of employment should not be sought through measures which aggravate the trade and employment problems of other nations.

Proposal to Establish an International Trade Organisation.

Measures designed to expand trade are essential to reach maximum employment, production and consumption. To attain these objects continuous international collaboration will be necessary. It is accordingly proposed to establish an International Trade Organisation of the United Nations, the members of which would undertake to conduct their international commercial policies and relations in accordance with agreed principles to be set forth in the articles of the Organisation.

CHAPTER I.—PURPOSES AND PRINCIPLES OF THE ORGANISATION.

These would aim at effective expansion of world production, employment, and the exchange and consumption of goods.
CHAPTER II.—MEMBERSHIP.

CHAPTER III.—PRINCIPLES RELATING TO COMMERCIAL POLICY.

A.—General Commercial Provisions.

There would be a body of rules of the kind normally found in Commercial Treaties governing e.g., internal duties, transit duties, anti-dumping duties, tariff valuations, marks of origin, &c. The working-out of these rules in detail would fall to the International Trade Organisation.

B.—Tariffs and Equality of Tariff Treatment.

Countries should take effective and expeditious steps, on lines to be agreed to bring about substantial reductions of tariffs and elimination of tariff preferences. Emergency action to prevent sudden and widespread unemployment would be provided for.

C.—Quantitative Restrictions.

The member countries would undertake in general not to maintain any import or export restrictions, subject to the following main exceptions:

1. Restrictions required in the early post-war transition period, to economise shipping space, to secure equitable distribution of products in short supply, and for the orderly liquidation of war surplus stocks in the hands of Governments.
2. Restrictions required to relieve conditions of distress in exporting countries due to shortages of foodstuffs or other essential products.
3. Import quotas on agricultural products necessary to the enforcement of governmental measures (a) restricting marketing or production; or (b) intended to dispose of temporary domestic surpluses.
4. To safeguard the balance of payments.

D.—Subsidies.

1. General subsidies would be permitted; but members should inform the Organisation and be prepared to discuss their action if the subsidy increases exports or diminishes imports.
2. Export subsidies.—These are disapproved. Three years after the end of hostilities, members granting such subsidies would undertake to discuss their action.
3. Commodities in world surplus.—The provisions of 1 and 2 above would not apply to commodities declared by the Organisation to be in burdensome world surplus if inter-governmental action had failed to suggest other ways of removing the surplus. Even then the subsidy should not increase the export share of the country concerned.

E.—State Trading.

1. Equality of Treatment.—Members should accord equality of treatment to other members. For this purpose, their State trading enterprises, in making purchases and sales, should be guided solely by commercial considerations, such as price, quality, terms of sale, &c.
2. State monopolies of individual products.—State trading is not to introduce greater protective or preferential margins than would be allowed as a result of tariff negotiations.
3. Complete State monopolies of foreign trade.—Countries should undertake to purchase from other members, on a non-discriminatory basis, products valued at not less than an aggregate amount to be agreed upon.

F.—Exchange Control.

This is dealt with by reference to the International Monetary Fund Agreement.
CHAPTER IV.—PRINCIPLES RELATING TO RESTRICTIVE BUSINESS PRACTICES.

This chapter begins by declaring that certain types of business practice (of which examples are given) may impede full employment policies and the objects of the convention.

Any member may bring to the notice of the Organisation a complaint that the objectives of the document are being frustrated by restrictive business practices of international character. The Organisation is then to investigate the matter, and, if the complaint is found justified, may make recommendations to the Governments of the offending business concern for action under their own laws.

CHAPTER V.—PRINCIPLES RELATING TO INTERGOVERNMENTAL COMMODITY ARRANGEMENTS.

1. Intergovernmental commodity arrangements involving restrictions on production or trade may be desirable to facilitate adjustments and the solution of problems affecting particular commodities, thus avoiding resort to unilateral action by the countries affected.

2. Such arrangements, if they involve limitation of production or exports or allocation of markets, should not be entered into unless and until the Organisation has (1) investigated the root causes of the problem; and (2) has determined that a burdensome world surplus exists which cannot be corrected by the play of market forces; and unless a programme of adjustment has been prepared and adopted by members, calculated to solve the problem in a reasonable time.

3. Governing Principles.—The following principles should govern intergovernmental commodity arrangements: (a) they should be open on equal terms to all members; (b) members substantially dependent on imports of the commodity concerned should have an equal voice with exporting countries; (c) they should assure adequate supplies for world consumption at all times at reasonable prices; (d) they should provide increasing opportunities for meeting world requirements from sources able to supply them most effectively.

4. Such arrangements should not remain in effect initially for more than five years; if renewed, it must be shown that substantial progress towards solution of the underlying problem has been made or is in prospect.

5. Existing or future intergovernmental commodity arrangements should be submitted to the Organisation for review.

CHAPTER VI.—ORGANISATION.

The International Trade Organisation, its functions, organisation, and rules of procedure, and its relation to other international organisations are dealt with in detail.
WASHINGTON FINANCIAL TALKS.

NOTE BY THE CHANCELLOR OF THE EXCHEQUER.

The financial negotiations in Washington have reached a point where a firm offer from our side would have a fair prospect of securing acceptance.

2. Accordingly I would propose that the Ambassador and Lord Keynes be instructed to put the following proposal before the Americans:

(a) A loan to the United Kingdom of $2 1/2 billion repayable over 50 years at 2 per cent. interest, repayment beginning 5 years from now.

(b) An option on a further $2 billion free of interest (and repayment as above) as backing for an offer to members of the sterling area to make their sterling as freely available for current expenditure outside the area or inside.

3. If the above is unobtainable, our limit is:

$4 billion at 2 per cent. (with an option on a further $1 billion at 2 per cent.), repayment as in 2 (a) above. Any improvement either in the period of repayment, or postponement of starting date of repayment, or in the rate of interest, would, of course, be welcome.

4. We should require waivers as follows:

(a) In the event of, e.g., a breakdown of multilateral clearing, an international depression of trade, or a scarcity of dollars: postponement of any obligation to repay capital.

(b) In the event of United Kingdom exports failing in any year to reach an agreed target: complete waiving of any obligation to pay interest for that year.

It would be essential that waivers should be embodied in the agreement reached in terms which cannot be altered by Congress, and that the form of the waivers should be such that they were capable of automatic application without United States scrutiny of our affairs. Waiver (a) would be an essential part of the proposal in paragraph 2 above, and both waivers (a) and (b) would be essential if we were driven back on the proposal in paragraph 3.

5. The following are the annual amounts involved on several assumptions:

Proposal in Paragraph 2:
If the interest on the $2 1/2 billion had been 1 per cent., the cost of this alternative, on a straight annuity basis, would have been $104 million.
At 2 per cent., the cost is $120 million.

Proposal in Paragraph 3:
Costs, on an annuity basis:

$5 billion—$159 million.
$4 1/2 billion—$143 million.
$4 billion—$127 million.
6. We should agree to use the assistance given to us for progressive removal of discrimination, and to secure writing down of sterling balances by voluntary agreement with each creditor.

7. In the event of agreement being reached with the United States administration on the lines suggested above and being put to Congress, we for our part should be prepared to support the Americans in their proposals for an International Conference as the preliminary to the setting up of an International Trade Organisation. Further, we should put to Parliament acceptance of Bretton Woods. This acceptance would be accompanied by an interpretative declaration that nothing in the Final Act would require us to adopt an internal deflationary policy at a time of unemployment.

H. D.

Treasury Chambers, S.W. 1,
6th November, 1945.
CABINET.

THE PLACE OF THE DEPARTMENT OF OVERSEAS TRADE IN THE MACHINERY OF GOVERNMENT.

MEMORANDUM BY THE SECRETARY OF STATE FOR FOREIGN AFFAIRS AND THE PRESIDENT OF THE BOARD OF TRADE.

This paper proposes that to secure integration of overseas commercial policy and to improve the quality of our staff charged with promoting and stimulating overseas trade, certain structural changes should be made in the machinery presently used for these purposes and jointly shared by the Foreign Office, Department of Overseas Trade and the Board of Trade.

It is proposed that—

(a) All overseas commercial staff, except the Trade Commissioners in Colonies and Dominions, should become an integral part of the Foreign Service.

(b) The Secretary of the Department of Overseas Trade, who is at present also a Parliamentary Under-Secretary at the Foreign Office, should shed this second function and become a Secretary for Overseas Trade responsible solely to the President of the Board of Trade.

(c) Either an interdepartmental Committee on External Economic Policy and Overseas Trade, composed of officials, with the Secretary for Overseas Trade as Chairman, or a Ministerial Committee at the Junior Minister level should meet regularly.

2. By Statute the Secretary of the Department of Overseas Trade is appointed by and responsible to, the Secretary of State for Foreign Affairs and the President of the Board of Trade. Under the President of the Board of Trade he is recognised as the Parliamentary head of the Export Credits Guarantee Department and is responsible for the Imperial Institute (which has its own vote). The Secretary is entirely responsible for the Trade Commissioners in the Dominions, India, Colonies, &c. His Department "administers" the Commercial Staff, i.e., though the latter are members of the Foreign Service yet while they are in commercial posts in that Service their salaries are borne on the Department of Overseas Trade vote and their grading and promotion are partly the responsibility of the Comptroller-General of the Department of Overseas Trade.

3. If we are to construct a Department which will do more than serve—however efficiently—the formulated desires of business and will really promote and push export trade, we must have high quality men. The remedy seems to be to integrate the policy-making and promotion functions. The Department of Overseas Trade and the Commercial Relations and Treaties Department of the Board of Trade should be brought under one administrative head; he would have to devise a method whereby his information and intelligence divisions correlated their work with that of the various Industries Divisions, working on the "internal" side of the Board of Trade.

4. Complete amalgamation of the Department of Overseas Trade and the Commercial Relations and Treaties Department of the Board of Trade should involve the abandonment of Department of Overseas Trade responsibility for the Commercial Diplomatic Service. The latter would be entirely under the control of the Foreign Office, and arrangements could be made for the association with the
Foreign Office of the Board of Trade in the administrative questions arising out of such control. Furthermore, to strengthen the link between the Foreign Office and the Board of Trade, it is desirable that members of the Foreign Office should work from time to time in the Board of Trade. The Trade Commissioner service would, however, be the responsibility of the new Overseas Trade Division of the Board of Trade, though of course the existing liaison with the Dominions, India and Colonial Offices would be maintained.

5. In the formulating of policy three conclusions emerge:

(a) Greater importance must now be assigned to the promotion and facilitation of foreign trade than ever before in our history.

(b) The detailed responsibilities of the Board of Trade, and therefore of its President, are far greater under a Labour Government than ever before.

(c) If the Department of Overseas Trade link with the Foreign Office is to be severed it is necessary to ensure close co-ordination between Board of Trade and Foreign Office by some other means. This is especially true if the Foreign Office takes full control of overseas publicity. Co-ordination by a Cabinet Committee can lay down broad lines of agreed policy, but it is important to ensure it also at lower levels and in more detailed application.

6. It is suggested that foreign trade would be given its due share of importance, the President of the Board of Trade could be relieved of some of his detailed responsibilities, and co-ordination be achieved by the following means:

(a) A Secretary for Overseas Trade to be the Parliamentary head of the Overseas Trade Division suggested in paragraph 4. He would be subordinate and responsible to the President of the Board of Trade, but he would continue to be the responsible Minister for the Export Credits Department, and might become similarly responsible for a statutory body to deal with the tourist trade. Responsibility for the Imperial Institute might be transferred to the Secretary of State for the Colonies.

(b) An interdepartmental Committee on External Economic Policy and Overseas Trade to meet regularly (possibly under the Chairmanship of the Secretary for Overseas Trade). The Foreign Office, Treasury, Dominions Office, India and Burma Offices and Colonial Office would be represented. Such a Committee was advocated both by the Board of Trade and by the Department of Overseas Trade before the official Committee on Machinery of Government. Or, alternatively, there should be a Ministerial committee composed of the Parliamentary Secretaries and Under-Secretaries representing those Ministries.

E. B.
R. S. C.

7th November, 1945.
CABINET.

INTERNATIONAL CONTROL OF ATOMIC ENERGY.

MEMORANDUM BY THE PRIME MINISTER.

IN the following aide-mémoire I summarise some of the issues raised by a study of the international control of atomic energy, and set forth, for the approval of my colleagues, the line which I propose to take on this subject in discussion with President Truman and Mr. Mackenzie King.

2. I start with the following general thesis. The advent of the atomic bomb presents us with a new situation, in that there is now a weapon of transcendent power against which there can be no real defence. Its use in war can only lead to mutual destruction and the collapse of civilisation. It is therefore imperative that the powerful nations of the world should plainly recognise this fact, and abandon all out-of-date ideas of power politics which, though they may for a time produce an uneasy equilibrium, are bound in the end to lead to a violent clash of interests, and to war. The only hope for the world is that we should all lay aside our nationalistic ideas, and strive without reservation to bring about an international relationship in which war is entirely ruled out.

3. How are we to deal with the atomic bomb in the light of this general thesis? Is there any special international arrangement which should be made to reinforce our general aim?
4. After much study only one concrete scheme has been put forward. This is as follows:

"All Governments should be invited to become parties to a convention pledging them—

(a) not to use atomic bombs except in accordance with (b) below;
(b) to join in immediate and complete sanctions against any country making use of the atomic bomb in violation of (a) above. These sanctions to include the use of the atomic bomb by those countries which possess it. The agreement should remain in force indefinitely and sanctions should be taken against any country attempting to denounce it;
(c) to enter into a full exchange of the basic scientific information relating to the use of atomic energy;
(d) to institute effective control of the use of atomic energy in their own territory."

5. This scheme is based on the hypothesis that there is no practicable way of enforcing the prohibition of the manufacture of atomic weapons, or of ensuring their complete control by an international body. A system of inspection, even if it were accepted in principle by the United States and the U.S.S.R., could not be relied upon. All experience suggests that such a system would be a highly dangerous sham, productive of endless suspicion and friction. The argument then runs that in this situation one can only depend on trust reinforced by the certainty of swift retribution if the trust is broken. The trust is expressed in Clause (a) which renounces the use of the bomb. The retribution is expressed in Clause (b).

6. In my opinion this scheme is open to a number of objections—

(a) The proposal for sanctions against a country using the atomic bomb must be seen in the light of the United Nations plan for sanctions against an aggressor. A general renunciation of the use of this weapon seems to imply war with other weapons, presumably against an aggressor. If, however, the aggressor proved too strong for the Power or Powers enforcing sanctions and one of them in extremis resorted to the use of the atomic weapon, the aggressor, however heinous his aggression, becomes entitled to the help of all other nations possessing the weapon. They, thereupon, turn upon the victim.

(b) Renunciation of the weapon now puts any computation of strengths of rival nations back into the pre-atomic bomb age. The United States is unlikely to accept this in present conditions when power politics seem to be in full vigour.

(c) Britain is peculiarly vulnerable to attack by atomic bomb owing to her geographical position and her concentration of population. To accept this obligation would be to expose London to annihilation. Could any Government accept such a risk?
At present there is no means of knowing whence has come an atomic bomb or who is the culprit. Thus the effect of certainty of immediate counter-attack is lessened. In atomic warfare, the maxim "thrice is he armed who gets his blow in first" would seem to apply.

7. In my opinion, therefore, the scheme cannot be accepted as it stands. I agree that we must base our arrangements primarily upon mutual trust, and that there must be a deterrent against aggression of all kinds. This can best be achieved by unqualified support for the twelfth point in President Truman's recent statement of American foreign policy, in which he states:

"We are convinced that the preservation of peace between the nations requires a United Nations Organisation composed of all the peace-loving nations of the world, who are willing jointly to use force if necessary to ensure peace."

8. If the principle thus enunciated by President Truman is universally endorsed, and if the Charter of the United Nations can be made a living thing, then we shall have attained the end which I have stated in my general thesis, and we shall have created the conditions of trust which we all desire. At the same time, there will be the power behind the Charter reinforced with the new weapon, to act as a powerful deterrent against aggression.

9. The suggestion may be made that authority to order the use of the atomic bomb should be specifically vested in the Security Council. There are two grave objections to this. In the first place, there is the veto, which might be brought into play to protect a small aggressor. In the second place, if one of the permanent Members of the Security Council was the aggressor, and applied the veto to prevent action against itself, the Security Council would in effect be broken up, and there would be no power remaining which could constitutionally authorise the use of the bomb against the aggressor. It would therefore be better to make no specific provision about who can authorise the use of the bomb.

10. To sum up, the line which I would propose to take in Washington is as follows:

(a) I should state my general thesis, and endeavour to secure whole-hearted support for it from the President.
(b) I should endorse President Truman's twelfth point, and say that we stand whole-heartedly by the United Nations Organisation.
(c) I should suggest that no attempt should be made to restrict the development of atomic energy by any country, in view of the impossibility of effective control.
(d) I should point out that it is essential that atomic weapons should be available to restrain aggression, and I should suggest that the best way of achieving this is not by any special convention, but rather by the determination of all those who develop atomic energy to live up to the principles and purposes of the Charter, and to back up its authority by using their atomic weapons against an aggressor if the occasion arises.
(e) I should endorse the proposal made by President Truman that there should be a free exchange of fundamental scientific information on atomic energy.

(f) The question of sharing not only the fundamental scientific knowledge with Russia, but also the practical "know how," has been ventilated. It would appear that the United States is opposed to this. In my view an offer to do this now would not be likely to effect a change of attitude to world problems by the U.S.S.R. It would be regarded rather as a confession of weakness. The establishment of better relations should precede the exchange of technical information. It is, I think, agreed that in a few years U.S.S.R. will be able to produce the bomb. It is during these few years that a real attempt must be made to build a world organisation upon the abandonment of power politics.

(g) I should suggest that all nations should be pressed to institute effective control of the use of atomic energy in their own territories.

11. There are some supplementary points which I would propose to deal with in Washington, namely:

(1) I should suggest that the peace treaties to be concluded with Germany and Japan should include a provision prohibiting them from making use of atomic energy in any form. The terms upon which Italy and the other enemy satellites might be allowed to make use of it should be considered.

(2) I should express the hope that the United States Government will be willing to continue in the future the general system of co-operation now existing, and in particular—

(a) The machinery for the settlement of policy, and for the exchanging of information, set up by the Quebec Agreement.

(b) The combined control of raw materials in third countries established by the Declaration Trust.

In regard to the latter point, I should take the line that owing to the relative scarcity of uranium and thorium, no arrangements for the pooling of these materials with Russia should be entered into, except in return for some substantial advantage.

(3) I should tell the President that we are naturally interested in the development of atomic energy, both as a means of self-defence, and as a source of industrial power. I should endeavour to regain our freedom by securing a reasonable interpretation if not the abolition of Clause 4 of the Quebec Agreement, which laid it down that the President should specify the terms upon which any post-war commercial advantages were to be dealt with.

C. R. A.

10 Downing Street, S.W. 1, 5th November, 1945.
CABINET.

AGRICULTURAL POLICY.

MEMORANDUM BY THE MINISTER OF AGRICULTURE AND FISHERIES, THE SECRETARY OF STATE FOR SCOTLAND, AND THE SECRETARY OF STATE FOR THE HOME DEPARTMENT.

WE submit for Cabinet approval the attached draft announcement on agricultural policy.

2. The Lord President's Committee, at their meeting on the 1st November, 1945,* considered a memorandum (L.P. (45) 216) in which we set out the considerations leading to the proposals contained in the draft announcement. The Committee—

(1) Invited the Agricultural Ministers to arrange for inter-departmental consideration of the points raised in discussion.
(2) Subject to this, authorised the Agricultural Ministers to submit the draft public statement to the Cabinet for approval.

3. Following inter-departmental consideration, we have consulted with our colleagues on the points raised during the discussion and have made suitable amendments in the draft announcement, which is now agreed with all concerned.

4. The proposed announcement is intended to be an outline of the principles on which the Government's agricultural policy will be based. It does not purport to be a comprehensive statement of all the measures which the Government deem to be necessary in order fully to attain the objective stated in the second paragraph.

5. The principles are firmly based on Labour Party policy, and the proposed announcement interlocks closely with the statement on Government Controls and Food Policy approved by the Cabinet on the 30th October, 1945,† and made by the Minister of Food in the House of Commons on the 7th November, 1945.

6. The proposals are designed to provide reasonable economic stability to the industry; they require efficiency from the industry. The proposed system of assured markets and guaranteed prices is sufficiently stable to give confidence to the industry; the proposed mechanism for providing those assured markets and guaranteed prices is sufficiently flexible to allow of the modifications and adjustments which will be required in the national interest as conditions change, both at home and abroad.

7. We shall be glad to have the approval of the Cabinet to the announcement being made and to our entering into discussion with the representative organisations of farmers, workers and landowners to work out the details, in preparation for the necessary legislation, which we should hope to introduce early in the 1946-47 session.

T. W.
J. W.
J. C. E.

8th November, 1945.

* L.P. (45) 40th Conclusions, Minute 4.
† C.M. (45) 47th Conclusions, Minute 5.
AGRICULTURAL POLICY.

DRAFT ANNOUNCEMENT.

1. I am now able to indicate in broad outline the general principles on which the Government's agricultural policy will be based.

2. As stated in the Gracious Speech the Government will develop to the fullest possible extent the home production of good food with due regard to the recommendations of the Conference on Food and Agriculture at Hot Springs. The objective will be to promote a healthy and efficient agriculture capable of producing that part of the nation's food which is required from home sources at the lowest price consistent with the provision of adequate remuneration and decent living conditions for farmers and workers, with a reasonable return on capital invested.

3. To this end the Government propose to establish as an essential and permanent feature of their policy for food and agriculture a system of assured markets and guaranteed prices for the principal agricultural products, namely, milk, fat livestock, eggs, cereals, potatoes and sugar beet.

4. The annual price reviews instituted in February 1945 will be continued, together with the provision for special reviews in exceptional circumstances.

5. After these reviews prices for cereals, potatoes and sugar beet will be fixed by the Government eighteen months ahead of the harvest.

6. The existing system of fixing prices for fat livestock, milk and eggs will be developed so as to cover the period after June 1948, when the existing guarantees would otherwise cease to operate. These branches of food production entail advance breeding and other commitments for the farmer and, in order to give the necessary continuous assurance of reasonable stability of prices, the Government propose to institute a new system of overlapping four-year periods with biennial reviews. For example, in February 1946 minimum price-levels will be considered and fixed for the two-year period ending June 1950, and in 1948 for the period July 1950 to June 1952. These minimum price-levels will apply to milk, fat cattle and fat sheep, for which guaranteed minimum prices have already been announced until June 1948, and to fat pigs and eggs. Actual prices for all these products will continue to be fixed in advance for twelve monthly periods after each successive February review.

7. All prices—minimum and actual—will be fixed with due regard to the need for the greatest possible efficiency and economy in methods of production. Account will be taken of any modifications in the character of the agricultural output which may be necessary to meet changing national requirements. If it should become necessary to apply a quantitative limitation to any section of the assured home market this would be announced eighteen months before the harvest in the case of crops (i.e., after a February review), and at least two years in advance in the case of fat livestock, milk and eggs (i.e., after a biennial review).

8. Thus farmers will always know the prices for cereals, potatoes and sugar beet well before the time comes for sowing those crops. For fat livestock, milk and eggs they will know minimum prices three or four years in advance, and actual prices some three to fifteen months in advance. In all cases they will be given ample notice of any quantitative limitation which may be imposed on the assured market.

9. The actual method of affording to the farmer an assured market and a guaranteed price will be worked out for each commodity, with due regard for the system to be adopted by the Government for the procurement, distribution and sale of all those foods—home-produced and imported—which play an important part in the nation’s diet. My Right Hon. Friend the Minister of Food has already announced that detailed plans will be worked out by the Government, in consultation with the interests concerned, to give effect to this policy. Methods other than that of direct Government purchase (for example, the deficiency payment system of the Wheat Act) will not be excluded.
10. Legislation will be required to amend the statutory provisions with regard to wages regulation in the light of the war-time experience of central wage-fixing machinery.

11. As a corollary to the provision of this substantial measure of security of markets and stability of prices the Government propose to take appropriate steps to ensure that agricultural land is not only properly farmed but properly managed and equipped and to promote improved efficiency in the production, marketing and distribution of home food products. Free technical advice will be made available to agriculturists to improve their farming efficiency. In order to deal effectively with the minority of farmers and landowners who fail in the responsibilities attaching to the occupation and ownership of land, the Government propose to seek powers in permanent legislation to exercise certain necessary measures of control. Such farmers and landowners will be subject to a period of supervision during which compulsory directions may be served, and in the last resort will be dispossessed if, after a reasonable period, it becomes evident that they are unable or unwilling to improve. There will, however, be a right to make representations to an independent tribunal before a tenancy is terminated by the Minister or an owner-occupier or landowner dispossessed.

12. Systems of marketing and distribution will come under review as part of the detailed investigation announced by my Right Hon. Friend the Minister of Food, to which reference has already been made.

13. Powers will be sought to enable the Agricultural Ministers to acquire land by voluntary negotiation; or compulsorily in cases of dispossession or where public ownership is the only means of securing the full productive use of the land.

14. The Government propose to set up a Commission for the purpose of managing and developing for agricultural use land acquired under these powers in England and Wales.

15. Local bodies will be required to assist in the execution of this policy and to provide the industry with local leadership and guidance. In England and Wales County Committees similar to the existing County War Agricultural Executive Committees will be constituted on a permanent basis. Their primary duty will be to promote efficiency, working for this purpose in close association with the National Advisory Service which it is intended to establish in England and Wales on the 1st October, 1946. They will act as the local agents of the Minister in the exercise of the proposed powers of control, and undertake certain executive services; they will also be responsible for the schemes already in existence for the training of ex-service men as skilled agricultural workers. It is proposed that these Committees should continue to be appointed by the Minister but that they should be reconstituted to consist in part of persons selected by the Minister from lists of names submitted by the different sections of the agricultural industry, and in part of a smaller number of persons selected by the Minister from other sources. It is hoped that the experience of many of those who have rendered such valuable service during the war will continue to be available under the new constitution. Members of the staff of the English and Welsh Committees who possess the appropriate qualifications will have an opportunity to enter the National Advisory Service. The services of others, including many of the non-technical staff, will be required in the continuing local organisation that will be preserved by these Committees. Somewhat different forms of local organisation will probably be found desirable in Scotland and Northern Ireland.

16. The world food shortage is extremely serious. For the time being, therefore, compulsory directions to grow sugar beet and potatoes must be served and supervision exercised where necessary over the laying down of grass so that this process keeps in step with the anticipated increase in livestock, with the requirements of home-grown feeding-stuffs, and with the continued need for a large tillage acreage. As the world shortage of food passes, the Government intend to leave farmers normally to grow the crops which their experience, supplemented by guidance from the Advisory Services, indicates are most suited to their own land. They intend, however, to seek permanent powers to serve compulsory directions on any farmer whenever necessary in the national interest, but these powers will normally be used only in exercising control over farms under
supervision or to supplement the methods of steering production already described, should an overriding need in national food supplies or national diet render this necessary.

17. The controls exercised over the distribution of fertilisers, feeding-stuffs, machinery and other farm material will be lifted or modified when supplies are sufficient to ensure free and equitable distribution.

18. This outline of the Government's plans for a gradual transition from the organisation and methods necessary to promote maximum food production in war-time to a permanent policy appropriate to more stable conditions, will need to be worked out in detail with a view to the submission of legislation proposals to Parliament. This will be done in full consultation with the organisations representative of landowners, farmers and workers. The Government hope that with this assurance of their intentions all sections of the industry will attack their immediate tasks with enthusiasm and confidence.
PROGRESS REPORT ON HOUSING, OCTOBER 1945.

MEMORANDUM BY THE MINISTER OF HEALTH.

AS Chairman of the Housing Committee, I have been instructed in the Prime Minister's note of the 20th September (C.P. (45) 184) to submit a monthly Progress Report to the Cabinet showing the housing programme and the progress made. I propose to make my first report on the position as at the end of October showing progress made since the end of July (the nearest convenient date to our taking office). Except where otherwise stated, figures relate to England and Wales, Scottish figures being shown separately in brackets.

Programme.

2. It has been agreed by the Cabinet that no programme or target for the number of houses to be provided within a stated time should be published, but my colleagues and I have agreed to adopt for the purpose of phasing production substantially the same programme as was published by the Coalition Government in the White Paper on Housing issued in March 1945, to which we propose to add an allowance for permanent prefabricated houses. On this basis we are planning for the following numbers of different types of houses built or under construction in Great Britain by the end of June 1947—

<table>
<thead>
<tr>
<th>Type of House</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Permanent traditional houses</td>
<td>300,000</td>
</tr>
<tr>
<td>Temporary prefabricated houses</td>
<td>165,000</td>
</tr>
<tr>
<td>Prefabricated or untraditional houses</td>
<td>100,000</td>
</tr>
</tbody>
</table>

Progress.

3. Statistical Tables showing progress in both temporary and permanent housing schemes between the end of July and end of October are annexed. (Table A.)

Permanent Traditional Houses (Local Authorities' schemes).

4. The average price for the 3-bedroom houses included in tenders so far approved during 1945 is 20s. 11d. (20s. 5d.) a sq. ft. This compares with 9s. 4½d. (10s. 4¼d.) in 1938-39, but the new houses are of a higher standard of accommodation and equipment. The estimated cost of the new improved house on the basis of prices in 1938-39 is 10s. 6½d. (11s.) sq. ft.

It has been necessary for me to reject a number of tenders which appear to me too high. This course seems to me essential in order to obtain a proper control over prices at the outset. The number of houses for which tenders have so far been rejected is 1,375 (82) as compared with 12,595 (9,475) accepted.

Rural Housing.

5. A short statistical Table indicating progress made with permanent housing schemes in rural districts is annexed (Table B). Having regard to the
importance of making a start in each area it may be noted that 14 per cent of
the Rural District Councils, as compared with nearly 12 per cent of the non-
County Borough Councils and Urban District Councils, have tenders approved.

I have referred the question of reconditioning rural cottages to the Rural
Housing Sub-Committee of my Central Housing Advisory Committee with terms
of reference “to advise generally on the reconditioning of rural cottages, with
special reference to the supply of labour available without diversion from new
building and to consider what improvements could be made in the Housing (Rural
Workers) Acts.”

“Prefabricated” Permanent Houses.

6. Further investigations are being made by the Ministry of Supply into
the production of the pressed steel house with a view to placing an order for
50,000 (to be built in pairs) and an order has been placed for 1,500 Weir Steel
houses in Scotland, where the erection of 1,500 Atholl houses has also been
authorised.

Particulars of seven other types of alternative construction have been com­
municated to local authorities, comprising four steel-framed systems and three
concrete systems. The authorities have been asked how many houses of the
various steel or steel-framed types they wish to order on the assumption that
the price will be approximately the same as for a permanent traditional house,
and arrangements for securing production will be considered when the replies
of the authorities are known. In the case of the concrete types, it has been
suggested to the authorities that they should get in direct touch with the
producers.

Deliveries have begun of the timber houses being imported from Sweden.
Exhibition houses are being erected in Scotland and England.

Private House Building.

7. The number of licences issued by local authorities in Great Britain for
the erection of houses by private builders, of which copies had reached the Ministry
of Works by the end of September, was 8,658 (24). This figure includes
approximately 2,600 war-destroyed houses to be rebuilt.

Temporary Houses.

8. Apart from the progress shown in the statistical statement (Table A),
there has been no change in the position as reported in the White Paper on the
temporary housing programme (Cmd. 6686).

Requisitioning.

9. The number of houses held on requisition on behalf of local authorities
for use as dwellings for all purposes, e.g., the homeless, war workers or the
inadequately housed, is 90,000 (1,298). The number of small houses still under
requisition in Great Britain by the Services and Government Departments (other
than those held by the Health Departments on behalf of local authorities) is
roughly 14,000, but all Departments have now prepared programmes for the release
of the houses held; and the Ministry of Works is acting as co-ordinator of the
process.

Emergency Scheme for Sharing Houses.

10. Defence Regulations have been prepared (a) Waiving Restrictive Covent­
nants and the operation of the Rent Restrictions Acts where owners respond to
the Government appeal to take in lodgers and (b) to prevent change of use of
premises from residential to non-residential. The latter has been approved by
the Legislation Committee and laid, and the former is coming before them on
the 6th November.

Building Materials.

11. The Minister of Works has prepared an analysis of the materials and
components required in a house, indicating the present cost as compared with
pre-war costs. He is preparing a further statement amplifying this analysis.
and setting out the methods hitherto adopted to control costs and the considerations which must govern future action in this matter. The Ministers of Supply and of Works are considering what steps can be taken to increase the production of the items of which there is a deficiency.

Labour.

12. The amount of labour now employed on housing schemes as compared with before the war is shown in the table annexed (Table C). This table gives the latest complete figures available. It is estimated that at the end of October the number of men engaged on the erection of permanent houses was about 3,900 (4,000), unfilled vacancies at that date being 3,539 (165). In addition to British labour, about 22,000 German prisoners of war are at work in Great Britain on site development.

Release of local authorities' staff.

13. The number of local government officers so far released for housing work from the Services and Government Departments is 1,463 (223) and 275 (42) respectively. 712 (86) applications are at present before the Services (it is understood that in the majority of these cases it has already been decided to offer the applicant release), and 180 (2) applications are under consideration by Government Departments; 103 (7) have been rejected by the Services and 1 (21) by Government Departments.

Legislation.

14. The Building Materials and Housing Bill is in preparation. This Bill includes provisions for:

(a) Financing the purchase and sale of building materials and components and the erection of houses by the Ministry of Works.
(b) Controlling the selling price of new houses built under licence.
(c) Increasing the maximum value of houses for the purchase of which advances may be made by the local authority under the Small Dwellings Acquisition Acts or Housing Act, 1936.
(d) Increasing the financial provision in the Housing (Temporary Accommodation) Act of 1944 for the manufacture of temporary houses.

The Acquisition of Land Bill providing a speedier procedure for obtaining possession of land for housing should be ready for the Legislation Committee by the end of November.

Subsidies.

15. Agreement has been reached with the Chancellor of the Exchequer that future subsidies should be based on an average standard rent to be paid by the tenant of 10s. a week plus rates. The form of the subsidies is now being considered in consultation with the Treasury and as soon as this point has been settled discussions with local authorities will begin.

A. B.

Ministry of Health, S.W. 1,
8th November, 1945.
### England and Wales

#### Permanent Houses

<table>
<thead>
<tr>
<th>Date</th>
<th>Sites approved</th>
<th>Sites owned by local authorities</th>
<th>Layouts approved* (road and sewers)</th>
<th>Development begun* (roads and sewers)</th>
<th>Development completed*</th>
<th>Authorisation to obtain tenders for houses</th>
<th>Tenders approved</th>
<th>Tenders rejected</th>
</tr>
</thead>
<tbody>
<tr>
<td>31st July, 1945</td>
<td>643,000</td>
<td>505,230</td>
<td>143,218</td>
<td>107,825</td>
<td>47,457</td>
<td>21,687</td>
<td>731</td>
<td>Nil</td>
</tr>
<tr>
<td>31st October, 1945</td>
<td>679,000</td>
<td>322,000</td>
<td>154,570</td>
<td>119,319</td>
<td>50,134</td>
<td>62,719</td>
<td>12,565</td>
<td>1,375</td>
</tr>
</tbody>
</table>

#### Temporary Houses

<table>
<thead>
<tr>
<th>Date</th>
<th>Sites approved</th>
<th>Sites acquired</th>
<th>Development begun</th>
<th>Development completed</th>
<th>Sites handed over to Ministry of Works</th>
<th>Foundations begun</th>
<th>Foundations completed</th>
<th>Houses begun</th>
<th>Houses completed</th>
</tr>
</thead>
<tbody>
<tr>
<td>31st July, 1945</td>
<td>99,155</td>
<td>73,725</td>
<td>44,567</td>
<td>34,197</td>
<td>28,970</td>
<td>21,496</td>
<td>7,855</td>
<td>4,352</td>
<td>1,701</td>
</tr>
<tr>
<td>31st October, 1945</td>
<td>113,800</td>
<td>93,128</td>
<td>49,285</td>
<td>60,640</td>
<td>56,827</td>
<td>40,896</td>
<td>23,480</td>
<td>11,995</td>
<td>4,964</td>
</tr>
</tbody>
</table>

### Scotland

#### Permanent Houses

<table>
<thead>
<tr>
<th>Date</th>
<th>Sites approved</th>
<th>Sites owned by local authorities</th>
<th>Layouts approved* (road and sewers)</th>
<th>Development begun* (roads and sewers)</th>
<th>Development completed*</th>
<th>Authorisation to obtain tenders for houses</th>
<th>Tenders approved</th>
<th>Tenders rejected</th>
</tr>
</thead>
<tbody>
<tr>
<td>31st July, 1945</td>
<td>114,044</td>
<td>50,814</td>
<td>29,072</td>
<td>10,546</td>
<td>11,665</td>
<td>9,984</td>
<td>5,784</td>
<td>Nil</td>
</tr>
<tr>
<td>31st October, 1945</td>
<td>137,167</td>
<td>68,700</td>
<td>38,129</td>
<td>26,106</td>
<td>13,921</td>
<td>14,005</td>
<td>9,745</td>
<td>82</td>
</tr>
</tbody>
</table>

#### Temporary Houses

<table>
<thead>
<tr>
<th>Date</th>
<th>Sites approved</th>
<th>Sites acquired</th>
<th>Development begun</th>
<th>Development completed</th>
<th>Sites handed over to Ministry of Works</th>
<th>Foundations begun</th>
<th>Foundations completed</th>
<th>Houses begun</th>
<th>Houses completed</th>
</tr>
</thead>
<tbody>
<tr>
<td>31st July, 1945</td>
<td>21,900</td>
<td>12,903</td>
<td>10,156</td>
<td>4,671</td>
<td>4,459</td>
<td>2,647</td>
<td>1,200</td>
<td>359</td>
<td>15</td>
</tr>
<tr>
<td>31st October, 1945</td>
<td>22,277</td>
<td>13,895</td>
<td>13,691</td>
<td>6,864</td>
<td>7,882</td>
<td>4,241</td>
<td>3,116</td>
<td>928</td>
<td>195</td>
</tr>
</tbody>
</table>

* Including sites developed before the war.
### Table B
**Rural Housing.**
**England and Wales.**

<table>
<thead>
<tr>
<th></th>
<th>31st July, 1945</th>
<th>31st October, 1945</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sites owned by Rural District Councils</strong></td>
<td>...</td>
<td>40,000(approx.)</td>
</tr>
<tr>
<td><strong>Authorisation to obtain tenders for houses</strong></td>
<td>3,662</td>
<td>10,489</td>
</tr>
<tr>
<td><strong>Tenders approved</strong></td>
<td>200 (approx.)</td>
<td>1,811</td>
</tr>
<tr>
<td><strong>Tenders rejected</strong></td>
<td>Nil</td>
<td>Nil</td>
</tr>
</tbody>
</table>

**Scotland.**

<table>
<thead>
<tr>
<th></th>
<th>31st July, 1945</th>
<th>31st October, 1945</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sites owned by County Authorities</strong></td>
<td>6,600</td>
<td>8,300</td>
</tr>
<tr>
<td><strong>Authorisation to obtain tenders for houses</strong></td>
<td>1,618</td>
<td>1,812</td>
</tr>
<tr>
<td><strong>Tenders approved</strong></td>
<td>808</td>
<td>1,124</td>
</tr>
<tr>
<td><strong>Tenders rejected</strong></td>
<td>...</td>
<td>20</td>
</tr>
<tr>
<td><strong>Houses under construction</strong></td>
<td>521</td>
<td>583</td>
</tr>
<tr>
<td><strong>Houses completed</strong></td>
<td>116</td>
<td>172</td>
</tr>
</tbody>
</table>

### Table C
**Comparison of Labour employed on Housing before the war, and at the present time.**

<table>
<thead>
<tr>
<th>Type of work</th>
<th>Pre-war (England, Wales and Scotland)</th>
<th>End of August 1945 (England and Wales)</th>
<th>Scotland</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
</tr>
<tr>
<td>(1) War Damage Repairs to Houses</td>
<td>...</td>
<td>194,400</td>
<td>600</td>
</tr>
<tr>
<td>(2) Preparation of Housing Sites</td>
<td>...</td>
<td>12,000</td>
<td>2,000</td>
</tr>
<tr>
<td>(3) Erection of Temporary Houses</td>
<td>...</td>
<td>16,200</td>
<td>1,800</td>
</tr>
<tr>
<td>(4) Erection of Permanent Houses</td>
<td>(380,000)</td>
<td>500</td>
<td>3,000</td>
</tr>
<tr>
<td>(5) Repairs and Maintenance to Houses</td>
<td>(300,000)</td>
<td>(86,000)</td>
<td>(10,000)</td>
</tr>
<tr>
<td>(6) Conversions and Adaptations</td>
<td>(10,000)</td>
<td>24,000</td>
<td>6,000</td>
</tr>
</tbody>
</table>

**Note:** Figures in brackets are estimated from indirect sources.
MEMORANDUM BY THE LORD PRESIDENT OF THE COUNCIL.

WE are committed in the King's Speech to lay before Parliament this session proposals to deal with the problems of compensation and betterment in relation to town and country planning, to improve the procedure for the acquisition of land for public purposes, and otherwise to promote the best use of land in the national interest.** The framing of the proposals needed to this end has now reached a stage where approval by the Cabinet is required, so that urgent drafting of the necessary legislation may proceed. Unless this can begin at once, there is grave danger that the promise in the King's Speech will not be fulfilled.

2. At their meeting on the 17th August, 1945,† the Lord President's Committee invited me to convene a small group of Ministers to guide and supervise interdepartmental consideration of problems relating to the control of land use. This group was later formally constituted as a Sub-Committee of the Lord President's Committee, consisting of the following Ministers, with myself in the chair:

- Chancellor of the Exchequer,
- President of the Board of Trade,
- Secretary of State for Scotland,
- Minister of Health,
- Minister of Agriculture and Fisheries,
- Minister of Town and Country Planning,

and it was agreed that recommendations should be submitted by this Sub-Committee directly to the Cabinet.‡ After giving general guidance on major points, the Sub-Committee referred to an Official Sub-Committee the task of preparing a detailed scheme for legislation dealing with compensation and betterment and related planning problems, and the officials later submitted a detailed report, which was considered at a meeting of the Ministerial Sub-Committee on the 31st October.§

3. At this meeting, agreement was reached upon the attached proposed Heads of Legislation (explanatory notes to which I also attach); and, except on two points to which I refer below, this agreement was unanimous. On these two points—which are both of major importance—the Chancellor of the Exchequer asked that his position should be reserved.

4. The first point concerns the amount of the payment to be made as compensation for the statutory restriction of land to its existing use (Head II). The Ministerial Sub-Committee originally decided that compensation should in general be limited to 50 per cent. of the "market valuation" of such development value as had accrued up to the 31st March, 1939, and the officials prepared their detailed proposals on this basis, with provision for a higher rate of compensation in certain clearly-defined cases of obvious hardship. When these proposals came

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* Hansard, Commons, 15th August, 1945, Col. 56.
† L.P. (45) 27th Meeting, Minute 5, Conclusion (1).
‡ L.P. (45) 31st Meeting, Minute 2.
§ C.B. (45) 3rd Meeting.

Appendix "A."
before Ministers, it was pointed out that, assuming the figure of 50 per cent. had been selected because it was a reasonable overall average, then if (as was proposed) higher payment was to be made in certain cases—and as much as 100 per cent. in the case of "dead-ripe" land—there was a strong case for reducing below 50 per cent. the payment to be made in respect of the remaining claims. On these grounds it was therefore decided that the basic rate of compensation should be amended to 40 (see Head (4) (iii) of Appendix "A").

5. From this decision the Chancellor of the Exchequer dissents, and puts forward the following case:

(a) No data are available for arriving by calculation at the percentage that should properly be paid: the 50 per cent. (or the 40 per cent.) is no more than a guess at the amount that should be paid after excluding the element of floating value. The element of floating value may well be larger than is here allowed for: in which case even a 40 per cent. payment is unduly high.

(b) If a decision on the percentage to be paid could be deferred, data might be obtained (by valuation over a period of, say, the next five years) on which a more exact assessment of the element of floating value could be made, leading to a truer percentage, which might prove to be lower than 40 per cent. If this were so, the saving to the Exchequer might be substantial.

(c) In any case, to announce now that compensation will be paid at 40 per cent. might lead to charges of confiscation—especially as there is at present no substantial evidence to justify payment at that figure, such as might be available if the course at (b) above were adopted.

6. While recognising the force of these arguments, the other members of the Sub-Committee nevertheless felt bound to reject them, for the following reasons:

(a) To make no mention of any specific rate of payment in the Bill would lead to a great and undesirable uncertainty in land transactions, and there were also serious political objections.

(b) The Chancellor's objections would be met, at least in part, by reducing the payments from 50 per cent. to 40 per cent.

7. The second point of disagreement relates to the time at which compensation should be paid, and the opposing points of view are set out at Appendix "B." The Sub-Committee agreed with the majority view of the Official Sub-Committee: namely, that payment should be made on a fixed date, to be fixed by the Treasury, being a date not later than three years after the Act became law. The Chancellor of the Exchequer, however, would prefer that payment should be made only as and when development value may be frustrated by refusal of permission to develop by the Planning Authority.

8. I therefore ask the Cabinet—

(1) To endorse the Heads of Legislation that were unanimously approved by the Ministerial Sub-Committee;

(2) To decide the two matters still at issue, set out at paragraphs 4 to 7 above, viz.:

(a) should the Bill fix the percentage at which compensation is to be paid, and if so, should the figure be 40 per cent.?

(b) should compensation be payable at a fixed date or as and when permission to change the use of land is refused?

(3) To authorise the Minister of Town and Country Planning to proceed with the preparation of a draft Bill in the light of such decisions as may be reached on (1) and (2) above, and to submit the Bill for final approval in due course.

H. M.
APPENDIX "A."

COMPENSATION AND BETTERMENT.

PROPOSED HEADS OF LEGISLATION.

I.—Statutory Restriction of Land to Existing Use.

(1) All land, whether developed or undeveloped, to be subject to a statutory restriction to existing use, unless the consent of the Planning Authority is given for a change of use in any particular case; the definition of "existing use" to include the following:

(i) In the case of agricultural land, the definition of "existing use" to cover the broad range of agricultural uses (of which there are already several statutory definitions) and the owner to be assumed to have a right to repair or rebuild existing agricultural buildings and to erect in addition such buildings as may be necessary for the farming of the land, subject to reasonable control of siting and design.

(ii) In the case of land occupied by buildings, other than agricultural buildings, the owner to be assumed to have:

(a) the right to keep the existing building, maintain it in repair, or make such minor structural alterations or improvements (including additions (e.g., the addition of a garage or further room to a house) or extensions up to a maximum of 10 per cent. of the existing floor space) as may be necessary on grounds of domestic convenience or for the running of a business;

(b) the right to rebuild to the same cubic capacity, height, floor space, &c., and to use the new building for the same purpose as the old.

(iii) As regards the use of buildings, the owner to be deemed to be restricted to using the building or any substituted building for the same purpose or the same main purpose or class of purpose (e.g., any form of retail trade would be regarded as one use).

(iv) In the case of mixed users, such as a shop with dwelling accommodation above, the owner to be assumed to be entitled to a reasonable adjustment of the proportions of the various users as may be necessary on grounds of business or convenience up to a maximum of 10 per cent. of the floor space.

Notes.

1. The effect of these provisions will be to take "development rights" out of private hands. They thus carry into effect the intention underlying the main recommendation of the Uthwatt Committee, relating to development rights in undeveloped land outside town areas, but extend the conception to all land, so that the whole country will be brought under a single scheme. This will provide an effective basis for future planning operations.

II.—Compensation for the Imposition of the Statutory Restriction to Existing Use.

(2) Compensation for the imposition of the statutory restriction to be payable only in cases in which development value (i.e., value over and above the value of the land for its existing use) was inherent in the land on the 31st March, 1939, and only in respect of such development value.

(3) Any owner of any interest in land to be entitled, within six months from the passing of the Bill (subject to extension of the period in certain cases), to submit a claim for compensation on the ground that, by reason of the imposition
of the restriction to existing use, the value of his interest in that land, calculated as in (4) below, has been reduced by more than:—

(i) £20 per acre, or

(ii) 10 per cent. of the value of the interest as restricted to existing use, whichever is the greater.

(4) Compensation to be payable as follows:—

(i) Where the owner can show that, before the war-time building control came into operation, he had either signed a contract for the erection of a building or submitted to the bye-law authority detailed constructional plans for development which had not been forbidden on planning grounds, he shall be entitled to 100 per cent. of any development value which inhered in the land on the 31st March, 1939, calculated by taking the difference between—

(a) the basic value—i.e., the value of the land on a March 1939 basis of value, assuming it to have been restricted in perpetuity to its present existing use; and

(b) its market value on a March 1939 basis.

(ii) Where the owner can show that the interest in the land in respect of which he is claiming compensation was purchased by him (or if he acquired by inheritance, by the person from whom he inherited) on or after the 1st April, 1929, and that the price which was then paid exceeded the 1939 basic value of the land, calculated as at (i) (a) above, he shall be entitled to claim the amount of the excess as additional compensation; except that—

(a) where changes have since taken place in the unit of land, or in the nature and extent of the interest, or in the condition of the land (including buildings), &c., the amount of the purchase price on which this calculation is based will be adjusted accordingly;

(b) in cases where the purchase took place at a price above the value at (i) (b) above (whether the purchase was before or after that date) that value will, for the purpose of this calculation, be substituted for the purchase price.

(iii) In all other cases, compensation to be at the rate of 40 per cent. of the difference, if any, between the two valuations at (i) (a) and (b); owners falling within (ii) to be allowed to claim under this provision if they deem it to be more favourable to them.

(5) For the purpose of the valuation at (4) (i) (b), there should be excluded any element of value due to a possible use of the land for certain defined purposes, which may be classed broadly as anti-social (e.g., the use of land in certain areas for noxious trades, or the erection of buildings on land subject to flooding) on the ground that such a use could reasonably have been disallowed without compensation under Section 19 of the Town and Country Planning Act, 1932.

(6) The unit of land for the purpose of each claim to be at the option of the owner; but where the unit is a part only of the owner's holding of land, deduction to be made from the valuation at (4) (i) (b) in respect of disturbance and any injurious affection to other land of the owner that would result from the development of that part of the land in respect of which compensation is claimed.

(7) Provision to be made for an appeal to the Official Arbitrator should an owner and the Government valuer fail to agree on the valuations at (4) (i).

(8) Compensation to be payable on a date to be fixed by the Treasury, being a date not later than [3] years after the date upon which the Act becomes law, or the date for payment of value payments under the War Damage Act, whichever is the later; and as from that date the owner to be entitled to interest upon any compensation not so paid.

(9) Where developers were in process of developing an area of land when war broke out, and the completion of the development was stopped owing to the war, then, if the Minister is satisfied that there is no planning objection to the completion of the development (or some part of it), and is satisfied that the owner...
will complete the development (or some part of it) as soon as the supply of labour and materials permit, he may direct that no compensation should be paid, and that a licence to develop should be issued without payment of Betterment Charge.

Notes.

2. The proposed basis of compensation for the loss of development rights is as follows:

(1) Where land was on the point of being developed when war broke out, the owner will receive compensation at the rate of 100 per cent. of the 1939 development value, or, alternatively, will be given a straightforward permission to continue the development if there is no objection on planning grounds.

(2) Where an owner bought land since March 1929 at a price which included a payment for development rights, he will be able to claim in compensation the amount of the purchase price attributable to the development rights, with the March 1939 value as a ceiling.

(3) In all other cases, compensation will be at the rate of 40 per cent. of the 1939 development value. Owners falling under (2) will have the option of claiming the 40 per cent. if it is more advantageous to them.

(4) In order to avoid a flood of trifling claims that would choke the administration, no claim will be admitted unless the development rights were worth either £20 per acre or were more than 10 per cent. of the existing-user value, whichever is the greater.

3. The aim of these provisions is to pay compensation that is fair, without being excessive, for depriving owners for the future of the right to reap increased values on development or redevelopment of their land. The Uthwatt Committee estimated that if compensation were paid on the basis of 100 per cent. of the “market value” of each separately owned parcel of land, owners as a class would receive between two and three times as much as the total development rights as a whole were in fact worth. The global method of compensation recommended by the Uthwatt Committee (following the precedent of the Coal Act, 1938, which nationalised coal royalties) would be extremely difficult to apply to development values in land and would lead to hardship and glaring anomalies. Moreover, many years would be needed to collect the information necessary for an accurate calculation of the global sum and, meanwhile, the effect of the legislation might be held up. The above provisions will give broadly the same amount of compensation to owners but will, it is believed, avoid major hardship.

4. No estimate can be made of the total amount of compensation involved. It will undoubtedly be heavy, but after a few years the income from betterment ought to be sufficient to meet a substantial part, at any rate, of the interest charges.

5. It is proposed that compensation should be payable at a date to be fixed by the Treasury. The Bill would provide that this date should not be earlier than the date for making value payments under the War Damage Acts but, subject to that, would be not later than three years from the passing of the Act. The Chancellor of the Exchequer dissents from this last proposal, however, and desires that payment should only be made as and when an owner is refused permission to develop. The respective arguments for “as and when” payment and for “fixed date” payment (the majority view) are set out in Appendix B.

6. If the proposal of the Chancellor of the Exchequer for “as and when” payment of compensation is accepted, the compensation proposals set out above will need reviewing. In particular, a detailed scheme will also need to be drawn up for recording the compensation, apportioning it on any change of unit, and distributing it when it falls due for payment.

III.—Planning Requirements.

(A) The Preparation of Plans.

(10)—(a) Local Planning Authorities (combined where necessary as under present law) to be required within 3 years from the passing of the Act to prepare “Outline Plans” showing their proposals for the future planning of their areas.
(b) These plans to be submitted to the Minister for approval after being made public and being the subject, where necessary, of a public enquiry.

(c) The Minister to have power to give directions as to the matters to be included in the Outline Plan, either on specific points or generally on the principles which should govern its preparation and its contents.

(d) Local Planning Authorities to be required to prepare more detailed plans of particular parts of their area as and when a more intensive development or redevelopment of any part is to be taken in hand; such plans also to be subject to the approval of the Minister, who will have power to issue directions regarding the "planning standards" to which development should conform.

(B) The Execution of Plans.

(I) The Granting of Consents for Change of Use.

(11) Provisions are required—

(a) to enable permission for a different use to be granted in all appropriate cases;

(b) to enable the Minister to give a "block" consent to certain classes of development by means of a Ministerial Order—corresponding very closely to the General Interim Development Order made under the existing Planning Acts (S.R. & O. 349/45).

(12) Subject as above, the power to give or refuse consent to rest primarily with the appropriate Local Planning Authority, but the Minister will be given power to revoke or modify consents; to require particular applications or applications of a particular class to be referred to him for decision; and to direct Local Planning Authorities to notify him of particular applications or of particular classes of applications received, and, where necessary, of the decisions given on them.

(II) The Control of Existing Use.

(13) The Local Planning Authority to be empowered to exercise control within the range of existing use on the lines already provided in the Town and Country Planning Act, 1932.

(14) In defined circumstances, the owner to be entitled to compensation or to be given a right to require the Local Authority to buy his property if the exercise of their powers renders it sterile.

(III) Compulsory Purchase of Land.

Powers.

(15) Powers to be provided for compulsory purchase of land, with the consent of the Minister of Town and Country Planning, for the following purposes:

(a) to enable any feature of an approved Outline Plan or Development Plan to be carried out;

(b) to ensure that land is made available for any development that is in accordance with an approved plan;

(c) during the period prior to the settlement of the Outline Plan, for any purpose which, in the opinion of the Minister, is immediately necessary in the public interest, having regard to the planning requirements of the area.

Price.

(16) The purchase price on compulsory acquisition to be assessed on the assumption that the land was subject, at the time of purchase, to a perpetual restriction to existing use, and while Part II of the Town and Country Planning Act, 1944, remains in operation to be related to a 1939 standard of values, with such supplementary payments as that Act provides.
(IV) Power of Local Planning Authorities to carry out Development.

(17) Local Planning Authorities to be given a general power of development, with the consent of the Minister, for carrying out or securing the object of an approved plan.

Notes.
7. The object of legislation on the subject of compensation and betterment is to enable the use of the land resources of the country to be guided and directed on sound planning principles. The planning machinery provided by existing legislation is lengthy, cumbersome and rigid, and not readily adaptable to a process of positive planning. The above proposals provide for an improved procedure for the preparation and execution of plans, and for their progressive modification to meet changing circumstances. They include, in particular, extended powers of compulsory purchase of land to enable the plans to be carried out and a discretionary power to the Minister to permit Local Authorities to carry out development in appropriate cases.

IV.—Betterment.

(18) In all cases where planning permission is given for any change in the use of any land or buildings outside the definition of existing use in paragraph (1) and the permission so given raises the value of the land above its value for existing use, the person carrying out that change to be required to obtain from the Land Commission a licence to proceed with the development for which permission has been granted and to pay a Betterment Charge in respect of such increase in value as results from the permission.

(19) The licence only to be issued to a person who is himself going to carry out the development, who will be required to show that he has a sufficient legal interest in the land to enable him to develop.

(20) Transfer of the licence to another person to be permitted only with the approval of the Land Commission, but such approval not to be unreasonably withheld.

(21) Applicant to have a right of appeal to the Minister against the Betterment Charge only in cases where land has already been purchased in anticipation of future requirements—e.g., for a proposed factory extension.

(22) Penalties to be provided for developing without obtaining a licence.

(23) The Land Commission to be given power to accept payment of the Betterment Charge by instalments, or on the basis of an annual charge, or by such other methods as appear to them to be appropriate in any particular case.

Notes.
8. The State having purchased all rights of development or redevelopment (which will be vested in a Land Commission), any person who desires to develop particular land and has planning permission to do so, will be required to obtain a licence from the Land Commission and pay (or give security for) the Betterment Charge. Put shortly, he will have to buy from the State the right to develop. In practice, the amount will be related, so far as possible, to the value of the land for the purpose to which the developer intends to use it; it will be, in effect, the value of the licence to the applicant and will be fixed by negotiation in much the same way as the rent or premium on a lease is fixed in ordinary transactions. The Land Commission will thus be left with a wide discretion, but they will be subject to direction by the Minister of Town and Country Planning, who will be required to consult the Treasury and will be answerable to Parliament. It will be a duty of the Land Commission to see that necessary development is not held up, and in fixing the Betterment Charge, therefore, they will have to take particular care to see that it is not fixed so high that it undermines the profitability of the proposed enterprise and destroys the incentive to develop.

9. In order that the Land Commission should have data available for fixing the appropriate Betterment Charge, arrangements will be made, if necessary, for "open market sales" from time to time.
10. Opposition may be expected in Parliament to the proposal to leave to the Land Commission a complete discretion as to the charge to be imposed. Close examination of the position, however, has shown that it is neither practicable nor desirable to provide a rigid statutory formula for the calculation of the Betterment Charge. Nor is it thought that there should be any general right of appeal, except in the special case of a person who has already bought land specifically for the extension of an existing use—e.g., a factory extension. In such a case, provision is made for an appeal to the Minister.

V.—Application to Minerals.

(24) The universal restriction to existing use to be drafted so as to prohibit the working of surface or underground minerals otherwise than with planning consent (to which any necessary conditions may be attached) and the payment of a Betterment Charge where appropriate.

(25) “Current workings” to be given a statutory right to continue for a limited period or until stopped by ad hoc notice. Such workings to be defined so as to include land already being worked with such adjoining land as may be appropriate.

Notes.

11. The proper allocation of land for mineral working and the imposition, in appropriate cases, of conditions for “after-treatment,” of the land are an important aspect of planning. This provision will give the State the right to control future mineral working in the same way that the above provisions will secure the right to control other forms of future development. The exemption of “current workings” is necessary in order to avoid any hold-up in production on the introduction of the new system.
APPENDIX "B."

TIME FOR PAYMENT OF COMPENSATION.

The following extract from the First Report of the Official Sub-Committee on Compensation and Betterment* sets out the respective arguments for "as and when" payment and "fixed date" payment, referred to in paragraph 5 of the Notes in Appendix "A": --

**Time for Payment.**

36. At the Meeting of Ministers on the 28th August, 1945,† it was recognised that, as the valuation process would take several years, immediate payment of compensation was out of the question; and Ministers adopted the, only alternative proposal then before them, namely, that payment should only be made if and when application for permission to develop is refused. This was the proposal in the White Paper‡ issued by the Coalition Government. In the course of preparing a detailed scheme, however, the majority of the Committee have come to the conclusion that to make the payment of compensation dependent upon the refusal of planning permission will lead to serious administrative difficulties without any corresponding financial advantage, and may even endanger the whole policy of planning. We recommend, therefore, the Treasury dissenting, that all compensation in respect of development rights accrued up to the 31st March, 1939, should be paid off on a fixed date, whether or not the owner of the land has applied for permission to develop.

**The Treasury view.**

37. The Treasury representative is of opinion that the previous decision should remain—i.e., that compensation should be paid only when permission to develop is refused to an owner who can show that he is able and willing to develop, and that there is a demand for such development. The considerations put forward in support of this view are as follows: --

(a) The amount of compensation cannot be estimated in advance. Therefore, under the proposal for a "fixed date" payment, the Government would be committed to the payment, over a relatively short period, of an amount of compensation of unpredictable, but certainly of very considerable, magnitude. As regards undeveloped land, intelligent guesses have been made. As regards developed land, no one has even hazarded an opinion of what amount is involved.

(b) If the compensation claim is met in full at the outset, irrespective of whether development would actually be refused, it would be almost impossible to establish any control over the relation of the compensation charge to the produce of the betterment charge. The Government must retain the power, if circumstances so necessitate, of controlling the giving or withholding of planning consents in the light of the financial working out of the compensation and betterment scheme.

(c) The payment of compensation involves the issue of either cash or negotiable securities, carrying an annual burden of interest charges, against something which is not a revenue-earning asset at the moment but is merely the present value of a future earning capacity. The issue of compensation should therefore be as near in time as possible to the realisation somewhere else of the development, the refusal of which in a particular place is the occasion for the payment of compensation.

(d) So far as the recipients of compensation are disposed to spend money which has come to them in advance of expectation, the scheme would add to the inflationary pressure likely to be experienced in the early reconstruction period.

(e) The Treasury appreciate that postponement of compensation has a bearing on the percentage of development value as at 1939 which can be regarded as true value. Therefore, if a satisfactory basis is devised

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* C.B. (45) 6.
† C.B. (45) 1st Meeting, Minute 5.
‡ White Paper on the Control of Land Use (Cmd. 6537), paragraph 34.
for restricting compensation, in the main, to occasions when develop-
ment would have taken place but for planning refusal, it would
become justifiable to pay a higher percentage than the 50 per cent.
at present proposed.

The majority view.

38. The following are the arguments on which the view of the majority—
namely, that all compensation should be paid on a fixed date—is based:

(a) Such payment—i.e., payment irrespective of any application for
planning consent—must in any case be made, as was recognised in
the White Paper,* wherever any area of land is zoned against
development, e.g., as agricultural land or as a green belt. But, in fact,
green belts for London and for three or four other great cities will
account for a considerable proportion of the undeveloped land in
respect of which compensation is payable.

(b) As regards the remainder, the proposal for “as and when” payment
will not in practice spread out the payment of compensation to any
material extent. If payment of compensation is made dependent on
a planning refusal, then the very great majority of those who claim
that there was development value in their land at the 31st March, 1939,
will forthwith apply for planning permission to develop, so that, on
refusal, compensation would be payable. (N.B.—We are satisfied
that in practically all such cases the check suggested in paragraph 37
above, namely, that the owner should be required to show that he is
able and willing to develop and that there is a demand for such
development, could be overcome without difficulty; nor are we able
to suggest any more effective check.)

(c) Furthermore, and this, in our view, is of great importance, claims put
up in this form would inevitably choke the administrative machine.
Under the proposal for “fixed date” payment, claims for compensa-
tion would be based solely on the existence of development value at
the 31st March, 1939, would go direct to the Land Commission, and
if, owing to their number, there were some delay in payment, no great
harm would result. Under the “as and when” proposal, on the
other hand, all such claims, although in fact claims for compensation,
would take the form of applications for planning permission, and
would go to the Planning Authority, who would have to consider them
seriously from the planning point of view. The result would be that
genuine applications for permission to develop would be swamped
by a mass of quasi-bogus applications from owners who have no desire
to develop and no expectation of obtaining permission to do so: and
the whole machinery of development would be most seriously clogged.

(d) We have left to the last the proposition which in fact lies at the root of
the Treasury arguments at (a), (b) and (c) in paragraph 37 above—
namely, that the administrative machinery of planning must be so
designed that if, at any future period, it should be found that the
outgoings of compensation are getting out of balance with the
incomings of betterment, there can be such a material increase in the
number of grants of permissions to develop carrying betterment
charge as to bring the two sides of the account back into step. We
are, on the one hand, strongly of opinion that extravagant
planning—planning without regard to its long-range financial
results—is bad planning; but we submit that sufficient safeguards
against this are provided by the complete power embodied in the
Acts of 1943 and 1944 to the Minister to overrule the decisions of
Local Planning Authorities, and in the provisions of Section 7 of
the Act of 1944 which, in effect, require the consent of the Treasury
to be given to plans for the redevelopment of “blitzed” areas and
the development of satellite towns. But to say, as the Treasury
argument does in effect say, that decisions and plans are to be
governed by their short-range financial out-turn, and that because
decisions in the first period of three or four years have involved more
compensation that the betterment they have produced, therefore the
decisions in the next period must be governed by quite different

* White Paper on Control of Land Use (Cmd. 6537), paragraph 34.
considerations, seems to us to reintroduce into planning the precise evil which rendered the Act of 1932 largely ineffective and against which the whole of the Uthwatt proposals were directed. In rejecting a proposal on somewhat similar lines, the Uthwatt Committee observed that: "We are satisfied that it would be destructive of any true policy or programme of national planning."*

39. To sum up, therefore, the view of the Committee, the Treasury dissenting, is that if planning is to be soundly administered on the basis of a long-term programme for the proper use of our land resources, the payment of compensation to landowners for development values must be treated as a separate transaction and divorced from planning operations. To effect such a divorce was the main object of the Uthwatt Committee. If it is not effected, the grant or refusal of planning permission must inevitably be swayed by the consideration whether or not refusal will entail compensation; and the attempt to cure the main defect of the Act of 1932 is in effect abandoned. Moreover, since, in the view of the majority, to make compensation dependent on the refusal of planning permission would not result in any material reduction in the total disbursements in the early years after payments become general, it has little or no financial attraction. For the same reason, since in any case the payment of compensation must, they submit, be postponed for at least two years, it could have little effect upon coming inflationary pressure; nor would it help in those early years in balancing betterment income and compensation expenditure, even if there is any real danger that, after a comparatively short period betterment income will not at any rate suffice to meet loan charges. They consider that the financial dangers can only be reduced, short of abandoning planning as a policy, by revising the basis of compensation or by postponing the date on which payments begin. They do not recommend the former, but to meet the latter they propose above that in general no compensation should be paid for at least three years after the passing of the Bill; if need be the moratorium could be extended and payment could also if necessary be spread over a number of years.

EFFECTS OF THE DOCK STRIKE.

MEMORANDUM BY THE MINISTER OF WAR TRANSPORT.

BEFORE the recent dock strike ended with the return to work of dockers on Monday, the 5th November, I had prepared a Memorandum on the effects of the strike on the shipping position and on import and export programmes. I think that my colleagues may still like to see the Memorandum, as it shows the serious effects of the stoppage in the docks. The Memorandum represents the position at the 30th October.

A. B.

Ministry of War Transport, W. 1,
8th November, 1945.

ANNEX.

EFFECTS OF THE DOCK STRIKE.

AS a result of the dock strike which began on the 25th September, about 220 ships on which no work was being done were held up in British ports on the 30th October. Of these 170 contained imports awaiting discharge, and 50 were waiting to load outwards. The incoming ships contained 75 cargoes of timber, 20 full cargoes of food, 25 cargoes of iron ore and other raw materials, and 50 general cargoes of mixed food and materials. These ships represent delays to our import programme which cannot be replaced because their carrying power lost during their enforced idleness has irretrievably gone, and because there is a danger that a number of ports, for example in the Baltic, to which they would normally have gone for further cargoes will now be ice-bound before all the cargoes can be cleared from them.

2. The loss of carrying capacity is severe. 110 British ships, which should have been loaded with further cargoes during November, will not now be available in that month. To make good a part of the loss it will be necessary to spend some of our remaining dollars on additional freight for trans-Atlantic tonnage, thus reducing our slender dollar resources which should be reserved for purchasing much-needed supplies of food and raw materials. At the same time, to get ships away quickly to load homewards again, export cargo which should be earning foreign exchange with which to buy our imports has had to be left behind to the disappointment both of the customers abroad, who are anxiously awaiting delivery, and of manufacturers and workers at home who are swinging into the export drive.

3. It is now estimated that, mainly owing to the dock strike, United Kingdom imports for the year will be ½ million tons less than was expected before the strike began, and there will be a further bill to pay in the loss of future imports for the reasons given above.
4. The effects of the strike will continue to upset our food supplies and the output of manufactured goods, and will interfere with the housing programme for months to come. Similarly, if the supply of raw material is seriously interrupted, the revival of the export trade will be correspondingly retarded, with consequent loss of employment and delay of the whole process of rehabilitation. The housing programme in particular will suffer since the strike has prevented the seasonal building up of stocks of timber for the winter to cover the period until imports on a full scale can be resumed next May, when the Baltic and the St. Lawrence are open again.

A. B.
PUBLIC ANNOUNCEMENT ABOUT NATIONALISATION PROPOSALS

Memorandum by the Lord President of the Council

1. I was asked by the Cabinet on the 16th October (C.M.(45)22nd Conclusions, Minute 4(2)) to consider, with the Minister of Fuel and Power and the other Ministers concerned with the nationalisation of particular industries, the form and timing of a public announcement about the Government's proposals for the nationalisation of the electricity and gas industries.

2. The Lord President's Committee has considered the matter and is in favour of an announcement indicating in general terms the industries which the Government intend to socialise during the course of the present Parliament. I attach the draft of an announcement for the approval of my colleagues.

3. On the statements of policy contained in the announcement, the decisions we reached at the Lord President's Committee may, I think, be summarised as follows:-

(i) There is a clear case for the nationalisation of the gas and electricity industries.

(ii) The railways, canals and long-distance road haulage facilities should be nationalised. Road passenger transport should be brought under public ownership but the extent to which this involves Government - as distinct from local or other public authority - ownership will require further examination. Similarly, the form of public ownership to be applied in the case of docks and harbours has not yet been worked out.

(iii) The shipping industry should be given a definite indication that, as in the case of the cotton industry, the Government does not propose to bring it under public ownership provided that it maintains the necessary standard of efficiency. We shall have to
examine further the rather special position of coastwise shipping, which will have to be linked with the inland transport arrangements.

(iv) The Coalition Government asked the iron and steel industry to produce a report on the future development of that industry. We should await the report before taking any decision whether to bring the industry under public ownership.

4. An important feature of the announcement is the admonition addressed to the industries due for socialisation that any necessary development must not be held up in the interim period pending the transfer of ownership.

5. I would propose to make the announcement at an early date in the House of Commons after questions. I think that we can resist any pressure for a debate on the details of the Government's proposals on the ground that the object of the present announcement is to clear the way for the Ministers concerned to enter into negotiations with the industries concerned and to formulate their proposals in greater detail.

H.M.

Cabinet Office, S.W.1.

12th November, 1945.
1. The Government believe that it is in the public interest that they should give a general indication of the further measures they propose to introduce during the life of the present Parliament to bring certain essential services under public ownership. This statement will enable the Ministers concerned to enter into consultation with the industries concerned.

2. As indicated in the King's Speech at the beginning of the present Session, the Government intend to introduce a Bill during the present Session to nationalise the coal-mining industry as part of a concerted plan for the co-ordination of the fuel and power industries. At a later stage in the present Parliament, measures will be introduced to bring under national ownership the electricity supply industry and the gas industry.

3. It is the intention of the Government to introduce, during the life of the present Parliament, measures designed to bring transport services, essential to the economic well-being of the nation, under public ownership and control. Government policy in regard to civil aviation and telecommunications services has already been announced. In regard to inland transport, powers will be taken to bring under national ownership the railways, canals and long distance road haulage services.

4. As regards road passenger transport it is regarded as essential that the undertakings of the municipalities and companies should be fully co-ordinated with the national scheme, and it must be considered whether this can best be achieved by transferring ownership to a national authority or by providing for the creation of regional or joint boards responsible for their own finances. The second alternative
would make it necessary for some control to be exercised over these boards by a national authority in order to ensure conformity with general policy and their proper correlation both with one another and with other forms of transport.

5. Dock and harbour undertakings will be brought within the scope of the national scheme and the most appropriate form of public ownership is under examination.

6. It is not the intention of the Government to propose the nationalisation of the shipping industry, but we shall expect the industry to comply with the necessary standard of efficiency and to have full regard to the public interest. The Government look with confidence to the shipping industry generally to play a full part in the effort towards national economic recovery and are alive to the problems with which our shipping finds itself confronted as a result of the war. Coastwise shipping holds, and must continue to hold, an important place in the country’s transport facilities and may be affected by the Government’s proposals for unifying other agencies of home transport.

7. The Coalition Government invited the iron and steel industry to submit a report on the improvements required to put the industry on an efficient operating basis. The Government proposes to await this report, which is expected shortly, before taking decisions on the future organisation of the iron and steel industry.

8. Any changes in an undertaking involving a possible increased claim for compensation which take place after the date of this announcement will be closely scrutinised, when arrangements for compensation are made. The same date will apply to the iron and steel industry, if subsequently it should be decided to bring it under public ownership.
During the interval which will necessarily elapse before the plans outlined above can be presented to Parliament and carried into effect, all necessary development in the industries concerned must be carried on. The Government propose to see, therefore, that industries will not be prejudiced if they continue to develop their undertakings in the interim period; and the appropriate Departments will enter into early consultations on the point with the industries concerned. A progressive undertaking need not fear that it will fail to receive full and fair recoupment for any necessary and proper capital expenditure. The compensation payable will have full regard to the extent to which adequate development and maintenance have been carried on up to the time of transfer of the undertaking.
SECRET.

CP. (45) 278.

9th November, 1945.

CABINET.

TOWN AND COUNTRY PLANNING LEGISLATION.

MEMORANDUM BY THE CHANCELLOR OF THE EXCHEQUER.

The paper by the Lord President of the Council (CP. (45) 275) sets out the points at issue between me and the other members of the Ministerial Committee on Compensation and Betterment. It gives the arguments in detail. A statement of my views, on a broader basis than is contained in the report of the officials, may help discussion in Cabinet.

1. We have in our programme for the life of the present Parliament a number of important projects involving very large financial operations. At the same time, we shall have for some years an economic situation which will require careful handling by reason of inflationary dangers and other elements of instability. We shall only be able to make a practical success of our programme if at all stages we show proper prudence in finance. Yet on the present proposals (one of the biggest measures we have in prospect) we should have to say, when putting our schemes to Parliament, that we did not know, within a margin of error of some hundreds of millions of pounds, what the outlay to which we were irrevocably committing the country was likely to be. I feel that this would be an impossible situation.

2. The Barlow Report guessed £400 million as the value of development rights in undeveloped land in 1938. No estimate has been given by anyone, to my knowledge, of redevelopment rights in developed land. I fear it may be very large indeed. Payment of compensation of 50 per cent. or 40 per cent. of sums of this magnitude over a very short period of years would be a serious and most unwelcome addition to the large payments and issues we shall have to make for other purposes in the next few years. The creation of so great a quantity of new Government securities—quite apart from the interest charge on the taxpayer—will make it very problematical whether I can hold the policy of cheap money which I am now pursuing. If I fail, this will prevent me from making the reduction I am hoping for in housing costs, &c., as well as in the debt charge in the Budget.

3. Moreover, there is a real budgetary difficulty in that interest on the compensation will be a heavy charge to the taxpayer which revenue from betterment will do very little to offset for years to come. On the other socialisation schemes, the taxpayer will have the earnings of the socialised industry to set against the service of the loans. Here he will have little or nothing for a long time.

4. But vast as the outlay will be, this scheme rests upon such scanty factual information that we should be at one and the same time probably paying in total far too much and yet open to a charge, which we should find it impossible to rebut, that in many cases our scheme was confiscatory.

5. I must here stress a point not mentioned in the official report. Many of the developments whose prospective value is reflected in the value of land at any particular date will never in fact be realised, apart altogether from planning interference. I appreciate that this point is looked after globally by fixing compensation at a percentage of value, but it is, to my mind, wrong to pay compensation for a value which is purely speculative with no certainty that it will ever materialise.

[30862]
6. I note the argument of my colleagues that uncertainty on the amount to be paid is politically objectionable. But we must remember that for some years the volume of arrears of development urgently required in the public interest is bound to require the retention of close controls. This renders uncertainty less undesirable than it would be if we were looking to unrestrained activity on a wide scale. I also note the argument that an attempt to confine compensation to refusals of _bona fide_ ripe proposals for development would clog the planning machine without successfully achieving its object. But I do not accept this argument. It is at best one of degree. Administrative arrangements should be made to avoid paying compensation (except in such cases as green belts) where there is no _bona fide_ proposal for development, and in these arrangements the planning machine must, if necessary, play its part. I can appreciate the desire of the Minister of Town and Country Planning that the planning scheme should operate in complete freedom from financial cares, but this is a freedom which we cannot afford to concede where the sums involved are of this magnitude. Several of my colleagues would appreciate a similar freedom! But it would bust the Treasury and wreck the Government!

7. My view, therefore, is that we must know what we have to pay before we are irrevocably committed to pay it, and that we should only pay compensation in cases where the event shows that the theoretical "development value" would turn into real value, as a result of actual development.

_Treasury Chambers, S.W. 1,
9th November, 1945._
CONFIDENTIAL.

C.P. (45) 279.
9th November, 1945.

CABINET.

COMMITTEE ON VICTORY CELEBRATIONS.

NOTE BY THE SECRETARY OF THE CABINET.

IN accordance with the decision of the Cabinet on the 1st November, 1945,* the Prime Minister has appointed a Committee of Ministers composed as follows:

- Home Secretary (Chairman).
- First Lord of the Admiralty.
- Secretary of State for War.
- Secretary of State for Air.
- Secretary of State for Scotland.
- Minister of Works.

The task of the Committee is to formulate plans for official Victory celebrations and to supervise the detailed arrangements to be worked out by one or more committees of officials.

The number and composition of the official committees will be determined by the Ministerial Committee. They will, however, include, in addition to officials from the Departments represented on the Ministerial Committee, representatives of the following Departments:

- Dominions Office.
- India Office.
- Colonial Office.

The Secretaries of the Committee will be:

- Mr. J. D. Peak (Cabinet Office).
- A Secretary to be nominated by the Home Office.

(Signed) E. E. BRIDGES.

Cabinet Office, S.W. 1,
9th November, 1945.

* C.M. (45) 48th Conclusions, Minute 4.
CEYLON CONSTITUTION.

MEMORANDUM BY THE SECRETARY OF STATE FOR THE COLONIES.

1. My colleagues will recollect that the Statement of Policy on Constitutional reform, issued as a White Paper (Cmd. 6690) on the 31st October, concluded with the announcement of His Majesty's Government's intention of taking into account the views expressed by the State Council of Ceylon on the proposals put forward by His Majesty's Government, and the number of Members of that Council voting in favour of adopting the new Constitution.

2. On the 8th November Mr. D. S. Senanayake, Leader of the Council and Vice-Chairman of the Board of Ministers, moved a motion in the State Council in the following terms:—

"This House expresses its disappointment that His Majesty's Government have deferred the admission of Ceylon to full Dominion status, but in view of the assurance contained in the White Paper of the 31st October, 1945, that His Majesty's Government will co-operate with the people of Ceylon so that such status may be attained by this country in a comparatively short time, this House resolves that the Constitution offered in the said White Paper be accepted during the interim period."

3. I am glad to be able to report to my colleagues that this motion was carried by fifty-one votes to three. The total voting strength of the Council is at present fifty-seven. One Sinhalese and 2 Indian Tamils voted against the motion, while 38 Sinhalese, 5 Tamils, 3 Moslems, 4 Europeans and 1 Burgher, 51 in all, voted in favour of it. The motion was thus carried by a majority substantially in excess of the proportion of three-quarters originally contemplated in His Majesty's Government's Declaration of the 26th May, 1943, as one of the conditions of the approval of any new Constitutional scheme formulated by Ministers.

4. I therefore propose, if my colleagues agree, to inform the Board of Ministers through the Governor that His Majesty's Government have learned with satisfaction of the acceptance of Mr. Senanayake's motion by a very substantial majority of the voting strength of the State Council, and have approved of the necessary steps being taken to give effect to His Majesty's Government's undertaking to grant to Ceylon a new Constitution on the basis set out in the White Paper.

G. H. H.

Colonial Office, S.W. 1,
13th November, 1945.
THE INDIAN SITUATION.

MEMORANDUM BY THE SECRETARY OF STATE FOR INDIA.

I circulate (Annexure 1) for the urgent consideration of my colleagues, a memorandum which I have just received from the Viceroy analysing in grave terms the situation with which he is confronted in the light of the increasing violence of the speeches of certain of the foremost Congress leaders. I also circulate (Annexure II), to be read with it, a letter from the Viceroy forwarding a note of his recent interview with Jawaharlal Nehru referred to in paragraph 5 of the memorandum. In Annexure III I reproduce extracts of the speeches delivered in recent weeks by Congress leaders.

The Viceroy is convinced that the Congress leaders, as represented by Nehru, Vallabhbhai Patel, Asaf Ali, and Pant, contemplate resort sooner or later to force in order to secure their goal of complete independence. He thinks it improbable that Congress will attempt a rising, until the elections are completed next April, unless events force their hand, but he warns His Majesty's Government to be prepared for a serious attempt by Congress next spring, and even possibly sooner, to subvert the present administration by force.

Nehru's utterances since the Viceroy wrote his memorandum have made specific reference to "revolt" and adopted a threatening tone in regard to "settlement of differences between Congress and the Moslem League and between Congress and Great Britain. I do not take all Nehru's speeches at their face value, and recognise that much may be set down to the ebullience of electioneering and to the fact that it is only a few months since he was released from detention. But I cannot take the Viceroy's warning lightly, particularly as I am told for the first time that there are signs of a demoralising effect not only among the civil services but also in the Indian Army.

The following points arise for consideration from the Viceroy's memorandum:

(a) The Viceroy assumes (para. 9) that there will be no question of the acceptance of a Congress ultimatum. I ask that I may be authorised by my colleagues to give him the assurance that his assumption is justified and that there will be no question of giving carte blanche to Congress.

(b) The Viceroy considers (para. 11) that there would be justification for moving against Congress now, but (para. 12) does not recommend immediate action unless it is necessitated by disorders. I share his view and ask for agreement to it by my colleagues.

(c) The Viceroy, however, considers that at a very early date a declaration should be made of the attitude of His Majesty's Government towards the growing threat of violence, covering the four heads suggested in his paragraph 13. In my view the need for an immediate statement is not established, but I consider that a statement should be prepared
CABINET.

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I circulate (Annexure 1) for the urgent consideration of my colleagues, a memorandum which I have just received from the Viceroy analysing in grave terms the situation with which he is confronted in the light of the increasing violence of the speeches of certain of the foremost Congress leaders. I also circulate (Annexure II), to be read with it, a letter from the Viceroy forwarding a note of his recent interview with Jawaharlal Nehru referred to in paragraph 5 of the memorandum. In Annexure III I reproduce extracts of the speeches delivered in recent weeks by Congress leaders.

The Viceroy is convinced that the Congress leaders, as represented by Nehru, Vallabhbhai Patel, Asaf Ali, and Pant, contemplate resort sooner or later to force in order to secure their goal of complete independence. He thinks it improbable that Congress will attempt a rising, until the elections are completed next April, unless events force their hand, but he warns His Majesty's Government to be prepared for a serious attempt by Congress next spring, and even possibly sooner, to subvert the present administration by force.

Nehru's utterances since the Viceroy wrote his memorandum have made specific reference to "rebellion" and adopted a threatening tone in regard to "settlement of differences between Congress and the Moslem League and between Congress and Great Britain. I do not take all Nehru's speeches at their face value, and recognise that much may be set down to the ebullience of electioneering and to the fact that it is only a few months since he was released from detention. But I cannot take the Viceroy's warning lightly, particularly as I am told for the first time that there are signs of a demoralising effect not only among the civil services but also in the Indian Army.

The following points arise for consideration from the Viceroy's memorandum:

(a) The Viceroy assumes (para. 9) that there will be no question of the acceptance of a Congress ultimatum. I ask that I may be authorised by my colleagues to give him the assurance that his assumption is justified and that there will be no question of giving carte blanche to Congress.

(b) The Viceroy considers (para. 11) that there would be justification for moving against Congress now, but (para. 12) does not recommend immediate action unless it is necessitated by disorders. I share his view and ask for agreement to it by my colleagues.

(c) The Viceroy, however, considers that at a very early date a declaration should be made of the attitude of His Majesty's Government towards the growing threat of violence, covering the four heads suggested in his paragraph 13. In my view the need for an immediate statement is not established, but I consider that a statement should be prepared...
now with a view to its use if necessary at an appropriate and agreed time later on. Such a statement should not, in my view, be solely of a minatory character. It should deal with the political situation generally, give an answer to some of the questions that are being asked, and also, quite firmly, handle the points raised by the Viceroy. It might be made in the House of Commons.

(d) We must know what forces will be available at any moment for the suppression of disorder. I append (Annexure IV) a brief note of the military forces now available in the event of a situation developing beyond the capacity of the police to handle. I think that the question of their adequacy should be enquired into further, particularly as regards the availability of more British troops.

(e) Finally I consider the Viceroy is entitled to an answer to his request for an assurance of our support for such action as may be necessary. I do not see how we can refuse this assurance, but the Viceroy should be asked to keep the Cabinet in close touch with the situation and warned that action should not be taken except on the direct approval of His Majesty’s Government.

India Office, 14th November, 1945.

P.L.
ANNEXURE I.

MEMORANDUM BY THE VICEROY ENCLOSED WITH LETTER DATED
8TH NOVEMBER, 1945.

WE are now faced in India with a situation of great difficulty and danger, in which I require support and guidance from His Majesty's Government.

2. Since the session of the All-India Congress Committee (21st–23rd September) the Congress leaders everywhere, but particularly Vallabhbhai Patel in Bombay and Nehru and Pant in the United Provinces, have been making statements and speeches which can only be intended to provoke or pave the way for mass disorder. They began by taking the credit of the 1942 disturbances; asserting that the British could be turned out of India within a very short time; denying the possibility of a compromise with the Muslim League; glorifying the I.N.A.; and threatening the officials who took part in the suppression of the 1942 disturbances with trial and punishment as "war criminals." From these general attempts to excite racial and communal hatred, they have now passed to a disclosure of their programme, which is, briefly, to contest the elections, to serve an ultimatum on His Majesty's Government, and, in default of its acceptance, to organise a mass movement on the 1942 lines but on a much larger scale.

3. The Congress, as a body, would almost certainly deny, in spite of the speeches of members of the Working Committee, that violence is any part of their official creed. But either there is a secret policy which includes use of violence, or the more extreme leaders are out of control. Gandhi's influence is believed to be on the side of moderation, but he has said and done practically nothing for weeks, and his friends are believed to be seriously worried about his health. Whether he will attempt later to control the extremist Congress leaders I do not know, but if, as I suspect, they are taking their line from the rank and file of the party, he may be unwilling or unable to do so.

4. At any rate, there is nothing secret about the intentions of Nehru and Patel; and as they are, after Gandhi, by far the most influential of the Congress leaders, the others are taking their line from them. In a recent speech at Bombay, Patel said that "Congress was not going to sit quiet after the elections and wait on the convenience and pleasure of the British Government. The Congress would demand an immediate and final solution ... If such a solution was not forthcoming ... sure as day follows night there would follow another struggle ... When the time for action comes, and the time for action may come soon, we must be able to act as one man ... " Nehru said a day earlier that "revolution is inevitable."

5. In order to make sure that there was no misunderstanding I saw Nehru on the 3rd November, and pointed out to him the danger of the course he and other leaders were advocating. He made it clear that he thought violence inevitable, and shortly after our interview delivered an inflammatory speech of the usual kind. I believe that the Congress are counting on the I.N.A. as the spearhead of their revolt; they would suborn the Indian Army if they could, and they hope that their threats will impair the loyalty and efficiency of the Police. They have been encouraged by events in French Indo-China and Indonesia, which they are watching carefully; and a good deal may depend upon what happens there and in Syria and Palestine.

6. The object of the rising the Congress leaders have in mind would be the expulsion of the British. Whatever the leaders themselves might say publicly, there would be organised attacks on the railways and public buildings, treasuries would be looted and records destroyed. In fact, Congressmen would attempt to paralyse the administration, as they did in 1942; they would also attack and possibly murder any officials, British and Indian, on whom they could lay their hands. In a recent speech Nehru has given special praise to the people of Ballia, a district in the United Provinces, in which the rioters managed to paralyse the administration for a few days in 1942; he named and threatened five British officials who restored order there.

7. It is in my judgment unlikely that the Congress leaders will attempt their coup until all the Provincial elections are completed, unless events force
their hand. I doubt if they are much interested in the elections as such; what is more important to them is the opportunity afforded by the elections to revive and reorganise the Party, and they are already taking full advantage of this opportunity. The tone of the nationalist Press has perhaps never been worse, and there is no doubt about the growth of Hindu enthusiasm for the Congress. It is probable that there may be communal disorder on a large scale before the Provincial elections, and it is possible that in Provinces such as the U.P. and Bihar, anti-Government disorders may begin before the Congress leaders intend.

8. I must accordingly, with the utmost gravity, warn His Majesty's Government to be prepared for a serious attempt by the Congress, probably next spring, but quite possibly earlier, to subvert by force the present administration in India. Half-measures will be of no use in dealing with a movement of this kind, and the choice will lie between capitulating to Congress and accepting their demands—whatever they may be—and using all our resources to suppress the movement.

9. The main Congress demand would, I suppose, be the grant of immediate independence to India under a Government selected by the Congress High Command. This has been the aim of Congress policy for years, and it is clear that nothing short of it would satisfy Nehru and Patel. I do not imagine that His Majesty's Government will wish to yield to force or threats of force; nor can we lightly divest ourselves of our obligations to the minorities. I assume therefore, that there will be no question of the acceptance of a Congress ultimatum.

10. If this assumption is correct, we must be prepared to suppress the movement, and to suppress it this time with great thoroughness. I am aware of the extreme difficulty of this course; it would involve the use of a considerable force of British troops; probably the declaration of martial law over parts of the country; the detention of a large number of persons without trial or trial by special courts; and the suppression for an indefinite period of the Congress Party. All this would be most unsatisfactory, but the alternative is to hand India over to a single party—admittedly the strongest and best organised in the country, but consisting mainly of caste Hindus and experienced in nothing but agitation. If we handed over British India, it would be impossible for us to fulfil our obligations to the States, the rulers of which have loyally supported us.

11. We should be justified in moving against the Congress now, on the information already available. The Party is not yet fully reorganised and its immediate suppression would be relatively easy. Moreover, immediate action would rally those Indians who have hitherto supported us, and would put heart into the Services. The British members of the I.C.S. and I.P. are dispirited and discontented; the Indian members of these services are uneasy about the future and under strong political and social pressure; while the Indian subordinates on whom the administration so largely depends are naturally reluctant to make enemies of the future masters of India.

12. But I do not recommend immediate action, unless it is forced on us before the elections by actual disorder. To abandon our programme now would be to invite criticism all over the world, and to stimulate the general doubts about our good faith. I am afraid that we must wait for the present, and prepare to act quickly as soon as we are compelled to do so. The dangers of inaction are grave, since the capacity of the administration in rural districts to stand up to serious disturbances is largely a matter of morale, and service morale is now bad in many districts and is being steadily undermined.

13. I am convinced that His Majesty's Government should at some very early date make it clear (i) that they are aware of the gravity of the Indian situation; (ii) that they do not intend to permit the use of force by any political party and will suppress disturbances by every means; (iii) that they will support against political attack officials who have done their duty; and (iv) that they will provide me with the resources I require to keep the peace. A statement on these lines might bring some of the less hysterical Congressmen down to earth, and would certainly put heart into the Services. It is in fact essential, in my view, and it is just possible that it might bring Congress to its senses and prevent the violent movement which I apprehend.
ANNEXURE II.

My dear Pethick-Lawrence,

Jawaharlal Nehru is in Delhi again to start the Congress election campaign and to assist in the defence of the members of the I.N.A., whose trial begins on the 5th November. I asked him to come and see me, and had an hour with him on the morning of the 3rd November. I enclose a copy of the note I recorded immediately after our talk. I began the conversation by telling him that His Majesty's Government, and I as Governor-General, were genuinely anxious for a settlement, but by constitutional methods and compromise, not violence. The intention was to endeavour to establish a "political" Executive Council at the Centre as a short-term measure, and at the same time to try for a long-term settlement. Our task would be made much more difficult both in the United Kingdom and in India if the elections ended in an atmosphere of racial and communal hatred and with a people excited to violence. I had been most disappointed at the time of Nehru's speeches and statements, and that of the speeches and statements made by many other Congress leaders. It seemed to me that Nehru's policy, if he meant what he said, was to be a violent mass movement against constituted authority; the victimisation of officials; and the refusal of any compromise with the Muslim League. What Nehru chose to say was his business, but I thought it fair to let him know that it was the duty of His Majesty's Government and myself to frustrate violence and the victimisation of officials. I thought that a settlement to be workable must have the support or acquiescence of considerable sections of all the major communities and parties, and that Nehru's attitude to the Muslim League would make a settlement far more difficult. I appreciated the reasons for his bitterness and resentment; I had said at Simla that there was much on all sides to forgive and forget, and I meant it. But Nehru must remember that the British, and a good many Indians, too had grounds for bitterness and resentment against the Congress. The British were prepared to forget their grievances against the Congress, and Nehru and the Congress should try to do likewise.

With this additional explanation of the line I took, I think my note will give you a clear picture of Nehru's attitude. I have no doubt that he is bent on serious trouble and that it will be very difficult indeed to divert him from his purpose except by repressive action.

Yours sincerely,

(Signed) WAVELL.

The Right Hon. Lord Pethick-Lawrence.

NOTE BY THE VICEROY ON HIS INTERVIEW WITH PANDIT JAWAHARLAL NEHRU ON 3RD NOVEMBER, 1945.

1. I had an hour's conversation with Nehru. I emphasised that the present attitude of himself and other leaders was likely to make a settlement extremely difficult; that no Government could continue to tolerate indefinitely incitement to violence or threats to its officials; and that the future of India must depend on some compromise between Hindu and Muslim.

2. He replied to the last point first; and said that Congress could make no terms whatever with the Muslim League under its present leadership and policy, that it was a reactionary body with entirely unacceptable ideas, with which there could be no settlement. He said it was Hitlerian in its leadership and policy, and tried to bully everyone. He made the somewhat surprising claim that the general relationship between Hindu and Muslim was better than it had been for a long time and that the two communities had discovered that mob violence did not pay. I mentioned the Bombay riots, and he claimed that they had proved his point since they did not spread to the rest of Bombay: I suggested that a casualty list of 40 killed and many injured was some evidence of communal trouble, but he tried to claim it as merely the work of a few hooligans. Later on, when I argued that there must be some agreement between the main communities if we were to have a political settlement, he said that the Congress would never approach the Muslim League again, because of Jinnah's rudeness to their leaders, but if the Muslim League approached them they would be prepared to discuss matters.
3. On the issue of the victimisation of officials, he admitted having named five officials of the Ballia district, and claimed that their actions had justified him in doing so. I pointed out that a general attempt to threaten police and officials was going on in many parts of India, and was creating a deplorable atmosphere. His only answer was to say that if officials behaved as those in Ballia district had done, he could not avoid preaching against them.

4. He practically admitted that he was preaching violence, and that while he deplored violence, he did not see how violence could be avoided if legitimate aims could not be attained otherwise. I warned him that the preaching of violence must eventually lead to violence, and that such violence would be likely to lead to violent counter-measures. He talked in vague terms of the psychology of the masses, the evils of foreign rule, the general uprising of the peoples of Asia, and so forth. I left him in no doubt that the Government were bound to take the necessary measures to prevent violence.

5. Towards the end he indicated, though he did not actually say so, that Congress was likely to refuse to take office in the Provinces, except under a Central Government which they controlled or approved. I said that it was the policy, as he knew, of His Majesty's Government and myself to form a Government at the Centre, but that the present attitude of political leaders was not going to make it easy.

6. He finished by asking what had been the result of my reference to the Supreme Commander of his request to be allowed to proceed to Java. I told him that the Supreme Commander had agreed with me that such a visit was inadmissible in present conditions, and that I thought a reply to this effect had already been sent to him. He then asked what would be the attitude towards a request to visit Burma, for himself or for members of the defence committee of the I.N.A., to collect evidence; I said that this would be a matter for the Government of Burma.

7. Nehru's attitude was quiet and friendly throughout, and I cannot help liking him. But he seems to me to have reached the state of mind of a fanatic, and is quite incapable of considering any views which do not coincide with his own. I am afraid that his mood is dangerous to peace, and I think he realises this himself and regards a conflict as more or less inevitable.

He did not mention the I.N.A., nor did I.

ANNEXURE III.

EXTRACTS FROM PRESS REPORTS OF THE SPEECHES OF CERTAIN CONGRESS LEADERS.

PANDIT NEHRU.

On 27th October, 1945.

"These British and Indian officials who have wanted to write off the Congress and employed every means to crush it during the last three years will live to see their wish entombed with an imperialism which is now taking its last few breaths.

I challenge these officers to go to Ballia and see for themselves the futility of their attempts. The people there, despite terrible repression, walk with straight backs and erect heads.

* * * * *

I do not want your plaudits. I want you to realise your pathetically insipid condition. Repression of kisans is still continuing. This has got to stop now. I can pardon shooting, I can pardon assaults, but I am unable to pardon atrocities perpetrated in cold blood."

Rising to a fresh tempo of indignation, Pandit Nehru said: "A revolution is inevitable. It is only a question of the time when it comes. Then we will be tested again."
On 2nd November, 1945.

"I am proud of the fact that the people of my Province put an end to British rule at places, although the duration of this period ranged from five to ten days and the British Army was used to reconquer the areas that had been liberated. Our unarmed people are not to be blamed for their inability to stand against modern weapons. They could not fight the British army of reconquest with lathis."

Report by Reuters from New Delhi on 12th November.

Nehru demands end of British rule.

New Delhi radio to-day quoted Pandit Jawaharlal Nehru, the Congress Leader, as demanding the "complete liquidation of British rule in India."

Speaking at a public meeting in Bombay Nehru said:—

"India must not wait for the next move of the Labour Government."

"She must depend on her own people and prepare herself for a mass battle for freedom, which may come sooner than people expect."

"Indianisation must mean not merely the appointment of Indian Governors in some Provinces, but the complete liquidation of British rule in India and the establishment of a people's Government in Delhi and the Provinces."

Reported by The Times' Correspondent on 12th November, 1945.

Pandit Jawaharlal Nehru, addressing an election meeting in Bombay, said it was the duty of a subject nation to "revolt," and added that he used the word "revolt" after careful thought. If a country was unprepared for revolution to free herself, the nation was dead. Congress had never allowed the flag of revolution to be lowered.

PANDIT PANT.

On 21st October.

Addressing a mass meeting Pandit Pant, ex-Premier of the United Provinces, declared that the "Quit India" resolution of 1942 was a signal for rebellion in the country and that signal was still their lodestar.

The country was no longer in a mood to tolerate alien rule. Rebellion had now become the creed of the people and it would last until freedom was attained. Pandit Pant predicted that India would be completely free very soon. That freedom would not be a gift from the Labour Government.

On 22nd October.

"Remember, 'Quit India' is our mantra. If the British Government does not withdraw gracefully, we will compel it to do so."

On 31st October.

"Even if an Indian Government does such terrible things we will surely destroy it and, therefore, we speak of destroying the foreign Government which is responsible for the atrocities."

On 3rd November.

"We are rebels and we shall remain rebels until we get what is our birthright—Independence. We do not want our freedom as a gift from the Labour Government. We will win it in spite of them. I challenge the British Government and its allies to stop us if they can from achieving our objective."

SARDAR PATEL.

On 1st November.

"The Congress was not going to sit quiet after the elections and wait on the convenience and pleasure of the British Government. The Congress would demand an immediate and final solution of the Indian problem. If such a solution was not forthcoming, and if the British Government tried to put further obstacles in the way of India's progress, sure as day follows night there would be another struggle."
ANNEXURE IV.

A detail of the troops now in India who are allotted to or are available for Internal Security duties is shown below.

(a) **Allotted.**
   - Eleven British Infantry Battalions.

(b) **Available from G.H.Q. Reserve.**
   - 2nd Indian Airborne Division.
   - 8th Indian Division (still partially on leave till December).
   - 16th British Infantry Brigade (four battalions).
   - 150th Indian Infantry Brigade (one British, one Indian battalion).
   - 208th Indian Infantry Brigade (earmarked for Japan).
   - Three British Armoured Regiments.
   - Two Indian Armoured Regiments.
   - Five British Infantry Battalions.
   - Fifteen Indian Infantry Battalions.

2. The above does not take into account troops allotted to Frontier Defence or Frontier Defence Reserve.

*One of these due for disbandment.*
CABINET.

SECRET OF CABINET PROCEEDINGS.

NOTE BY THE PRIME MINISTER.

RECENT disclosures in the Press of matters under discussion by the Cabinet or its Committees have caused me grave concern. If our intentions are disclosed before policies have been finally formulated, we lose the initiative and criticism outruns our exposition of our plans. To the public we shall seem to have lost control over the execution of our programme. And within the Government confidence will be undermined: Ministers will hesitate to circulate full information about their proposals for discussion with their colleagues for fear of premature disclosure. If, therefore, these leakages continue they will damage the reputation of the Government and impair the efficiency of our administration. No Government can be successful which cannot keep its secrets.

2. During the war military secrets were disclosed only to those who had to act upon them or had to know of them for the purpose of their official duties. This rule could not be applied without modification to political secrets in time of peace. For Ministers who share the collective responsibility for the Government's programme must be generally aware of the development of important aspects of Government policy. But, outside this narrow circle, knowledge of these matters should be confined to those, whether Ministers or officials, whose duty it is to assist in the formulation of the particular policy concerned or need to know what is afoot because of its effect on other aspects of public business for which they are responsible.

3. I ask my colleagues to look again, with these points in mind, at the notes on procedure which I circulated on the 8th August (paragraph 8 of C.P. (45) 100, reproduced in the Appendix to this note) and to undertake a personal review of the arrangements now in force in their Departments. Every Minister has a personal responsibility, of which he cannot divest himself, for seeing that the
general principles which I have indicated are properly applied within his Depart­ment. No set of detailed rules can be applied uniformly to all Departments. It may, however, be helpful if I mention some supplementary points which Ministers might keep particularly in mind in reviewing the practice in their Departments—

(a) A Minister who is a Member of the Cabinet has responsibilities wider than those of his own Department, and will in that capacity receive some documents which are of no concern to any of his subordinates.

(b) A Parliamentary Secretary may have to deputise for his Minister, at Cabinet or in the House, at short notice. Apart from any special responsibility assigned to him in a limited field, he should be kept in general touch with all Cabinet matters affecting his own Department and should be encouraged to share in the responsibility for the for­mulation of policy.

(c) A Parliamentary Private Secretary is not a member of the Government; his chief duties are to provide a link between the Minister and the House and to facilitate the Minister’s business in the House, and the information given to him should be correspondingly limited.

(d) Documents containing or reflecting the personal views of Ministers are in a special category, and their handling requires special care, if the collective responsibility of the Cabinet as a whole is to be preserved.

(e) Special care is also required in handling the Minutes of the Cabinet or of Standing Ministerial Committees such as the Lord President’s Committee, each set of which normally covers a variety of subjects. For these documents no routine circulation list will suffice; a responsible person must decide on each occasion who should be made aware of the contents of each separate item. The Cabinet Office have standing instructions to work on this principle in their circulation of these Minutes to Ministers. Ministers should see that the same principle is applied in communicating to persons within their Department the contents of copies supplied to them (see para­graph 15 of C.P. (45) 99).

4. One final point. Public business cannot be transacted without a fairly wide dissemination of confidential information within Government circles and the problem of secrecy cannot be solved solely by rules, however carefully drawn, restricting the circulation of papers. The essential point is the observance of a high standard of discretion by all who acquire knowledge of such information in the course of their duties—an attitude of mind which puts first the interests of the Government as a whole and subordinates everything to that end. It is the duty of Ministers to set this standard of discretion in regard to all confidential matters which come within their knowledge, to give an example to others, and to see that their example is followed.

10, Downing Street, S.W. 1,
9th November, 1945.

C. R. A.
APPENDIX.

EXTRACT FROM C.P. (45) 100.

* * * * * *

PRECAUTION AGAINST UNAUTHORISED DISCLOSURES OF INFORMATION.

8. The Prime Minister invites his colleagues to impress on all concerned the need for exercising the strictest discretion; in particular to see that the following precautions are strictly observed not only in military but in domestic matters:

(1) While it is within the discretion of Ministers to decide which of their advisers or subordinates should be shown Cabinet papers, the normal rule is that such papers should not be seen by any save their immediate advisers concerned in the formulation of policy.

(2) Ministers are expected to exercise a real measure of control in the matter, and must satisfy themselves from time to time that their instructions are being carried out.

(3) If occasions arise on which it is necessary that any considerable number of officers should be consulted in particular issues arising out of Cabinet papers, this should be done by means of minutes addressed to the officers concerned, confined to the particular points on which they are required to advise, thus avoiding a wide circulation of memoranda setting out the views of particular Ministers on matters of policy which are under discussion in the Cabinet or in a Ministerial Committee.

(4) All servants of the Crown, whether Ministers, members of the Fighting Services or Civil Servants, must be most careful to observe due discretion in regard to all matters of State. In particular, those who hold high office must remember that the degree of reticence which they observe in these matters will be taken as an example by those who serve under them.

(5) Experience has shown that leakages of information have often occurred as a result of the skilful piecing together, by representatives of the Press, of isolated scraps of information, each in itself apparently of little importance, gathered from several sources. The only safe rule is, therefore, never to mention such matters even in the form of guarded allusions, except to those who must be informed of them for reasons of State, until the time has come when disclosure, in whole or in part, is authorised. I am prepared to recognise that reasons of
State may require, in appropriate cases, the confidential communication of some information to a responsible Editor, Lobby Correspondent, &c., for purposes of guidance; but such communications are only justified where it can be ensured that the confidence and the terms on which it is given are respected.

(6) It is of the utmost importance in this connection that Press or Public Relations Branches or Departments should not be informed of Cabinet discussions or decisions until action has to be taken by such Branches or Departments. The information then conveyed, and the instructions given as to its use, should be as precise as possible.
CABINET

STATUS OF SPANISH NATIONALS IN THE UNITED KINGDOM WHO WERE OVERRUN BY ALLIED FORCES IN FRANCE

MEMORANDUM BY THE SECRETARY OF STATE FOR WAR

1. Just over 220 Spaniards are accommodated in a prisoner of war camp near Chorley. They were overrun by allied troops at the time of our advance across France. They were then wearing either German uniforms or were in German organizations. At the time of the German invasion of France they were refugees from Franco's Spain, and they claim that they were forced by the Germans to join their various organizations.

2. In the circumstances the Army had no option but to treat them as prisoners of war. They have, however, been given a number of privileges. There is no barbed wire round their quarters; they wear unpatched battledress; they may move up to five miles from their hostel unescorted; they may talk to members of the public and visit private houses by invitation. In all these respects their treatment is the same as treatment given to Italian Co-operators, but they do not get the special rate of pay which was introduced to induce the Italians to become Co-operators.

3. There has been considerable public interest in these men. Mr. Kenyon was to raise the question on the adjournment on 29th October but instead he brought a deputation to me on 31st October. On the whole they considered the conditions in the hostel are now about as good as they can be made, and, except in the matter of pay, the men are by and large now satisfied with the treatment they are receiving.

4. They are, however, most anxious to escape from Army control altogether. This raises a number of difficult problems. At one time many were anxious to return to France, but it is understood that the majority now want to stay here as friendly aliens. In any case we have now heard from the French that they will not have them as free men. They cannot be held indefinitely as prisoners of war. The Pioneer Corps has more men than it needs already and most of these Spaniards are over age. The Home Secretary is reluctant to allow them to be treated as refugees and so to swell the population of foreigners in this country who have no connection with it.

5. I appreciate this, but until the men can be given asylum in some other country—such as Mexico—or conditions in Spain enable them to return there, there seems to me to be no alternative, since it is impossible to justify their continued detention as prisoners of war.

6. I therefore recommend that they should all be released as a temporary measure with the exception of any whom the security authorities consider it essential to detain, and that the Secretary of State for Foreign Affairs should continue his efforts to find them asylum elsewhere.

J. J. L.

THE WAR OFFICE,
15th November, 1945.
TOURIST TRAFFIC TO GREAT BRITAIN FROM THE UNITED STATES.

MEMORANDUM BY THE SECRETARY OF STATE FOR FOREIGN AFFAIRS.

REPRESENTATIONS have been made to me regarding the possibility of bringing Americans to this country next summer for holiday purposes. It would be an advantage financially if as many as possible could be induced to come. The main obstacle, however, will be accommodation, and the only way to overcome it is by using Government hostels, universities and public schools, especially universities which are residential and whose vacation is longer than that of the public school.

2. If this idea could be developed, a chain of accommodation in interesting centres could be arranged up and down the country. The people for whom we should cater would be the student class, and the middle and lower-income classes. I understand that what is needed in order to get it going is approval of the principle by the Cabinet, and an indication that we should regard this as performing a useful national service. That would be sufficient to induce the headmasters and university authorities to co-operate and, in addition, it would be a direction to Government Departments such as the Ministry of Labour and the Ministry of Works to arrange to reserve certain hostel accommodation. Bodies like the Workers’ Travel Association and Cook’s and others are very anxious to co-operate. From a Foreign Office point of view, I am anxious to get as many visitors from the United States to this country as I possibly can, and especially to arrange for them to associate with the ordinary people of the country, and the universities and student classes. From the commercial point of view, it would be an advantage to us if this kind of tourist travel was developed immediately.

3. I ask for Cabinet approval. I have discussed it with the President of the Board of Trade, and he agrees and would be willing for his Parliamentary Secretary to undertake the necessary organisation.

E. B.

Foreign Office, 14th November, 1945.
CABINET.

RELEASE OF DOCTORS FROM THE FORCES.

MEMORANDUM BY THE LORD PRESIDENT OF THE COUNCIL.

In the attached minute, the Secretary of State for War asks for guidance on the method of giving effect to the Cabinet's decision regarding the release of doctors from the Army (C.M. (45) 51st Conclusions, Minute 5).

2. I recommend the adoption of alternative (a), viz., accelerating releases in Class A to the extent necessary to produce the numbers prescribed by the Cabinet.

The Secretary of State for War regards this as "a plain departure from the age and service principle." I do not think it need be so regarded. It is true that it would involve discriminating between doctors and all other officers in the Army. But there are sound arguments for such a discrimination, apart from the urgent public need to increase the number of doctors available for the civil population. Within the Army, doctors are a class apart from other officers: they were recruited as a professional class by different means and under different conditions from all other officers, and they serve in a separate Corps. I do not think it unreasonable, therefore, that the conditions for their release should be different from those prescribed for regimental officers. Nor do I believe that such a discrimination would provoke ill-feeling in the Army.

Within the RAMC, the age and length of service principle would be maintained. Doctors would be released by age and service groups; but progress through those groups would be more rapid for doctors than for other officers.

3. The second objection raised by the Secretary of State for War is that nearly all the specialists are in the earlier groups, and that they cannot be spared by the Army, and are not urgently required for the civil population. This difficulty can, I think, be met, once the principle suggested in paragraph 2 above is adopted. For it should not take long to identify the specialists whom the Army cannot spare; and these could be retained in the Army, under the "military necessity" clause, even though other doctors in their age and service group were being released.

4. I therefore suggest that the War Office should give effect to the Cabinet's decision of the 8th November by arranging for doctors to be released up to whatever age and service group is required in order to yield by the 31st December, 1945, the net numbers prescribed by the Cabinet, after deduction of any specialists who may have to be retained in the Army.

Office of the Lord President, S.W. 1,
15th November, 1945.

H. M.

ANNEX.

LORD PRESIDENT OF THE COUNCIL.

The Cabinet on the 8th November decided that a total of 5,600 doctors must be released from the Army by the 31st December, 1945. This decision involves the release of 1,881 doctors over and above those who were due for release under the existing plan.

[30897]
There are three conceivable alternative ways of putting the Cabinet decision into effect:

(a) I estimate that the gross numbers required could be made available by releasing all the doctors in groups 1 to 33 inclusive by the 31st December. Orders to this effect could be issued.

(b) The Central Medical War Committee could be asked to provide lists of names, and the individuals so named could be offered release in Class B.

(c) Commands could be instructed to select doctors up to a stated number in each Command and to order their release under Release Regulations, paragraph 327, on the ground of “services no longer required.”

Alternative (a) is a plain departure from the age and service principle, and I am not prepared to accept it. Moreover, nearly all the specialists are in the earlier groups and they can neither be spared by the Army nor are they wanted by the Ministry of Health.

Alternative (b) will take a long time. First, the Committee must provide the list of names; second, the individual must be approached with the offer. We know that many doctors will refuse release in Class B largely owing to the uncertainties at present affecting their future as doctors.

The clause of the Release Regulations referred to at (c) is used to deal with isolated special cases, including criminals and half-witted personnel. It was never intended as a method of getting rid of complete classes or blocks of personnel.

None of the alternatives would ensure that released doctors would go back into practice at all, or, if they did, that they would be the sort of doctor required or that they would work where required.

I have laid before you the position as I see it and should like an opportunity of discussing the best means of implementing the Cabinet instructions.

I have sent copies of this letter to the First Lord of the Admiralty, the Secretary of State for Air and the Minister of Labour.

(Signed) J. J. LAWSON.

13th November, 1945.
C.P.(45) 286
15TH NOVEMBER, 1945

CABINET

ATOMIC ENERGY

Memorandum by the Lord President of the Council

1. I conveyed to the Prime Minister the points raised in our discussion in Cabinet on 15th November (C.M.(45) 53rd Meeting, Minute 3).

2. On the first point the Prime Minister took the view that the Commission proposed in paragraph 7 of the announcement would not be the appropriate body to consider the effect of the veto provisions in the United Nations Charter on any proposals for an international agreement for the control of atomic energy.

3. As regards the apparent inconsistency between paragraphs 3 and 6 of the announcement, the Prime Minister's view was that there was no real inconsistency, since the safeguards suggested in paragraphs 6 and 7 were dependent on the development of confidence and co-operation among all nations. He also felt that it was unnecessary to alter the last sentence of paragraph 6, since the effective enforceable safeguards against the use of atomic energy for destructive purposes were set out in paragraph 7.

4. The Prime Minister asked me to inform the Cabinet that, while he realised that the statement was capable of improvement in certain respects and while he appreciated the suggestions which had been made by the Cabinet, he did not feel that he would be justified in attempting to secure at that late stage verbal changes in a document on which agreement had been reached only with great difficulty.

(Intld) H.M.

Privy Council Office, S.W.1.

15TH NOVEMBER, 1945.
CABINET.

CANADIAN CITIZENSHIP BILL.

MEMORANDUM BY THE HOME SECRETARY.

1. A question of constitutional importance and great urgency has arisen, in consequence of the recent introduction in the Canadian House of Commons of a Bill relating to Canadian citizenship and nationality. Second Reading of this Bill was obtained on the 22nd October last. The Bill, which was prepared without previous consultation with the other members of the British Commonwealth, proposes a radical alteration, so far as Canada is concerned, of the existing arrangements under which the common status of a British subject is maintained throughout the British Commonwealth on the basis of the British Nationality and Status of Aliens Acts passed in the United Kingdom in 1914 and corresponding legislation in the Dominions. These arrangements have been approved at successive Imperial Conferences.

As will be seen from the succeeding paragraphs of this Memorandum, the unilateral action by His Majesty's Government in Canada raises far-reaching issues and, in my opinion, it is essential that the whole matter should be examined at an early conference of experts from the United Kingdom, the Dominions and India. The question could also be considered whether experts from Burma, Newfoundland and Southern Rhodesia should be invited. If my colleagues approve that arrangements for holding such a conference should be made (which might meet either in London or in Canada), it is proposed that a communication should be made to the Canadian Government by the United Kingdom High Commissioner in Canada in the sense of the attached draft.

2. As stated above, the present position in regard to British nationality throughout the British Commonwealth and Empire is based on the principle that there shall be a common code for the purpose of determining who are British subjects; and that no amendments of this code by any member of the Commonwealth should be made without prior consultation and agreement with the other members. These principles were affirmed at the Imperial Conferences of 1930 and 1937, and hitherto this arrangement has been observed by the United Kingdom, though at the cost of some embarrassment; by Australia and New Zealand in the letter though hardly in the spirit, since they have already conferred the rights of a British subject in Australia (or New Zealand, as the case may be) on married women who are not British subjects, and Australia now proposes to legislate, saying that these persons shall be British subjects in Australia; by Canada, with the exception of certain legislation enacted during the present war; and by South Africa with certain minor exceptions. Eire has repealed all British nationality laws in their application to Eire and has enacted nothing in their place.

It was recognised, however, at the Imperial Conferences of 1930 and 1937 that it was open to any member of the Commonwealth to define for its own purposes what persons are entitled to be regarded as nationals or citizens of that member; and in Canada and the Union of South Africa legislative provision has been made for that purpose. The result is that within the large circle of British subjects recognised as such throughout the Commonwealth and Empire there may be smaller circles containing the citizens or nationals of each member of the Commonwealth.

[30900]
3. The Canadian Bill departs from these principles by determining in
the first instance who are Canadian citizens. The Bill also provides that every
Canadian citizen is a British subject and that persons who are British subjects
under the laws of any country of the British Commonwealth, including the United
Kingdom, will, though not Canadian citizens, be recognised in Canada as British
subjects.

4. Canada is thus proposing a quite different system for defining what
persons possess the common imperial status of a British subject. It is of some
interest that this system now proposed by Canada was, in fact, advocated at
Imperial Conferences and discussions as an alternative system to that now in
force and described in paragraph 2. It is a system which has certain advantages.
Under the Canadian system British subjects are those persons who possess the
citizenship of any part of the Commonwealth or, in other words, British subjects
are all those persons who may be made citizens under the law of the United
Kingdom, Canada, &c. It would not, therefore, be strictly necessary that the
citizenship laws of the different members of the Commonwealth should be identical,
or that there should be consultation before any one of these laws is changed.

5. The Canadian Bill, in defining Canadian citizens, contains a number
of important departures from the present law of British nationality. Unless,
therefore, either Canada abandons her proposal or the other members of the
Commonwealth adopt the Canadian system, the result will be that many people
will be British subjects in Canada and not in other parts of the Commonwealth
and vice versa. Some of these Canadian changes may be desirable in themselves.
They include, inter alia, amendments to the present law relating to the nationality
of married women, which has been the subject of so many representations inside
and outside Parliament. There are, however, other desirable amendments to the
present British nationality law which are not included in the Canadian Bill.

6. The first intimation received by His Majesty’s Government that it was
the intention of His Majesty’s Government in Canada to introduce this Canadian
Citizenship Bill was by a letter dated the 28th September last to the Secretary
of State for Dominion Affairs from Mr. Frederick Hudd, the Acting High Comi­
missioner for Canada. A reply to this letter was sent to Mr. Hudd by the
Secretary of State for Dominion Affairs on the 8th October asking for an oppor­
tunity of considering the draft Bill with a view to possible further discussion
before the Bill was introduced: Mr. Hudd replied on the 17th October enclosing
an advance copy of the text of the Bill. In that reply the Acting High Com­
missioner stated that it would probably not be possible to defer the introduction
of the Bill, but that the Canadian authorities concerned would be very glad to
have any observations which the United Kingdom Government might desire to
make prior to the consideration of the Bill in Committee.

7. It would appear that the Canadian Government and their advisers do not
fully appreciate the extent of the departure from existing practice which will
be involved if this Bill should be passed into law. At the same time I take the
view (which I understand is shared by the Secretary of State for Foreign Affairs
and the Secretary of State for Dominion Affairs) that there are serious disad­
vantages in the present system and that the introduction of this Bill in Canada
affords a convenient opportunity for considering whether the system now proposed
by Canada is not, after all, preferable to the existing arrangements with regard
to the common status, which (as shown in paragraph 2 above) seem to be breaking
down.

The United Kingdom has not hitherto enacted any legislation defining
citizenship in relation to the United Kingdom and the Colonies. If the Canadian
system is adopted, the United Kingdom would have to do this. No distinction
has up to now been drawn in the United Kingdom between different classes of
persons who are British subjects, and all British subjects have enjoyed the right
of entry into the United Kingdom. Under the Canadian system it would still be
possible for the United Kingdom to continue to grant free right of entry into
this country to all British subjects from whatever part of the Empire they
come, a privilege which has, I think, contributed to the loyalty and solidarity of
the Empire.

8. As shown in paragraph 2 above, difficulties have been experienced in
the actual working of the present arrangements with regard to the common status.
The necessity for consultation and agreement before any amendment has been
made has led to the most deplorable delays in effecting amendments which are
much needed. We have not yet been able to proceed with important proposals about which the Dominions had been consulted as long ago as 1927; and in the controversial field of the nationality of married women the necessity for obtaining the concurrence of the Dominions to any change in the law has caused considerable embarrassment to the United Kingdom Government during the past fifteen years. Moreover, there are anomalies and obscurities in the British Nationality and Status of Aliens Act, 1914, which have created administrative difficulties for the Departments concerned, and particularly the Foreign Office.

9. For these reasons, I think the time has come when the whole position should be reviewed, with a view to the possible substitution for the existing system of a new system based on the principle of the now proposed Canadian legislation. As already indicated, this would involve the necessity for a legislative definition of United Kingdom "citizens," including persons belonging to the colonies. The absence of any such definition has, I understand, been a source of embarrassment in the negotiation of commercial and other treaties by the United Kingdom Government, more especially in connection with the privileges to be accorded to British subjects belonging to the United Kingdom and colonies, e.g., under the "most favoured nation" clauses in commercial treaties. In fact it has been necessary to resort to the phrase "persons belonging to" and this phrase, for obvious reasons, has proved to be unsatisfactory.

10. I should mention one point of detail which may prove embarrassing. If legislation is passed in this country recognising as British subjects the citizens of the Dominions, the question will arise whether it should apply to citizens of Eire whom the Government of Eire do not regard as British subjects.

11. If a conference of experts is to be held, as proposed in this Memorandum, the opportunity would be taken of reviewing the position in the light of the above considerations and of working out an alternative plan.

J. C. E.

Home Office, S.W. 1,
16th November, 1945.
ANNEX.

DRAFT TELEGRAM TO UNITED KINGDOM HIGH COMMISSIONER IN CANADA.

1. Consideration has been given to terms of Canadian Citizenship Bill. Apart from possible observations on individual provisions of the Bill, we have one general comment. The principle on which the Bill is framed differs fundamentally from that underlying the existing position with regard to British nationality law, as the basis of the common status of all subjects of His Majesty, as accepted at Imperial Conferences. This position is that there should be a common code for the purpose of determining who are British subjects, and that no amendments of this code by any member of the Commonwealth should be made without prior consultation and agreement with the other members.

2. The Canadian Bill, on the other hand, determines in the first instance who are Canadian citizens, and also provides that every Canadian citizen is a British subject and that persons who are British subjects under the laws of any country of the British Commonwealth will, though not Canadian citizens, be recognised in Canada as British subjects. This foreshadows another and possibly quite acceptable arrangement but it is a fundamental change and should be discussed with all Governments of the Commonwealth.

3. Further, the Canadian Bill, in defining Canadian citizens, also differs in several respects from the definition of British subject in the present law of British nationality. The enactment of the Canadian Bill in its present form will therefore mean that many people will be British subjects in Canada and not in other parts of the Commonwealth and vice versa, unless all other members of the Commonwealth either—

   (1) adopt the Canadian system (vide paragraph 2 above), a system which allows for divergencies in citizenship laws without impairing the common status; or

   (2) amend the definition of British subjects in their British nationality laws so as to correspond exactly with the definition of Canadian citizens and refrain from making other changes.

   Alternative (2) hardly seems practicable.

4. His Majesty's Government in the United Kingdom would therefore propose that at an early date a conference of experts from the various members of the British Commonwealth should be summoned to meet in London or, if desired in Canada. This conference might examine, in the first place, the Canadian system for determining the common status of British subjects. In the second place, it might examine the merits of all the amendments to the definition of British subjects (or of Canadian, &c. citizens, supposing the Canadian system on (1) is adopted) which any of the Governments of the Commonwealth may care to propose, including all those contained in the Canadian Bill. Naturally, the consideration of these amendments will be considerably simplified if agreement is reached to adopt the Canadian system on (1), because, in that case, common agreement on all points of detail is no longer necessary.

5. It is appreciated that the Canadian Government might find difficulty in deferring further progress with their Bill pending the meeting of such a conference. It is, however, noted that the Bill contains a clause providing that it shall come into force upon a date to be fixed by proclamation. The Canadian Government might, therefore, be willing to consider postponing that date until the conference of experts has taken place, so that it would be possible to take into account any conclusions of that conference.

6. We should be glad to learn whether the Canadian Government agree and what are their views as to the place of meeting. If they agree we should at once communicate with the other Governments with a view to arranging a conference.

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SECRET.
C.P. (45) 288.
16th November, 1945.

GABINET.

LABOUR CONTROLS.

MEMORANDUM BY THE MINISTER OF LABOUR AND NATIONAL SERVICE.

AT the meeting of the Cabinet on the 1st November (C.M. (45) 48th Conclusions, Minute 6) it was agreed that, for the time being, no change should be made in the existing system of labour controls. At the same time the Lord President was invited to arrange for the problem to be further examined in the light of the points which had been raised in the course of the discussion. The points which were raised have since been examined, and I now recommend that we should maintain the present system of controls subject to the following changes:

Essential Work Orders.
(1) Departments should review the industries and firms covered by the Essential Work Orders and other similar Orders which tie a worker to his job up to the age of 65 for men and 60 for women.

(2) We should consider sympathetically on their individual merits applications from workers over 30 years of age to be allowed to leave their war-time job and return to their former employment if it is of value to the community.

Directions.
(3) We should not hesitate to use the power of direction in respect of men and women under 30 years of age for the purpose of expanding the labour force of certain important industries and services.

(4) We should confine the use of directions over the age of 30 to meet the special needs of industries such as building, coalmining and to nurses, and to such others as may be approved.

Control of Engagement Order.
(5) We should lower the age to 30 for both men and women with the requirement that labour should be engaged only through an Employment Exchange or other approved agency. This should be subject to safeguards for the building industry in which control over particular jobs to which the workers go is of special importance. This may be necessary in one or two other industries where similar conditions apply. These safeguards will be worked out in consultation with the Departments concerned and with both sides of the industry.

2. With these changes we should embark upon a policy of strict enforcement of the controls including prosecution where necessary.

3. After examining the points raised in the discussion on the 1st November, I am satisfied that we are most likely to be able to meet the labour needs of important civilian industries if we take steps to operate controls more fully but over a more limited field and to enforce them, instead of retaining the existing system without full enforcement and relying upon a public campaign in favour of full control. Even if such a campaign were successful—and its success is
extremely doubtful—it could not give results for some considerable time. Meanwhile every week that goes by without a clear statement of policy encourages both employers and workers to ignore the law. This lowers the prestige and efficiency of the Employment Exchanges and makes it more difficult for them to meet urgent labour demands.

4. I believe, moreover, that we should have public support for the maintenance and enforcement of controls broadly up to the call-up age of 30. I do not think we are likely to succeed in a campaign which was directed to maintain labour controls for men and women over the age of 30, particularly as the labour becoming available in the next few months will consist largely of ex-service men and women released in Class A.

5. The rate of demobilisation has increased and the Services are keeping well up to their programme. It is estimated that in the second half of 1945 there will be a total increase of 2,300,000 in the numbers in employment in home civilian industries and services and the export trade. As these larger numbers take employment the need for labour controls will diminish. There are, however, a limited number of industries to which recruitment will still present difficulty. These are industries in which improvements are urgently needed as regards physical conditions and possibly also as regards wages and terms of employment. I am arranging for the Factory Inspectorate to give special attention to these industries so as to stimulate the remediying of defects due to war-time difficulties in obtaining labour and materials, not only for improvements, but even for maintenance up to pre-war conditions. If the improvements are to be made it will, however, be necessary to see that labour and materials are made available to the factory employer or a contractor and the work may have to be given some degree of preference.

6. I am also examining the level of wages and earnings in these unpopular industries with a view to seeing whether the existing standard of wages and terms of employment are such as to act as a deterrent to recruitment. In appropriate cases I propose to arrange with the Minister responsible for the production to take up with both sides of the industry the need for a review of practicable improvements so that labour may be attracted into the employment. During the war this problem had to be tackled on similar lines as it was recognised that even with full public support for labour controls it was unreasonable to tie workers to employment which did not offer reasonable standards.

7. The industries which are unpopular have certain features in common. For example, many of them involve shift work, fairly hard physical work, sometimes in rough and perhaps dirty conditions, and work out of doors. They include, for example, slaughtering; fell mongering and tanning; glass bottles; jute; sack and bag manufacture and repair; concrete products including spun pipes; asbestos cement; stoneware pipes; asphalt and roofing felt. The total numbers employed in these industries is a small percentage of the total and I am convinced that the solution of their labour supply problem can best be found by examination of the conditions in each industry with the employers and the workers’ organisation, and not by the extended use of compulsory powers of direction by officers in the Employment Exchanges.

8. If my proposals are accepted we should consider how we can best arrange a campaign explaining to the public the need for retaining some labour controls. This campaign should be related to the general man-power position and to Government plans for industry generally, including economic controls.

G. A. I.

Ministry of Labour and National Service, S.W.1,
16th November, 1945.
INVESTMENT (CONTROL AND GUARANTEES) BILL

Memorandum by the Chancellor of the Exchequer.

1. I ask the approval of the Cabinet for the early introduction of the attached Bill, the Investment (Control and Guarantees) Bill, together with the accompanying memorandum.

The Bill has been considered by the Lord President's Committee and I have incorporated some suggestions there made to me, including (a) the substitution of "regulation" for "prohibition" in Clause 1, and (b) an increase in the maximum guarantees permitted under Clause 2 from £25 millions to £50 millions a year.

2. The Bill is a vital part of our mechanism for regulating and, if need be, stimulating investment in the years immediately ahead, so as to assume priority, and proper timing, for those projects of capital development which are of the greatest importance in the national interest.

3. It is quite a simple Bill, giving power in the first Clause to regulate investment, and in the second Clause to provide guarantees for loans for industrial development and reconstruction. But it is an essential instrument of effective economic planning.

H.D.

Treasury Chamber, S.W.1.

20TH NOVEMBER, 1945.
Provide for the imposition of restrictions on the borrowing and raising of money, the issue of securities, and the circulation of offers of securities for subscription, sale or exchange, to enable the Treasury to guarantee loans in certain circumstances, and for purposes connected with the matters aforesaid.

Be it enacted by the King's Most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows—

1.—(1) The Treasury may make regulations for prohibiting, subject to such exemptions as may be specified in the regulations, all or any of the following transactions, that is to say—

(a) the borrowing of money in Great Britain;

(b) the raising of money in Great Britain by the issue, whether in Great Britain or elsewhere, by any body corporate, of any shares in that body corporate;

(c) the issue for any purposes—

(i) by any body corporate of any shares in or debentures or other securities of that body corporate, if either the body corporate is incorporated under the law of England or Scotland or the shares, debentures or other securities are or are to be registered in England or Scotland; or
(ii) by any Government, other than His Majesty's Government in the United Kingdom, of any securities of that Government which are or are to be registered in England or Scotland;

(d) the circulation in Great Britain of any offer for subscription, sale or exchange of—

(i) any shares in or debentures or other securities of any body corporate not incorporated under the law of England or Scotland; or

(ii) any securities of any Government other than His Majesty’s Government in the United Kingdom:

Provided that the provisions of this subsection authorising the prohibition of the borrowing of money shall not apply to the borrowing of money by any person (other than a local authority) in the ordinary course of his business from a person carrying on a banking undertaking.

(2) The provisions of this section shall apply in relation to units under a unit trust scheme as they apply in relation to shares in a body corporate, but as if—

(a) any reference to the issue of shares in a body corporate by that body corporate were a reference to an issue of units for the purposes of the scheme; and

(b) any reference to shares in a body corporate incorporated, or not incorporated, under the law of England or Scotland were a reference to units issued under a scheme governed, or not governed, by the law of England or Scotland.

(3) The provisions of the Schedule to this Act (which relate to enforcement and penalties) shall have effect in relation to regulations made under this section but the rights of the persons concerned in any transaction shall not be affected by the fact that the transaction was in contravention of any such regulations.

2.—(1) The Treasury may, if satisfied that it is expedient in the public interest so to do for the purpose of facilitating the reconstruction or development of an industry or part of an industry in Great Britain, guarantee any loan:

Provided that the aggregate capital amount of the loans guaranteed under this section in any financial year (excluding any part of that amount which is guaranteed neither as to principal nor as to interest) shall not exceed twenty-five million pounds.

(2) Any guarantee given under this section may be given in such form and manner and on such terms and subject to such conditions as the Treasury think fit.
(3) Any moneys required for fulfilling a guarantee given under this section shall be charged on and issued out of the Consolidated Fund or the growing produce thereof, and any moneys paid in or towards repayment of any sum issued out of the Consolidated Fund under this section shall be paid into the Exchequer.

(4) The Treasury shall lay before both Houses of Parliament—
   (a) a statement of any guarantee given under this section as soon as may be after it is given; and
   (b) once in each year, an account of any sums issued out of the Consolidated Fund for the purposes of any such guarantee.

(5) In this section, references to the guaranteeing of a loan shall be construed as references to guaranteeing, whether wholly or in part and whether solely or jointly with other guarantors, the payment either of the interest, or of both the interest and the principal, of the loan, and the expression "guaranteed" shall be construed accordingly.

3.—(1) Regulations made under this Act shall be laid before Parliament as soon as may be after they are made, and if either House of Parliament within the period of forty days beginning with the day on which any such regulations are laid before it, resolves that the regulations be annulled, the regulations shall cease to have effect, but without prejudice to anything previously done thereunder or to the making of any new regulations.

(2) In reckoning any such period of forty days, no account shall be taken of any time during which Parliament is dissolved or prorogued, or during which both Houses are adjourned for more than four days.

(3) Section one of the Rules Publication Act, 1893, shall not apply to any regulations made under this Act.

4.—(1) In this Act, unless the context otherwise requires, the following expressions have the meanings hereby assigned to them:

"local authority" means any authority being within the meaning of the Local Loans Act, 1875, or the Local Authorities Loans (Scotland) Act, 1891, an authority having power to levy a rate;

"registered", in relation to any security, includes inscribed, "registered in England or Scotland" means, in relation to securities, registered in a register in England or Scotland, and "register", in relation to securities, includes any book in which securities are registered;

"security" includes shares, bonds, notes, debentures, debenture stock and units under a unit trust scheme;
“share” includes stock and any perpetual debenture or perpetual debenture stock;

“unit trust scheme” means any arrangements made for the purpose, or having the effect, of providing facilities for the participation by persons, as beneficiaries under a trust, in profits or income arising from the acquisition, holding, management or disposal of securities or any other property whatsoever;

“unit” means, in relation to a unit trust, any right or interest, (described whether as a unit or otherwise) which may be acquired under the scheme, being a right or interest created or issued for the purpose of raising money for the purposes of the scheme.

(2) Any reference in this Act to the borrowing of money includes a reference to the making of any arrangement by which a sum which would otherwise be payable at any date is payable at a later date, and includes in particular the making of any arrangement by which the whole or any part of the price of any property is allowed to remain unpaid either for a fixed period or indefinitely.

(3) A person shall be deemed for the purposes of this Act to borrow or raise money in Great Britain if the money is made available in Great Britain, or, in any such case as is mentioned in subsection (2) of this section, if the money would, but for the arrangement in question, have been payable in Great Britain, and, without prejudice to the preceding provisions of this subsection, a person shall also be deemed for the purposes of this Act to borrow money in Great Britain if the money is borrowed on the security of property in Great Britain.

5. Any expenses incurred by the Treasury in the administration of this Act shall be paid out of moneys provided by Parliament.

6.—(1) This Act may be cited as the Investment (Control and Guarantees) Act, 1945.

(2) This Act shall not extend to Northern Ireland.
PROVISIONS AS TO ENFORCEMENT AND PENALTIES.

1. Any person who contravenes any provision of any regulation made under this Act shall be liable on summary conviction to imprisonment for not more than three months or to a fine not exceeding one hundred pounds or the amount of the money or the value of the securities in question, whichever is the greatest, or to both such imprisonment and such fine.

2.—(1) The Treasury may give to any person directions requiring him, within such time and in such manner as may be specified in the directions, to furnish to them, or to any person designated in the directions as a person authorised to require it, any information in his possession or control which the Treasury or the person so authorised, as the case may be, may require for the purpose of securing compliance with, or detecting evasion of, any regulations made under this Act.

(2) A person required by any such directions as aforesaid to furnish information shall produce such books, accounts or other documents (hereinafter referred to as “documents”) in his possession or control as may be required by the Treasury or by the person authorised to require the information, as the case may be, and for the purpose of inspecting any such documents any person so authorised may enter any premises (using such force as is reasonably necessary for the purpose) and may take possession of any of the documents or take in relation thereto any other steps which appear to him necessary for preserving them and preventing interference therewith.

(3) Any information given by a person in compliance with this paragraph may be given in evidence against him notwithstanding that it may tend to incriminate him.

The provisions of this sub-paragraph shall be without prejudice to any question as to the admissibility as evidence of information obtained under statutory powers in the absence of any such express provision.

(4) Any person who—

(a) fails or refuses to comply with any requirement to furnish information or produce documents imposed on him by or under this paragraph; or

(b) with intent to evade the provisions of this paragraph or of any regulations made under this Act destroys, mutilates, defaces, secretes or removes any documents; or

(c) obstructs any person exercising any powers conferred on him by or under this paragraph,

shall be liable, on summary conviction, to imprisonment for not more than three months or to a fine not exceeding one hundred pounds or to both such imprisonment and such fine.
(1) No proceedings for an offence under this Act shall be instituted in England except by or with the consent of the Director of Public Prosecutions.

(2) Any proceedings under the Summary Jurisdiction Acts which may be taken against any person under this Act may, notwithstanding anything to the contrary in those Acts, be taken at any time not later than twelve months from the date on which evidence sufficient in the opinion of the Treasury to justify the proceedings comes to the knowledge of the Treasury, or, where the person in question was outside Great Britain at that date, within twelve months from the date on which he first lands in Great Britain thereafter.

For the purposes of this sub-paragraph, a certificate of the Treasury as to the date on which such evidence as aforesaid came to the knowledge of the Treasury shall be conclusive evidence thereof.

This sub-paragraph shall, in its application to Scotland, have effect as if for the references to evidence sufficient to justify a prosecution there were substituted references to evidence sufficient to justify a report to the Lord Advocate with a view to consideration of the question of prosecution.

(3) Proceedings against any person in respect of an offence under this Act may be taken before the appropriate court in Great Britain having jurisdiction in the place where that person is for the time being.

(4) Where a person convicted of an offence under this Act is a body corporate, every person who, at the time of the commission of the offence, was a director or officer of the body corporate or was purporting to act in any such capacity, shall be deemed to be guilty of that offence unless he proves that the offence was committed without his knowledge, or that he exercised all due diligence to prevent the commission of the offence.

(5) Where a person has been sentenced in England on summary conviction for an offence under this Act to a fine which exceeds five hundred pounds, any moneys recovered in respect of the sum adjudged to be paid by the conviction shall be applied as follows:

(a) first in payment to the person entitled thereto of any costs adjudged to be paid by the conviction the amount of which is ascertained by the conviction;

(b) if the balance remaining after payment of the said costs does not exceed five hundred pounds, it shall be applied in accordance with the provisions of section five of the Criminal Justice Administration Act, 1914;

(c) if the balance so remaining exceeds five hundred pounds, so much thereof as is equal to five hundred pounds shall be applied in accordance with the provisions of the said section five and the remainder shall be paid into the Exchequer; and so much of the sum adjudged to be paid as falls, when recovered, to be paid into the Exchequer, shall, if not otherwise recovered, be recoverable as a debt due to the Crown.

In this sub-paragraph, the expression "the sum adjudged to be paid by the conviction" includes any costs adjudged to be paid by the conviction, of which the amount is ascertained by the conviction.
Investment (Control and Guarantees).

**DRAFT OF A BILL**

To provide for the imposition of restrictions on the borrowing and raising of money, the issue of securities, and the circulation of offers of securities for subscription, sale or exchange, to enable the Treasury to guarantee loans in certain circumstances, and for purposes connected with the matters aforesaid.

CCLXXVII—F. (5)

14th November, 1945.

61—3 (P. 3448)
MEMORANDUM ON THE INVESTMENT (CONTROL AND GUARANTEES) BILL.

1. This Bill has two purposes, to regulate the borrowing of money and the raising of money by the issue of securities, and to make provision for the guarantee of loans in appropriate cases for the reconstruction or development of an industry or part of an industry in Great Britain.

Clause 1 deals with the first purpose and Clause 2 with the second. Clause 3 provides for the orders to be made under the Bill.

2. It is the policy of His Majesty's Government to establish and maintain a proper balance between the economic resources of the community and the demands upon them. This means that priority must always be assured for those projects of capital development which are of the greatest importance in the national interest. Moreover, it will sometimes be necessary to stimulate economic activity so as to prevent our national resources, both human and material, being wasted in idleness.

3. It will, therefore, be essential to plan both public and private investment, not merely in the narrow financial sense of controlling borrowing, but also in the wider sense of planning real capital development of all kinds. But investment, even in this wider meaning, represents only a part of the total claims on the national resources. In addition, provision must be made for the current needs of the Central Government and other public authorities, for the export trade, and for personal consumption. The planning of the investment programme as a whole must, therefore, be continuously guided by the Government and must be related to other Government plans for the use of the country's economic resources.

4. Within the limits of such guidance, however, there should be the fullest co-operation between the Government, the public and private undertakings responsible for capital development, and the agencies providing the finance. His Majesty's Government are anxious to make this co-operation more close and effective than hitherto.

5. The Capital Issues Committee will be continued. Subject to directions from the Treasury, it will deal with individual applications for permission to borrow. The Public Works Loan Board will also be continued. But the important duties of these authorities in controlling and assisting the flow of new investment, and of the Finance Corporation for Industry and the Industrial and Commercial Finance Corporation, in providing financial assistance to industry, must be effectively linked with the operations of the Bank of England and with the planning by His Majesty's Government of the investment programme as a whole.

6. With this end in view His Majesty's Government have decided to set up a National Investment Council. The Chairman will be the Chancellor of the Exchequer. The members of the Council will include the Governor of the Bank of England, the Chairman of the Capital Issues Committee, and the Public Works Loan Board and a number of other persons chosen for their wide knowledge and experience of financial, economic and industrial questions. This Council will assist the Government in so organising and, when necessary, stimulating investment as to promote full employment.
7. Attached to this memorandum is the draft of the Order which the Treasury would propose to make under Clause 1 of the Investment (Control and Guarantees) Bill after it has passed into law, dealing with the control of borrowing, etc. Under this Order, the scope of the control and of the exemptions therefrom will be substantially the same as at present. In particular the general exemption in favour of borrowings not exceeding £50,000 in twelve months will be continued.
RETURN OF VOLUNTEERS FROM THE POLISH ARMED FORCES TO POLAND.

MEMORANDUM BY THE SECRETARY OF STATE FOR FOREIGN AFFAIRS.

IT has become essential, in my view, to make shipping available to transport as soon as possible to Poland about 23,000 members of the Polish Armed Forces in this country, who have expressed the wish to return to Poland.

2. It is now some time since it was made known to the Polish Armed Forces under our Command that any who wished to return to Poland could so signify. Out of about 60,000 in this country 23,000 have volunteered, and these have been put in a special transit camp. The Polish Government, as my colleagues are no doubt aware, have been making propaganda to the effect that we and anti-Warsaw Polish officers under our Command have been maliciously putting difficulties in the way of the transfer to Poland of the Armed Forces under our Command. The Polish Government have proved extremely difficult to deal with in this matter. It was a long time before they would agree to send here a Military Mission to discuss with us the question of the Polish Armed Forces. Some four weeks ago they at last did so, but evidence has gradually accumulated that, while continuing the propaganda line referred to above, the Communist influences in the Polish Government are not in reality anxious to see large numbers of the Polish Armed Forces under our Command returning immediately as formed bodies of troops. In the negotiation with the Polish Military Mission they have revived a claim that all the Polish forces under our Command should be transferred to the Command of officers appointed from Warsaw, although I informed the Polish Government, in entire agreement with the Secretary of State for War several months ago, that this demand was entirely unacceptable, since we are informed by our military authorities that a complete breakdown of discipline would ensue. Moreover, we are pledged publicly not to bring pressure to bear on any Poles from the Armed Forces under our Command to return to Poland if they do not want to do so. The Polish Military Mission sent here, while agreeing that no one should be compelled to return to Poland, has declined hitherto to discuss arrangements for the return of all those who do wish to go and has only wished to select a certain limited number of hand-picked technicians. It looks as though the Communists, who have the last word in the Polish Government, wish to take back only a certain number of Poles from the Forces under our Command of whose support they feel certain or at any rate to have the men back in small dribs and drabs.

3. On the other hand, Marshal Rola-Zymierski, the Polish Commander-in-Chief in Warsaw, has repeatedly informed our Ambassador that he is most anxious to get the bulk of the Polish Armed Forces under our Command back as formed bodies of troops as quickly as possible; and M. Mikolajczyk repeated to me when I saw him here on the 15th November, as he has consistently told us before, that it is highly important to secure the earliest possible return of these men, since their return will strengthen the anti-Communist forces in Poland, will lead, he feels sure, to a large proportion of those who are at present undecided making up their minds to go back, and also because their non-return is being made an excuse by the Communists for postponing the elections in Poland and a subject of propaganda against this country. M. Mikolajczyk has also told us that once we can announce that transport is ready to take back immediately those of the Polish Armed Forces in this country who wish to go, the Communists will not dare to delay any longer in accepting them.
I entirely agree with M. Mikolajczyk's views and consider the immediate return of these men of great political importance in the struggle between the Communist and Democratic forces in Poland and in the interest of maintaining and developing contacts between Poland and the West, which the Communists wish to prevent.

5. I need hardly point out that from the domestic point of view it is desirable to do everything to secure the return of the maximum number of Poles from this country where they present a formidable problem constituting as they do the largest formed body of troops in the country. The return of these men will, I hope, accelerate the flow of further volunteers from this country and from Italy and the Middle East, where they present an awkward problem, too. There are some 90,000 Polish troops in Italy; they will soon be more numerous than the reduced British and American forces, and there are strong political objections to keeping them in Italy once that becomes the case.

6. It would be unsatisfactory to send back these Polish volunteers from the Armed Forces in this country over land through the Russian zone in Germany. In the first place, this route is entirely occupied by the return of Polish displaced persons from our zone in Germany as fast as the Russians and Poles have agreed to take them. Even so, it is unlikely that it will be possible to return all these before winter closes down the route. Secondly, as M. Mikolajczyk pointed out to me on the 15th November, it would be extremely bad if the volunteers from the Polish Armed Forces under our Command, by going back through Germany and the Russian zone, got mixed up with the displaced persons. It is important that they should go back so far as possible in formed units and in good heart.

7. I therefore ask my colleague to agree that the troop-shipping required to get these Poles back to Poland at a reasonable rate should at once be made available as an exception to the priorities ruling at present and that the War Office in conjunction with the Minister of War Transport should arrange the move with as little interference as possible with other planned movement.

E. B.

NEW CONSTRUCTION (REVISED) PROGRAMME, 1945.

MEMORANDUM BY THE FIRST LORD OF THE ADMIRALTY.

MY predecessor in the last Government placed before the Cabinet on the 29th June of this year a Memorandum giving details of the proposed New Construction Programme, 1945 (C.P. (45) 54), which was based on the need for the Navy to build up for the Far Eastern war.

2. With the end of the Japanese war, the basis of the New Construction Programme, 1945, has changed and it is now necessary for the shipyards to give first priority to Merchant Ship construction. I therefore put forward certain revised proposals for which I ask the approval of my colleagues. The basis of these proposals is:

(a) To proceed at normal speed with such vessels as may be required for the immediate replacement of a few deficiencies of outstanding importance.

(b) To proceed slowly with, or to defer, the construction of, those vessels which, though needed for the post-war Navy, may be used as a cushion to absorb the shocks of the fluctuations in the Shipbuilding Industry. A Warship Building Programme with sufficient flexibility can be used to even out the slumps and booms of Merchant Shipbuilding production.

3. A further advantage of a long-term Naval Building Programme is that it will also give time to enable advantage to be taken of research into the lessons of the war.

OUTLINE OF PROGRAMME.

4. In substitution for the programme outlined in paragraph 7 of C.P. (45) 54, I propose that the 1945 Programme should now be as follows:

- 1 Experimental-Type Submarine.
- 2 Escort Vessels.
- 2 Surveying Ships.
- 6 Small Floating Docks.
- A number of miscellaneous small craft.

The last two items were added since the 1944 New Construction Programme was approved, Treasury sanction having been obtained in each case.

BATTLESHIPS.

5. The preliminary work on the Lion and Temeraire has ceased.
AIRCRAFT CARRIERS.

6. I have cancelled two of the Large Fleet Carriers and four of the Light Fleet Carriers of the 1943 Programme.

CRUISERS.

7. I propose that 6 Cruisers of previously authorised programmes should be laid down, two immediately, and the remainder over a longer period so that they can best be fitted in with the Merchant Shipbuilding programme. I ask approval to proceed with 1 turret of new design 6-inch mountings in advance of construction to be fitted in one of the above Cruisers of the 1944 Programme.

DESTROYERS.

8. I have cancelled a further 24 Destroyers of the 1943 Programme on the understanding that certain replacements should be made in the future on a long-term basis which will supply the shipyards with a steady flow of work.

SUBMARINES.

9. As a further reduction, I have cancelled a further ten “A” Class and two “T” Class Submarines of the 1943 and 1942 Programmes. To keep abreast of the progress that is being made in the design and construction of Submarines, I propose that the 1945 Programme should include one Submarine of a new and experimental type.

ESCORT VESSELS.

10. I also ask approval to proceed with the design of two Escort Vessels of a new type, each of about 1,400 tons and with a speed of about 25 knots. These are largely experimental vessels; one will be an A/S vessel and the other an A/A ship.

FLOATING DOCKS.

11. One Cruiser dock being constructed in Canada and two docks for landing ships have been cancelled, together with 16 of the 22 Docks for small craft. The remaining six had progressed so far that it was more economical to complete them.

SURVEYING SHIPS.

12. I ask approval to build two surveying ships of about 1,400 tons. These ships are to carry out the essential work of Surveying, embodying the accurate charting of the many wrecks around our coasts, the complete re-survey of all Estuarial Waters, and extensive work overseas in all areas normally used by British shipping.

SMALL CRAFT.

13. I ask approval in the normal way for the miscellaneous small craft required to serve the Fleet and other various duties.

14. Amended statements are appended showing the cancellations in 1944 and up to the end of October 1945 and the estimated cost of this Programme separately, and in conjunction with previous Programmes.

A. V. A.

The Admiralty, Whitehall, S.W. 1,
22nd November, 1945.
LIST OF CANCELLATIONS DURING 1944 AND IN 1945 UP TO 30TH OCTOBER.

<table>
<thead>
<tr>
<th>No.</th>
<th>Cruise</th>
<th>Large Fleet Carriers</th>
<th>Light Fleet Carriers</th>
<th>Destroyers</th>
<th>Submarines (T. Class)</th>
<th>Submarines (A. Class)</th>
<th>Frigates</th>
<th>Sloops</th>
<th>Sloops</th>
<th>Fleet Minesweepers</th>
<th>Motor Minesweepers</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>Cruise</td>
<td>1942</td>
<td>1943</td>
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<td>1944</td>
<td>1943</td>
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<td>2</td>
<td>Large Fleet Carriers</td>
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</tr>
<tr>
<td>3</td>
<td>Light Fleet Carriers</td>
<td>1943</td>
<td>1943</td>
<td>1943</td>
<td>1942</td>
<td>1943</td>
<td>1944</td>
<td>1943</td>
<td>1942</td>
<td>1943</td>
<td>1943</td>
</tr>
<tr>
<td>4</td>
<td>Submarines (T. Class)</td>
<td>1942</td>
<td>1943</td>
<td>1943</td>
<td>1942</td>
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</tr>
<tr>
<td>5</td>
<td>Submarines (A. Class)</td>
<td>1942</td>
<td>1943</td>
<td>1943</td>
<td>1942</td>
<td>1943</td>
<td>1944</td>
<td>1943</td>
<td>1942</td>
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<td>1943</td>
</tr>
<tr>
<td>6</td>
<td>Frigates</td>
<td>1943</td>
<td>1943</td>
<td>1943</td>
<td>1942</td>
<td>1943</td>
<td>1944</td>
<td>1943</td>
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<tr>
<td>7</td>
<td>Sloops</td>
<td>1943</td>
<td>1943</td>
<td>1943</td>
<td>1942</td>
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<td>1943</td>
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<td>1943</td>
</tr>
<tr>
<td>8</td>
<td>Sloops</td>
<td>1943</td>
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<td>1943</td>
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<td>1943</td>
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</tr>
<tr>
<td>9</td>
<td>Fleet Minesweepers</td>
<td>1943</td>
<td>1943</td>
<td>1943</td>
<td>1942</td>
<td>1943</td>
<td>1944</td>
<td>1943</td>
<td>1942</td>
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<td>1943</td>
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<td>10</td>
<td>Motor Minesweepers</td>
<td>1943</td>
<td>1943</td>
<td>1943</td>
<td>1942</td>
<td>1943</td>
<td>1944</td>
<td>1943</td>
<td>1942</td>
<td>1943</td>
<td>1943</td>
</tr>
</tbody>
</table>

265(a) Coastal Craft Various
10 Boom Defence Vessels 1943
55 Transport Ferries 1943
2 M.T.B. Carrier Ships 1943
965 Landing Craft (L.C.S.(M); L.C.G.(M); L.C.A.; L.C.T.; L.C.S.) 1942, 1943 and 1944
2 Salvage Vessels 1943
1 Repair Ship 1942
2(b) Cable Ships 1943
2 Destroyer Depot Ships 1942
15 300-ton Concrete Floating Docks 1945(c)
2 6,000-ton Floating Docks 1945(c)
1 15,000-ton Floating Dock 1945(c)
4 Accommodation Arks 1945(c)
Miscellaneous small craft and Motor Boats

(a) A number of these have been transferred to War Office and R.A.F.
(b) One transferred to Trinity House.
(c) Approved in advance of approval to 1945 programme.

Table I.—1945 New Construction Programme. Estimate of Expenditure by Financial Years.

<table>
<thead>
<tr>
<th>Vessels</th>
<th>1945</th>
<th>1946</th>
<th>1947</th>
<th>1948</th>
<th>1949</th>
<th>1950</th>
<th>Total</th>
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<tr>
<td>1 Experimental Submarine</td>
<td>£23,000</td>
<td>£125,000</td>
<td>£180,000</td>
<td>£110,000</td>
<td>£43,000</td>
<td>£503,000</td>
<td>975,000</td>
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<tr>
<td>2 Escort Vessels</td>
<td>£25,000</td>
<td>£60,000</td>
<td>£100,000</td>
<td>£90,000</td>
<td>£84,000</td>
<td>£1,351,000</td>
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<tr>
<td>3 Surveying Ships</td>
<td>£50,000</td>
<td>£100,000</td>
<td>£150,000</td>
<td>£120,000</td>
<td>£50,000</td>
<td>£1,800,000</td>
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</tr>
<tr>
<td>4 300-ton Concrete Floating Docks</td>
<td>£50,000</td>
<td>£100,000</td>
<td>£150,000</td>
<td>£120,000</td>
<td>£50,000</td>
<td>£1,800,000</td>
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<tr>
<td>5 Small Craft and Motor Boats</td>
<td>£100,000</td>
<td>£200,000</td>
<td>£300,000</td>
<td>£200,000</td>
<td>£50,000</td>
<td>£1,200,000</td>
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<tr>
<td>Total</td>
<td>£1,000,000</td>
<td>£2,000,000</td>
<td>£3,000,000</td>
<td>£2,250,000</td>
<td>£1,000,000</td>
<td>£6,100,000</td>
<td></td>
</tr>
</tbody>
</table>

(a) Approved to be ordered in advance of approval of the main programme.
(b) Approval was given for a number of motor boats to be ordered in advance of approval of the main programme.

Table II.—Estimated Expenditure on New Construction (All Programmes) by Financial Years.

<table>
<thead>
<tr>
<th></th>
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<tr>
<td>Programmes prior to 1943 Programme</td>
<td>£1,000,000</td>
<td>£2,000,000</td>
<td>£3,000,000</td>
<td>£4,000,000</td>
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<td>£1,000,000</td>
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<td>1944 Programme</td>
<td>£1,000,000</td>
<td>£2,000,000</td>
<td>£3,000,000</td>
<td>£4,000,000</td>
<td>£5,000,000</td>
<td>£6,000,000</td>
<td>£7,000,000</td>
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<tr>
<td>1945 Programme</td>
<td>£1,000,000</td>
<td>£2,000,000</td>
<td>£3,000,000</td>
<td>£4,000,000</td>
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<td>£6,000,000</td>
<td>£7,000,000</td>
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<tr>
<td>Total</td>
<td>£5,000,000</td>
<td>£10,000,000</td>
<td>£15,000,000</td>
<td>£20,000,000</td>
<td>£25,000,000</td>
<td>£30,000,000</td>
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</table>
NEWFOUNDLAND.

MEMORANDUM BY THE SECRETARY OF STATE FOR DOMINION AFFAIRS.

1. On the 1st November (C.M. (45) 48th Conclusions) the Cabinet expressed general approval of the proposals outlined in my paper C.P. (45) 234 for enabling the people of Newfoundland to choose their future form of government for themselves. I was asked, however, to look further into two points:—

(a) It was suggested that, in order to avoid any risk of business and financial interests securing unduly large representation in the proposed National Convention, it might be preferable for the elections to the Convention to be held on a vocational rather than a geographical basis, or, alternatively, for the two methods to be combined.

(b) The question was raised whether it would not be more appropriate for any change in the status of Newfoundland to be considered in the first instance by an Imperial Conference including representatives of the Dominions rather than by the Parliament at Westminster alone.

2. I have consulted the Commission of Government on the first point, and their strong advice is that the geographical basis should be retained. A vocational basis would, in their view, be open to grave objection, since while there are a number of Unions, Associations and other groupings in Newfoundland, a large part of the population, including the great majority of the fishermen, does not belong to such bodies and could not be represented in this way. The Commission point out also that even within such groupings opinion on political and constitutional questions is very divided. They feel that it would be very difficult therefore to obtain a truly representative Convention by a vocational method, and they suggest also that it would be an insuperable task to assess with reasonable accuracy the number of representatives which would properly be assigned to each body or group of bodies. Moreover, there would, they fear, be no effective control over the way in which the various bodies selected representatives, and this would mean that there would be full scope for intrigues and manoeuvres which might well distort completely the expression of the people's opinions. Finally, they make the point that the vocational method would be unfamiliar to Newfoundlanders and that Newfoundland public opinion would not be likely to be satisfied unless the Convention called upon to consider the constitutional issue were to be composed of representatives elected on the traditional territorial basis and thus comparable with the elected House of Assembly whose decision led to the surrender of self-government in 1933.

3. These objections, they consider, would hold good even if the vocational method were to be supplemented by elections on a geographical basis. At the same time, they fully recognise how important it is to ensure that the fishermen and workers receive full representation in the Convention, and it was on this account that they suggested that all candidates for election should be required to be bona fide residents in the districts they seek to represent. They have considered whether some system of primary and secondary elections might not constitute a further safeguard, but this, they feel, would be too complicated to be practicable. They consider, however, that the situation would in practice be satisfactorily met if a period of two years' residence immediately preceding the election is adopted as the minimum necessary to fulfil the residence qualification mentioned above.
This requirement would, in their opinion, suffice to secure the election of candidates who were genuinely resident in their various districts, and would effectively prevent the planting out of agents, with a view to their election, by business or other interests in St. John's or elsewhere. It would, of course, be necessary to make it clear that war service would not be regarded as a break in residence for this purpose.

4. I think that the Commission of Government have made out a good case on this point, and I propose, therefore, if my colleagues agree, to accept their advice. The geographical basis of election has the great advantage of being unassailable in democratic theory, and I feel that, with the safeguards mentioned, it should give us the results we desire.

5. I have also considered with care the further point which was raised in the Cabinet as possibly affecting future procedure (paragraph 1 (b) above). On this, however, I think it is clear that a change in the Island's status must be looked upon as a matter for settlement, not by an Imperial Conference, but between the people of Newfoundland on the one hand and the United Kingdom Government and Parliament on the other. We are, in fact, already committed on this point, since the arrangements made in 1933, as a result of an unanimous vote of both Houses of the Newfoundland Parliament, contemplated only a temporary break in the Island's long history of self-government and provided that, as soon as its difficulties had been overcome, responsible government, on request from the people of Newfoundland, would be restored. If, therefore, the people, when the issue is put to them, request the restoration of responsible government, we shall, of course, be bound to accede to their wish, and there would be no scope for reference of the matter to an Imperial Conference. Such a course would, in any case, be regarded by Newfoundlanders as derogatory, and might well be highly embarrassing to the Dominions, above all to Canada.

6. In the circumstances I now propose, with the approval of my colleagues, to make my proposed statement in the House of Lords at an early convenient opportunity. The draft statement, which was annexed as Appendix A to C.P. (45) 234, has been agreed with the Commission of Government, subject to a few minor alterations, and since it has also formed the subject of confidential consultation with the Canadian authorities, it would, I feel, be desirable that I should adhere as closely as possible to that draft. I annex, however, a shorter draft which might be suitable for the purpose of a simultaneous statement in the House of Commons.

A.

Dominions Office, S.W. 1,
21st November, 1945.
ANNEX.

DRAFT STATEMENT FOR HOUSE OF COMMONS.

IN pursuance of the statement of policy made on behalf of the Coalition Government in December 1943, which they fully endorse, His Majesty's Government have decided to set up in Newfoundland next year, as early as climatic conditions permit, an elected National Convention of Newfoundlanders. Elections to the Convention will be held broadly on the basis of the former Parliamentary constituencies. All adults will be entitled to vote, and candidates for election will be required to be bona fide residents in the districts they seek to represent. The Convention will be presided over by a Judge of the Supreme Court of Newfoundland, and its terms of reference will be as follows:

"To consider and discuss amongst themselves, as elected representatives of the Newfoundland people, the changes that have taken place in the financial and economic situation of the Island since 1934, and bearing in mind the extent to which the high revenues of recent years have been due to war-time conditions, to examine the position of the country and to make recommendations to His Majesty's Government as to possible forms of future government to be put before the people at a national referendum."

In order to assist the Convention, His Majesty's Government will make available to it when it meets the services of an expert adviser who could give guidance on constitutional forms and procedure; and they will also prepare for use of the Convention a factual and objective statement of the Island's financial and economic situation. This statement will be made available to Parliament at the same time.

In the meantime it is, of course, most important that the series of reconstruction measures which the Commission of Government already have in hand or are planning to introduce should proceed without interruption, and these will be pushed forward as rapidly as possible. The Commission have a full programme designed to meet the more pressing requirements of the Island over the next two or three years.

His Majesty's Government will make clear to the Convention when it meets their own position in relation to possible future financial assistance to the Island. I think it only fair to our fellow-citizens in Newfoundland that I should sound a note of warning on this point. The currency of Newfoundland is the Canadian dollar, and we are now so short of Canadian dollars that the future financing of imports from Canada essential to the life and welfare of our own people constitutes in itself a formidable problem. Our relations with Newfoundland have been so special and Newfoundlanders have played such a gallant part in the war that it would, I know, be the wish of us all to assure to any new Government which may take over in the Island the fairest possible start. But we must above all be careful not to promise what we may not be able to perform, and the special difficulties of our financial position over the next few years may well preclude us from undertaking fresh commitments on this account.

The object of the procedure which His Majesty's Government propose is to enable the people of the Island to come to a free and informed decision as to their future form of government. I know the House, which has always been solicitous for their welfare, will wish them well in the exercise of their choice.
CABINET

BROADCASTING POLICY

REPORT BY
THE LORD PRESIDENT OF THE COUNCIL,
THE MINISTER OF INFORMATION, THE
POSTMASTER-GENERAL AND
THE MINISTER OF STATE

Cabinet Offices, S.W. 1,
20th November, 1945.
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BROADCASTING POLICY.

REPORT.

INTRODUCTION.

On the 27th January, 1944, the War Cabinet (W.M. (44) 12th Conclusions, Minute 3) set up a Committee consisting of:

- The Minister of Reconstruction (in the Chair),
- The Lord President of the Council,
- The Minister of Information,
- The Postmaster-General,
- The Minister of State,

to enquire into future broadcasting policy and to make recommendations.

2. The scope of the Committee's enquiry was to include:

- The future organisation of broadcasting in this country;
- Means of preventing the establishment on neighbouring foreign territory of commercial stations which compete with the B.B.C.;
- The control of wireless in ex-enemy countries;
- The possibility of developing an international wireless service devoted to spreading the principles of international co-operation.

3. The Committee held several meetings and reached a substantial measure of agreement. They failed, however, to reach unanimity on certain questions before the Coalition Government broke up and their report was never, therefore, submitted to the Cabinet. On coming into office we decided to use the draft report of this Committee as a basis upon which to formulate our recommendations on future broadcasting policy and the following paragraphs represent the views expressed in that draft amended on points on which we found ourselves in disagreement with it.

Ministerial Control and Television.

4. The future control of the B.B.C. is being considered in connection with the future of Government Information Services generally. A summary of views on this subject expressed in the draft report is being circulated in connection with those discussions and we have therefore omitted, where possible, all reference to it from the present paper. Our recommendations on future television policy have already been considered and approved by the Cabinet (C.M. (45) 34th Conclusions, Minute 1).

The Need for a Public Enquiry.

5. Before the B.B.C.'s Charter was renewed in 1937, the Postmaster-General appointed an independent committee, under the Chairmanship of Lord Ullswater, to advise him on the future organisation of broadcasting. This committee took evidence from the public and its report was published (Cmd. 5091). Subsequently the Postmaster-General issued a White Paper (Cmd. 5207) setting out the Government's decisions upon its recommendations. There was a divergence of view among our predecessors whether or not a similar procedure should be followed on this occasion and they decided to leave the question to the decision of the Cabinet. After consideration, however, we are satisfied that the issues involved are plain enough to render such an enquiry unnecessary.

I.—THE FUTURE OF THE B.B.C.

The Renewal of the Charter.

6. The B.B.C.'s Charter and its Licence from the Postmaster-General expire on the 31st December, 1946. We have considered whether after that date the B.B.C. should continue to be the only body licensed to originate broadcasts in this country, since if it is agreed that a single national body is desirable, we have no evidence of any widespread desire for a radically different type of organisation. It has been argued that the existing system places too much power in the hands of a single Corporation and deprives broadcasting of the advantages of healthy competition. One alternative scheme, for instance, has been suggested whereby the State would own the physical assets required for broadcasting, while
the provision of programmes would be entrusted to three competing corporations, each of which would receive a basic share of the licence fees plus an additional share based on the votes of listeners.

7. The replacement of the existing functions of the B.B.C. by a system of competition would involve a very great upheaval in the organisation of broadcasting in the United Kingdom, and we do not think that such advantages as might be derived from competition would outweigh the disadvantages resulting from the break-up of the present system. We believe that the greatest advances both in technique and in programmes will be made, not by dissipating the available resources among a number of competing bodies, but by improvements in the organisation of the B.B.C. We accordingly recommend that the B.B.C. should continue to be the sole authority licensed to originate broadcasts in the United Kingdom and that the Charter should be renewed for a further period of ten years from the 1st January, 1947.

The Board of Governors.

8. Governors are appointed by the Crown on the recommendation of the Prime Minister and serve for a period not exceeding five years, but are eligible for reappointment. The qualifications expected of them are that they should be persons of judgment and independence, free of commitments, who inspire confidence by having no other interests to promote than those of the public service. Originally five in number, the size of the Board was increased to seven on the recommendation of the Ullswater Committee. The present membership is:

Sir Allan Powell (Chairman),
Mr. C. H. G. Mills (Vice-Chairman),
Lady Violet Bonham-Carter,
Sir Ian Fraser, M.P.,
Dr. J. J. Mallon,
Mr. A. H. Mann,
The Hon. Harold Nicolson.

9. We attach great importance to the Governors being as representative as possible of the public which they serve and we are convinced that the growing importance of broadcasting makes it necessary for the B.B.C. to be controlled by the best available talent. For this reason we recommend that:

(a) The Chairman of the Governors should be a really outstanding figure in public life.

(b) The representation of different age groups should be borne in mind in selecting Governors. The average age of the present Board is too high.

(c) Care should be taken to ensure that the whole Board does not have to be renewed at the same time.

(d) Governors (including the Chairman) must not be given reason to expect reappointment on the termination of their period of office.

10. We consider that it should be made clear to the Board that the Crown expects it to take an active interest not only in programmes but in the financial and establishment policy of the B.B.C.

11. We would also recommend that consideration be given to the reduction of the salaries at present received by the Board (£3,000 for the Chairman and £1,000 for the other members). The appointments clearly demand ability and a high sense of responsibility, but members of important municipal committees receive no remuneration whatever for their services.

Staff.

12. The Ullswater Committee made recommendations about the recruitment and terms of appointment of staff designed to prevent charges of nepotism and favouritism in selection, and to ensure that, in any matters of controversy with which they had to deal officially, members of the staff maintained a degree of anonymity and impartiality in public similar to that expected from Civil Servants. These recommendations were accepted and there have since then been no important developments in this field which call for a reconsideration of the status of the B.B.C. staff. In staff matters the B.B.C. should retain the independence which it now possesses and Government control should be restricted to laying down the broadest possible lines of policy within which the B.B.C. should work.
13. The salaries paid to the staff of the Corporation are appreciably higher than those paid to Civil Servants bearing a similar degree of responsibility, and the B.B.C. pension rights also compare favourably with those of Civil Servants. The B.B.C. view is, we understand, that a strict analogy cannot be drawn between the B.B.C. staff and that of the Civil Service; and that the highest posts in the B.B.C. are rather comparable to those in a great business undertaking, while the staff actively engaged in broadcasting should be compared with editors, artists and members of similar professions.

14. We agree that the B.B.C. should not be rigidly bound to relate the salaries and conditions of its permanent staff to those ruling in the Civil Service, but we think that in fixing salaries and conditions it should pay proper regard to those of the Civil Service and to the greater security offered by employment in a public corporation, as compared with employment in most business concerns.

II.—Technical Considerations Affecting Broadcasting.

15. The development of British broadcasting, both in the number of programmes broadcast and in the quality of the transmission and reception, depends very largely on the progress made in overcoming the technical problems of wireless.

Quality of Transmission and Reception.

16. We attach great importance to improving the quality of transmission. The B.B.C. is anxious to spend about £250,000 per annum on research and development in such spheres as acoustics and radio transmission, and we support this proposal. So far as improvements in the efficiency of receiving sets are concerned, we feel that competition between radio manufacturers ought to provide the necessary incentive.

Electrical Interference.

17. Interference with reception results from the use of electrical appliances, high voltage electricity transmission lines, neon signs and other processes involving the use of electricity. This interference may be expected to increase in severity and, though improved broadcasting technique can do something to counteract it, any real attempt to eliminate it would probably involve legislation, and would require the concurrence of the electrical industry. We are glad to know that a Committee of the Institution of Electrical Engineers, which has studied the question, has reported to the Postmaster-General in favour of such legislation, and we hope that time will be found for the Bill in the Government's legislative programme within the next year or two.

Wavelengths and Programmes.

18. The number of wavelengths which can be used for radio transmission is strictly limited, and the competition for them between different countries and between different purposes will increase rather than diminish in future. Moreover, while considerable progress is being made with research into certain aspects of radio technique, such as the development of transmission over ultrashort wavelengths, it is unlikely that these new methods of transmission will be available on a large scale for at least several years to come. The development of our services during this period, therefore, depends on our ability to make the best use of a strictly limited number of wavelengths. The position in regard to the four types of wavelengths which can be used for broadcasting is summarised in the Appendix to this report.

19. In considering future programme policy it is necessary to have a clear idea of the number of long and medium wavelengths which may be available to us for broadcasting. We can, for this purpose, ignore short wavelengths as these are not allocated to individual countries by international convention. Except for two international common medium waves which can be used only by very low-powered stations, this country, before the war, was using one long wave and eleven medium wavelengths. Of these the long wave and ten medium wavelengths had been allocated to us under the Lucerne Convention, while we had secured the use of the eleventh medium wavelength by agreement with the countries to which it had been allocated under that Convention.
20. **Before the war the one long and eleven medium wavelengths available to us were used as follows:**

- **National Service**
  - One long wavelength.
  - One medium wavelength.

- **Seven Regional Programmes**
  - Ten medium wavelengths.

**At present we are using two long wavelengths and eleven medium wavelengths as follows:**

- **National or Light Programme**
  - One long wavelength.
  - One medium wavelength.

- **Seven Regional Programmes**
  - Eight medium wavelengths.

- **European Service and Broadcasts to Germany**
  - One long wavelength.
  - Two medium wavelengths.

21. Our use of the additional long wavelength is, however, only temporary and there is no prospect of our being able to retain it. There is a good prospect of our being able to continue to use an eleventh medium wavelength (not necessarily the one which we are using at the moment) by agreement with the country or countries to which it is allocated, provided that we use it in such a way as to eliminate mutual interference. There is some prospect of our obtaining the shared use of still further medium wavelengths but we are advised that our chances of doing so are not high. There is also a remote possibility that we may secure the surrender of one or more wavelengths allocated to Germany under the Lucerne Convention but we understand that the control authorities regard it as essential to retain all these wavelength for broadcasting to the troops or to the German civil population in the four zones of occupation. While, therefore, we consider that everything possible should be done to secure the use either outright or on a shared basis of additional medium wavelengths, we think that for the purpose of this report we must assume that (apart from the two international common wavelengths) we have only one long and eleven medium wavelengths at our disposal.

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**III.—Broadcasts to Foreign Audiences.**

*The European Service.*

22. During the war the European Service of the B.B.C. was invaluable in creating and maintaining goodwill towards this country, and we are satisfied that it is essential, in the national interest, that the service should continue. Conditions have, of course, changed with the advent of peace, and the European Service cannot expect to retain the enormous audience which it built up for itself during the war. In the first place, it is normally not technically possible for transmission from this country to Europe to compete with the standards of audibility achieved by Continental stations, and European listeners will no longer have the strong incentive to listen to British programmes that they possessed under the German domination. Moreover, now that the national broadcasting systems of the Continent have regained their independence, we must assume that many listeners will be content to take from them, the news and comment on current events for which they were forced to rely on London during the war.

23. Some decrease in the wartime European audience of the B.B.C. is, therefore, inevitable and steps have already been taken to reduce the volume of the service to a size more in keeping with its potential audience. Nevertheless there is strong evidence that the European Service retains a surprisingly large audience and that our friends on the Continent are most anxious that it should continue. Moreover, it is clear that both the Americans and the Russians intend to broadcast to Europe on an ambitious scale and we cannot afford to let the British viewpoint go by default.

24. To continue the European Service effectively requires the use of at least two medium wavelengths on high power in addition to short waves. We
consider that for these it has a prior claim on whatever medium wavelengths are available to this country.

Other Overseas Services.

25. Transmissions to countries outside Europe are made on short wavelengths and it will be seen from para. 3 of the Appendix that we may expect to have a sufficient number of short wavelengths to enable a number of programmes to be broadcast from this country simultaneously. The problem here, therefore, is to how best to allocate our short wave resources between the various foreign audiences and the Empire audiences who must also be served with these wavelengths and we think that this question can best be left for decision in the light of circumstances ruling from time to time.

General Considerations.

26. We would draw attention to two points in connection with all overseas broadcasting to which we attach importance.

(a) It should be our aim to secure the acceptance by overseas broadcasting authorities of as many United Kingdom programmes as possible for rediffusion over their national networks. Such programmes reach the overseas listener with as high a standard of audibility as his local programmes and do much to promote a knowledge and understanding of British life and customs. We should also welcome the acceptance by the B.B.C. of suitable foreign, and particularly Empire, programmes for rediffusion in the home services.

(b) Great care should be taken to ensure the complete objectivity of the news bulletins which will form the kernel of all broadcasting for overseas reception. The B.B.C.'s reputation for telling the truth even when it hurts must be maintained, which means that the treatment of an item in overseas news bulletins must not differ in any material respect from its treatment on the current news bulletins for domestic listeners.

Interference with Maritime Wireless Services.

27. High-powered broadcasting stations situated near the coast, whether designed for domestic or overseas audiences, considerably increase the danger to life at sea by interfering with marine wireless services and, in particular, with the ships' distress service. This is due to the fact that the existing wireless equipment of most British and foreign ships cannot exclude signals transmitted with the power used by these broadcasting stations. The problem is, unfortunately, particularly serious in the North Sea area, owing to the very high power of the transmitters (greatly in excess of that permitted under existing international regulations) which we use for the European Service.

28. We have discussed this problem with the Minister of War Transport. Though fully conscious of the need to minimise the danger to life at sea, we are satisfied that, for the reasons set out above, we must maintain a European Service operating at high power on two medium wavelengths. In these circumstances, we have agreed with the Minister of War Transport that everything possible should be done to mitigate the interference caused by our European transmitters and to improve ships' wireless equipment. The Minister of War Transport is considering means of providing improved types of wireless equipment which alone can finally solve the problem, and is pressing on in the meantime with the provision of auxiliary equipment which will considerably alleviate interference with reception by ships’ receivers. The manufacture and distribution of this equipment will, however, be spread over a number of months, and an immediate mitigation of the danger to shipping can be obtained only by modifying the broadcasting arrangements. This aspect of the problem is being discussed as a matter of urgency between the officers of the Departments concerned and the B.B.C.

IV.—Empire Broadcasting.

29. The Broadcasting Committee took the views of the Dominions, India and Colonial Offices and of the B.B.C. on Empire broadcasting, and their draft report represented general agreement with these authorities on the policy to be followed. We have found little to criticise in their conclusions on this subject.

30. The Empire will not accept from the United Kingdom broadcasts which it regards as Government propaganda. This does not mean that there should be
no co-operation between the B.B.C. and the Government. Indeed, it is of great importance that the closest possible liaison should be maintained between them so that, in shaping its Empire broadcasting policy, the Corporation can have available to it all relevant information about the current political background and, in the case of Colonial broadcasts, can send out material which fits in with the educational policy of the Colonial Office and the Colonial Governments. But there must be no suggestion that in its Empire broadcasts the B.B.C. is merely the Government’s subservient tool.

The Dominions.

31. So far as broadcasting to the Dominions is concerned we recommend that:—

(a) the wavelengths available should be used to their utmost and should be supplemented by the transmission of programmes through the overseas telephone services for re-broadcasting locally; and by the export of programmes in the form of scripts and recorded material;

(b) the B.B.C. should make a greater use of programmes specifically directed to a single Dominion. Canada, for instance, would pay greater attention to a programme especially designed for Canadian audiences than to a North American programme mainly directed to the United States;

(c) the B.B.C. should employ staff with a background of Dominion experience in its programme departments. We are glad to know that the B.B.C. hopes to make arrangements for the periodic interchange of staff with Dominion broadcasting authorities;

(d) the Dominion authorities should be encouraged to develop more programmes suitable for United Kingdom audiences.

India and the Colonies.

32. In both India and the Colonies the primary use of broadcasting is educational, and we believe that wireless can make an enormous contribution to the improvement of the educational standard among native races. To achieve this the facilities for broadcasting must be greatly increased and we recommend that:—

(a) The Indian and Colonial Broadcasting authorities should be pressed to extend their broadcasting systems as rapidly as possible, the aim being to ensure that no part of their territory should be out of reach of wireless programmes especially designed for the local population and capable of being picked up by comparatively cheap receiving sets, or by the public address or relay systems. In the Colonial Empire a large part of the cost of such a policy would almost certainly fall on the Imperial Exchequer, but we feel that the advantages to be gained would more than justify the cost;

(b) As soon as possible, the precise needs of the Indian and Colonial Governments for this purpose should be ascertained and the necessary technical staff and equipment made available to them from this country.

V.—Home Broadcasting.

Programmes and the Distribution of Wavelengths.

33. As we have said above, the B.B.C. hopes that in the Spring of 1946 there will be three programmes available in the Home Service:—

(i) The Light or National programme which will cover the whole country and include British troops on the Continent. The programme will run from 9 a.m. until midnight.

(ii) A series of regional programmes (now called the “Home Service”) running from 6:30 a.m. until midnight. These programmes will contain a large amount of common material, but each of them will include a certain amount of local material.

(iii) A third programme, mainly directed to the educated listener, which will be used for such purposes as the broadcasting of plays, concerts and operas in full. It will probably run from 4 p.m. until midnight and its introduction will not mean the elimination of the cultural elements in the other two programmes. The name of this transmission has not yet been decided and for purposes of convenience we refer to it as the cultural programme. The B.B.C. is fully conscious of the need to find a name which will be less forbidding to the general listener.
34. To carry these three programmes, we assume that there will be available one long wavelength and nine main medium wavelengths (i.e., that we shall succeed in retaining the use of one medium wavelength over and above the ten allocated to us under the Lucerne Convention and that two medium wavelengths will be used for the European Service). We have discussed how to make the best use of these resources with representatives of the B.B.C. As a result, we recommend the following allocation:

**Light or National Programme**—
One long wavelength.
One medium wavelength.

**Six Regional Programmes**—
Seven medium wavelengths.

**Cultural Programme**—
One medium wavelength supplemented by the use of the two international common wavelengths on low power.

This distribution will, we understand, serve the widest possible audience for each of the three programmes within our available resources, the figures being estimated by the B.B.C. as 95 per cent. for the Light, between 90 and 93 per cent. for the regional, and roughly 80 per cent. for the cultural programme.

35. There are, however, certain factors which must be taken into account in considering the allocation which we propose:

(a) It will involve a reduction in the number of regional programmes from seven to six, the Midland and the West of England Regions being amalgamated. There may be some objection to this reduction, but the full number of regional programmes could not be maintained without seriously reducing the number of listeners who received the cultural programme, and we consider that on balance an adequate coverage for the latter programme is more important than the retention of seven regions.

(b) The reallocation cannot be achieved without some degradation in the high standard of audibility to which British listeners were accustomed before the war. The reduction in the quality of reception will, however, affect a relatively small number of listeners, and we consider that the great majority of them will willingly accept it if in compensation they are offered a choice of three programmes.

(c) We attach considerable importance to securing as large as possible an audience for the cultural programme as this promises to become an important vehicle for improving the general education of the country. We think, therefore, that the technical problem of extending its coverage (for example, by the use of frequency modulation systems) should be urgently pursued by the B.B.C. We are also inclined to the view that it should have first call on any further medium wavelength whose use we may secure by agreement.

(d) An audience of as much as 80 per cent. for this programme will only be possible if we can continue to use the 514-metre wavelength which was allocated under the Lucerne Convention to Tunis and Latvia, or can secure the use of another similar wavelength. There is good prospect of our being able to do this, but we consider that if our hopes are falsified the allocation of our available wavelengths must be reviewed in order to release sufficient wavelengths to give the cultural programme an adequate coverage even at the cost of a further reduction in the number of regional programmes.

Regional Devolution.

36. The effect of the reduction in the number of regional programmes upon the entertainment which they offer can, we think, be substantially mitigated by a system of devolution which would increase the status of the individual regional organisation and encourage a spirit of emulation throughout the service. Effective devolution will increase the cost of broadcasting, since, if the regional officers are to feel free, within broad limits, to run their own programmes in their own way, they must have sufficient latitude in expenditure, and there will be in each region...
services which, from the purely financial point of view, could be run more economically from headquarters. The additional cost will, however, be fully justified if it leads to a number of vigorous regional organisations, each with a staff drawn largely from the region which it serves and each with a distinctive programme policy.

Advertisement and Sponsored Programmes.

37. The B.B.C. has always been forbidden to include direct advertisements in its programmes. As regards sponsored programmes, the Ullswater Committee recommended that the B.B.C. should retain the power to permit such programmes which had been given to it in its first Charter, but that any increase in its use should be limited to the initial stages of television broadcasts. The Government of the day did not accept this recommendation and, in our opinion, there is no reason to reverse this decision. The B.B.C. has shown no desire to use sponsored programmes, and any attempt to do so would certainly be resisted by such interests as the press and resented by a large body of public opinion. We therefore recommend that the prohibition on the use of both advertisement and sponsored programmes by the B.B.C. should continue.

Broadcasting of Parliament.

38. We considered proposals for the broadcasting in full of debates in both Houses of Parliament. We agree as to the need to encourage public interest in the working of Parliament, and we believe that the B.B.C. could play a greater part in achieving this end. The proceedings of Parliament, however, do not lend themselves to broadcasting, and we think that the proper course is to lay upon the B.B.C. the obligation to broadcast an adequate and impartial daily account of proceedings in both Houses, in addition to its present weekly summary. This report should be given by professional reporters who are not Members of Parliament, and the authorities of Parliament should be invited to provide adequate facilities for the B.B.C. reporting staff to perform this duty.

Wire Broadcasting.

39. Wire broadcasting is a system whereby the broadcast programme is received at a central station by wire or wireless and thence transmitted over a wire network to individual subscribers. The subscriber requires only a loudspeaker or a simplified wireless set to receive the programme. Wire broadcasting stations or relay exchanges have always been in private hands and the companies operating them have done so under licence from the Postmaster-General. All licences granted provide—

(a) that (with very minor exceptions) the relay exchanges must not distribute locally-originated programmes;

(b) that all subscribers must hold a wireless receiving licence.

40. The development of wire broadcasting in this country has varied considerably in different regions. The main drawback of the system is that it has been able to give listeners only a limited choice of programmes, and before the war it offered few attractions to the listener in districts where reception on a normal set was satisfactory.

41. At the outbreak of war subscribers to wire-relay exchanges represented 2·9 per cent. of the total number of wireless licence holders. But war conditions have favoured the development of the system, and the percentage had risen to 5·7 per cent. by December 1944. We are advised that the system is unlikely to expand in peace-time unless it can solve the problem of transmitting a much greater variety of programmes to its subscribers and can successfully cope with the antagonism which its progress must arouse in the powerful interests whose prosperity depends on the demand for wireless sets.

42. The Ullswater Committee recommended that the ownership and operation of the relay exchanges should be taken over by the Post Office for the reasons "which have led to the establishment of the postal, telegraph and telephone services and indeed the broadcasting service itself as unified national undertakings in public ownership and control." The Government of the day decided, however, as an interim measure to extend the licences of the existing relay exchanges for three years from the 31st December, 1936, on the ground that the technical problems involved in wire relay services were still to a great extent in their infancy and that it was therefore premature to start negotiating with the owners of some 340 exchanges for the transfer of a system which might well
prove obsolete as technical knowledge advanced. Before the three years expired;
war broke out and the decision was postponed for a further ten years until 1949.

43. We have considered afresh whether the relay exchange system should be taken over by the Government but have come to the conclusion that a decision should be deferred until the current licences are due to expire in 1949. The system appears to be functioning efficiently under private ownership. There is no noticeable demand for its extension to parts of the country not served by the commercial companies and during the next two or three years the restoration of the postal, telephone and telegraph services will absorb all the labour and material resources available to the Post Office.

VI.—FINANCE.

Pre-War Position.

44. Before the war the grant to the B.B.C. under the Broadcasting Vote represented a proportion of the net proceeds of fees paid for wireless receiving licences after the departmental costs of issuing licences and of associated services had been met. These latter costs were borne on Departmental Votes; and in the immediate pre-war years were assessed at 9 per cent. of the gross proceeds from the fees. The B.B.C. was entitled to receive an amount equivalent to 75 per cent. of the net proceeds but, if the Treasury were satisfied that this income would be insufficient to support all B.B.C. services, they could approve an increase in the percentage. With the development of television and foreign language broadcasting, 75 per cent. of the net revenue began to prove insufficient, and in the financial year 1937-38 the B.B.C. grant was increased by an additional 8 per cent. of the net revenue. A further increase of 7 per cent. was approved in 1938-39, so that in the last complete pre-war year the Corporation received 90 per cent. of the net (i.e., 81.9 per cent. of the gross) revenue.

Post-War Position.

45. We are in favour of retaining the pre-war practice of meeting the costs of all B.B.C. services out of a single Broadcasting Vote; and also of returning to the arrangement whereby the provision for home broadcasting and for television services is related to a definite proportion of the revenue from licence fees; the B.B.C. having freedom within broad limits to spend this revenue at its discretion on the development of the services for which it is provided.

46. The table below represents an attempt to assess the finance of broadcasting and television services in a normal post-war year assuming that the licence fee continues to be 10s. per annum. The figures cannot be more than very rough estimates, but we believe that they represent as accurate a forecast as it is possible to make at the present time:

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<tr>
<th>Broadcasting and Television</th>
<th>Estimated Expenditure</th>
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</tr>
<tr>
<td>Home Broadcasting</td>
<td>7.20</td>
<td>Licence Fee Revenue (assuming 10 million licence holders)</td>
</tr>
<tr>
<td>Overseas Broadcasting</td>
<td>3.15</td>
<td>B.B.C. revenue from publications, &amp;c.</td>
</tr>
<tr>
<td>B.B.C.’s Income Tax Liability</td>
<td>1.00</td>
<td>Revenue from special television licences, say</td>
</tr>
<tr>
<td>Services rendered by Post Office and other Government Departments</td>
<td>0.50</td>
<td></td>
</tr>
<tr>
<td>Television</td>
<td>2.00</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>13.85</strong></td>
<td><strong>5.55</strong></td>
</tr>
</tbody>
</table>

47. On this basis it will be seen that there is a gap of £8.3 million between revenue and expenditure. As a step towards bridging it we recommend that the wireless licence fee should be increased from 10s. to £1 at the first convenient opportunity. £1 is a very reasonable fee to charge for the service provided and the proposed increase should not materially reduce the number of licence holders.

48. Assuming that a £1 licence fee produces £10 million per annum, the excess of expenditure over revenue will be reduced to rather over £3 million per annum. We recommend that this should be met by the Exchequer’s undertaking liability for the cost of overseas broadcasting (estimated at £3.15 million
per annum) independently of any revenue from licence holders. We think that, as television ought ultimately to be of direct benefit to a substantial proportion of broadcast listeners, the cost of its development can fairly be regarded as an expense to be set off against licence fee revenue.

49. If our recommendations are accepted it will, of course, be necessary to ensure that the B.B.C.'s expenditure on each of the Services for which it is responsible is in accordance with the intention of Parliament in approving the Broadcasting Vote.

VII.—MISCELLANEOUS QUESTIONS.

Commercial Broadcasting from Overseas.

50. Until 1938 the United Kingdom Government tried hard to curtail the growing volume of broadcasting directed at this country from commercial stations situated on the Continent, of which the best known were Radio Luxembourg and Radio Normandie. In 1933 a resolution was passed by the Council of the International Broadcasting Union to the effect that the diffusion of such programmes constituted an "inadmissible act from the point of view of good international relations," and in 1938 His Majesty's Government unsuccessfully put forward a proposal that such programmes should be prohibited. These efforts, however, proved ineffective, and in the years immediately before the war the Government itself on occasion used these stations to broadcast to Germany. Our attitude towards them changed therefore to one of neutrality.

51. Negotiations are proceeding for the lease of Radio Luxembourg for broadcasting to Germany and Austria by the British and possibly by other Governments. But there were before the war other commercial stations overseas, built to serve the British listeners, and we may again be subject to such commercial broadcasts on a substantial scale. We consider that there is a fundamental objection to His Majesty's Government's countenancing the broadcasting from abroad of advertising programmes whose diffusion it refuses to permit from its own territory, and we think that a determined attempt should be made to eliminate this type of broadcasting. While we realise that this may require a degree of international agreement which will not be easy to secure, we hope that the foreign Governments concerned will in future be more ready to appreciate our point of view than they were before the war. Should the attempt fail we must rely on the increasing attractiveness of the B.B.C. programmes. It was clearly established before the war that stations like Radio Luxembourg could rely on a substantial audience in this country only at times, such as the early morning, when the B.B.C. was not transmitting, or on Sundays, when its programmes were regarded as too solemn by a large body of public opinion. We are glad, therefore, to note that the B.B.C. is starting its daily broadcasts at 6.30 a.m. and is continuing to provide Sunday programmes of the more popular kind introduced during the war.

Control of Wireless in Ex-Enemy Countries.

52. We understand that arrangements have been made for the control of German broadcasting in the period of military occupation. As part of the general control of all media for influencing German public opinion, the Allied occupation authorities have taken over all wireless transmitters in Germany and will operate such of them as they think fit, the main object of the control being to facilitate the execution of the policy of the supreme occupying authority. As reliable German broadcasters and technicians emerge, a progressive increase in the number of German-originated broadcasts is contemplated.

53. No plans have yet been made for the control of Japanese broadcasting, but the fundamental object—complete subordination of the Japanese system to the needs of the occupying authority—will no doubt be the same, although the means of achieving it may differ from those adopted in Germany.

54. As regards post-occupation broadcasting in Germany and Japan, we consider it premature for us to make any recommendations at this stage.

International Broadcasting Station.

55. The League of Nations operated a broadcasting station known as "Radio Nations" from 1932 until the outbreak of war, but this station was
only used to broadcast to member Governments who had receiving stations capable of picking up its broadcasts, and it was not suitable technically for broadcasting to the general listener. With the outbreak of war Radio Nations was closed down and its capital assets were sold to Radio Suisse. Its failure offers no criterion by which the possible success of an international broadcasting station, attempting to serve peoples as distinct from their Governments, might be judged.

56. The possibility of an international station which could compete with national stations raises political issues of great importance. Much study would be required to solve even the technical problems involved in such a project and, in view of the present uncertainty of the political background against which such a station would have to operate, we have not felt justified in asking the Post Office technical experts to carry out such an investigation. In our opinion the possibility of an international wireless service cannot be usefully considered until the form of world organisation is known.

57. **Summary of Recommendations.**

**Introduction.**

1. We do not consider that a public enquiry is necessary before a decision is reached on the renewal of the B.B.C.'s charter (paragraph 5).

I.—Future of B.B.C.

**Renewal of Charter.**

2. The B.B.C. should continue to be the sole body licensed to originate broadcasts in the United Kingdom, and its Charter should be renewed for a further period of 10 years from the 1st January, 1947 (paragraph 7).

**Board of Governors.**

3. (a) The Chairman of the Board should be a really outstanding figure in public life.

(b) The representation of different age groups should be borne in mind in selecting members of the Board.

(c) The whole Board should not retire at the same time.

(d) Governors should not be given reason to expect reappointment (paragraph 9).

4. The Board should take an active interest in the financial and establishment policy of the Corporation (paragraph 10).

5. Consideration should be given to reducing the salaries paid to members of the Board (paragraph 11).

**Staff.**

6. The B.B.C. should retain its independence in staff matters but in fixing salaries and conditions should have regard to those of the Civil Service and to the greater security offered by its service, as compared with employment in business concerns (paragraph 14).

II.—Technical Considerations.

7. The B.B.C. should be encouraged in its research programme for improving the quality of transmission (paragraph 16).

8. We attach importance to the passage of legislation for the control of electrical interference (paragraph 17).

9. Every effort should be made to secure the use of additional medium wave-lengths (paragraph 21).

III.—Broadcasts to Foreign Audiences.

10. The European Service must continue and for this purpose at least two medium wavelengths must be allocated to it (paragraphs 23 and 24).

11. We should attempt to secure the acceptance by all overseas broadcasting authorities of as many United Kingdom programmes as possible for rediffusion over their own networks and should welcome the acceptance of suitable foreign and Empire programmes for rediffusion in the home Services (paragraph 26(a)).
12. Great care should be taken to ensure the complete objectivity of news bulletins for overseas consumption (paragraph 26 (b)).

13. The problem of mitigating the interference of high-powered broadcasting stations with marine wireless services, particularly the ships' distress service, should be urgently pursued (paragraph 28).

IV.—Empire Broadcasting.*

General Policy.

14. There should be no suggestion that Empire broadcasts are controlled by the Government, but the B.B.C. should keep in close contact with the Government Departments concerned (paragraph 30).

The Dominions.

15.—(a) Everything possible should be done to increase the interchange of programmes between the B.B.C. and Dominion Broadcasting authorities.

(b) Greater use should be made of programmes specifically directed to a single Dominion.

(c) Interchange of staff between the B.B.C. and Dominion authorities should be encouraged (paragraph 31).

India and the Colonies.

16.—(a) India and the Colonies should be pressed to extend their broadcasting systems as rapidly as possible and the necessary technical staff and equipment should be made available for this purpose (paragraph 32).

V.—Home Broadcasting Policy.

Allocation of Wavelengths.

17. The proposals put forward by the B.B.C. for securing the widest possible coverage for the three home programmes should be accepted. These involve a reduction in the number of Regional programmes from seven to six by the amalgamation of the Midland and West of England Regions (paragraph 34).

18. The technical problem of extending the coverage of the proposed cultural programme should be urgently pursued (paragraph 35 (c)).

19. In the event of our failing to retain the use of a borrowed wavelength that will give the cultural programme an audience of the order of 80 per cent. of the population, the allocation of our available wavelengths should be reviewed in order to give this programme an adequate coverage (paragraph 35 (d)).

Regional Devolution.

20. The aim should be to create a series of vigorous regional organisations each with a staff drawn largely from the region which it serves and with a distinctive programme policy (paragraph 36).

Advertisement and Sponsored Programmes.

21. The existing prohibition on the B.B.C.'s use of such programmes should continue (paragraph 37).

Broadcasting of Parliament.

22. The B.B.C. should be under obligation to broadcast an adequate and impartial daily account of the proceedings in both Houses of Parliament. The account should be given by professional reporters who are not Members of Parliament (paragraph 38).

Wire Broadcasting.

23. It is premature to take a decision on the acquisition by the State of the privately owned wire relay exchanges (paragraph 43).

* See also Recommendations 11 and 12.
VI.—Finance.

24.—(a) The cost of all B.B.C. services should be borne out of a single Broadcasting Vote; the provision for home services and for television being related to a definite proportion of the revenue from licence fees (paragraph 48).
(b) The wireless receiving licence fee should be increased from 10s. to £1 per annum at the first convenient opportunity (paragraph 47).
(c) The cost of overseas broadcasting should be borne by the Exchequer independent of any licence fee revenue (paragraph 48).

VII.—Miscellaneous Questions.

25. An attempt should be made to eliminate commercial broadcasting from overseas (paragraph 51).
radio spectrum is very congested by military requirements. It is not yet certain by how much the end of hostilities has reduced the demands of radar.

It is possible that the development of frequency modulation will increase considerably the potentialities of ultra-shortwave broadcasting. Frequency modulation offers an improved reception compared to the system of amplitude modulation in general use at the present time and substantially increases the number of stations which can operate on the same wavelength without mutual interference, but its value in the next few years will be limited by the fact that the reception of frequency modulation transmissions requires new types of wireless sets. Finally, the availability of ultra-short waves for broadcasting will depend to some extent on the demands of television. It is essential for the development of television that we should have a sufficient number of ultra-short wavelengths for a national television service and this will be a limiting factor on the use of these wavelengths for sound broadcasting purposes.
MEMORANDUM BY THE SECRETARY OF STATE FOR THE COLONIES.

I shall be glad of a decision by the Cabinet on the disposal of Palestine renegades.

2. There are a number of Palestine Arabs who co-operated with the Axis Powers. Most of them took a conspicuous part in the troubles in Palestine before the war. The Palestine Government are ready to deal under their own law with fourteen of them, but there are twenty-one whom they do not desire to see back in Palestine.

3. Much the most important of these is the Mufti of Jerusalem. He and two of his followers are in French hands. They have been living under conditions of résidence surveillée on the outskirts of Paris since May of this year. Five others are in our hands in Brussels and one in Italy. Of the rest, three have succeeded in reaching Syria, one is in Turkey, one is believed to have died, and nothing has been heard of the other seven.

4. Strong representations were made to the French in May and again in June that the Mufti should be handed over to S.H.A.E.F. but they did not comply with the request, and with the dissolution of S.H.A.E.F. they seem to have assumed that the request had lapsed. Their first reaction to a further formal request on the 17th October was to ask what we propose to do with the Mufti if he is handed over and whether it is intended to bring him to trial as a war criminal.

5. Meanwhile the security authorities in Brussels are also anxious to be relieved of the five Palestinians held in the military prison there. Clearly, therefore, it is desirable to take a general decision on the matter.

6. It is very likely that evidence sufficient to justify prosecution for assistance given to the enemy during the war would be forthcoming. A summary of the information available against the Mufti is contained in the telegram from Palestine appended as Annex I. Evidence of the same kind, though not always so strong, could be produced against the other renegades.

7. There are three possible methods of prosecution:

(i) Trial in Palestine under Palestine Defence Regulation No. 24 (Annex II). On conviction sentence of death would be possible.

(ii) Trial in the United Kingdom under Defence Regulation 2A (Annex III). As the men in question are not British subjects they could not be tried for treason or under the Treachery Act. On conviction under Regulation 2A sentence of penal servitude for life would be possible.

(iii) Trial as war criminals. It might perhaps be possible to arrange this in the case of the Mufti, though probably not for most of the others. At one time it was thought that the Yugoslav Government would press for the Mufti’s trial as a war criminal in connection with his association with the Yugoslav Moslem S.S. Division, but it is understood that this proposal has now been dropped.

[30915]
8. No doubt there will be a considerable body of opinion which will press for prosecution, at least in the case of the Mufti. There are, however, cogent reasons on the other side which apply in some degree to all the renegades, but are particularly strong in the case of the Mufti himself. The Mufti is still regarded with respect by Arab and Moslem peoples in many parts of the world and as a religious leader he retains a certain sanctity in their eyes. His actions are regarded by them as being those of an honest patriot inspired rather by anti-Zionist than anti-British intention, and it is certain that, should he be brought to trial either in Palestine or elsewhere, there would be political repercussions very damaging to us in the Middle East and other Moslem countries. Lord Gort considered that it would be highly undesirable that he, or any of his followers, should be brought back to Palestine either for prosecution or otherwise. He was certain that even his reappearance there, still more his trial, would have a calamitous effect. Repercussions from his trial either before a United Kingdom court or a United Nations tribunal might not be quite so calamitous but they would certainly be strong. Also there would be considerable difficulty in getting witnesses here for the prosecution and for the defence, there are arguments of equity against trying him here, and if he were convicted to penal servitude for life his detention here would present a difficult problem.

9. I am forced, therefore, to the conclusion that it would be most unwise for the Mufti to be brought to trial either in Palestine or in the United Kingdom or before a United Nations tribunal. But both his record and his undoubted capacity for further mischief make it imperative that he should not go free. I therefore consider that the most satisfactory course would be to send him to Seychelles, where he could be legally detained as a political prisoner. The Governor of Seychelles has agreed that arrangements could be made for this. I would propose also the same arrangement for the other renegades whom the Palestine Government is not ready to deal with itself. I hope that the Cabinet will confirm this view.

10. The Secretary of State for the Home Department considers it most desirable that if they are to go to Seychelles they should be sent direct from the Continent without coming to the United Kingdom. If they were brought here it would be possible, as they are not British subjects, to refuse them leave to land under the Aliens Order and to detain them temporarily. While so detained here, however, they would be able to apply for a writ of habeas corpus and, quite apart from any uncertainty as to the decision on such an application, it would not then be possible to move them to Seychelles until the court had decided on it. Moreover, once they had arrived in the United Kingdom the only means of forcing them to leave would be to make a Deportation Order against them and it is not thought that such an Order would justify placing them on a ship bound for Seychelles and not for their country of origin, i.e., Palestine. I agree with the Home Secretary that it is therefore most desirable that they should go direct to Seychelles in one of His Majesty's ships.

11. Detention in Seychelles would be possible under a local Ordinance. There is already in existence a Political Prisoners' Detention Ordinance which would only require a small amendment. It will not be the first time that political prisoners from Palestine have been detained in Seychelles.

G. H. H.

Colonial Office.
21st November, 1945.
ANNEX I.

Telegram from Field-Marshal Viscount Gort to Secretary of State for the Colonies.

(No. 633. Top Secret.)
Palestine, 21st April, 1945.

Your telegram No. 636.

Following are particulars required of Mufti:—

(i) Haj Amin El Husseini.
(ii) Last known address Berlin.
(iii) 1897 Jerusalem.
(iv) None available.
(v) Height 5 ft. 2 ins., hair fair, eyes blue, beard and moustache clipped, fair and greying.
(vi) Career.

Ex-Mufti of Palestine and leader of Palestine Arabs. Violently anti-British and instigator of organised disturbances in Palestine over a long number of years.

When members of the Arab Higher Committee were exiled from Palestine in 1937 he remained in hiding. Later, escaped to Syria where he, with other refugee rebel leaders, organised rebel headquarters in order to carry on direction of rebellion in Palestine.

He later went to Iraq and was reported as having encouraged refugees from Palestine rebels to join Iraqi revolt under Rashid Ali.

After the collapse of the revolt and entry of British into Syria, Haj Amin fled to Europe where he established himself in Berlin. He became supervisor of Arabic programmes from Axis-controlled stations. He himself broadcast on many occasions from Bari, Berlin, Athens and Rome.

His broadcasts were violently anti-British and pro-German. He hailed the Germans as liberators of the Arabs oppressed by British rule. Made a strong anti-British broadcast after the execution of three leaders of Iran revolt. Sent his congratulations to Mussolini after victories in North Africa from Bari in 1942. As Axis troops entered Egyptian territory he called upon Egyptians to assist the German troops and avenge the atrocities committed by British agents against Islam and the Arab world.

In 1941 he was photographed with Hitler in Berlin, and in 1942 he sent a message to the Emperor of Japan assuring him, in the name of the Arabs, that they were praying for victory of Japanese arms. Made an anti-British broadcast to Moslems in India in 1942.

The Italians tried to use him to influence the Moslems of Herzegovina and Croatia in favour of Italy. In 1944 he was sent to Yugoslavia to persuade the Moslems to break with Marshal Tito, and the same year he was photographed inspecting Arab quisling troops in Bosnia.

A report received indicated that Haj Amin had communicated with Munif Hussein who was in Mecca so that he could contact pilgrims to Mecca and persuade them not to join the Arab unit in the British army.

Was reported as helping the Italian army organise an Arab unit for sabotage to work with the Italian army during the North African campaign.

Made frequent broadcasts, anti-British by nature, on the eve of Arab festivals such as El Adha, Bairami, Moulid En Nebi, &c.

ANNEX II.

Palestine Defence Regulation 24.

If, with intent to help the enemy, any person does, or attempts to or conspires with any person to do, any act which is designed or likely to give assistance to the naval, military or air operations of the enemy, to impede operations of His Majesty’s Forces, or to endanger life he shall on conviction be liable to the death penalty.
ANNEX III.

United Kingdom Defence Regulation 2a.

If, with intent to assist the enemy, any person does any act which is likely to assist the enemy or to prejudice the public safety, the defence of the realm or the efficient prosecution of the war, then, without prejudice to the law relating to treason, he shall be guilty of an offence against this Regulation and shall, on conviction on indictment, be liable to penal servitude for life.
MEMORANDUM BY THE SECRETARY OF STATE FOR DOMINION AFFAIRS.

1. The President of the Board of Trade will be circulating a paper regarding the outcome of the Washington discussions on commercial policy. My colleagues will wish to know how matters stand in relation to the Dominions.

2. The Dominions are not, of course, parties to the Washington talks, but every endeavour has been made to keep them fully informed of the proposals under discussion. Our negotiators have kept Dominion representatives there in Washington in close touch with the progress of the talks; and, in addition, a series of telegrams have been sent to Dominion Governments from here, giving them the revised text of the United States proposals as provisionally agreed in the discussions, and dealing with the more important points contained in them.

3. Telegrams received from Australia and New Zealand on the 23rd October betrayed considerable anxiety as to the outcome of the talks, particularly on the preference issue; but the formula for dealing with tariffs and preferences was then under revision and it was hoped that the revised formula, as interpreted by the commentary agreed with the Americans, would be as reassuring to Dominion Governments as it was to ourselves. By the 6th November discussions in Washington, both on this revised formula and accompanying commentary and on the proposals as a whole, had advanced sufficiently to enable me to send a general appreciation to Dominion Governments. Accordingly, in a telegram sent on that day, I gave a full explanation of the position as it had developed, said that we were now satisfied that we could give general support to the proposals as a basis for discussion, subject to the satisfactory rounding off of the conversations, and expressed the hope that in taking this step we would be assured of the general support of Dominion Governments.

4. This telegram drew favourable replies from Canada and South Africa, who each expressed general concurrence in our proceeding as proposed, while indicating that there were certain points which they would wish to pursue further at the projected international conference. Unfortunately, however, parts of the proposals, even in their revised form, still arouse serious misgivings on the part of Australia and New Zealand. Every endeavour has been made to reconcile them to the position reached, but both Dominions, while willing to take part in the proposed international discussions, insist that they must approach those discussions free of any commitment, even implied, and feel that they might prejudice their position if they were to express acquiescence in our supporting the United States proposals. The Prime Minister himself telegraphed to Mr. Chifley from Washington in the hope of inducing the Australian Government to reconsider their attitude, but Mr. Chifley in reply has explained that they have been unable to do so. Copies of the telegrams exchanged between the Prime Minister and Mr. Chifley are annexed (Appendix A) together with a copy of a telegram from the New Zealand Government making clear their position (Appendix B).

5. In the case of Australia, the main difficulty has centred round the formula for dealing with tariffs and preferences—which, even as interpreted in the commentary, is regarded by the Australian Government as going further than is likely to be palatable to Australian public opinion. It seems that they had hoped that the formula would provide merely for negotiations for the reciprocal reductions of tariffs and preferences; their objection lies in the fact...
that the formula looks towards the elimination of preferences (even though dependent on adequate tariff reductions) and prescribes, further, certain rules (a) providing for a standstill on preferences, (b) as to the method by which preferences are to be reduced or eliminated in the negotiations. This, they feel, will give the American undue advantage in the negotiations. Seeing that, in practice, the formula provides us with full safeguards, we should, I think, have been able to allay these apprehensions, were it not for the fact that recent leakages in Washington have led to a series of disturbing reports in the Australian newspapers. These have alarmed Australian public opinion and given rise to growing agitation on the subject of Imperial preference which is now reaching embarrassing proportions. It is clear that, in face of these developments the Commonwealth Government think it politically essential to be able to say, when the United States proposals are published, that they were not a party to the negotiations, are in no way committed to the proposals, and retain their full freedom of action. No argument is likely to shake them from this position.

6. In the case of New Zealand, the main difficulty has been not so much the formula relating to tariffs and preferences (though in their various telegrams the New Zealand Government have always been a little doubtful about this) as that section of the proposals which provides for the elimination of quantitative restrictions on imports, save in exceptional cases. The New Zealand Government have made it plain that they regard the quantitative regulation of imports as an essential and permanent feature of their economic system—their broad position being that it is only by this means that they can keep effective control over their imports and that without such control they would inevitably be plunged once more into balance of payments difficulties, similar to those encountered before the war. They cannot therefore subscribe to any proposals for the elimination of quantitative restrictions on imports unless their own case can be met under one or other of the exceptions to the general rule.

7. It has been explained to the New Zealand Government that quantitative regulation of imports is regarded not only by the United States but by some Commonwealth countries (including ourselves) as a devise which had a most damaging effect on international trade before the war, and that great pressure is to be expected for its use to be confined to exceptional cases. It will be for the March Conference to discuss how far these exceptional cases should extend, and New Zealand will have full opportunity at the Conference to express her views and to endeavour to persuade other countries that the New Zealand case is one which must be met. The text of the United States proposals already allows for quantitative regulation of imports to be used by a country “confronted with” balance of payments difficulties, and this phrase, it is understood, is intended to cover not merely an actual, but a threatened, adverse balance. The New Zealand Government fear, however, that this would not go far enough to meet the position of a country which is neither in actual nor threatened balance of payments difficulties, and which might be obliged therefore under the rules to abandon quantitative regulation, only to be compelled to impose it again in order to correct the disequilibrium which would result.

8. It is primarily with a view to keeping her hands entirely free to argue this case with the maximum force and effect at the March Conference that the New Zealand Government, like the Australian Government, have felt unable to respond to our request for some expression of their acquiescence and goodwill in our giving general support to the United States proposals. I do not think that we can well argue further with them on this point. At the same time I feel that neither the Australian nor the New Zealand hesitations ought to deter us from supporting the United States proposals as a basis of discussion on the lines previously contemplated. It is clear from the telegrams that both Dominions recognise that we shall wish, and indeed have no alternative but to, proceed on these lines, assuming we secure a satisfactory financial agreement, and the attitude they have adopted is largely tactical. At the same time it is evident that, from a public standpoint, the situation will have to be handled with care by all three Governments if the impression is not to be created that we are in dispute with two of the Dominions on the substance of the proposals and have made agreement with the Americans our primary objective rather than agreement within the Commonwealth.

Dominions Office, S.W. 1,
22nd November, 1945.
APPENDIX A.

Telegrams Exchanged between the Prime Minister and Mr. Chifley.

(1)

RAFDEL, Washington, to R.A.F., Mission, Melbourne. (Please Pass Canberra, Personal, for Prime Minister, Australia, from Prime Minister, England.)

(Top Secret.)

16th November, 1945.

Personal for Mr. Chifley from Mr. Attlee.

1. I am sorry to learn from your telegram to the Dominions Office No. 408 that you are not prepared to acquiesce in our proposal that we should give general support to the propositions which the Americans intend to put forward for discussion at the proposed conference on commercial policy.

2. You will appreciate that from our point of view it is of vital importance that concerted measures should be taken to produce a clearance of obstacles to the expansion of world trade. Without an expansion of exports our present position of external disequilibrium can never be remedied, and we see no prospect of achieving this if the anarchy which prevailed in international economic relations in the inter-war period is not replaced by the general adoption of common rules of neighbourly conduct.

3. It is for this reason that we attach great importance to the American initiative. Our negotiators have taken great pains to enter into no commitments which would impose damaging handicaps on domestic policies. But you will realise that none of us can hope to achieve the desired goal of mutual advantage without being prepared to make sacrifices of certain liberties of arbitrary action and certain adjustments in our administrative practices. We are confident that if success attends a conference on the lines proposed the benefits accruing to each of the participants would greatly outweigh any disadvantages resulting from conformity to the régime therein proposed.

4. In this connection you will doubtless have noted that we have given special support to the proposal which you have so often brought to our attention that employment policy and trade policy should be pursued in conjunction and should be discussed at the same conference. In this respect we have achieved complete success, and we were hopeful that this would have led you, if not to lend us your positive support, at least to encourage us to go forward with your general goodwill. You will not have forgotten that at the time when the United Kingdom was hesitating whether to sign article VII without reservation you exhorted us very strongly to go ahead.

5. I quite understand your anxieties in so far as there are some commodities on which you would prefer to retain the status quo rather than expose them to the results of a bargaining procedure. We are in the same position. But I should like to say that it is my strong impression that if you ever hope to secure advantageous concessions from the Americans the proposed negotiations offer a unique opportunity of doing so. By fathering these proposals the Americans have placed themselves in a position in which unless they are prepared publicly to stultify their own initiative they cannot refrain from considering the reasonable proposals of others or from making notable contributions themselves.

6. Even at this late hour, therefore, it is my earnest hope that you will be able to send us a message assuring us of your general acquiescence and goodwill.

(2)


19th November, 1945.

For Prime Minister England from Prime Minister Australia.

Repeated Secretary of State for Dominion Affairs and President of Board of Trade.

Personal for Mr. Attlee from Mr. Chifley.

"Reference your personal signal dated 16th November. Matter being further considered to-day, will advise to-night."

19th November, 1945.

For the Prime Minister of England from the Prime Minister of Australia.
Pass to Secretary of State for Dominion Affairs and to President of the Board of Trade.

Personal for Mr. Attlee from Mr. Chifley.

1. Further to my signal of to-day. We have given earnest consideration to the representation in your personal telegram.

2. We assure you that there is no difference between us in the sincere hope for the attainment of the broad objectives of increased trade, high level employment and improved standards of living.

3. Our reactions to the formula on preferences, however, are that we would concede certain specific points in advance of our actual trade bargaining with the United States of America. We want to approach the discussions with entire freedom to use all the bargaining power which lies in preferences and not from a weakened position of prior acceptance of a formula designed possibly for eventual preference elimination.

4. Quite apart from the difficulty in subscribing to a document arising out of discussions to which we have not been a party and the implications of which we have not had time fully to explore, there are the local political problems associated with the subject of commercial policy. We have no doubt whatever that publication of the American proposals will, notwithstanding the qualifications in your commentary, give rise to a great deal of adverse criticism in Australia which will undoubtedly be exploited to the full for party political purposes. In all the circumstances it is imperative that we should be able to announce publicly that the Government has not been a party to the publication of the document and that it is not in any way committed to it, and we must reserve complete freedom of action in relation to the proposals.

5. Although we would have preferred the United Kingdom not to associate itself with the American document, we realise that you may feel it essential to go ahead. While reserving full freedom of action in relation to the proposals we shall participate in any international discussions.

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Telegram from Dominion Office to Australian Government, No. 476 of 22nd November, 1945.

(Secret and Personal.)

Following personal for Mr. Chifley from Mr. Attlee:

"I have received your personal telegram of the 19th November on my return from Canada.

"We are naturally greatly disappointed that you have not felt able to give us even a limited measure of encouragement in supporting the United States proposals as a basis of discussion, all the more so as we had felt confident that there was no major point of difference between us.

"However, I realise your political difficulties. We for our part will have to go ahead in Washington, assuming we get a satisfactory financial agreement with the United States, and I am glad to see that you recognise this.

"I am consulting my colleagues as to how matter should be presented to Parliament here and will telegraph to you again shortly."
APPENDIX B.

TELEGRAM FROM NEW ZEALAND GOVERNMENT, No. 389 OF 19TH NOVEMBER, 1945.

(No. 389. Secret.)
Addressed, Secretary of State, No. 389, repeated to New Zealand Minister, Washington, No. 586 and High Commissioner, Canberra, No. 442.

Commercial Policy. Your telegram No. 386.

Our acquiescence in your statement as proposed would inevitably lead to misunderstanding, and we would prefer that it should be known that:

1. The New Zealand Government's policy is to maintain complete control of its external exchange.
2. This control of exchange cannot be effective without control of imports.
3. Control of imports and effective use of exchange funds is linked up with the expansion of manufacturing facilities within the Dominion, which we consider essential if we are to meet our commitments for full employment.
4. We strongly affirm our desire to maintain our preferences for United Kingdom imports into New Zealand and to continue to receive preferences in the United Kingdom for New Zealand's primary products. This policy as stated above will not prevent our negotiating for the reciprocal reduction of tariffs and other means for the expansion of trade within and without the Commonwealth. We would prefer, therefore, not to be associated with the proposed statements, and to retain full freedom, when discussions are opened in March and June of next year or earlier if necessary, to discuss British Commonwealth policy.
22nd November, 1945.

CABINET

THE INDIAN SITUATION

Memorandum by the Secretary of State for India

The memorandum on the Indian situation which I submitted to the Cabinet on the 14th November (C.P. (45) 281) was considered by the India and Burma Committee on the 19th November and at their request I present this record of the Committee's decisions for the information of the Cabinet.

2. Before dealing with the memorandum the Committee discussed the steps which might be taken to relieve the present growing tension in India and dispel the widespread distrust of the intentions of His Majesty's Government. It was decided:

(i) That arrangements should be completed at once to send out a strong and representative Parliamentary delegation under the auspices of the Empire Parliamentary Association which would serve to demonstrate the sympathy of Parliament with Indian aspirations and the sincerity of British intentions in the matter of India's constitutional advance. The delegation would spend the Christmas vacation in India and would be free, in their movements and their contacts with Indians, from any control by the Viceroy or Governors. The members on their return would have opportunity to make their views and impressions known to Parliament, either in the course of a debate or in private meeting.

(ii) That the Viceroy should be asked to invite Mr. Gandhi to see him as early as possible and before any disorders occurred, in the hope that Mr. Gandhi, who was pledged to a policy of non-violence, might be persuaded to exercise a moderating influence on the Congress leaders.

(iii) That Mr. Nehru and Mr. Jinnah should be invited to pay an early visit to London in order that personal conversations with H.M.'s Ministers may convince them of the reality of His Majesty's Government's intentions and at the same time afford them opportunity to explain fully to His Majesty's Government the aims
of Congress and the Moslem League.

(iv) That the announcement of the proposal to send out a Parliamentary delegation should be made in a week's time and be the occasion of a full restatement of the policy of His Majesty's Government towards India.

3. I am pressing forward with the arrangements for a Parliamentary delegation, and in regard to (ii) and (iii) above I am communicating with the Viceroy.

4. On the specific suggestions made in my memorandum the Committee agreed as follows:

(a) That I should assure the Viceroy that he was justified in his assumption that there would be no question of the acceptance of a Congress ultimatum, though I should remind him that Congress after the elections would in all probability be the majority party and it would not be possible to treat them as an irresponsible party claiming power.

(b) That whatever justification there might be for taking immediate action against Congress or the Congress leaders it would be disastrous for such action to be taken now unless it were necessitated by the outbreak of disorder.

(c) That while an immediate declaration of His Majesty's Government's attitude towards the growing threat of violence was not necessary, such a declaration would have to be made sooner or later and should be made as part of a more general statement of policy. The occasion of the announcement regarding the Parliamentary delegation would offer a suitable opportunity for the purpose. The declaration should be framed in terms which would not provoke an immediate outbreak of violence.

(d) That the views of the Chiefs of Staff should be awaited in regard to the availability of troops for use in the suppression of disorder if required.

(e) That the Viceroy should be assured that in the last resort he can rely on the support of His Majesty's Government for firm action subject to it being understood that the Cabinet would be kept continuously in close touch with the situation and that no action would be taken against the major parties or their leaders except with the express approval of His Majesty's Government.
5. I append a telegram which I have already sent to the Viceroy and am informing him further by letter in accordance with the Committee's conclusions.

P. - L.

INDIA OFFICE,

22nd November, 1945.
Political Department,

CYPRUS TELEGRAM (C.T.P.)

From Secretary of State for India.

To Viceroy.

Dispatched 27.30 hours, 31st November, 1945.

IMMEDIATE

No. 28749 TOP SECRET

Superintendent Series.

I am replying by letter to the grave warning conveyed in the memorandum sent with your letter of the 6th November (No. 185/45) which in accordance with your suggestion I have laid before my colleagues. While agreeing that we must be prepared in the last resort to meet effectively all eventualities we feel strongly that the essential thing is to try to reduce the temperature. With this object immediate steps seem to be to endeavour to make personal contact with Indian politicians and remove their suspicions of the genuineness of our aims and convince them of our fixed determination to do all that lies within our power to enable the task of settling the framework of the new constitution to be taken in hand forthwith and pressed forward to a successful conclusion as soon as the elections are over. Discussion of the steps that might be taken now to improve the situation has led us to the following conclusions

(a) that arrangements should be completed and announced next week for the visit of a Parliamentary delegation to India. We hope that this delegation will help by its personal contacts to bridge the gap between political opinion in India and here, to demonstrate the sympathy of Parliament with Indian aspirations and to assure Indian opinion of the sincerity of British intentions to help India forward with the least avoidable delay on the path of self-government. The arrangements are being dealt with in separate correspondence.

You will appreciate that it is of great importance that the delegation should be known to have a free hand and to be unrestricted in its movements and contacts by any official control.

(b) that you should be asked to invite Gandhi to see you in the hope that you may be able to persuade him to co-operate with H.M.G. in advancing towards a solution of the constitutional issues after the election and in the meanwhile to exercise a restraining influence on the Congress leaders who are visibly tending towards a policy of violence. I do not know whether in fact his health would permit of the interview taking place; if it does, you will no doubt consider it essential that, to avoid your own position being weakened, the interview should be arranged very soon while the situation is still under control. In view of the great influence which Gandhi still retains I feel that there would be positive advantages in such a move and I hope you will agree to propose the interview.

(c) that as a further step in promoting personal contacts an invitation should be given to Nehru and Jinnah to visit London in the near future for the purpose of a general exchange
of views with H.M.'s Ministers. Whether they would accept is another matter, but if they did it is felt that the opportunity of personal conversations with members of the Cabinet and of Parliament would go a long way to remove the sense of distrust of H.M.G.'s intentions and at the same time give both leaders an opportunity to expound their aims in responsible quarters here. I shall welcome your views on this proposal. In particular should they be approached privately before the invitation is publicly given. It is hoped that if the limited purpose of the visit is made clear it would be possible without embarrassment to avoid acceptance of demands from leaders of other Parties or from the States for facilities for a similar visit to London, though if the latter were proposed it could be considered on its merits.

(d) finally, that advantage should be taken of the announcement of the visit of the Parliamentary delegation to emphasise in a restatement of H.M.G.'s policy the fixity of their determination to press on with the assembling of the constitution making body as soon as the elections are over. Such a statement would also include a declaration of H.M.G.'s attitude to the possible threat of disorder in India for which you pressed in your memorandum. I am now considering the lines of this statement and will consult you in regard to it as soon as possible.

Copies to Under Secretaries of State.
CABINET.

COMMERCIAL POLICY.

MEMORANDUM BY THE PRESIDENT OF THE BOARD OF TRADE.

ON the 6th November the Cabinet considered the negotiations on commercial policy with the United States and gave their approval to the results then reached. Since then, we have been in touch with our negotiators in Washington about the way in which our approval of the proposals should be expressed. There have also been considerable telegraphic exchanges with the Dominions.

2. I undertook to submit in due course a draft of a statement I proposed to make welcoming the American initiative. Annex A to this paper shows the statement which I should propose to make, subject, of course, to a satisfactory conclusion of the financial side of the negotiations. This statement is necessarily in general terms, but I should bring to the notice of my colleagues three points:—

(a) Paragraph 3 has been prepared in consultation with the Dominions Office and is designed to meet the situation that Australia and New Zealand have unfortunately not been prepared to express their general approval of the result (the Secretary of State for Dominion Affairs has circulated a separate paper (C.P. (45) 295) on this aspect).

(b) Paragraph 4 looks forward to a full debate on the commercial policy proposals. I am anxious that this should take place in order that the Government may have the best and earliest opportunity of explaining to Parliament and public opinion here the background of the commercial policy proposals and why they are in our interests.

(c) Paragraphs 8 to 12 deal rather fully with the Imperial Preference issue and contain the final text of the "explanation" which has been agreed with the Americans as the interpretation we are entitled to put on the formula dealing with tariffs and preferences, which now appears in its proper place in the American proposals (see Annex C to this paper, Chapter III, section B).

3. For the convenience of my colleagues I attach at Annex B a short summary of the American proposals, which was before them at the last meeting and to which they then gave their assent. At Annex C is the full text of the American proposals. Annex D gives the text of another American document which has been agreed with our negotiators and sets out the manner in which it is proposed that the American document should be submitted first of all to a group of the major trading nations (including all the Dominions and India) and later to a United Nations conference.

4. The remaining question is whether, on the assumption that the financial negotiations end in agreement, we should express to the Americans in a more formal way our general support of their commercial proposals. They point out, of course, that in order that the financial agreement (if reached) may have
a favourable reception in Congress it will be necessary for them to point to the fact that we are in general support of the commercial policy proposals. Once the debate which I suggest has taken place, there is no difficulty. If for their purpose a verbal assurance from our negotiators that we intend to commend the proposals to Parliament is not sufficient, the problem is what can be said to them before the debate has taken place. It is, in my view, and I believe, in that of the Americans (see Annex D, paragraph 1), important that the proposals should appear as an American initiative. From the point of view both of the Dominions and of Parliament we cannot commit ourselves at the prepublication stage in any document which might subsequently become public to more than an assurance that we shall seek Parliamentary backing for our attitude to the proposals.

5. I therefore seek the approval of my colleagues to the suggestion that if the Americans press for it the Ambassador should be authorised to inform them (not for publication at this stage) that His Majesty's Government intend, in the course of the Parliamentary debate which is expected to take place after publication, to express fully their support of the American initiative and to make clear their welcome for the proposals as a basis for international discussion. The Ambassador could go on to say that His Majesty's Government will associate themselves with the substance of the proposals in the American document and will express their intention to use their best endeavours, in the light of the views expressed by other countries, to carry the proposed international discussions to a successful conclusion.

R. S. C.

Board of Trade, Millbank, S.W. 1,
24th November, 1945.

ANNEX A.

DRAFT STATEMENT FOR USE IN PARLIAMENT ON THE UNITED STATES COMMERCIAL POLICY PROPOSALS.

HIS Majesty's Government welcome the initiative of the Government of the United States in publishing their proposals for setting up an International Trade Organisation and will be glad to play their part in any international discussions which eventuate on this most important subject.

2. The proposals which have been published represent not only the constructive thought of the United States Government but also the culmination of a long process of study and exchange of ideas between our own experts and those of the United States.

3. During this preparatory period extending over two years our experts held a series of informal and most valuable consultations with experts from the Dominions and India who made a number of very helpful contributions on the various topics discussed. The recent talks in Washington preceding the publication of the United States document, were, of course, conducted on behalf of the United Kingdom alone, and I am not in a position to speak for our partners in the Commonwealth, none of whom are in any way committed and who will each, no doubt, state their views themselves. I would only say here that while we have kept closely in touch with them during the conversations, it is quite understood that each of the Governments concerned will be able to approach the international discussions with full freedom of action in relation to the various matters dealt with in the proposals.

4. The House will no doubt wish to have a full discussion upon these proposals before any international conference takes place, but it would perhaps be convenient for me to take this earliest opportunity of remarking upon certain broad aspects of the American document.

5. I should make it clear that this proposal is put forward by the United States Government with the object of formulating a basis for an international conference at which their suggestions will be subjected to full discussion before any final agreement is arrived at. Nevertheless, His Majesty's Government in welcoming these proposals, desire to express their agreement with the broad
objectives aimed at, that is to draw up a code of conduct for international commerce and facilitate its expansion, so as to secure as far as is possible full employment at rising standards of living in all the countries participating in the scheme.

6. In the interests of the balance of payments of the United Kingdom, which depends upon the import of food-stuffs and raw materials, it is essential to clear the obstacles to our exports of manufactured goods without abandoning the right to control our imports so long as this is essential to our balance of international payments. The document recognises this fundamental fact. It is to be noted that the preamble to the document stresses the vital need for high and stable levels of employment in all countries, and the necessity for all countries to adopt domestic measures for the preservation of a high level of economic activity. It is, of course, the intention of His Majesty's Government to adopt such measures. But the success of our domestic measures will be assisted, and the expansion of our export trade will be greatly promoted, if other countries also adopt appropriate domestic policies for high and stable levels of employment. For this reason His Majesty's Government particularly welcome this statement of the need for appropriate domestic employment policies.

7. There is one particular matter arising out of the terms of Article VII of the Mutual Aid Agreement which is of especial interest and importance to the British Commonwealth and Empire—that is the question of tariff preferences. I would therefore refer shortly to that aspect of the American document which deals with both tariffs and tariff preferences.

8. The statement sets forth the procedure to be followed by common consent in considering, in the context of a general lowering of tariffs and other trade barriers, what contribution can be made from our side by way of reduction or elimination of preferences.

9. The statement makes it clear that, in pursuit of the objectives of Article VII of the Mutual Aid Agreement, we for our part are ready to agree that the existing system of preferences within the British Commonwealth and the Empire will be contracted provided there is adequate compensation in the form of improvement in trading conditions between Commonwealth and Empire countries and the rest of the world.

10. The statement further provides that in entering negotiations for the reduction of tariffs the parties concerned will not refuse to discuss the modification of particular preferences on the ground that these are the subject of prior commitments; on the contrary, all margins of preference will be regarded as open to negotiation, and it will of course be for the party negotiating the modification of any margin of preference which it is bound by an existing commitment to give a third party, to obtain the consent of the third party concerned.

11. Further points to be noted are:

(i) The statement makes it clear there is no commitment on any country in advance of negotiations to reduce or eliminate any particular margin of preference. The position is that each country remains free to judge in the light of the offers made by all the others, the extent of the contribution it can make towards the realisation of the agreed objectives.

(ii) It is recognised that reduction or elimination of preferences can only be considered in relation to and in return for reductions of tariffs and other barriers to World Trade in general which would make for mutually advantageous arrangements for the expansion of trade. There is thus no question of any unilateral surrender of preferences. There must be adequate compensation for all parties affected.

12. The statement does not in advance of the detailed negotiations lay down how far the process of reduction and elimination of preferences will be carried at this immediate stage. It must be realised that some preferences are of particular importance to the economy of certain parts of the world just as some tariffs are important in others. The elimination of all preferences would be such a step as would require a most substantial and widespread reduction of tariffs and other trade barriers by a large number of countries. Thus it is
recognised that the degree to which the final objectives can be reached at the initial stage can only appear at the negotiations themselves and as the result of a mutually advantageous settlement.

13. There are numerous other proposals in the document dealing with general and export subsidies, quantitative restrictions, State trading, restrictive business practices and commodity arrangements, and also with the proposed International Trade Organisation, with which I will not now deal.

14. Both the United States and the United Kingdom intend well in advance of the International Conference to carry on between themselves and other countries, including of course in our case British Commonwealth countries, preliminary negotiations upon the subjects dealt with in the American document, in order to prepare the way for and contribute to the success of the International Conference when it meets. It is hoped that at the International Conference which it is proposed to hold in the summer of next year, these negotiations will be completed on a full international basis and that the International Trade Organisation can be brought into being.

15. As I have said, His Majesty’s Government give their support to this attempt to work out the policy set out in Article VII of the Mutual Aid Agreement and adumbrated in the Atlantic Charter. They earnestly hope that all the countries participating in the meeting will find it possible to make such concessions in their existing tariffs, trade barriers and preferences as to lead to their mutual satisfaction and that thus the way may be open to proceed to the setting up of a world trade organisation which can contain within it every form of public and private international commerce and can at the same time, by bringing some measure of order into future trade and commercial relations, contribute to that expansion of international commerce and attainment of full employment on which the future of all countries—and particularly our own—depends so much.

ANNEX B.

SUMMARY OF UNITED STATES PROPOSAL TO ESTABLISH AN INTERNATIONAL TRADE ORGANISATION.

Inter-Relation of Trade and Employment Problems and Measures.

HIGH and stable levels of employment are essential for an enlarged volume of trade. Prosperity in each nation depends on the prosperity of other nations, the levels of employment in the major industrial nations having an especially important influence in this respect. Accordingly there should be an undertaking that—

1. Each signatory nation will take appropriate action designed to secure full employment within its own jurisdiction.

2. Maintenance of employment should not be sought through measures which aggravate the trade and employment problems of other nations.

Proposal to Establish an International Trade Organisation.

Measures designed to expand trade are essential to reach maximum employment, production and consumption. To attain these objects continuous international collaboration will be necessary. It is accordingly proposed to establish an International Trade Organisation of the United Nations, the members of which would undertake to conduct their international commercial policies and relations in accordance with agreed principles to be set forth in the articles of the Organisation.

CHAPTER I.—PURPOSES AND PRINCIPLES OF THE ORGANISATION.

These would aim at effective expansion of world production, employment, and the exchange and consumption of goods.

CHAPTER II.—MEMBERSHIP.

This is purely formal.
CHAPTER III.—Principles relating to Commercial Policy.

A.—General Commercial Provisions.

There would be a body of rules of the kind normally found in Commercial Treaties governing, e.g., internal duties, transit duties, anti-dumping duties, tariff valuations, marks of origin, &c. The working-out of these rules in detail would fall to the International Trade Organisation.

B.—Tariffs and Equality of Tariff Treatment.

Countries should take effective and expeditious steps, on lines to be agreed, to bring about substantial reductions of tariffs and elimination of tariff preferences. Emergency action to prevent sudden and widespread unemployment would be provided for.

C.—Quantitative Restrictions.

The member countries would undertake in general not to maintain any import or export restrictions, subject to the following main exceptions:

1. restrictions required in the early post-war transition period, to economise shipping space, to secure equitable distribution of products in short supply, and for the orderly liquidation of war surplus stocks in the hands of Governments;
2. restrictions required to relieve conditions of distress in exporting countries due to shortages of food-stuffs or other essential products;
3. import quotas on agricultural products necessary to the enforcement of governmental measures (a) restricting marketing or production; or (b) intended to dispose of temporary domestic surpluses;
4. to safeguard the balance of payments.

D.—Subsidies.

1. General subsidies would be permitted; but members should inform the Organisation and be prepared to discuss their action if the subsidy increases exports or diminishes imports.
2. Export subsidies.—These are disapproved. Three years after the end of hostilities, members granting such subsidies would undertake to discuss their action.
3. Commodities in world surplus.—The provisions of 1 and 2 above would not apply to commodities declared by the Organisation to be in burdensome world surplus if inter-governmental action had failed to suggest other ways of removing the surplus. Even then the subsidy should not increase the export share of the country concerned.

E.—State Trading.

1. Equality of Treatment.—Members should accord equality of treatment to other members. For this purpose their State trading enterprises, in making purchases and sales, should be guided solely by commercial considerations, such as price, quality, terms of sale, &c.
2. State monopolies of individual products.—State trading is not to introduce greater protective or preferential margins than would be allowed as a result of tariff negotiations.
3. Complete State monopolies of foreign trade.—Countries should undertake to purchase from other members, on a non-discriminatory basis, products valued at not less than an aggregate amount to be agreed upon.

F.—Exchange Control.

This is dealt with by reference to the International Monetary Fund Agreement.


This chapter begins by declaring that certain types of business practice (of which examples are given) may impede full employment policies and the objects of the convention.
Any member may bring to the notice of the Organisation a complaint that the objectives of the document are being frustrated by restrictive business practices of international character. The Organisation is then to investigate the matter and, if the complaint is found justified, may make recommendations to the Governments of the offending business concern for action under their own laws.

CHAPTER V.—PRINCIPLES RELATING TO INTER-GOVERNMENTAL COMMODITY ARRANGEMENTS.

1. Inter-governmental commodity arrangements involving restrictions on production or trade may be desirable to facilitate adjustments and the solution of problems affecting particular commodities, thus avoiding resort to unilateral action by the countries affected.

2. Such arrangements, if they involve limitation of production or exports or allocation of markets, should not be entered into unless and until the Organisation has (1) investigated the root causes of the problem; and (2) has determined that a burdensome world surplus exists which cannot be corrected by the play of market forces; and unless a programme of adjustment has been prepared and adopted by members, calculated to solve the problem in a reasonable time.

3. Governing Principles.—The following principles should govern inter-governmental commodity arrangements: (a) they should be open on equal terms to all members; (b) members substantially dependent on imports of the commodity concerned should have an equal voice with exporting countries; (c) they should assure adequate supplies for world consumption at all times at reasonable prices; (d) they should provide increasing opportunities for meeting world requirements from sources able to supply them most effectively.

4. Such arrangements should not remain in effect initially for more than five years; if renewed, it must be shown that substantial progress towards solution of the underlying problem has been made or is in prospect.

5. Existing or future inter-governmental commodity arrangements should be submitted to the Organisation for review.

CHAPTER VI.—ORGANISATION.

The International Trade Organisation, its functions, organisation, and rules of procedure, and its relation to other international organisations, are dealt with in detail.
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PROPOSALS FOR CONSIDERATION BY AN INTERNATIONAL CONFERENCE ON TRADE AND EMPLOYMENT.

A. NEED FOR INTERNATIONAL ECONOMIC CO-OPERATION.

1. Collective measures to safeguard the peoples of the world against threats to peace and to reach just settlements of disputes among nations must be based not only on international machinery to deal directly with disputes and to prevent aggression, but also on economic co-operation among nations with the object of preventing and removing economic and social maladjustments, of achieving fairness and equity in economic relations between states, and of raising the level of economics well-being among all peoples.

2. Important contributions have already been made toward the attainment of these objectives. The Food and Agriculture Organisation of the United Nations has been established. An International Monetary Fund to maintain reasonable exchange stability and facilitate adjustment in the balance of payments of member countries, and an International Bank for Reconstruction and Development to provide financial resources on a co-operative basis for those purposes are awaiting the action of Governments required for their establishment.

3. In order to reach the objectives of the Atlantic Charter and Article VII of the mutual-aid agreements, it is essential that the co-operative economic measures already taken or recommended be supplemented by further measures dealing directly with trade barriers and discriminations which stand in the way of an expansion of multilateral trade and by an undertaking on the part of nations to seek full employment.

4. Co-operative action with respect to trade and employment is indispensable to the success of such other measures as those dealing with monetary and exchange stability and the flow of investment capital. Effective action in regard to employment and to trade barriers and discriminations must, therefore, be taken or the whole program of international economic co-operation will fail, and an economic environment conducive to the maintenance of peaceful international relations will not be created.

B. PROPOSALS CONCERNING EMPLOYMENT.

Since high and stable levels of employment are a necessary condition for an enlarged volume of trade, and since problems of trade and employment are to be considered jointly at an international conference, the following propositions are advanced.

Governing Principles.

1. It is recognised that:
   a. In all countries high and stable employment is a main condition for the attainment of satisfactory levels of living.
   b. The attainment of approximately full employment by the major industrial and trading nations, and its maintenance on a reasonably assured basis, are essential to the expansion of international trade on which the full prosperity of these and other nations depends; to the full realisation of the objectives of all liberal international agreements in such fields as commercial policy, commodity problems, restrictive business practices, monetary stabilisation, and investment, and, therefore, to the preservation of world peace and security.

2. Domestic programmes to expand employment should be consistent with realisation of the purposes of liberal international agreements and compatible with the economic well-being of other nations.

3. It is recognised that the adoption of the Bretton Woods Agreements and of measures to reduce restrictions on trade will contribute substantially to the maintenance of productive employment.

4. The United Nations have pledged, in the Charter of the United Nations Organisation, to take joint and separate action in co-operation with the Organisation to achieve the economic and social purposes of the United Nations, including higher standards of living, full employment, and conditions of economic and social progress and development.

Effectuation of Aims.

There should be an undertaking that:

1. Each of the signatory nations will take action designed to achieve and maintain full employment within its own jurisdiction, through measures appropriate to its political and economic institutions.

2. No nation will seek to maintain employment through measures which are likely to create unemployment in other countries or which are incompatible with international undertakings designed to promote an expanding volume of international trade and investment in accordance with comparative efficiencies of production.
3. Signatory nations will make arrangements, both individually and collaboratively under the general sponsorship of the Economic and Social Council of the United Nations Organisation, for the collection, analysis and exchange of information on employment problems, trends, and policies.

4. Signatory nations will, under the general sponsorship of the Economic and Social Council, consult regularly on employment problems and hold special conferences in case of threat of widespread unemployment.

C. PROPOSALS CONCERNING AN INTERNATIONAL TRADE ORGANISATION.

Need for an International Trade Organisation.

1. Measures designed to effect an expansion of trade are essential because of their direct contribution to maximum levels of employment, production and consumption. Since such expansion can only be attained by collective measures, in continuous operation and adaptable to economic changes, it is necessary to establish permanent machinery for international collaboration in matters affecting international commerce, with a view to continuous consultation, the provision of expert advice, the formulation of agreed policies, procedures and plans, and to the development of agreed rules of conduct in regard to matters affecting international trade.

2. It is accordingly proposed that there be created an International Trade Organisation of the United Nations, the members of which would undertake to conduct their international commercial policies and relations in accordance with agreed principles to be set forth in the articles of the Organisation. These principles, in order to make possible an effective expansion of world production, employment, exchange and consumption, should:
   a. provide an equitable basis for dealing with the problems of governmental measures affecting international trade;
   b. provide for the curbing of restrictive trade practices resulting from private international business arrangements; and
   c. govern the institution and operation of inter-governmental commodity arrangements.

Proposed International Trade Organisation.

There follows an outline of the principles which it is proposed should be incorporated in the articles of the Organisation.

CHAPTER I.
PURPOSES.

The purposes of the Organisation should be:

1. To promote international commercial co-operation by establishing machinery for consultation and collaboration among member Governments regarding the solutions of problems in the field of international commercial policies and relations.

2. To enable members to avoid recourse to measures destructive of world commerce by providing, on a reciprocal and mutually advantageous basis, expanding opportunities for their trade and economic development.

3. To facilitate access by all members, on equal terms, to the trade and to the raw materials of the world which are needed for their economic prosperity.

4. In general, to promote national and international action for the expansion of the production, exchange and consumption of goods, for the reduction of tariffs and other trade barriers, and for the elimination of all forms of discriminatory treatment in international commerce; thus contributing to an expanding world economy, to the establishment and maintenance in all countries of high levels of employment and real income, and to the creation of economic conditions conducive to the maintenance of world peace.

CHAPTER II.
MEMBERSHIP.

The original members of the Organisation should be those countries participating in the Conference on Trade and Employment which accept membership.

CHAPTER III.
GENERAL COMMERCIAL POLICY.

Section A. General Commercial Provisions.

Members should undertake:

1. To accord to products imported from other members treatment no less favourable than that accorded to domestic products with regard to matters affecting the internal taxation and regulation of the trade in goods.
2 To provide, for products in transit through their territories, coming from or going to other members, freedom from customs and transit duties, from unreasonable transit charges, and from discriminatory treatment of all kinds.

3 To subscribe to a general definition of the circumstances under which antidumping and countervailing duties may properly be applied to products imported from other members.

4 To give effect, as soon as practicable, to agreed principles of tariff valuation designed to assure the use of true commercial values as a basis for assessing duties, and to co-operate with other members and with the Organisation in working out internationally acceptable valuation procedures of a standardised character.

5 To give effect, as soon as practicable, to agreed principles looking toward the simplification of customs formalities with a view to eliminating unnecessary requirements which afford an indirect protection to domestic products.

6 To eliminate excessive requirements regarding marks of origin in so far as they affect products imported from other members.

7 To refrain from governmentally financed or organised boycotts or campaigns designed to discourage, directly or indirectly, importation or consumption of products of other members.

8 To provide for adequate publicity regarding laws and regulations affecting foreign trade, and to maintain or establish national tribunals of an independent character to review and correct administrative customs action.

9 To transmit to the Organisation appropriate trade information and statistics.

10 To co-operate with the Organisation and with other members in carrying out or implementing the articles of the Organisation.

Section B. Tariffs and Preferences.

1. Import tariffs and preferences. In the light of the principles set forth in Article VII of the mutual-aid agreements, members should enter into arrangements for the substantial reduction of tariffs and for the elimination of tariff preferences, action for the elimination of tariff preferences being taken in conjunction with adequate measures for the substantial reduction of barriers to world trade, as part of the mutually advantageous international arrangements contemplated in this document.

As an initial step in the process of eliminating tariff preferences it should be agreed that:

a Existing international commitments will not be permitted to stand in the way of action agreed upon with respect to tariff preferences.

b All negotiated reductions in most-favoured-nation tariffs will operate automatically to reduce or eliminate margins of preference.

c Margins of preference on any product will in no case be increased and no new preferences will be introduced.

2. Export tariffs and preferences. Export duties should be open to negotiation in the same way as import duties. Members should undertake not to impose or maintain export duties which differentiate by reference to the destinations to which the goods are exported.

3. Emergency action. Commitments with regard to tariffs should permit countries to take temporary action to prevent sudden and widespread injury to the producers concerned. Undertakings for reducing tariffs should therefore contain an escape clause to cover such contingencies.

Section C. Quantitative Trade Restrictions.

1. General elimination of quantitative restrictions. Except as provided for elsewhere in this Chapter, members should undertake not to maintain any quotas, embargoes, or other quantitative restrictions on their export or import trade with other members. This undertaking should not, however, apply to the following:

a Import and export prohibitions or restrictions, imposed during the early post-war transitional period, which are essential to (a) the efficient use of shipping space in short supply, (b) the equitable international distribution of products in short supply, or (c) the orderly liquidation of temporary surpluses of Government stocks accumulated as a result of the war. Such prohibitions and restrictions should be removed not later than three years after the close of hostilities, but provision should be made whereby this period may be extended with the concurrence of the Organisation.

b Export prohibitions or restrictions temporarily imposed to relieve conditions of distress in the exporting country caused by severe shortages of foodstuffs or other essential products.

c Export prohibitions or restrictions necessary to the application of suitable standards for the classification and grading of commodities in international commerce.
d. Export or import quotas imposed under inter-governmental commodity agreements conforming to the principles set forth in Chapter V.

e. Import quotas on agricultural products, imported in any form, necessary to the enforcement of governmental measures which operate (a) to restrict the quantities of like domestic products which may be marketed or produced, or (b) to remove a temporary surplus of like domestic products by making such surpluses available to certain groups of domestic consumers free of charge or at prices below the current market level. Such quotas should not be more restrictive than necessary, should be removed as soon as they cease to be necessary for the purposes of this sub-paragraph, and should be made the subject of periodic consultation with the Organisation.

f. If such quotas are allocated among sources of supply, they should be allocated fairly, on the basis of imports during a previous representative period, account being taken in so far as practicable of any special factors which may have affected or which may be affecting the trade in the product concerned. Import quotas imposed under (a) of this sub-paragraph should not be such as would reduce imports relatively to domestic production as compared with the proportion prevailing in a previous representative period, account being taken in so far as practicable of any special factors which may have affected or which may be affecting the trade in the product concerned.

2. Restrictions to safeguard the balance of payments. Members confronted with an adverse balance of payments should be entitled to impose quantitative import restrictions as an aid to the restoration of equilibrium in the balance of payments. This provision should be operative under conditions and procedures to be agreed upon. These conditions and procedures

a. should set forth criteria and requirements in the light of which balance-of-payments restrictions might be imposed;

b. should, as regards the use of such restrictions in the post-war transitional period, be framed on principles which would be designed to promote the maximum development of multilateral trade during that period and which in no event would be more restrictive of such trade than the principles applicable, under Article XIV of the International Monetary Fund Agreement, to the use of exchange restrictions in the transitional period;

c. should provide for the determination of the transitional period for the purposes of sub-paragraph b. above, by a procedure analogous to that contained in Article XIV of the International Monetary Fund Agreement;

d. should provide for the full application of non-discrimination in the use of such restrictions after the transitional period; and

e. should make appropriate provision for international consultation regarding balance-of-payments restrictions, whether imposed during the transitional period or thereafter.

3. Equality of treatment. Quantitative restrictions imposed on balance-of-payments grounds should be deemed non-discriminatory if they are administered on a basis which does not discriminate among sources of supply in respect of any imported product.

a. In the case of restrictions imposed in the form of quotas, members imposing such quotas should publish the global amounts or values of the various products which will be permitted to be imported during a specified future period. Any allocation of such quotas among sources of supply should be based insofar as practicable upon the proportion of the total imports of the product in question supplied by the various member countries in a previous representative period, account being taken of any special factors which may have affected or which may be affecting the trade in that product.

b. In the case of restrictions not imposed in the form of quotas, the member imposing the restrictions should undertake to provide, upon the request of any other member having an interest in the product concerned, all relevant information as to the administration of the restriction, including information as to the import licenses granted over a past period and the distribution of such licenses among sources of supply.

c. Any member should be entitled to raise with the Organisation the question as to whether another member was imposing balance-of-payments restrictions, whether in the form of quotas or otherwise, in a manner not in harmony with the guiding principles stated above or in a manner which unnecessarily injured its commerce, and the member imposing the restrictions should undertake in these circumstances to discuss the grounds on which it had acted.

4. Inconvertible currencies. The undertakings set forth in paragraph 3. above, should not apply in cases in which their application would have the effect of preventing a member from utilizing inconvertible currencies for buying needed imports.
5. Scarce currencies and currencies of territories having a common quota in the Monetary Fund. Members should not be precluded by this Section from applying quantitative restrictions (a) in pursuance of action which they may take under Article VII of the International Monetary Fund Agreement, relating to scarce currencies, or (b) in a manner designed to maintain the par value of the currencies of territories having a common quota in the Monetary Fund, in accordance with Article XX, Section 4 (g) of that Agreement.

6. Application of quantitative restrictions by state-trading organisations. The provisions of this Section relating to quantitative restrictions on imports for balance-of-payments reasons should apply equally to the restriction of imports by state-trading organisations for the same reasons.

Section D. Subsidies.

1. Subsidies in general. Subject to the provisions of paragraphs 2 and 3, below, members granting any subsidy which operates to increase exports or reduce imports should undertake to keep the Organisation informed as to the extent and nature of the subsidy, as to the reason therefor and as to the probable effects on trade. They should also be prepared, in cases where, under procedures approved by the Organisation, it is agreed that serious injury to international trade threatens to result from the operation of the subsidy, to discuss with other members or with the Organisation possible limitations on the quantity of the domestic product subsidised. In this paragraph, the term 'subsidy' includes any form of internal income or price support.

2. Export subsidies. Subject to the provisions of paragraph 3, below, members should undertake not to take any action which would result in the sale of a product in export markets at a price lower than the comparable price charged for the like product to buyers in the home market, due allowance being made for differences in conditions and terms of sale, for differences in taxation, and for other differences affecting price comparability. The undertaking should take effect, at latest, within three years of the establishment of the Organisation. If at the end of that time any member considers itself unable to comply with the undertaking in respect of any particular commodity or commodities, it should inform the Organisation, with an explanation of the reasons. It should then be decided by consultation among the interested members under procedures approved by the Organisation whether there should be some further extension of time for the member desiring it in respect of the commodity or commodities concerned.

3. Commodities in surplus supply.
   a) When it is determined, in accordance with procedures approved by the Organisation, that a commodity is, or is likely to become in burdensome world surplus, the members which are important producers or consumers of the commodity should agree to consult together with a view to promoting consumption increases, to promoting the reduction of production through the diversion of resources from uneconomic production, and to seeking, if necessary, the conclusion of an inter-governmental commodity arrangement in accordance with the principles of Chapter V.
   b) If, however, within a reasonable time to be agreed upon, such steps should fail of their object, the provisions of paragraphs 1 and 2, above, should cease to apply to such product until such time as it has been agreed under procedures approved by the Organisation that those provisions should be re-applied to it.
   c) With regard to any export subsidies which may be imposed under sub-paragraph b, no member should employ such subsidies so as to enlarge its share of the world market, as compared with the share prevailing in a previous representative period. The question as to what period would be representative in respect of the particular product concerned should be a subject for international consultation through the Organisation.

Section E. State Trading.

1. Equality of treatment. Members engaging in state trading in any form should accord equality of treatment to all other members. To this end, members should undertake that the foreign purchases and sales of their state-trading enterprises shall be influenced solely by commercial considerations, such as price, quality, marketability, transportation and terms of purchase or sale.

2. State monopolies of individual products. Members maintaining a state monopoly in respect of any product should undertake to negotiate, in the manner contemplated for tariffs, the maximum protective margin between the landed price of the product at the border and the home market price (of whatever origin, domestic or foreign) is sold in the home market. Members newly establishing such monopolies should agree not to create protective margins greater than the tariffs which may have been negotiated.
in regard to those products. Unless the product is subject to rationing, the monopoly should offer for sale such quantities of the product as will be sufficient to satisfy the full domestic demand.

3. Complete state monopolies of foreign trade. As the counterpart of tariff reductions and other actions to encourage an expansion of multilateral trade by other members, members having a complete state monopoly of foreign trade should undertake to purchase annually from members, on the non-discriminatory basis referred to in paragraph 1, above, products valued at not less than an aggregate amount to be agreed upon. This global purchase arrangement should be subject to periodic adjustment in consultation with the Organisation.

Section F. Exchange Control.

1. Relation to the International Monetary Fund. In order to avoid the imposition of trade restrictions and discriminations through exchange techniques, the members of the International Trade Organisation should abide by the exchange principles established pursuant to the Articles of Agreement of the International Monetary Fund and for this reason it should be required that the Organisation and the Fund have a common membership.

2. Equality of Exchange Treatment. Members maintaining or establishing exchange restrictions should undertake to accord to the trade of other members the equality of treatment with respect to all aspects of such restrictions required under the provisions of the Articles of Agreement of the International Monetary Fund or, in cases where the approval of the Fund is required, the equality of treatment prescribed by the Fund after consultation with the International Trade Organisation.

Section G. General Exceptions.

The undertakings in this Chapter should not be construed to prevent members from adopting or enforcing measures—

1. necessary to protect public morals;
2. necessary to protect human, animal or plant life or health;
3. relating to the traffic in arms, ammunition and implements of war, so in exceptional circumstances, all other military supplies;
4. relating to the importation or exportation of gold or silver;
5. necessary to induce compliance with laws or regulations, such as those relating to customs enforcement, deceptive practices, and the protection of patents, trademarks and copyrights, which are not inconsistent with the purposes of the Organisation;
6. relating to prison-made goods;
7. imposed for the protection of national treasures of artistic, historic or archaeological value;
8. undertaken in pursuance of obligations for the maintenance of peace and security; or
9. imposed, in exceptional cases, in accordance with a recommendation of the Organisation formulated in accordance with criteria and procedures to be agreed upon.

Section H. Territorial Application of Chapter III.

1. Customs territories. The provisions of Chapter III should apply to the customs territories of the members. If any member has more than one customs territory under its jurisdiction, each customs territory should be considered a separate member for the purpose of applying the provisions of Chapter III.

2. Frontier traffic and customs unions. The provisions of Chapter III should not prevent and member a) from according advantages to adjacent countries in order to facilitate frontier traffic or b) from joining a customs union, provided that such customs union meets certain agreed criteria. Members proposing to join a customs union should consult with the Organisation and should make available to it such information as would enable it to make appropriate reports and recommendations.

CHAPTER IV.

Restrictive Business Practice.

1. Curbing of restrictive business practices. There should be individual and concerted efforts by members of the Organisation to curb those restrictive business practices in international trade (such as combinations or agreements to fix prices and terms of sale, divide markets or territories, limit production or exports, suppress technology or invention, exclude enterprises from particular fields, or boycott or discriminate against particular firms) which have the effect of frustrating the objectives of the Organisation to promote expansion of production and trade, equal access to markets and raw materials, and the maintenance in all countries of high levels of employment and real income.
2. Co-operation among members. In order to achieve the purposes of paragraph 1, the Organisation should be charged with the furtherance of this objective. The Organisation should receive complaints from any member (or, with the permission of the member, from commercial enterprises within its jurisdiction who allege that their interests are affected), that the objectives of the Organisation are being frustrated by a private international combination or agreement. The Organisation should be empowered to call upon any member to provide information relevant to such a complaint; it should consider such data and, if warranted, make recommendations to the appropriate members for action in accordance with their respective laws and procedures; it should be empowered to request reports from members as to their actions in implementing such recommendations, and to report thereon. The Organisation should also be authorised, within the scope of its subject matter, to conduct studies, to make recommendations concerning uniform national standards, and to call conferences of member States for purposes of general consultation.

3. Continued effectiveness of national laws and regulations directed against restrictive business practices. Any act or failure to act on the part of the Organisation should not preclude any member from enforcing within its own jurisdiction any national statute or decree directed toward the elimination or prevention of restrictive business practices in international trade.

4. Special enforcement arrangements. It should be provided that members may, by mutual accord, co-operate in measures for the purpose of making more effective any remedial order which has been issued by a duly authorised agency of another member.

CHAPTER V. INTER-GOVERNMENTAL COMMODITY ARRANGEMENTS.

The production of, and trade in, primary commodities is exposed to certain difficulties different in character from those which generally exist in the case of manufactured goods; and these difficulties, if serious, may have such widespread repercussions as to prejudice the prospect of the general policy of economic expansion. Members should therefore agree upon the procedure which should be adopted to deal with such difficulties.

1. Special commodity studies.
   a Special studies should be made in accordance with the procedure set forth in b, below, of the position of particular commodities of which excess supplies exist or are threatened, to the end that, if possible, consumption may be increased and the anticipated difficulties may thereby be averted.
   b Members substantially interested in the production or consumption of a particular commodity should be entitled, if they consider that special difficulties exist or are expected to arise regarding that commodity, to ask that a special study of that commodity be made, and the Organisation, if it finds that these representations are well founded, should invite the members principally concerned in the production or consumption of that commodity to appoint representatives to a Study Group to make a special study of that commodity.

2. Inter-governmental commodity conferences. If it is concluded, in the light of an investigation of the root causes of the problem, that measures for increasing the consumption of a commodity are unlikely to operate quickly enough to prevent excess supplies of the commodity from accumulating, the members may ask the Organisation to convene an inter-governmental conference for the purpose of framing an inter-governmental commodity agreement for the commodity concerned.

3. Objectives of inter-governmental commodity agreements. It should be recognised that inter-governmental commodity agreements involving restrictions on production or trade would be justified in the circumstances stated in paragraph 2 above to achieve the following objectives:
   a To enable member countries to find solutions to particular commodity problems without resorting to unilateral action that tends to shift the burden of their problems to other countries.
   b To prevent or alleviate the serious economic problems which may arise when, owing to the difficulties of finding alternative employment, production adjustments cannot be effected by the free play of market forces as rapidly as the circumstances require.
   c To provide a period of transition which will afford opportunities for the orderly solution of particular commodity problems by agreement between member Governments upon a program of over-all economic adjustments designed to promote a shift of resources and man-power out of over-expanded industries into new and productive occupations.
4. Principles of inter-governmental commodity agreements. Members should undertake to adhere to the following principles governing the institution of inter-governmental commodity agreements:

a. Members having an interest in the production or consumption of any commodity for which an inter-governmental commodity agreement is proposed, should be entitled to participate in the consideration of the proposed agreement.

b. Members should undertake not to enter into inter-governmental commodity agreements involving the limitation of production or exports or the allocation of markets, except after:
   1) Investigation by the Study Group of the root causes of the problem which gave rise to the proposal;
   2) Determination, in accordance with procedures approved by the Organisation, either:
      a) that a burdensome surplus of the product concerned has developed or is developing in international trade and is accompanied by widespread distress to small producers accounting for a substantial proportion of the total output and that these conditions cannot be corrected by the normal play of competitive forces because, in the case of the product concerned, a substantial reduction of price leads neither to a significant increase in consumption nor to a significant decrease in production; or
      b) that widespread unemployment, unrelated to general business conditions, has developed or is developing in respect of the industry concerned and that such unemployment cannot be corrected by the normal play of competitive forces rapidly enough to prevent widespread and undue hardship to workers because, in the case of the industry concerned, i) a substantial reduction of employment, and ii) the resulting increase in consumption but leads instead to the reduction of employment, and li) the resulting unemployment cannot be remedied by normal processes of reallocation;
   3) Formulation and adoption by members of a programme of economic adjustment believed to be adequate to insure substantial progress toward solution of the problem within the time limits of the agreement.

c. Inter-governmental agreements involving the limitation of production or exports or the allocation of markets in respect of fabricated products should not be resorted to unless the Organisation finds that exceptional circumstances justify such action. Such agreements should be subject to the principles set forth in this Chapter, and, in addition, to any other requirements which the Organisation may establish.

5. Operation of commodity agreements. Members should undertake to adhere to the following principles governing the operation of inter-governmental commodity agreements:

a. The agreements should be open to accession by any member on terms not less favourable than those accorded to members parties thereto.

b. The members adhering to such agreements which are largely dependent for consumption on imports of the commodity involved should, in any determinations made relating to the regulation of prices, trade, stocks, or production, have together a voice equal to those largely interested in obtaining export markets for their production.

c. The agreements should, when necessary, contain provisions for assuring the availability of supplies adequate at all times for world consumption requirements at reasonable prices.

d. The agreements should, with due regard to the transitional need for preventing serious economic and social dislocation, make appropriate provision to afford increasing opportunities for satisfying world requirements from sources from which such requirements can be supplied most effectively.

6. Termination and renewal of commodity agreements. Inter-governmental commodity agreements should not remain initially in effect for more than five years. The renewal of an agreement should be subject to the principles governing new agreements set forth in paragraph 4, above, and to the additional principle that either:
   a) substantial progress toward a solution of the underlying problem shall have been accomplished during the initial period of the agreement or that
   b) the renewed agreement is so revised as to be effective for this purpose.
7. **Review of commodity agreements.** Members should undertake to transmit to the Organisation, for review, inter-governmental commodity agreements in which they now participate or in which they propose to participate in the future. Members should also transmit to the Organisation appropriate information regarding the formulation, provisions and operation of such agreements.

8. **Publicity.** Full publicity should be given to any commodity agreement proposed or concluded, to the statements of considerations and objectives advanced by the proposing members, to the operation of the agreement, and to the nature and development of measures adopted to correct the underlying situation which gave rise to the agreement.

9. **Exceptions.** The provisions of Chapter V are not designed to cover international agreements relating to the protection of public morals; the protection of human, animal or plant life or health; the conservation of reserves of exhaustible natural resources; the control of international monopoly situations; or the equitable distribution of commodities in short supply. However, such agreements should not be used to accomplish results inconsistent with the objectives of Chapter IV or Chapter V. If any such agreement involves the restriction of production or of international trade, it should not be adopted unless authorized or provided for by a multilateral convention subscribed to by a substantial number of nations, or unless operated under the Organisation.

**CHAPTER VI.**

**ORGANISATION.**

**Section A. Functions.**

The functions of the Organisation should include the following:

1. To collect, analyse and publish information, regarding the operation of Chapter III, relating to general commercial policy, Chapter IV, relating to the prevention of restrictive business practices, and Chapter V, relating to inter-governmental commodity arrangements, or in general regarding international trade and commercial policy.

2. To provide technical assistance to members as may be required or appropriate under the provisions of Chapters III, IV and V.

3. To make recommendations to members regarding the operation of Chapters III, IV and V, including the following:
   a. Recommendations regarding the relaxation or removal of trade control measures permitted under Chapter III.
   b. Recommendations as to measures for implementing the objectives with regard to restrictive private business practices, set forth in Chapter IV.
   c. Recommendations regarding the application to commodity arrangements under consideration by members of the principles governing commodity arrangements set forth in Chapter V; and recommendations initiating proposals for new commodity arrangements, or proposing such modifications, including termination, of commodity arrangements already concluded, as may be deemed appropriate under the commodity principles or in the general interest.
   d. Recommendations designed to promote the maximum obtainable consistency in the operation of Chapters III, IV and V and in other arrangements in the fields of general commercial policy, commodity arrangements and private business practices.

4. To interpret the provisions of Chapters III, IV and V, to consult with members regarding disputes growing out of the provisions of those Chapters, and to provide a mechanism for the settlement of such disputes.

5. In accordance with criteria and procedures to be agreed upon, to waive particular obligations of members, in exceptional circumstances.

6. To make recommendations for international agreements designed to improve the bases of trade and to assure just and equitable treatment for the enterprises, skills and capital brought from one country to another, including agreements on the treatment of foreign nationals and enterprises, on the treatment of commercial travellers, on commercial arbitration, and on the avoidance of double taxation.

7. Generally to perform any function appropriate to the purposes of the Organisation.

**Section B. Organs.**

The Organisation should have as its principal organs: A Conference, an Executive Board, a Commercial Policy Commission, a Commission on Business Practices, a Commodity Commission, and a Secretariat.
Section C. The Conference.

The Conference should have final authority to determine the policies of the Organisation and to exercise the powers conferred upon the Organisation.

1. Membership. All States members of the Organisation should be members of the Conference.

2. Voting. Each member of the Conference should have one vote. Except as may be otherwise specifically provided for, decisions of the Conference should be reached by a simple majority vote. It may be desirable to provide for special voting arrangements with regard to the exercise of certain functions of the Organisation.

3. Sessions. The Conference should meet at least once a year.

Section D. The Executive Board.

The Executive Board should be authorised to take provisional decisions between meetings of the Conference and to exercise such powers as may be delegated to it by the Conference. The Conference should in general be authorised to delegate its powers to the Executive Board.

1. Membership. The Executive Board should consist of not more than eighteen member States, each of which should have one representative. Member States of chief economic importance should have permanent seats. The Conference should elect the States to fill the non-permanent seats for 3-year terms, one-third of the non-permanent members retiring every year. The number of non-permanent seats should exceed the number of permanent seats, but the latter should not be fewer than one-third of the total number of seats.

2. Voting and Sessions. The Executive Board should regulate its own procedure.

Section E. The Commissions.

The Commission on Commercial Policy, the Commission on Business Practices and the Commodity Commission should be responsible to the Executive Board. Each Commission should be given as much initiative and independence of action as may be necessary for the effective discharge of its functions.

1. Membership. The Commissions should be composed of experts appointed by the Executive Board. The terms and other conditions of office of the members of the Commissions should be determined in accordance with regulations prescribed by the Conference. Such terms and conditions need not be uniform, but may vary from Commission to Commission. Pursuant to the reciprocal arrangements with other specialised international organisations contemplated in Section H, paragraph 2, of this chapter, provision should be made for appropriate representation on the Commodity Commission of the Food and Agriculture Organisation of the United Nations and of other specialised international organisations having an important interest in the commodity operations discussed in Chapter V.

2. Chairmen. The Chairmen of the Commissions should be non-voting members of the Executive Board and should be permitted to participate, without vote, in the deliberations of the Conference.

3. Voting and Sessions. Each Commission should regulate its own procedure, subject to any decisions made by the Executive Board.

4. Functions. The functions of the Commissions should include the following:

a. The Commercial Policy Commission. The Commercial Policy Commission should:

1) Review, and advise the Executive Board regarding, the operation of treaties, agreements, practices and policies affecting international trade.

2) Investigate, and advise the Executive Board regarding, the economic aspects of proposals to waive certain obligations of members in accordance with the provisions of paragraph 5, Section A, of this chapter.

3) Investigate, and advise the Executive Board regarding, the economic aspects of proposed customs unions.

4) Develop, and recommend to the Executive Board, for adoption by the Organisation, co-operative projects of a technical nature in the field of commercial policy (e.g., standard bases and methods of determining dutiable value, uniform customs nomenclature, and standardisation of statistical methods and nomenclature in foreign trade statistics).

5) Develop and recommend to the Executive Board additional programs designed to further the objectives of the Organisation in the general field of commercial policy.
b **The Commission on Business Practices.** The Commission on Business Practices should:

1) Inquire into activities on the part of private commercial enterprises which have the effect or purpose of restraining international trade, restricting access to international markets, or of fostering monopolistic controls in international trade.

2) Advise the Executive Board with regard to the recommendations which should be made to members in respect of business divestitures, reorganizations, dissolutions or other remedial actions.

3) Conduct investigations and make recommendations to the Executive Board looking to the promotion and adoption in all countries of codes of fair business practices designed to facilitate and enlarge the flow of international trade.

4) Advise the Executive Board as to the types of information which members should files with the Organisation.

5) Facilitate appropriate inter-governmental arrangements for the international exchange of technological information, on a non-discriminatory basis.

c **The Commodity Commission.** The Commodity Commission should:

1) Investigate commodity problems, including the problem of an international buffer stocks organisation or other arrangements which are proposed as a means of promoting solutions to commodity problems.

2) Make recommendations to the Executive Board on appropriate courses of action, including recommendations for the establishment of Study Groups for particular commodities. Such Study Groups should be established by the Executive Board, upon the recommendations of the Commodity Commission, for the purpose of investigating problems with respect to particular commodities. The Study Groups should be composed of representatives of member Governments invited to participate by the Executive Board and one or more representatives designated by the Commodity Commission.

3) Make recommendations to the Executive Board as to whether or not a particular commodity is in world surplus.

4) Make recommendations to the Executive Board as to whether an application made by a member for the convening of an inter-governmental conference should be granted.

5) Designate members of the Commission to participate in an advisory capacity in the formulation of inter-governmental commodity agreements.

6) Make recommendations to the Executive Board regarding the application of the commodity agreements under consideration by members.

7) Designate the Chairman and Secretary for any Commodity Council established to administer an inter-governmental commodity agreement.

8) Maintain continuous review of the conduct of the operations of inter-governmental commodity agreements in the light of the terms of the agreements, the commodity principles in Chapter V, and the general welfare; and make recommendations to the Executive Board with regard thereto.

Section F. **Industrial and Mineral Unit.**

The Conference should create an Industrial and Mineral Unit responsible to the Executive Board. The Industrial and Mineral Unit should promote by technical assistance and other appropriate means the expansion of production and trade with regard to fabricated products and with regard to minerals and other primary commodities in respect of which such promotional activities are not under the jurisdiction of the Food and Agriculture Organisation.

Section G. **The Secretariat.**

The Secretariat, which should be divided into three or more offices, should serve all the organs of the Organisations and the Commodity Councils established to administer specific commodity arrangements. It should be headed...
by a Director-General. Under his authority there should be three or more Deputy Directors-General each of whom should be in charge of an office. The Director-General, and on the advice of the Director-General, the Deputy Directors-General, should be appointed by the Conference upon the nomination of the Executive Board. The Director-General should be the chief administrative officer of the Organisation and should be an ex officio member, without vote, of the Executive Board. Three Deputy Directors-General should be ex officio members of the three Commissions. The Director-General and the Deputy Directors-General should have the authority to initiate proposals for the consideration of any organ of the Organisation.

Section H. Relations with other Organisations.

1. Relations with the United Nations Organisation. The Organisation should be brought into relationship with the United Nations Organisation on terms to be determined by agreement between the Executive Board and the appropriate authorities of the United Nations Organisation, subject to approval by the Conference.

2. Relations with other specialised international organisations. In order to provide for close co-operation between the Organisation and other specialised international organisations with related responsibilities, the Executive Board, subject to the approval of the Conference, should be authorised to enter into agreements with the appropriate authorities of such organisations defining the distribution of responsibilities and methods of co-operation.

3. Administrative arrangements. The Director-General should be authorised, subject to the authority of the Conference or of the Executive Board, to enter into agreements with other international organisations for the maintenance of common services, for common arrangements in regard to recruitment, training, conditions of service, and other related matters, and for interchanges of staff.
ANNEX D

PROCEDURE FOR NEGOTIATING AND IMPLEMENTING THE "PROPOSALS FOR CONSIDERATION BY AN INTERNATIONAL CONFERENCE ON TRADE AND EMPLOYMENT.

AS soon as possible after the current discussions between the United States and the United Kingdom regarding the "Proposals for Consideration by an International Conference on Trade and Employment" (Annex C) have been completed, the United States should publish the Proposals, together with a condensed statement of objectives, as the work of American experts. This statement would (a) set forth the substance of the Proposals (as amended in the course of the current discussions), (b) indicate the view of the United States Government that an international conference on trade and employment should be called not later than the summer of 1948 to consider it, (c) indicate that the United States would be prepared to urge that the United Nations Organisation call such a conference as one of their first important acts, and (d) urge that, in view of the complexity of the trade-barrier problem, Governments immediately begin negotiations on this subject with a view to contributing to the success of the conference.

2. This statement should be published about the middle of November 1945. At the same time, the diplomatic missions of the United States should deliver copies to the Governments of all countries with which it maintains diplomatic relations (with one or two possible exceptions) for their information and comment. Both publication and delivery would be so worded as not to imply any invitation to the conference.

3. The United Kingdom might thereafter wish to associate itself in some way with the substance of the Proposals.

4. At the time of publication under 2 above, the United States should address invitations to the Governments of the United Kingdom, Canada, Australia, New Zealand, the Union of South Africa, India, France, Belgium, Netherlands, U.S.S.R., China, Brazil, Cuba and Czechoslovakia asking them to designate representatives to meet in some time in the spring of 1946 for the purpose of negotiating with regard to trade barriers in accordance with the suggestion in the statement of objectives. The invitations would make it clear that the results of the negotiations would be such as would be "open to all countries of like mind" in the language of Article VII of the mutual-aid agreements.

5. The United States, in accordance with the requirements under the Trade Agreements Act, should issue public notice of intention to negotiate with those Governments which have accepted the invitation referred to in 4 above, such notice to be accompanied by a list of the products of which the other countries are, or are likely to become, principal suppliers and on which concessions by the United States would be considered.

6. At the meeting in the spring of 1946, each country should present a schedule of the tariff concessions which it would be prepared to include in an agreement with the other countries, such an agreement also to contain mutually acceptable provisions dealing with tariff preferences and non-tariff trade barriers. Each country should also be prepared to make requests of the tariff concessions which it desires to receive from the others.

7. The tariff concessions in the schedule proposed by each country should be offered to all the other countries as a group. Each country would thus obtain in its own right all of the concessions made by each of the other countries.

8. With regard to non-tariff trade barriers, there should be included in the draft agreement provisions, uniformly applicable to the trade of all participants, giving effect to the objectives as to non-tariff trade barriers which are set forth in Chapter III of the Proposals (e.g., elimination of exchange controls, regulation of subsidies, abolition of quotas, &c.).

9. These discussions would also afford opportunity for consultation among the drafting countries regarding all other elements in the Proposals (i.e., questions of employment, commodity policy, cartel policy, and an international trade organisation). Since many of these countries will undoubtedly also be members of the Economic and Social Council it should not be difficult to keep the Council informed of the progress of these discussions in connection with its own work of
preparing for the conference. Lack of progress on these matters, either in the drafting group or in the Economic and Social Council, should not be permitted to delay the opening of the conference beyond the summer of 1946.

10. The tentative agreement among the drafting countries (excluding the tariff schedules) would be subject to change at the conference, in the light of the considerations advanced by other countries.

11. The conference should also consider the questions of adherence to the agreement and the treatment to be accorded by countries which accept the agreement to the trade of those which do not accept it and of any countries not invited to participate in the conference. The drafting countries should propose that non-drafting countries be considered as provisionally adhering to the agreement upon acceptance of (a) the non-tariff provisions, and (b) a commitment to undertake bilateral tariff negotiations with the other countries adhering to the agreement. Countries considered as adhering provisionally before they have completed tariff negotiations must be required to give adequate concessions in return for benefits which they receive as a result of other tariff negotiations already concluded. The drafting countries should also propose that, subject to exceptions for particular countries recommended by the proposed International Trade Organisation, the benefits of the agreement should, after a reasonable period of time, be withheld from the trade of those countries which failed to adhere to it, and that the tariff concessions should similarly be withheld from the trade of countries which, having adhered, failed to negotiate tariff reductions judged by the International Trade Organisation to be in conformity with the spirit of the agreement. Drafting countries and provisionally adhering countries should retain full liberty of action to determine whether to extend most-favoured-nation treatment to the trade of countries not invited to participate in the conference and not immediately eligible to adhere to the convention. Decision in such cases would presumably be influenced by the adequacy of arrangements made by the non-adhering countries in liberalising their trade more or less pari passu with the action taken by adhering countries. Findings and reports of the proposed International Trade Organisation regarding the trade and commercial policies of non-adhering countries might assist adhering countries in reaching such decisions.

12. Upon the close of the conference the agreement would be brought into force among the drafting countries and such other countries as would join, in accordance with their constitutional procedures.
I propose in this Paper that when a National Health Service is established -

(i) the sale and purchase of medical practices (being practices conducted wholly or partly within the public service) should stop;

(ii) doctors who are thereby deprived of existing selling values should receive compensation based on 1939 standards of practice values and payable only on the doctor's death or retirement from practice;

(iii) all doctors taking any part in the public service in future should join in a new contributory superannuation scheme.

2. I also propose that, in order to clear up the present uncertainty with which young doctors from the Forces or elsewhere are faced, some announcement of the Government's general intentions should be made at once.

3. The White Paper on the National Health Service referred to this question. It proposed that, if and where its proposals destroyed the value of existing practices, compensation would be paid. Two possible examples were given; the first, where the taking over of a practice by a newcomer was prohibited in an "over-doctored" area; the second, where a doctor gave up his separate practice to take service in a Health Centre. But in general, it was not considered that the proposals in the White Paper would themselves destroy the value of practices. The White Paper went on to recognise the case which could be made on merits for the abolition of the whole custom of sale and purchase, in publicly remunerated practices, and suggested discussion of this with the profession.

4. The Coalition Government made a public announcement, on 3rd May last, that they did not propose to abolish sale and purchase at present; that an inquiry by a Committee would be set on foot after the National Health Service was in operation and after experience of its working had been obtained; that if, as a result of that inquiry, the sale of
practices should be controlled, proper compensation would be paid. The full text of this announcement is appended. Doctors from the Forces and others are naturally asking whether this announcement still holds good and, if not, what is the position. They are entitled to an early answer. Uncertainty is also causing hardship among the older doctors who have kept on during the war and now want to retire, and among the dependants of doctors who die.

5. On merits, I am sure that it is wrong that public medical practices - practices or parts of practices which depend for their value on public remuneration under a National Health Service - should be bought and sold. In spite of the freedom of patients to change their doctor in a public service, the custom amounts very nearly to the sale and purchase of patients and therefore of a public income. However much it may be mitigated by loans of cheap money or otherwise, it must tend to deter the poorer recruit from professional practice. It is also particularly unsuitable to public practice organised in publicly provided Health Centres.

6. But - apart from the merits of the custom as such - a direct result of a provision which I am satisfied must (for other reasons) be incorporated in the new service will be that the selling value of all publicly remunerated practices will be destroyed anyway. The provision to which I refer is the vesting of a power in the Minister (probably acting through a specially appointed professional body) to approve or select the general practitioner to replace a practitioner in the public service who has died or retired. This provision will in effect put an end to any market in practices affected by it.

7. It is arguable that an action by the State in the interests of the community which has incidentally destroyed the value of an existing practice gives rise to no better claim to compensation than many similar actions which incidentally destroy the "good-will" attaching to particular businesses. There are, however, special features in the present case. The destruction of values will scarcely be "incidental"; it will be a very direct result of positive action by the Government. Also, if no compensation were given there would be many cases of hardship among people who have (quite properly, in the light of the custom of their profession at the time) incurred considerable liabilities in the purchase of practices, and who have acquired in the selling values of their practices their principal insurance for old age and for their dependants in the event of death. There is also the practical point that great hostility would be aroused in the profession, at the very time when we want their utmost co-operation, if practice values were destroyed without compensation. Moreover the White Paper has already firmly coupled compensation with the destroying of practice values in the doctors' minds.

8. I think therefore, that there should be compensation (although without admitting an inherent right to it on the doctors' part) and I think that it should be devised broadly on the basis of restoring what is destroyed by the Government's
action. The exact basis of compensation and its methods will need to be discussed with the profession's spokesmen before final decision, but I think that the object should be to secure their agreement to arrangements on these lines:-

(1) At a given date when the scheme starts, to assess the value of practices then existing on the basis of the income derived from them during the preceding year.

(2) To discount the abnormal conditions which have affected practice values since 1939 by reducing the above assessed values to a 1939 level, i.e. by applying a reduction factor which will take into account rises in fees, capitation payments, etc., since that date, and by taking for purposes of calculation the number of years' purchase normally paid in 1939.

(3) To arrive at a global figure of compensation by aggregating all the reduced values so arrived at, and to invite the medical profession themselves to propose how the total shall be equitably apportioned between individual practices.

(4) To make payments to each doctor on retirement (or to his dependants on death) in accordance with that basis of apportionment.

(5) To allow for a reasonable rate of interest on the apportioned capital value in respect of the period elapsing before it is actually paid to the doctor or his dependants — as some recompense for the interest on loans which he may have to continue to meet or the interest value of his tied-up money, so as to reduce any unfair anomaly between doctor and doctor when all receive their remuneration at the same rates in future from public funds.

9. Independently of these arrangements for compensation, I propose to take power to set up a superannuation scheme for all doctors taking part in the new service. (No account would be taken of past service under the present national health insurance arrangements or other service before the operation of the superannuation scheme, since the doctors concerned would be adequately compensated in this respect by the scheme set out above). Here again the details will require to be worked out at some length, in consultation with the profession, but the general principles would be:-

(i) Contribution by the doctors, supplemented equally by contribution by the state (something like the scheme already applicable to school teachers);

(ii) Benefits to consist of a pension on retirement and a lump sum payment on retirement or death, subject to orthodox provision for qualifying periods of contribution;
The scheme to be capable of application, if possible, to a wider field than general practice and to cover all doctors participating in any field of the new service - and probably to be correlated with similar schemes for other classes and groups of employees in the health service.

10. It is not necessary to decide now exactly how these things shall be done. It is necessary, however, to decide whether they shall be done and to make some general announcement which will give a pointer to young doctors in deciding what their course of action should be in the next few months. If my colleagues agree with my proposals in principle I should like to be authorised to make an immediate announcement on the following lines:

1. The Government have no yet finally decided upon the proposals which they will be submitting to Parliament for a National Health Service.

2. They believe, however, that it will be incompatible with the provision of an efficient service that the future exchange of medical practices, and the creation of new practices, within that service should be left entirely unregulated and that no effective steps should be taken to secure a proper distribution of doctors to fit the public need.

3. They appreciate that intervention in this field - in whatever form it may take - will probably have the effect of preventing the sale and purchase of the practices of doctors taking any part in the new service, and the Government therefore think it right to give warning of this probability at once and in advance of the formulation of their full proposals.

4. At the same time, and in order to allay the natural anxieties of doctors already in practice or now coming into practice from the Forces or elsewhere, the Government wish to make it clear that there will be an appropriate measure of compensation to doctors in respect of loss of capital values directly caused by the new arrangements. It is intended that discussions should be undertaken immediately with the profession's representatives with regard to the steps to be taken to give effect to this decision.

11. When this statement has been made, I will at once initiate discussions with the profession, not only on the basis and method of compensation in general, but also on any special measures necessary in the interests of doctors and their dependants who wish to dispose of practices, and newcomers who desire to enter practice, before the operation of the compensation arrangements. I shall suggest to the profession that they should themselves take steps to meet difficulties arising in this interim period and should announce as soon as possible what they are doing.

MINISTRY OF HEALTH, S.W.1.

23RD NOVEMBER, 1945.
APPENDIX

COPY OF COALITION GOVERNMENT'S ANNOUNCEMENT

MR. STOREY: To ask the Minister of Health whether he has any statement to make on the sale and purchase of medical practices in relation to the Government's proposals for a National Health Service.

MR. WILLINK: Yes, Sir. The Government recognise, as indicated in the White Paper, that a case can be made for the total abolition of the sale and purchase of publicly remunerated practices, and particularly of practices conducted in publicly provided health centres.

The Government also recognise, as indicated in the White Paper, that the abolition would involve great practical difficulty and is not essential to the initiation of the new service.

The Government feel that firm decisions, dealing with the practical difficulties fairly in the interests of all concerned if sale and purchase were to be abolished, could be reached only after some experience had been gained of the working of the new service and all the relevant facts had been ascertained.

The Government do not propose, therefore, to make any alteration in the present custom in the forthcoming Health Services Bill, but they propose that a full inquiry into the whole question shall be instituted by a Committee appointed for that purpose after the new service has come into operation and experience of its working has been gained.

Meanwhile, to remove any present uncertainty, the Government wish to make it clear that, if the sale of practices - as a result of the inquiry I have mentioned - should be abolished or restricted by law, doctors affected would receive all proper compensation, on the understanding, of course, that (as indicated in the White Paper) the new service could not be allowed, by itself increasing values, to increase the amount of compensation payable.

The Government also recognise that, pending the inquiry, many doctors will be returning from the Forces and entering new civil practices under the existing conditions of practice exchange. They are anxious that these men and women shall not be prevented or discouraged from doing so by inability to find purchase money, and they are discussing with the Profession how this can best be secured.

Non-oral Answer

3rd May, 1945
CABINET.

SHIPPING POLICY.

MEMORANDUM BY THE MINISTER OF WAR TRANSPORT.

IN my previous memorandum C.P. (45) 135 I made proposals, which were approved by the Cabinet, on certain phases of our shipping policy, in so far as concerned our relations with other countries. In the present memorandum, I report the results of recent negotiations with the United States and Canada for the information of my colleagues (Part I), make proposals for controlling British tonnage after the end of February (Part II), and submit a scheme for dealing with the disposal of tonnage now owned by the Government (Part III).

PART I.

My representatives who attended the meeting of the United Maritime Executive Board in Washington in late September and October were able to pursue the matters in C.P. (45) 135 on the lines approved by the Cabinet with the United States and with the other maritime countries concerned. The results of these negotiations may be summarised as follows:—

(i) It is agreed that the United Maritime Authority should continue in operation as regards dry cargo ships and passenger ships for the full period permitted by the original Agreement, that is until the 2nd March, 1946. This gives us time to adjust our shipping policy to the prospect of competitive trading with other flags but in the meanwhile ensures that we get the maximum shipping assistance from the European Allied flags and at the same time limits the amount of United States shipping in our trades for which payment is required in dollars. My representatives came to an amicable agreement with the United States as to the amount of United States tonnage to be employed in our trades during the remainder of the period of operation of the United Maritime Authority and thus disposed of the risk of serious dissension which threatened when the termination of Lend/Lease compelled us to refuse the services of United States tonnage which had been of great assistance to us during the war. At the same time my representatives came to amicable agreement with the United States and other flags on the re-instatement of British sailings in a number of liner trades where dollars are earned from which British ships were withdrawn during the war.

(ii) With the termination of United States control of oil supplies and our need to concentrate on sterling resources of oil, international control of tanker employment through the United Maritime Authority became impossible, and the United Maritime Authority ceased to operate in respect of tankers as from the 31st October, 1945; but my representatives secured agreements with the Norwegian and Swedish authorities to maintain in our service the amount of Norwegian and Swedish tanker tonnage previously at our disposal under the United Maritime Authority until the end of December; and further negotiations have made good progress to ensure us the use of this tonnage till March, when we anticipate that it will be safe to rely upon...
ordinary market operations by the oil companies to cover their requirements. These arrangements limited the amount of United States tonnage, to be paid for in dollars, necessary to fulfil our needs; and my representatives secured assurances from the United States of the availability of the number of United States tankers necessary to cover us till the end of the year and have since been assured that United States tonnage will be available to us on acceptable terms to meet our deficiencies till March.

(iii) My representatives secured the agreement of the Canadian Government to leave with us on bareboat charter for a minimum period of 2 years, on terms to be discussed, the Canadian-built ships (about 1 million tons deadweight) which have been available to us on bareboat charter during the war; and also agreed upon the sailings of ships under the Canadian flag which we require for the rest of the U.M.A. period. The charter terms for the Canadian ships on bareboat charter have since been discussed and it is clear that the negotiations will result in terms that are acceptable. We have been met in a very helpful way by the Canadian Government.

(iv) My representatives were under instructions to secure if possible the maintenance in our service under the British flag on bareboat terms of the ships at present available to us from the United States Government (about 3 million tons deadweight). It is probable that we shall require these, or most of them, for 2 or 3 years while our building progresses. We do not want to have to buy them in dollars. The United States Administration agreed that they would take no action to terminate the existing agreement under which we have these ships (though the agreement could also be terminated by the action of Congress on which no assurances could be given). This ensures that, so far as the United States Government are concerned, the ships will continue in our service at least till the 2nd March, 1946. The United States Government also agreed that we might have the services of these ships on Lend/Lease terms until December, whereafter hire at agreed rates would be due. So far it has not been possible to agree upon the rate of hire, for the United States Government feel themselves bound, owing to the attitude of Congress, to ask hire at a greater rate than we consider justified by the trading possibilities. The position after the 2nd March will be determined by United States legislation as to the disposal of Government-owned ships now under consideration by Congress. This legislation, as passed by the House of Representatives, gives power to the Administration to sell ships either to American or foreign buyers, but minimum prices are laid down. These prices, though representing a heavy write-off of a war expenditure by the United States Exchequer, are still too high to permit us to purchase in dollars, apart from the depressing effect which purchase of so large a block of shipping would have on shipbuilding employment here. The legislation also authorises bareboat charter to American charterers but not to foreigners. Acting in accordance with their instructions, my representatives pressed for, and persuaded the American Administration to sponsor, the insertion in the legislation of power to charter on bareboat terms to foreigners, at least in respect of that amount of tonnage already on such charter under war-time agreements. The decision of Congress on this proposal is awaited. Meanwhile we cannot be certain that we shall be able to retain this tonnage.

2. My representatives also urged the necessity for withdrawing from commercial service a large volume of the United States war-built tonnage. The legislation before Congress on disposal of Government-owned tonnage requires that tonnage not sold after 2 years, or redelivered from bareboat charter thereafter, shall be withdrawn from commercial services. Meanwhile the United States Government stated it to be their policy to lay aside a high proportion (20-25 million tons) of their war-built tonnage.

3. My representatives also explored the views of other maritime Governments on the desirability of an international shipping organisation after the United Maritime Authority ceases to operate. The main object of United States policy is to secure guarantees from us and other maritime countries as to the participation of United States flag tonnage in the liner trades to and from the United
States. Though their requirements in this connection are not finally clarified, they are expressed in the desire to have 50 per cent. of these trades under United States flag, representing a large increase over pre-war. The other maritime countries, relying like us upon their earnings as world carriers by sea, appear unlikely to be willing to give guarantees as to the participation of any flag in particular trades other than what can be secured on a basis of fair competition by efficient service. The maritime countries are somewhat lukewarm upon the question of any intergovernmental shipping organisation after U.M.A. but look for a lead from us. The French Government is likely to support proposals for an international shipping organisation where they could if necessary present for solution difficulties which arise for them by being a large user of shipping services with only comparatively small shipping resources under their own flag.

4. I see some advantages in an international organisation, representative of Governments, which while not being empowered or authorised to interfere in shipping operations would nevertheless provide opportunities for Governments to ensure between themselves that shipping services are available on equal terms without discrimination for the trade of all countries, that Governments do not adopt discriminatory practices in favour of their own flag which interfere with the conduct of shipping business on a basis of fair and open competition, and that if the necessity should arise for transport by sea to be provided for the purposes of the United Nations the participating Governments will co-operate in providing it. Any such organisation should clearly be within the ambit of the United Nations Organisation. I intend to submit proposals to the Cabinet framed on these lines as a basis for discussion with other countries in a separate paper very shortly. I should see some dangers in the type of organisation which might be proposed by other countries if we fail to give a lead and adopt merely a negative attitude.

5. Meanwhile we must make progress with our own national shipping policy and two issues call for decision:

(i) The question whether control should continue to be exercised over United Kingdom tonnage by the Government after the 2nd March; and if so, in what form; and
(ii) the disposal of Government-owned tonnage.

PART II.—CONTROL OF BRITISH TONNAGE AFTER 2ND MARCH.

6. Our international obligation, under the Agreement on Principles establishing the United Maritime Authority, to maintain our ships on requisition ends on the 2nd March. The existing agreement as to the terms for British ships under requisition ends at the same time.

7. The passenger ships and other ships employed directly in military or naval service must clearly remain at Government disposal until our requirements are fulfilled. I propose only to release these ships from requisition as the trooping and other requirements permit, meanwhile arranging the terms for the ships for their continued service under the existing powers. Any ships required additionally for such purposes will be dealt with in the same manner. But I must emphasise the importance of reducing the allocation of merchant ships to naval and military purposes to a minimum as rapidly as possible if we are to recover, with our depleted tonnage resources, anything like our old position in the world's carrying trade.

8. As regards tankers, I have made proposals in my separate paper.

L.P. (45) 248.

9. As regards dry cargo tonnage other than that referred to in paragraph 7, I consider the circumstances require the maintenance of some form of Government control for some further period after the 2nd March. We need powers to ensure that sufficient of the limited tonnage at our disposal is made available for the cargoes of the importing Ministries and for other essential purposes of Government; (if we should succeed in the negotiations for the United States tonnage described in paragraph 1 (iv), we may be able to relax control on this account somewhat earlier than would otherwise be the case). On the other hand, we must restore quickly the power to compete with other flags to the fullest possible extent. For this reason, it is no longer desirable as a general principle that...
British owners should continue during this transition period to be protected by
time charter terms under requisition to the Government from the full financial
responsibility for their operations. I propose to develop a plan in respect of
ocean-going dry cargo tonnage on the following lines.

10. Liners would be reinstated so far as practicable in their accustomed
trades and the period of requisition will terminate with the expiry of current
agreements (that is on the termination of voyages current at the 2nd March)
provided I can be satisfied that thereafter:

(i) Priority will be given to Government or sponsored traffic.
(ii) Rates of freight for Government traffic will be determined at a
reasonable level to my satisfaction.
(iii) Tonnage can be concentrated on the routes where it is required for
Government traffic irrespective of ownership. This will particularly
apply to specialised types such as refrigerated tonnage.

11. I can enforce such arrangements under the powers to license voyages
and other existing powers and shall, of course, give no promise not to resort
again to requisitioning powers to meet essential Government requirements if the
need should arise.

12. As regards tramp tonnage, the requisition should terminate on the
expiry of current agreements in March. The arrangements thereafter would
provide for—

(i) A block of tonnage, the amount of which would be determined by
reference to the requirements of the importing Ministries and other
Government traffic or services, should be at the absolute disposal of
my Ministry as to its employment. The amount of this directed
tonnage would be determined from time to time but covering a sub­
stantial period ahead, as the estimated requirements may necessitate.
(ii) The rates of freight for the traffic for which this directed tonnage
will be available under direction by my Ministry to the importing
Ministries and for other Government traffic would be determined by
my Ministry on fair and reasonable terms. In appropriate cases ships
might be time chartered. Directed tonnage will be fixed voyage by
voyage at the scheduled rates of freight to the importing Ministries
or other charterers on Government account.
(iii) The remaining tramp tonnage would be free

13. The amount of directed tonnage would be adjusted periodically to
estimated requirements, being progressively reduced until the situation permits
the complete restoration of market conditions.

14. Special financial arrangements might require to be made in respect
of ships, whether liners or tramps, which were directed into other than their
normal trades or were required to make exceptional voyages.

15. I propose to release from requisition as soon as possible ships trading
costwise in the United Kingdom. As regards tonnage in the short sea trade,
I propose to follow the general lines set out above with suitable adaptations to
circumstances in that trade. As part of our general policy for internal transport,
we must have proper regard to the interests of coastwise shipping.

16. As a corollary to these arrangements for British tonnage, I should
propose to establish a suitable organisation on the London freight market through
which foreign tonnage available for tramp chartering will be sought and offered
under Ministry direction for fixture by the importing Ministries. This will enable
the volume of foreign chartering and rates of freight to be regulated in accordance
with our general policy. This organisation would of course only act for Govern­
ment business; private British charterers will be free to take foreign tonnage
for their own purposes on market terms. The same Ministry organisation on the
Baltic would be available to sponsor the chartering of any “free” British tonnage
which may be available and required for Government charterers in addition to
the directed tonnage.
PART III.—DISPOSAL OF GOVERNMENT-OWNED SHIPS.

17. Under the scheme hitherto in operation and not yet formally withdrawn Government-owned ships are offered for sale to British owners, on a rota according to type and date of loss of their ships during the war. They are sold at cost to the Government less depreciation at 6 per cent. per annum. A number of ships built in the United Kingdom to Government order have been disposed of under this scheme. We have now to reconsider the terms on which to dispose of remaining Government-owned tonnage and to bring into effect a new scheme as soon as possible, appropriate to present circumstances and prospects.

18. Legislation which is expected to be passed in the United States in the very near future provides for the disposal of the ships built on account of the United States Government. Under this legislation a high proportion of the cost of building the ships will be borne by the United States Exchequer as part of the cost of the war. By way of example, the "Liberty" type of merchant ship of about 10,000 tons d.w., which cost the United States an average of about £400,000 each to build, may be disposed of at a minimum price of £140,000. The Canadian Government are also seeking to dispose of comparable ships at about £120,000 each. These prices are very much below the price at which our Government-owned ships are available under the present disposal scheme.

19. Many of the Government-owned ships built or acquired during the war have a substantial period of useful service in front of them; but, as the United States and Canadian Governments have recognised, the terms upon which they can be disposed of must take into account that they were built and designed for war-time purposes, and at high war-time cost. These elements must be discounted in any broad plan for disposing of the ships now that the war is over.

20. We have to be careful in our plans for disposal not to run the risk of reducing unduly the orders from British owners in our shipbuilding yards, in which we aim to maintain a high level of activity in the coming years; similarly we should not discourage the shipping industry from employing as large a proportion as possible of their financial resources available for building in the production of ships of type and design likely to be able to hold their own against other flags under highly competitive conditions.

21. The ships available for disposal include the remainder of the ships built in the United Kingdom to Government order during the war, some built in the United States to our order, and some second-hand purchases, as well as the ships which have fallen into our hands as prizes of war or will come to us as part of our share of the German Mercantile fleet. For present purposes all these ships may be classified into three groups—

(i) Those types which are likely to have special usefulness because of the general shortage in those types. This applies specially to passenger vessels, cargo liners, intermediate transports, motor transports and ocean-going tankers.

(ii) Those types which are useful primarily as filling temporary gaps in our merchant fleet. This class includes the standard transport steamers, of about 10,000 deadweight tons, which we have built in this country and America during the war.

(iii) Those types, mainly small craft, which have been built or obtained specially for war purposes and have little, if any, usefulness for peace-time trading.

22. I propose that the new disposal scheme should be developed on the following lines:—

23. For the ships built in this country forming part of the group (i), I propose first to average the cost of building those that remain and then to make deductions on account of their less desirable war-time features and accrued depreciation to a level which will have regard to comparable American and Canadian offers of tonnage. These ships would be offered for sale, to operators established in the United Kingdom and for registry in the United Kingdom, by inviting bids for each ship with the proviso that no bid would be accepted below the minimum price established as above.

24. Other ships in this group would be dealt with in a similar manner, the minimum price being determined by the Ministry with the advice of valuers, on comparable lines.
25. As regards ships in group (ii), I believe that it would be desirable to offer the alternative of purchase or long-term bareboat charter to United Kingdom operators. The minimum sale price of each of the ships built to our order in the United Kingdom could be fixed as for those in group (i). The bareboat rate of hire would be a fixed annual percentage of this minimum price. I should aim at bareboat charters for a period of seven years with a minimum of, say, five years in appropriate cases.

26. I should propose to put the ships in group (ii) built to our order in the United States into the scheme on the same basis as similar ships built in the United Kingdom, thus discounting entirely the higher cost of building in the United States.

27. Other tonnage in this group (e.g., prizes of comparable type) would be dealt with in a similar way, the minimum sale price being established with the advice of valuers on a comparable basis.

28. I am assuming that all the ships in groups (i) and (ii) will be required for service under our own flag, at any rate for some years, so that to begin with, none of them should be offered abroad. During the war we have made available to our European Allies a proportion of the ships built for or otherwise acquired by the Government. A final allocation was made early this year, not all of which has been taken up by the Allies. These countries have also the opportunity of building in this country. We are under no obligation to offer any more of the Government-owned tonnage to these nations, but we might dispose of any tonnage left on our hands or those of other countries, on suitable terms, as soon as we can spare it from the United Kingdom register.

29. Government-owned tonnage in groups (i) and (ii) not disposed of under the above arrangements would continue to be traded for Ministry account. Ships in group (iii) should be sold as opportunity offers, either at home or abroad, at the best price obtainable.

30. I should propose to offer the ships on bareboat charter to the Ministry from the Canadian Government, under the agreement now being concluded, on sub-charter to United Kingdom operators, for the duration of our charters from Canada and on terms which would cover the Ministry's obligations to the Canadian Government. If we succeed in obtaining ships on bareboat charter from the United States, I should propose to proceed on similar lines.

SUMMARY OF RECOMMENDATIONS.

31. I summarise my principal recommendations on the points requiring immediate decision as follows:

(a) Control of British tonnage (paragraphs 6 to 15).

(i) Subject to (a) (iii) below, I propose to release from requisition in March next, when existing agreements expire, ocean-going dry cargo ships, both liners and tramps, but to maintain control of the employment of such ships through other means to the extent necessary to ensure that space on liners, and tramp tonnage, is available in sufficient quantity at reasonable rates for Government traffic, including, of course, the requirements of the importing Ministries (see paragraph 10 as regards liners, paragraph 12 as regards tramps).

No new powers will be required to enforce such control. The power to license voyages already exists and requisitioning powers will remain for use in emergency if need be.

The arrangements I propose are for a transitional period and control will be relaxed as circumstances warrant.

(ii) I propose to proceed on similar lines for tonnage in the short sea trades. Requisitioned ships in the Coasting trade will also be released as soon as possible (paragraph 15).

(iii) Requisitioning powers will continue to be used to retain or take up passenger ships required for troopng and other ships employed directly in military or naval service, but it is important to reduce the allocation of merchant ships to these purposes as rapidly as possible (paragraph 7).

(iv) Arrangements for the control of tankers, suitable to their special case, were submitted in my paper L.P. (45) 248.
(b) Foreign tonnage.—I propose to establish a suitable organisation through which foreign tonnage available for tramp chartering will be sought and offered under Ministry direction for the requirements of the importing Ministries (paragraph 16).

(c) Disposal of Government-owned tonnage (paragraphs 17 to 29).—I propose to terminate forthwith the existing scheme under which Government-owned tonnage is disposed of to private operators at cost price and to replace it by a new scheme to come into effect immediately. The new scheme will be worked out on the following lines:—

(i) Ships of specially useful types will be offered for sale to any United Kingdom operator at the best price bid over a fixed minimum (paragraphs 23 and 24).

(ii) Ships of types primarily useful as filling the gaps for the time being in our merchant fleet will be offered to United Kingdom operators for sale at a fixed minimum price, with the alternative of bareboat charter for a period (not less than five years) at a rate of hire representing a fixed annual percentage of the minimum price (paragraphs 25 to 27).

(iii) The minimum prices referred to in (c) (i) and (ii) will be determined for ships built in the United Kingdom by averaging cost of construction and by reduction on account of the less desirable features of these war-time standard ships and the reduced prices at which such ships are being offered by the United States and Canadian Governments. Minimum prices of other ships for disposal under (c) (i) and (ii) will be determined by valuation on a comparable basis. I propose to discount altogether the extra cost of building in the United Kingdom to the ships we still have for disposal which were built there for our account (paragraph 26).

(iv) Save in a quite exceptional case, none of these ships will be disposed of to foreign flags until our tonnage situation permits (paragraph 28).

(v) Ships and craft built or obtained for special war-time purposes and which have little or no useful peace-time purpose will be disposed of as opportunity offers, at home or abroad, at the best price obtainable (paragraph 29).

(vi) Ships at our disposal on bareboat charter from the Canadian Government will be sub-chartered to United Kingdom operators on terms which will cover our liability to the Canadian Government. Any United States ships available to us would be disposed of on similar lines (paragraph 30).

A. B.

Ministry of War Transport,
23rd November, 1945.
THE Social Services Committee submit, for consideration by the Cabinet, their recommendations on certain proposals for changes in war pensions made by the Minister of Pensions.

2. The last comprehensive review of the Royal Warrant was made in 1943, when the Coalition Government presented a White Paper (Cmnd. 6459) setting out a number of improvements in the rates of pension and reforms in the procedure for dealing with claims. The changes made met with general approval, but as the war drew to a close the British Legion and other organisations began to campaign for the appointment of a Select Committee on war pensions on the lines of the Select Committee which was appointed after the war of 1914-18. During the General Election a large number of Labour candidates declared themselves in favour of a Select Committee and it is clear that both in the House of Lords and in the House of Commons a motion for the appointment of a Select Committee would find a strong body of supporters. We agree with the Minister of Pensions that it is most desirable to avoid the appointment of a Select Committee, and that the Government will find it difficult, if not impossible, to resist the appointment of such a Committee unless the Minister is able to announce substantial improvements in certain of the existing provisions of the Royal Warrant.

3. In examining the proposals put before us by the Minister of Pensions we have had regard to that part of our terms of reference which bids us seek to secure consistency between the rates of payment made under the national insurance schemes and payments of a similar kind from Exchequer funds. But we have been driven to recognise that anything like complete uniformity is unattainable. The rates under the war pensions scheme are in many cases already higher than the rates under other schemes; there are strong traditional feelings in favour of generous treatment for ex-Servicemen, and it can be argued that men who served in the Forces had lower earnings during the war than men who were directed into industry. Moreover, the burden imposed on the Exchequer by the war pensions scheme is a diminishing one. For these reasons we have in some cases recommended increases in war pensions rates which have the effect of increasing the disparities between the war pensions scheme and other schemes. We have tried, however, to keep down to a minimum the disparities between the war pensions scheme and the scheme to which it is most akin, viz., the new industrial injuries scheme.

4. Our recommendations are:
   (a) Disablement pensions.—The following changes should be made:
      (i) the lowest rate of pension payable for 100 per cent. disability should be raised from 40s. a week to 45s. a week, with the same increase for “other ranks” above private;
      (ii) partially disabled men who are unable to resume their former occupation or to be trained for one of equivalent standard should receive a supplement to the basic rate of 11s. 3d. within the maximum of 45s. in the case of a private. (This is on the
lines of the concession made in the National Insurance (Industrial Injuries Bill); and

(iii) the Schedule of Disabilities under the Royal Warrant should be reviewed to ensure that the percentages awarded for certain disabilities (e.g., amputations) are adequate.

The Minister of Pensions argued strongly in favour of raising the 100 per cent. rate to 50s., but in our view it is essential to maintain uniformity here between the war pensions scheme and the industrial injuries scheme under which, it will be recalled, the Government have refused to go beyond 45s.

(b) Widows Pensions.—The minimum rate of pension for a widow with children or over 40 years of age should be raised from 32s. 6d. a week to 38s. a week, which is the minimum rate of allowance paid to the wife of a serving soldier. This proposal has the effect of increasing the disparity between the war pensions scheme and the industrial injuries scheme under which the widow with children or over 50 at the date of her husband's death receives only 30s. a week; and the Minister of National Insurance has asked that his dissent should be recorded. The other members of the Committee feel, however, that on the assumption that some improvements must be made in the war pensions scheme, an increase to 35s. in the rate payable to the widow of the private soldier can be justified and should be less embarrassing to the Minister of National Insurance than other possible increases. Such an increase would carry with it adjustments in the rates for widows of "other ranks" above private.

A widow under 40 who has no children under 16 receives 20s. a week under the war pensions scheme and the Minister of Pensions proposed to us that, as a further concession, a widow under 40 whose youngest child reaches 16, should not cease to be entitled to pension at the 35s. rate. Having regard to the fact that under the industrial injuries scheme a childless widow does not qualify for pension at the higher rate of 30s. unless she had reached the age of 50 before her husband died, we feel that there is no justification for continuing to pay pension at the higher rate to a war widow for the few years between the date when her youngest child attains 16 and the date when she reaches the age of 40.

(c) Rent allowances to widows.—The present rent allowances are designed to ensure that the widow with one or more children need not spend more than 8s. a week of her pension on rent and rates. Accordingly, where the rent and rates actually paid exceed 8s. a rent allowance representing the difference between the actual payment and 8s. is granted. The maximum allowance is, however, 12s.; so that a widow who pays over 20s. a week has to find the excess out of her pension or other resources. The Minister of Pensions proposed that the maximum should be raised from 12s. to 17s. to meet the situation in large cities where rents of over 20s. are frequently paid. While we recognise that there is a case for some increase, we feel that it need not amount to as much as 5s. We accordingly recommend that the maximum rent allowance should be raised from 12s. to 15s.

(d) Children's Allowances.—The Minister of Pensions proposed that the rate of children's allowances should be raised from 11s. to 12s. 6d. a week, the rate at present paid to the serving man. The rate under the war pensions scheme is already far in excess of the rate under the industrial injuries scheme (viz., 7s. 6d.) and the anomaly will be accentuated when family allowances begin to be paid, since the Family Allowances Act, 1945, allows family allowances to be paid in addition to allowances under the war pensions scheme. Thus, the second and subsequent children of a war widow will receive 16s. (11s. + 5s.) as against the 5s. payable to the second and subsequent children of the widow in receipt of allowances under the industrial injuries scheme. We see no reason for increasing the disparity by raising the rate of allowance under the war pensions scheme from 11s. to 12s. 6d.

(e) Post-Injury Wives and Children.—Hitherto no allowances have been payable in respect of the post-injury wife or children of a war pensioner unless he is undergoing approved treatment or is in receipt of the special unemployability supplement. On the other hand, under the
existing workmen’s compensation scheme, the wife and children of a man who dies as a result of his injury need only show that they were dependent on him at the time of his death in order to establish a claim to compensation.

The National Insurance (Industrial Injuries) Bill, as introduced, made no provision for payments in respect of the post-injury wife or children either during the lifetime of the pensioner or after his death, and an amendment which would have provided for payments to both pre-injury and post-injury wives and children during the pensioner’s lifetime was resisted successfully in Standing Committee. It has now been decided, however, that the Bill should be amended in order to provide for pensions for the post-injury wife and children after the pensioner’s death.

The Minister of Pensions feels that he must apply a similar arrangement to the post-injury wife and children of the war pensioner who dies. In addition, he wishes to provide for the payment of allowances to the post-injury wife and children during the pensioner’s lifetime, as is already done in the case of a ‘pre-injury’ wife and children.

To pay allowances for the wife and children of a war pensioner whilst he is working represents favourable treatment as compared with that proposed for the industrial casualty, but the fact is that allowances in pre-injury cases, which have been paid for nearly thirty years, could not now be withdrawn. The Minister feels that, once the principle of recognising the post-injury wife is admitted, it becomes increasingly difficult to resist the strong and long-continued pressure to remove the anomaly whereby payment or non-payment of an allowance for a wife and children is determined by the fortuitous circumstances of when the injury was sustained.

We realise that a concession in war pension cases may embarrass the Minister of National Insurance. He, however, is already embarrassed by the payment of allowances for the pre-injury wife and children of the war pensioner, which must continue; and in all the circumstances we recommend that the proposal of the Minister of Pensions to recognise the post-injury wife and children both during the lifetime and after the death of the pensioner should be accepted.

(f) **Parents’ Pensions.** — Under the existing scheme parents’ pensions are payable only in cases of need. A flat rate pension of 5s. was paid during the 1914–18 war but was abolished in 1922. There has been some agitation in favour of the revival of this class of parents’ pension at an increased rate of 7s. 6d. a week. We do not recommend the revival of this pension, but we propose that the maximum rate of needs pension which the Minister of Pensions may pay in exceptional cases should be raised from 30s. to 40s. in the case of two parents, and from 22s. 6d. to 27s. 6d. in the case of one parent.

(g) **Constant attendance allowance.** — The maximum allowance payable in the case of other ranks is 20s. There are certain cases of very severe injury where an allowance of 20s. is inadequate and we recommend that in such cases the Minister of Pensions should be entitled to pay up to 40s., which is the present maximum rate for officers.

5. The cost of the improvements which we have recommended will be roughly £28 million a year initially, rising to a peak figure of probably something under £20 million a year. The following table shows how these figures are made up:

<table>
<thead>
<tr>
<th>Immediate</th>
<th>Peak</th>
</tr>
</thead>
<tbody>
<tr>
<td>£ million</td>
<td>£ million</td>
</tr>
<tr>
<td>Increase of 100 per cent. rate for basic grade to 45s.</td>
<td>3 1/2</td>
</tr>
<tr>
<td>25 per cent. (11s. 3d.) addition in certain cases (as under Industrial Insurance Scheme), limited to this war</td>
<td>1</td>
</tr>
<tr>
<td>Widow’s rate increased to 35s.</td>
<td>3 1/4</td>
</tr>
<tr>
<td>Post-injury wife and children</td>
<td>3</td>
</tr>
<tr>
<td>Post-injury widow</td>
<td>1 1/2</td>
</tr>
<tr>
<td>Oddments</td>
<td>1 1/2</td>
</tr>
<tr>
<td>Total</td>
<td>8</td>
</tr>
</tbody>
</table>
6. If the Cabinet approve our recommendations we suggest that the Minister of Pensions should present a White Paper to Parliament setting out the improvements proposed. These improvements should, in general, apply as from the beginning of the first pay week in January.

Initialled on behalf of the Committee:

A. G.

Gwydyr House, S.W. 1,
26th November, 1945.