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CABINET.

Local Government (Scotland).

Proposed Amending Legislation.

Memorandum by the Secretary of State for Scotland.

1. Representations have been made to me as to the need for immediate legislation to deal with two points of difficulty arising out of the present statutory provisions governing the disqualification of Councillors in Scotland. The questions which have arisen relate to the right of Councillors who occupy Council houses to vote on housing matters; and to the placing of contracts by local authorities with Co-operative Societies in which members of the local authority have an interest.

2. So far as the housing difficulty is concerned, the present position is regulated by Section 107 of the Housing (Scotland) Act, 1925, which provides that "a person shall not vote as a member of a local authority or any committee thereof upon any resolution or question which is proposed or arises in pursuance of this Act if it relates to any house, building or land in which he is beneficially interested". Difficulties in the administration of housing business, especially in relation to the fixing of rents, have in consequence arisen in a number of burghs, owing to the high proportion of Councillors occupying council houses. In each of two areas, for example, seven out of nine Councillors are understood to occupy council houses, while in a number of other areas a majority of the Council is similarly situated. The result is that the conduct of housing business has become in these areas extremely difficult if not, in relation to such matters as the fixing of rents, altogether impossible.

3. As regards the position of Councillors who are members of Co-operative Societies, the difficulty arises under the Sections of the Town Councils (Scotland) Act, and the Local Government (Scotland) Acts relating/
relating to the disqualification for being members of Town, County and District Councils in Scotland. Generally these provisions lay down that a person "shall be disqualified for being nominated or elected or for being or continuing a councillor if and while he has directly or indirectly by himself or his partner any share or interest in any contract ... with, by or on behalf of the Council." An exception is made in favour of Councillors who have a share or interest in any company incorporated by Act of Parliament or Royal Charter or under the Companies Acts. This exception does not cover the case of members of Co-operative Societies, who are consequently disqualified for membership of the Council in the event of that Council entering into a contract with the Co-operative Society of which they are members. Public attention has recently been directed to the position of such Councillors, whose statutory disqualification had not hitherto been appreciated, and as in many areas in Scotland contracts with Co-operative Societies are in existence there is a danger that a large number of Councillors will have to vacate their office. There is also a likelihood that in such an event Co-operative Societies whose members are affected may decline to enter into further contracts with local authorities. Such a situation would not only be difficult to defend but might, in certain areas, result in the disorganisation of such local authority services as the supply of milk to school children, in cases where the only source of supply is the local Co-operative Society.

4. These difficulties do not arise in England, as the law in that country was altered in the Local Government Act of 1933. The position in England is, briefly, that there is no provision corresponding to Section 107 of the Housing (Scotland) Act, 1925, under which the first of the difficulties to which I have referred arises, and no disqualification of a Councillor who has an interest in a contract with the local authority from membership of the authority. In the cases both of a Councillor occupying a Council house and of a Councillor who is interested in a Council contract, the position is regulated/
regulated by Section 76 of the Local Government Act, 1933. Briefly, this Section provides that "if a member of a local authority has any pecuniary interest, direct or indirect, in any contract or proposed contract or other matter, and is present at a meeting of the local authority at which the contract or other matter is the subject of consideration, he shall, at the meeting, as soon as practicable after the commencement thereof, disclose the fact, and shall not take part in the consideration or discussion of, or vote on any question with respect to, the contract or other matter." It is further provided that the Minister of Health "may . . . remove any disability imposed by this section in any case in which the number of members of the local authority so disabled at any one time would be so great a proportion of the whole as to impede the transaction of business, or in any other case in which it appears to . . . the Minister that it is in the interests of the inhabitants of the area that the disability should be removed".

5. I am satisfied that the difficulties to which I have referred are now acute, and I think that the most satisfactory way of dealing with them is to introduce legislation on the lines of that which is already in operation in England. I am consulting the Departmental Committee which is at present considering the consolidation of Scottish local government law and I anticipate that they will endorse this view. On that assumption, I shall be glad to have the authority of my colleagues to announce the Government's intention to legislate; and to prepare and submit to the Committee of Home Affairs a draft of the necessary Bill with a view to its early introduction. I am assured that it is unlikely to prove in any way controversial. As I have indicated, its effect would be to bring the Scottish law into line with the law as it has existed in England since 1933.

J. C.

Scottish Office,
Whitehall, S.W.1.

24th February, 1939.
FUTURE CAPITAL SHIP STRENGTH.

Note by the Minister for Co-ordination of Defence.

The Committee of Imperial Defence at their meeting held on 24th February, 1939, had under consideration a Memorandum by the First Lord of the Admiralty on future capital ship strength (C.I.D. Paper No. D.P. (F) 46).

2. The Committee of Imperial Defence agreed -

"(a) To approve the compromise plan for the future capital ship strength as put forward in the Memorandum by the First Lord of the Admiralty (C.I.D. Paper No. D.P. (F) 46), namely -

(i) That, with regard to the estimated tonnage of British capital ships on the 51st December, 1943, the German Government should be given a figure corresponding to the tonnage of 21 ships.

(ii) That, in the announcement of our 1939 building programme it should be stated that we intended to scrap one of the Royal Sovereign class in the year 1942 on the completion of the last ship of the 1937 programme and one in 1945 on completion of the 1933 programme of capital ships.

(b) That the above conclusion should be brought to the notice of the Cabinet."

3. In accordance with conclusion (b) above, I forward

* C.I.D./348th Meeting, Minute 2. 
herewith the relevant extract from the Draft Minutes (Enclosure I) and a copy of the Memorandum by the First Lord of the Admiralty (C.I.D. Paper No. D.P.(F) 46), (Enclosure II) for the information of my colleagues.

(Intlld.) G.

Richmond Terrace, S.W.1.,
27th February, 1959.
SECRET.

ENCLOSURE I.

TO BE KEPT UNDER LOCK AND KEY.

It is requested that special care may be taken to ensure the secrecy of this document.

COMMITTEE OF IMPERIAL DEFENCE.

Extract from the DRAFT Minutes of 348th Meeting, held on February 24, 1939.

* * * * * *

(2)—FUTURE CAPITAL SHIP STRENGTH

(C.I.D. Paper No. D.P. (P.) 46.)

(Previous reference: C.I.D. Minutes of the 335th Meeting, Minute (1))

THE COMMITTEE had under consideration a Memorandum by the First Lord of the Admiralty on Future Capital Ship Strength (C.I.D. Paper No. D.P. (P.) 46).

LORD STANHOPE said that the German Government had asked for five years' notice of capital ship strength, but would probably accept our suggestion that we should give them a forecast of the position as it would be on the 31st December, 1943, immediately after the announcement of our 1939 Building Programme. We had already told Germany that our capital ship strength at the end of 1942 would be 19 ships. If we kept to the same total for 1943, it would entail the scrapping of one of the "Royal Sovereign" class in 1942 and three in 1943.

On the one hand, the Naval Staff were anxious to replace the oldest capital ships which, owing to their lack of deck and under-water protection, were undesirably vulnerable both to gun and air attack as well as to mines and torpedoes. These ships also had tactical disadvantages as regards speed and radius of action. On the other hand, any public announcement that it was proposed to scrap capital ships at this juncture would arouse a great deal of criticism. The Admiralty felt that if we informed the Germans that we were only retaining 19 ships, but did not tell the public that we were scrapping our older ships, the Germans would probably doubt our bona fides. The Admiralty had therefore suggested for consideration a compromise plan, whereby we announced that we intended to scrap one capital ship in 1942, and one in 1943, i.e., the replacement of each old ship by two new ones. We would give Germany a capital ship tonnage for 1943 which would be equivalent to 21 ships.

SIR ROGER BACKHOUSE said that the Admiralty were anxious to keep the total of German ships as low as possible, but did not feel entirely happy about the strength of the possible Fleet to operate in the Far East. As would be seen from the table in Appendix II, it would be to our advantage, as regards vis-à-vis Japan, to retain the old ships.

[18712—1]
LORD HALIFAX asked if the judgment of the Admiralty had been influenced in any way by the possibility of Herr Hitler denouncing the Naval Agreement.

SIR ROGER BACKHOUSE pointed out that such action would, in any case, not affect the position during the next few years.

LORD CHATFIELD appreciated that the Admiralty were faced with a very difficult problem. From the technical point of view the unmodernised "Royal Sovereign" class were of little value as part of the battle fleet, but they would have considerable value for use as convoy escorts, or against the "Deutschlands." They could also probably make good showing against the German battle cruisers.

As regards public criticism of any considerable scrapping, the Committee would remember the storm that was caused by the scrapping of the "Iron Duke" class and the "Tiger," in 1930, and, more recently, the public outcry against the scrapping of five "C" class cruisers.

THE PRIME MINISTER said that he was in no doubt as to the criticism which would be aroused if we announced the proposed scrapping of so many ships.

LORD CHATFIELD remarked that Herr Ribbentrop, when in this country for the signing of the Anglo-German Naval Agreement, had asked for an assurance, which was on record, that we had no intention of so reducing our own Navy that the Germany Navy, in accordance with the Treaty, would be reduced to an insignificant size. As regards the retention of additional ships giving Germany the right to build another capital ship, he, personally, was inclined to doubt whether the Germans would actually lay down an extra ship.

SIR ROGER BACKHOUSE pointed out that Herr Hitler had stated categorically, when launching the battleship Bismarck, that he intended to build up to the full 35 per cent of our strength.

After some further discussion, it was agreed that the compromise plan, as suggested by the First Lord of the Admiralty, should be approved.

CONCLUSIONS.

The Committee of Imperial Defence agreed—

(a) To approve the compromise plan for the future capital ship strength as put forward in the Memorandum by the First Lord of the Admiralty (C.I.D. Paper No. D.P. (P.) 46), namely—

(i) That, with regard to the estimated tonnage of British capital ships on the 31st December, 1943, the German Government should be given a figure corresponding to the tonnage of 21 ships.

(ii) That, in the announcement of our 1939 building programme, it should be stated that we intended to scrap one of the "Royal Sovereign" class in the year 1942 on the completion of the last ship of the 1937 programme, and one in 1943 on completion of the 1938 programme of capital ships.

(b) That the above conclusion should be brought to the notice of the Cabinet.

* * * * * *

Richmond Terrace, S.W. 1,
February 24, 1939.
ENCLOSURE II.
TO BE KEPT UNDER LOCK AND KEY.

It is requested that special care may be taken to ensure the secrecy of this document.

COMMITTEE OF IMPERIAL DEFENCE.

FUTURE CAPITAL SHIP STRENGTH.
(Previous C.I.D. Paper No. D.P. (P.) 35.)

Memorandum by the First Lord of the Admiralty.

I CIRCULATE this Memorandum on the future strength of the British Fleet in capital ships for the consideration of the Committee of Imperial Defence.

I feel that there will be considerable public criticism if we announce the scrapping of the 5 "Royal Sovereign" class of battleships, particularly when it is realised that this reduces our strength in capital ships below the strength of Germany and Japan.

I suggest therefore that the wisest solution of this difficult problem is that proposed in paragraph 16, viz., that commencing in 1942 we should scrap one "Royal Sovereign" class battleship as two new battleships are completed.

(Initialled) S.

Admiralty, S.W. 1,
February 18, 1939.

ENCLOSURE.

Future Capital Ship Strength.

IN October 1938 the Committee of Imperial Defence* accepted (and the Cabinet approved)† the Admiralty recommendations for a forecast of British strength in capital ships on the 31st December, 1942, to be communicated to Germany. This forecast comprised 19 ships and allowed for the scrapping of three battleships of the "Royal Sovereign" Class before the 31st December, 1942. The details of this recommendation and the reasons therefor are given in D.P. (P.) 35 of the 17th October, 1938.

2 After this forecast had been received the German Government requested the British Government to give further consideration to the method by which forecasts of British Naval strength after 1942 (a matter not dealt with in the

* C.I.D/535th Meeting, Minute 1.  † Cabinet 50 (38), Conclusion II.
Anglo-German Naval Agreement) should be communicated to Germany, and pressed for a forecast to follow the announcement of each British annual building programme giving the British tonnage in each category of ship for five years in advance. It was represented that, as it took Germany nearly five years to design and build capital ships, a forecast from Great Britain for five years in advance was necessary, under the 35 per cent. Agreement, to enable Germany to use to the full her permitted quota of tonnage. In reply to this request, it was suggested to the German Government that, to meet the reasonable German requirements, a forecast should be given to Germany immediately after the announcement of the British 1939 building programme, of the estimated tonnage of British capital ships on the 31st December, 1943, and of all other categories of ship on the 31st December, 1942. The German Government have not yet replied to this suggestion, although it appeared during the Naval conversations in Berlin on the 30th December, 1938, that the British proposal was probably acceptable.

3. The British building programme for 1939 was communicated to the German Embassy in accordance with the Naval Treaty on the 7th February. It has therefore become necessary to decide on the figure of capital ship strength on the 31st December, 1943, which we should now be prepared to communicate to Germany.

4. A further point has also arisen. Germany was informed in October 1938 that our strength in capital ships at the end of 1942 would be 19 ships, a decision which entailed the scrapping of three “Royal Sovereign” Class battleships on completion of the last ship of the 1937 programme and the two ships of the 1938 programme, which at that time was expected to be before the end of 1942. Owing to the longer time required to complete the new ships it is not now expected that the ships of the 1938 programme will be ready before 1943. Consequently, only one “Royal Sovereign” Class would need to be scrapped in 1942 in order to keep to our notified number of capital ships at the end of that year. The position is shown in Appendix III.

No decision as regards the scrapping of battleships has yet been communicated to Parliament. Sooner or later the decision must be made public, and until this is done the German Government will remain doubtful whether our notified intentions will be loyally observed. Moreover, the longer the announcement is delayed the more likely is the policy to be criticised in this country and complaints made that it was not made known.

5. It is now for decision whether—

(a) the number of British capital ships at the end of 1943 should be 19, which entails scrapping all five of the “Royal Sovereign” Class by the date that the last ship of the 1939 building programme is completed;

(b) Parliament should be informed of this decision when the Naval Estimates are introduced. See (D.P. (P.) 35, para. 23).

6. It is realised that at this time of international tension an announcement that it has been decided to scrap these ships may arouse opposition in Parliament and in the Country, and such a decision will require full justification. The reasons which led the Admiralty to recommend the figure of 19 ships for the end of 1942 were explained in D.P. (P.) 35. The same reasons hold good for the end of 1943.

7. Briefly, the choice lies between retaining 19 ships which would entitle Germany to 6 modern battleships plus the 3 “Deutschland” Class, or 22 ships, including three of the “Royal Sovereign” Class, which would entitle Germany to 7 modern battleships plus 3 “Deutschland” Class.

8. If it was decided that 22 ships would be the better choice for 1943, then the figure 19 for the end of 1942, already communicated to Germany, could still stand, as already explained in paragraph 4 above.

9. As explained in D.P. (P.) 35, to select the figure 21 or 20 for the end of 1943 would give Germany a claim, which probably could not be resisted by us, to construct the same amount of tonnage as if we had 22 ships.

10. The ships comprising our battle fleets on the completion of our 1938 and 1939 programme, on the supposition that we retain either 19 or 22 ships, are given in Appendix I. The Admiralty problem is so to divide these ships
that we can match the divided fleets of Germany and Japan. If we keep 22 ships instead of 19 we allow Germany an additional new ship which has to be matched by withdrawing one of our new ships from our potential Eastern fleet.

NOTE.—The possible division of our ships into two fleets to match the fleets of Germany and Japan on the completion of the 1938 and 1939 programmes is given for purposes of comparison in Appendix II.

The theoretical comparison for these two figures depends therefore on the answer to the question whether it is preferable to include one new capital ship or three "Royal Sovereign" Class ships in our Far Eastern fleet. This is very difficult to answer, but when all considerations are taken into account the Admiralty consider that the balance of advantage lies in favour of the one new ship and a total of 19.

11. The advantages of retaining 22 ships by retaining the "Royal Sovereign" Class, apart from an actual increase in numbers, would be:

   (a) their value in roles such as escorts for important convoys;
   (b) the smaller the number of capital ships the less is the margin available for refits, large repairs or for replacing casualties in war. These ships would be available to take the crews and the place of more modern ships temporarily out of action;
   (c) their political value as existing capital ships is considerable. Their exact state can never be known to our potential enemies and so long as they continue to exist they may be counted by foreign Powers as powerful ships which may form part of our battle fleet.

12. The disadvantages of retaining the "Royal Sovereign" Class are:

   (a) the retention of one, two or three of these ships would allow Germany to build one additional new ship;
   (b) experience has shown that it does not pay to keep old ships beyond a certain life because of their steady deterioration. For capital ships the accepted life is 26 years and the "Royal Sovereigins" reach this age in 1942 and 1943. Only Royal Oak of this class has been reconstructed and given a thorough large repair since completion. The three "Warspite" and the 2 "Barham," although older, have been reconstructed, and the former re-engined, at a cost varying from £2,900,000 to £1,057,100 per ship. This work necessitated each ship being withdrawn from service for a period varying from 21/2 to 3 years. It would not be advisable to take any of the "Royal Sovereign" Classes in hand before the latter part of 1949;
   (c) these ships are 2 to 3 knots slower than the next slowest of our ships ("Nelson" Class) and thus reduce the operational speed of the fleet of which they form a part;
   (d) their endurance at high speeds is considerably less than that of the next class ("Barham");
   (e) they are lacking both in horizontal protection and resistance to underwater attack. They are, therefore, more vulnerable both to gun and air attack as well as to mines and torpedoes;
   (f) the earlier scrapping of "R" class battleships would make available 15-inch gun turrets which could be modernised for use in new ships, thus enabling us to accelerate our construction of new capital ships in the future if necessary;
   (g) the annual cost of retaining 3 "Royal Sovereign" Class ships in reserve is of the order of £50,000;
   (h) an increase in Vote A would be necessary and even so there would probably be difficulty in manning these three ships adequately in war. This will depend largely on the success of recruiting in certain branches during the next few years. The state of training and efficiency of a ship coming from reserve, with a large proportion of reserve ratings, cannot approach that of a ship which has been maintained in commission.

13. It may also be pointed out that since each "Royal Sovereign" Class will be retained until the new ship relieving her is completed (i.e., after com-
pletion of trials) before she is taken in hand for scrapping, we should always have as a margin 1 or 2 ships nearly complete or 1 or 2 ships that have only recently been taken in hand for scrapping.

14. While the Admiralty would much prefer to have a larger number of capital ships, the immediate choice lies between scrapping old ships or giving Germany the right to build up a larger Fleet of new ones. As stated, old ships, unmodernised, cannot be depended upon to withstand modern scales of attack. This is fully borne out by war experience.

If it is decided to retain the "Royal Sovereigns" so as to have 22 ships at the end of 1943, the Admiralty will wish to take steps in 1940 to do what is practicable to improve the protection of at least two of them, especially over the magazines, without laying them up for longer than can be avoided, but this must take time and will cost approximately £1,250,000 per ship.

15. Taking all the above factors into account the Admiralty are of the opinion that it is better to scrap these ships during 1942, 1943 and 1944, as the new ships are completed, so that the strength of our fleet from the end of 1942 to the end of 1943 will be 19 ships.

16. As mentioned in paragraph 8 above, it is realised that the announcement of a decision to scrap all 5 "Royal Sovereign" Class by the completion of the 1939 programme may arouse strong criticism in the country. Such criticism could be based on a purely numerical comparison of our capital ship fleet with the total numbers of those belonging to or building for the two Powers with whom we seem most likely to come into conflict, without regard to other factors. A possible compromise, presenting a less alarming picture, might be to announce our intention to scrap one of the "Royal Sovereign" Class each year, beginning in the year 1942, on the completion of the last ship of the "King George V" Class.

17. The result of this policy would be that at the end of 1942 we should have 19 ships (as explained in paragraph 4 above); at the end of 1943 we should have 21 ships; and at the end of 1944 we should have 22 or more ships, according to the number to be included in the 1940 building programme. The last of the "Royal Sovereign" Class would not be scrapped until 1946.

18. We should have to announce to the German Government now that at the end of 1943 we should have a tonnage which would be based on 21 ships. This would entitle the Germans to build the extra ship that would result from a British total of 22. If their productive power is sufficient, they would thus be able to begin construction of this ship a year earlier than if we announced the figure of 19 ships.

19. This compromise plan has this much more to be said for it. It is more logical as it provides for the gradual replacement of old ships. It is also more likely to be acceptable to Germany, as it gives us less chance of adding to the strength of the Fleet by the simple process of withholding scrapping.

It is not, however, one which the Admiralty would select except for exceptional reasons, and they wish particularly to stress the importance of nothing interfering with a steady programme of construction of new capital ships.

Admiralty, S.W. 1,
February 18, 1939.
APPENDIX I TO ENCLOSURE.

Composition of our Battle Fleet on Completion of 1938 Programme.

19 ships.

2 "Lion" Class (new).
5 "King George V" Class (new).
2 "Nelson" Class (post-war construction).
3 "Warspite" Class (fully modernised).
1 Hood (post-war construction).
1 Renown (fully modernised).
1 Repulse (partly modernised).
2 "Barham" Class (partly modernised).
2 "Royal Sovereign" Class (one partly modernised, one uncertain).

Composition of our Battle Fleet on Completion of 1939 Programme.

19 ships. 22 ships.

2 1939 programme (new).
2 "Lion" Class (new).
5 "King George V" Class (new).
2 "Nelson" Class (post-war construction).
3 "Warspite" Class (fully modernised).
1 Hood (post-war construction).
1 Renown (fully modernised).
1 Repulse (partly modernised).
2 "Barham" Class (partly modernised).

As opposite, plus

3 "Royal Sovereign" Class.

APPENDIX II TO ENCLOSURE.

Possible Division of our Battleships for War against Germany and Japan on Completion of our 1938 Programme (i.e., in the first half of 1943).

At Home.

| 5 "King George V" | 4 "Bismarck"* |
| 3 Battle cruisers. | 2 "Scharnhorst." |
| 1 "Warspite." | 3 "Deutschland." |

= 9 + 6 + 3

In Far East.

| 2 "Lion." | 3 new. |
| 2 "Nelson." | 2 "Mutsu." |
| 2 "Warspite." | 4 "Fuso." |
| 2 "Barham." | 4 "Kongo." |
| 2 "Royal Sovereign." | |

= 13 or 14†

* Note.—It is possible that some of the German new battleships will not be completed, but their construction will be well advanced. The exact date of their completion would not be known in war, and any redispersion of our ships during war would be difficult.
† The number of new Japanese ships is uncertain.
Possible division of our battleships for war against Germany and Japan on completion of our 1939 programme (i.e., early in 1944).

19 Ships.

At Home.

<table>
<thead>
<tr>
<th>Ships</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 “King George V”</td>
</tr>
<tr>
<td>8 Battle cruisers</td>
</tr>
<tr>
<td>1 “Warspite”</td>
</tr>
<tr>
<td>9</td>
</tr>
</tbody>
</table>

In Far East.

<table>
<thead>
<tr>
<th>Ships</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 1939 ships</td>
</tr>
<tr>
<td>2 “Lions”</td>
</tr>
<tr>
<td>2 “Nelsons”</td>
</tr>
<tr>
<td>2 “Warspites”</td>
</tr>
<tr>
<td>2 “Barhams”</td>
</tr>
<tr>
<td>10</td>
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22 Ships.

At Home.

<table>
<thead>
<tr>
<th>Ships</th>
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<tbody>
<tr>
<td>2 1939 ships</td>
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<tr>
<td>5 “Bismarcks”</td>
</tr>
<tr>
<td>5 “King George V”</td>
</tr>
<tr>
<td>3 Battle cruisers</td>
</tr>
<tr>
<td>3 “Deutschlands”</td>
</tr>
<tr>
<td>16</td>
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</table>

In Far East.

<table>
<thead>
<tr>
<th>Ships</th>
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<tbody>
<tr>
<td>2 “Lions”</td>
</tr>
<tr>
<td>2 “Mutsu”</td>
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<tr>
<td>2 “Nelsons”</td>
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<tr>
<td>2 “Warspites”</td>
</tr>
<tr>
<td>2 “Barhams”</td>
</tr>
<tr>
<td>3 “Royal Sovereigns”</td>
</tr>
<tr>
<td>18</td>
</tr>
</tbody>
</table>

* The number of new Japanese ships is uncertain. At the end of 1942 and 1943 it is probable that either Hood or Rodney or Nelson will be undergoing large repair and not available for some months, thus reducing the strength of our Far Eastern Fleet by one ship, the existing margin in Europe being always maintained.

APPENDIX III TO ENCLOSURE.

Capital Ship Strength of the British Fleet from April 1, 1939.

<table>
<thead>
<tr>
<th>Name</th>
<th>Date of Completion</th>
<th>Battleship Strength on</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nelson</td>
<td>(M)</td>
<td>Oct. 1927</td>
</tr>
<tr>
<td>Rodney</td>
<td>(M)</td>
<td>Dec. 1927</td>
</tr>
<tr>
<td>Hood</td>
<td>(M)</td>
<td>May 1929</td>
</tr>
<tr>
<td>Q.E.</td>
<td>(R)</td>
<td>Jan. 1915</td>
</tr>
<tr>
<td>Warspite</td>
<td>(R)</td>
<td>Apr. 1915</td>
</tr>
<tr>
<td>Valiant</td>
<td>(R)</td>
<td>Feb. 1916</td>
</tr>
<tr>
<td>Renown</td>
<td>(R)</td>
<td>Sept. 1916</td>
</tr>
<tr>
<td>Malaya</td>
<td>(R)</td>
<td>Feb. 1916</td>
</tr>
<tr>
<td>Barham</td>
<td>(R)</td>
<td>Oct. 1915</td>
</tr>
<tr>
<td>Repulse</td>
<td>(R)</td>
<td>Aug. 1916</td>
</tr>
<tr>
<td>E. Oak</td>
<td>(R)</td>
<td>May 1916</td>
</tr>
<tr>
<td>Ramillies</td>
<td>(R)</td>
<td>Sept. 1917</td>
</tr>
<tr>
<td>R. Sovereign</td>
<td>Apr. 1916</td>
<td>1</td>
</tr>
<tr>
<td>Revenge</td>
<td></td>
<td>Mar. 1916</td>
</tr>
<tr>
<td>Resolution</td>
<td>Dec. 1916</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>K.G. V</td>
<td></td>
<td>(Estimated)</td>
</tr>
<tr>
<td>P of W</td>
<td></td>
<td>Mar. 1941</td>
</tr>
<tr>
<td>D. of Y.</td>
<td></td>
<td>Aug. 1941</td>
</tr>
<tr>
<td>Jellacoe</td>
<td></td>
<td>Dec. 1941</td>
</tr>
<tr>
<td>Beatty</td>
<td></td>
<td>Feb. 1942</td>
</tr>
<tr>
<td>Lion</td>
<td></td>
<td>Jan. 1943</td>
</tr>
<tr>
<td>Temeraire</td>
<td></td>
<td>June 1943</td>
</tr>
<tr>
<td>A.</td>
<td></td>
<td>Nov. 1943</td>
</tr>
<tr>
<td>B.</td>
<td></td>
<td>Mar. 1944</td>
</tr>
</tbody>
</table>

- Totals | 15 | 15 | 16 | 19 | 19 | 21 |

Note.—These totals are based on the compromise proposed in paragraph 16.

M = Modern construction.
R = Reconstructed (fraction signifies degree).
D = In Dockyard hands undergoing refit or reconstruction.
*
Probable date.
CABINET.

PALESTINE.

Minutes of Cabinet Committee.

Note by the Secretary.

The attached Conclusions of a Meeting of the Committee on Palestine held on the 23rd February, 1939 (P. (38) 6th Meeting) are circulated for information by direction of the Prime Minister.

(Signed) E.E. BRIDGES,
Secretary to the Cabinet.

Richmond Terrace, S.W.1.
27th February, 1939.

+ In connection with item 2 of the Cabinet Agenda for Thursday next, 2nd March, 1939.
CONCLUSIONS of the Sixth Meeting of the Committee held in the Prime Minister's Room, House of Commons, S.W.1, on Thursday, 23rd February, 1939, at 9.30 p.m.

PRESENT:

The Right Hon. Neville Chamberlain, M.P., Prime Minister. (In the Chair).


The Right Hon. Malcolm MacDonald, M.P., Secretary of State for the Colonies.

The Right Hon. Walter Elliot, M.C., M.P., Minister of Health.

THE FOLLOWING WERE ALSO PRESENT.


Sir R.B. Howorth, K.C.M.G., C.B., Secretary.

Mr. H.F. Downes, O.B.E., Assistant Secretary.

Mr. W.D. Wilkinson, D.S.O., M.C., Secretaries.
THE SECRETARY OF STATE FOR THE COLONIES apologised for not circulating any document to the Committee. The situation changed from day to day and had he circulated a document two or three days before it would now have been out of date.

As regards the joint meeting of Arabs and Jews the difficulty of the disclosure in "The Times" had been got over and that morning a meeting between representatives of the Arab States and certain Jewish representatives had taken place. At this meeting British representatives had also been present. The proceedings had opened favourably but at a later stage the discussion had become very controversial and the meeting had been adjourned until the following day. In order that the second meeting should take place in a favourable atmosphere the British representatives had offered to bring forward certain tentative suggestions on the constitutional question as a basis for discussion. It was with regard to these suggestions that he, the Secretary of State, wished to have the assistance of the Cabinet Committee.

From the time when the London Conferences first opened all the Arab representatives had consistently pressed for the establishment of an independent Arab State in Palestine. At the meeting that morning the representatives of the Arab States had very strongly urged that the British Government should declare that their objective was the establishment of an independent Arab State, by which was meant a State in which the Arabs would be in a majority and the Jews in a minority. With regard to constitutional development the Arab representatives had in previous discussions advocated the
adoption of the Iraq model but that morning Aly Maher Pasha, the principal Egyptian Delegate, who had taken the lead in the discussion had proved helpful and it seemed likely that he would be able to exercise a useful and moderating influence. It might, with his assistance, be found possible to move from the Iraq model to something more like the Egyptian model of procedure.

When the Arab representatives had based their proposals on the Iraq model, they had suggested the establishment in Palestine of a provisional government under the British High Commissioner, the members of which would be Arab and Jew in the proportion of two Arabs to one Jew. This provisional government would start under the existing Mandate and the precedent would closely follow the Iraq precedent and would end after the disappearance of the Mandate with an independent government under Palestinian Ministers with some sort of parliamentary institutions and with Palestine in close treaty relations with this country.

As the Home Secretary had observed at the meeting of the Cabinet on the previous day (Cabinet 8(39), page 15) the arrangements had not worked satisfactorily in Iraq, and there seemed every likelihood that they would work much less satisfactorily in Palestine, because Palestine differed from Iraq in the very important respect that whereas Iraq had a more or less homogeneous Arab population, the population of Palestine comprised a large and vigorous non-Arab element.
There were, moreover, other grave difficulties in the proposal that the Iraq model should be followed. In the first place it was clear that a Ministry composed of Arab and Jewish Ministers would not work together as a team so long as the present strained relations between Arabs and Jews continued. In present circumstances, and probably for a considerable time ahead, it could not be anticipated that an Arab-Jewish Ministry would be able to function satisfactorily and efficiently if, indeed, it could function at all. Secondly, in the existing Palestinian Administration each Department dealt fairly and impartially with the interests of the Arabs and Jews in the matters, e.g., public health, agriculture, etc., with which the Department was concerned. If, however, Arab or Jewish Ministers were placed in charge of the Departments it would be taking a very optimistic view to expect that those Ministers would, in present circumstances and perhaps for some time to come be free from continual charges, which might be justified, that they were not exercising their responsibilities impartially as between the two races.

The High Commissioner was strongly opposed to any suggestion that the Iraq model should be adopted as, in his view, such action would merely result in anarchy in the Administration and increased friction between the two races in Palestine.

There was also another consideration to be borne in mind. While there were large differences of opinion in this country as to how the Palestinian problem should be solved, everyone was agreed that we must continue to provide the effective government of the country. Public opinion here would regard the setting up of a provisional Government of the kind suggested as the first step in the direction of a complete surrender of our duties and responsibilities in Palestine.
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He had discussed the matter with Lord Halifax and Mr. Butler, whose views, he thought, generally coincided with his own; he would like to have authority to put forward, not as a definite conclusion but as suggestions for consideration, the following tentative proposals:

1. That the British Government should make a formal public Declaration that in our view the Balfour Declaration did not mean the establishment of a Jewish State in Palestine, and that the British Government had no intention of establishing a Jewish State in Palestine.

2. That we should also declare that we favoured the establishment of an independent Palestinian State when the conditions were, in our view, ripe for the establishment of such a State. It would be our intention that the establishment of an independent Palestinian State should synchronise with the disappearance of the mandate and that the future relations between Palestine and Great Britain should be regulated by a Treaty.

3. That we should further declare that, if a settlement resulted from the London Conferences, or when peace was re-established in Palestine, we would appoint an authoritative Body to examine and report as to the constitution of the independent Palestinian State and on the provisions to be incorporated in the Treaty regulating the future relations between Palestine and this country. The Body in question would have an Indian imposing character similar to the Round Table Conference and would consist of British, Arab and
Jewish Representatives. The British Representatives might comprise Representatives of the Government and of the Opposition Parties. The Arab and Jewish Representatives should be confined to Representatives of those races from Palestine itself. In this way the difficulty that the Palestinian Arabs would refuse to recognise the Jewish Agency would be surmounted, and no harm would be done because some of the ablest Jewish Representatives were themselves Palestinian Jews. He contemplated that the Arab and Jewish representation on this Body would be proportionate to the Arab and Jewish population of Palestine at the present time.

Although the Arabs and Jews on the Body would be drawn from Palestine itself, each Delegation should be able to call in outside Experts to assist them. This provision would be useful and valuable since it would enable the Arab Delegation to obtain the assistance of men like Aly Maher Pasha, who had been an active and valuable member of the Body which had drawn up the Egyptian Constitution and would be able from his knowledge of constitutional matters, etc., not only to give valuable help and guidance to the Palestinian Arabs, but by exercising a moderating influence would be of considerable assistance to the British Delegation on the Body. Similarly, the Delegation of the Palestinian Jews would be able to call in outside constitutional and other Experts to help them. The Body would meet in London and might, in due course,
visit Cairo or Jerusalem. It would be for consideration whether it should be given Terms of Reference in quite general terms, such as to examine and report on the future Constitution of Palestine and the provisions of the Anglo-Palestinian Treaty, or it might be thought desirable to be more specific and include in the Terms of Reference directions covering the safeguarding of the interests of the different communities in Palestine, the protection of the Holy Places in Palestine, etc.

Apart, therefore, from the Declarations mentioned in (1) and (2) above, the important suggestion would be the offer to set up this Round Table Body.

(4) In addition, as an interim measure, there would be a proposal to add Palestinian Arab and Jewish Representatives to the two Councils which at present advised the High Commissioner for Palestine. The first of these was the Advisory Council which might be given a more dignified status and converted into a Council of State. At present this Body consisted of the 10 head Officials of the principal Palestinian Departments. The proposal was that there should be added 10 non-officials (6 Arab and 4 Jewish) which would give the Council of State a total membership of 20. Its functions, as at present, would be purely advisory.
The second body was the Executive Council which was at present composed of four official members, these four being themselves heads of Departments and members of the Advisory Council. The proposal was that the official element should be increased by one and that there should be added five Palestinian representatives (3 Arabs and 2 Jews). The Executive Council would therefore in future consist of ten members, five official and five non-official.

The non-official Palestinian representatives on the Executive Council would be Ministers without Portfolio and would have the salary, status, etc. appropriate to their ministerial rank. The Executive Council would have the same advisory functions as at present. From this point of view the position of both councils was much the same. Both were advisory and while the Advisory Council was concerned with legislative business the Executive Council was concerned with executive business.

In reply to an enquiry THE SECRETARY OF STATE FOR THE COLONIES said that the British High Commissioner had not, as yet, had any time to express an opinion on these general proposals. He was, however, strongly opposed to any proposals on the Iraq model. One of the main differences between these proposals and the Iraq model was that in Palestine the Arab and Jewish "Ministerial" Members
of the Executive Council would be Ministers without Portfolio and would therefore have no Departmental responsibilities. Under the Iraq model, on the other hand, provision was made for normal departmental ministerial responsibility. His proposals had the great advantage that a start could be made with representative Government without the necessity for any electoral proceedings. The British High Commissioner was definitely of opinion that any attempt to hold elections in Palestine at the present time and in the present state of the country would be disastrous.

THE PRIME MINISTER enquired what was the difference between the Secretary of State's proposals and the proposals of Fuad Bey Hamza.

THE SECRETARY OF STATE FOR THE COLONIES said that the Fuad proposals were based on the full Iraq model, e.g. Palestinian Ministers at the head of departments straight away.

THE HOME SECRETARY understood that apart from the Declarations our offer would be Palestinian representation on the two Advisory Councils and to have a Round Table Conference.

THE SECRETARY OF STATE FOR THE COLONIES agreed that this was the position. The representation on the Advisory Councils might "sugar the pill" so far as the Arabs were concerned. They no doubt would be very disappointed at not getting their Independent Palestinian State out of the discussions of the London Conferences. He contemplated that our Mandate would continue until the proposed Treaty came into effect.
THE MINISTER OF HEALTH asked what reason there was to think that the proposed Round Table Conference would reach any agreement.

THE SECRETARY OF STATE FOR THE COLONIES thought that the prospects might not be very bright but if the London Conferences could reach some agreement this might, in itself, facilitate agreement at the Round Table Conference.

THE MINISTER OF HEALTH enquired as to the position of the immigration question.

THE SECRETARY OF STATE FOR THE COLONIES said that a representative of the Arab States had suggested that immigration should continue at the present rate for the next five years. The difficulty was to know what was to happen at the end of five years. He, the Secretary of State, agreed that a solution of the immigration question acceptable both to the Arabs and Jews had still to be found. With regard to the Mufti he hoped the Mufti would not be a member of the Round Table Conference but it might be found difficult to exclude him. The Secretary of State then briefly indicated the present position in regard to the question of land transfers.

THE HOME SECRETARY thought that the great merit of the Secretary of State's proposals was that they would tide us over the immediate crisis.
THE CHANCELLOR OF THE EXCHEQUER thought that very much would depend on the attitude which the Jews took up in regard to the proposals. He would have thought that the Palestinian constitutional problem was far more difficult to settle by the method of Round Table Conferences than had been the Indian constitutional problem. In India the constitutional question had had a long history behind it. All parties were agreed in desiring constitutional reform and progress but they differed as to scope and method. In Palestine, on the other hand, one side had wanted a popular Assembly and the other side objected to anything of the kind. Again one side had wanted an independent state of a certain character and the other side had vehemently repudiated any such suggestion.

THE HOME SECRETARY observed that we had nothing to lose by gaining time.

THE SECRETARY OF STATE FOR INDIA thought that it would make a very great difference throughout the Moslem world if we were able to make a public declaration that our ultimate objective was an Independent Palestine State. The impression that he had formed from the discussions was that the Jews were much less rigid in maintaining their extreme demands than were the Arabs. The Jews recognised that in the present state of the world they were in a weak political position and that in the long run it was imperative that they must stand in with us. For reasons such as these he thought that when it came to the point the Jews would make the best of a bad job.
THE SECRETARY OF STATE FOR THE COLONIES said that there was no doubt that the Jews were very apprehensive in regard to the world Jewish position and that they had had a considerable shock at the London Conference. Up to the present the British Delegation had never budged from their original suggestion for ten years immigration plus an Arab veto at the end of the ten years (B of C.P. 4 (39)). While we had made it clear that we were not committed to this solution the Jews had been warned that they might in the long run have to accept something of the kind. There was no doubt that the Jews would react badly to the constitutional proposals which he had outlined, but they might be able to console themselves by the reflection that, while they would start under the Constitution as a minority, they might hope so long as immigration could be maintained ultimately to become a majority. From this point of view it was of course of importance to them that there should be no hard and fast denial of further immigration after a period of years or, what seemed to them much the same thing, arrangements under which the Arabs would at the end of the period be able to veto further immigration.

THE SECRETARY OF STATE FOR FOREIGN AFFAIRS thought that both the Arabs and the Jews regarded the immigration question as of fundamental importance and both of them linked this question closely with the constitutional question. He had always thought that it would be possible to reach agreement with the Arabs and Jews on the immigration to be allowed in the next five or ten years.
The real difficulty was to decide what was to be done at the end of the period. The Jews had resolutely refused to accept any solution which would then place immigration in the hands of the new Palestinian administration, while on the other hand, the Arabs were intensely suspicious of any proposals which in effect would deprive them of the right of vetoing further immigration at the end of the period. He had wondered whether it might be possible to suggest that after, say, 5 years there might be a Round Table Conference on the question of future immigration into Palestine. In suggesting this to the Arabs we might argue that after five years of Arab participation in the Palestinian Government the probability was that if we were convinced of the case on merits we should be more likely to favour restriction of immigration than we might otherwise have been.
THE CHANCELLOR OF THE EXCHEQUER thought it clear that the independent Palestine state envisaged under Mr. MacDonald's plan would sooner or later be a sovereign state. We should, of course, do our best for the Jews by stipulating for various safeguards. In the end, however, the position in Palestine would be the same as that in all other sovereign states, i.e. there would be no practical limit to the powers of a majority government.

The Chancellor thought that the above would be the fear in the minds of the Jews. It would be our part at the Round Table Conference, when framing the new constitution, to do whatever we could to put it out of the power of a majority government to indulge in actively anti-Jewish measures.

THE SECRETARY OF STATE FOR THE COLONIES suggested that the real safeguard, though it would not appear on the surface, was that none of the parties concerned wanted to see the British clear out of Palestine for many years to come. It would be a safe assumption that the transitional period would be a long one. Even after that the Jews, although a minority, would not be a helpless minority. They would be a large, able and determined block of the population - so large that they could not be oppressed or downtrodden in any real sense. It might be taken as certain that the Jews would do all they could in the transitional period to encourage large families, with the definite idea of increasing their percentage of the population.

THE SECRETARY OF STATE FOR INDIA pointed out that, on the assumption that they could have an Arab state, the Palestinian Arabs themselves had offered to give adequate safeguards for the Jews. The neighbouring Arab states
could be relied upon to see to it that the Palestinian Arabs were at least as good as their word. These safeguards would be permanently enshrined in the treaty between this country and Palestine.

THE HOME SECRETARY was afraid that he was not so optimistic. None of these paper safeguards would amount to anything once we had withdrawn our troops from the country. The position in Palestine would never be really similar to that in India. Quite apart from paper sanctions we had innumerable real sanctions available on the spot in India. The presence of British troops was only one of these. In Palestine, on the other hand, we were not part and parcel of the life of the country to anything like the same extent.

Sir Samuel Hoare said that he was not arguing against the Colonial Secretary's plan. It was a good plan in itself, and there was no available alternative. The essential thing was that, whatever was contained in the paper constitution, we should retain our garrisons in Palestine and keep the machinery of government in our own hands. The success of the whole thing would depend on our remaining there. We should never be able to give Palestine a promise of virtual independence in the long run, which we had in effect given to India.

He thought that there was a fair prospect of a successful issue to the present Conferences. The Arab negotiators would tire of the long drawn out controversy. One reason at the back of their minds in favour of coming to terms with us would be their fear of the Italians.

THE SECRETARY OF STATE FOR THE COLONIES said that one conclusion which seemed to emerge from the discussion was
that our future treaty with Palestine must be a stiff one. It must, for example, be stiffer than our treaty with Iraq, if only because we had more vital defence interests in Palestine than we had in Iraq.

THE MINISTER OF HEALTH was afraid that this would be very difficult ground to cover when the Government had to defend their solution in the House of Commons. Members of Parliament would ask awkward questions, e.g. "Do you contemplate that a time will come when Haifa will not be available for the use of the Royal Navy?"

THE SECRETARY OF STATE FOR THE COLONIES said that the answer to this would certainly be "No". We should put it in the treaty that we were going to stay in Haifa.

THE SECRETARY OF STATE FOR INDIA suggested that in the business of framing the new constitution it would be desirable to bear in mind the precedent of our Treaty with Egypt. It might be a more useful precedent than the Iraq Treaty. The Egyptian Treaty contained proper provision for the maintenance of British troops in the country.

THE SECRETARY OF STATE FOR THE COLONIES said that he could not guarantee that the Arabs would accept his solution. If they refused it, we should have to think again. It seemed very likely, however, that in that event we should be compelled to bring the Conference to an end, and to impose a unilateral solution, following pretty closely the lines of his present plan.

The Palestinian Arabs would then have put themselves in the wrong, and he did not see how, in such circumstances, they could keep the rebellion going.

In reply to a question by the Prime Minister, Mr. MacDonald said that his suggestion as to tactics would be
to put his plan to the informal joint body which had met earlier that day, i.e. the meeting at which both the Jews and the representatives of the neighbouring Arab states had been present, and at which the only party unrepresented had been the Palestinian Arabs. The plan would provide something for that body to get its teeth into.

THE PRIME MINISTER asked whether the Colonial Secretary had been able to estimate what would be the Jewish reactions to his plan.

THE SECRETARY OF STATE FOR THE COLONIES said that he was not too pessimistic as to the Jewish reactions. The Jews might be able to save their faces by accepting his plan as a temporary and transitional arrangement, on the understanding that all permanent arrangements for the future would remain matters for discussion at the Round Table Conference.

As regards immigration, Mr. MacDonald said that his present inclination was to abandon his 10 years' plan and to make the Jews a firm offer of a pretty advantageous 5 years' plan. The 5 years' plan might be on the basis of a continuance of immigration at its present figure of about 12,000 a year. On top of that, we might offer to let in 10,000 Jewish refugee children in each of the first two years. This would have to be justified to the Arabs as a humanitarian step, undertaken in view of the Jewish persecutions.

In all, this would give the Jews 60,000 entrants in the 5 years' period. When asked what was to follow, we should decline to be drawn. We should say that all these matters must await the Round Table Conference.

Mr. MacDonald did not believe that his 5 years' immigration plan would greatly astonish or offend the Arabs.
The figure of 80,000 immigrants had already been used in the presence of Fuad Bey Hanza and Jamal Eff. Husaini without exciting any very strong comments on their part. In the last resort, if the Arabs should take serious offence at his 5 years' immigration plan, he (Mr. MacDonald) might be prepared to recommend offering a cessation of all immigration at the end of the 5 years, except in so far as it was agreed to by all three parties - British, Arabs and Jews.

Turning again to the question of the duration of the British occupation, the Secretary of State thought that it would be a much more difficult matter for the Palestinians to get rid of us than it would be for the Egyptians. When deprived of the backing of the neighbouring Arab states, the Palestinian Arabs were weaklings, and badly needed support such as we were in a position to give. Again, the large and growing Jewish minority would want us to stay.

Another argument for staying would be that Palestine occupied a unique position, as it contained the Holy Places of three religions.

THE CHANCELLOR OF THE EXCHEQUER said that he felt some reluctance to use the expression "independent Palestine state". It would certainly not be a Jewish state, but could it not be called simply "the Palestine state"?

THE MINISTER FOR CO-ORDINATION OF DEFENCE thought that any real independence was so much a matter for the distant future that the use of the name would do no harm.

THE SECRETARY OF STATE FOR FOREIGN AFFAIRS was in favour of retaining the word "independent". In his view it would have considerable psychological value.

THE SECRETARY OF STATE FOR INDIA thought that the word might keep the Arabs happy. The technical position would be that they had been given independence and, in the
exercise of that independence, had made their treaty with us.

THE SECRETARY OF STATE FOR THE COLONIES said that he had used the word "independence" that day in the presence of Dr. Weizmann. Dr. Weizmann, with his usual penetration, had at once grasped the fact that independence meant that the British would remain in Palestine, and had offered no objection.

THE MINISTER OF HEALTH said that he was inclined to prefer a 5 years' plan for immigration to a 10 years' plan. He thought the Jews would accept a 5 years' plan. On the other hand, they would probably fight to the death against any veto after that period.

THE SECRETARY OF STATE FOR THE COLONIES said that Dr. Weizmann had up to the present time preferred a 10 years' plan.

THE SECRETARY OF STATE FOR FOREIGN AFFAIRS wondered whether there would be any possibility of a solution being accepted under which the Arabs could not exercise their veto except after consultation with us, and possibly with the neighbouring Arab states.

THE SECRETARY OF STATE FOR THE COLONIES was afraid that the Palestinian Arabs did not trust us sufficiently to make this solution possible. He must admit that he himself saw some distinct advantages in a veto. In the first place, it was theoretically just, in view of Arab political considerations. In the second place, it might afford a practical incentive to the Jews to settle down to work for the unity of Palestine. In the absence of a veto, the Jews would not exert themselves to reach agreement with the Arabs.
THE MINISTER OF HEALTH reminded his colleagues of the necessity of commending the eventual solution to American opinion. He was very much afraid that American opinion would be against us if the three salient points of the agreement were an independent state, restrictions on land purchase and a veto on immigration after the first 5 years. Jewish opinion in America would be very excited against us, and there would be a distinct possibility of adventurous young American Jews coming over to Palestine to join in the fighting. They would find means of trickling across the frontier.

THE PRIME MINISTER said that in his view there was no practicable alternative to the Colonial Secretary's plan. He thought, therefore, that the meeting ought to authorise the Colonial Secretary to go ahead.

THE MINISTER OF HEALTH enquired what the Colonial Secretary intended to say about the veto.

THE SECRETARY OF STATE FOR THE COLONIES said that he intended to say nothing about it for the present. His immediate offer would be confined to the constitutional side of the problem. Immigration would come up in due course.

THE PRIME MINISTER was not clear as to what exactly would be said in the Secretary of State's offer about the summoning of a Round Table Conference. Was the Conference to be summoned (a) as a direct result of an agreed solution to the present discussions, or (b) when peace was restored in Palestine, which might not be for some time to come?

THE HOME SECRETARY said that his advice would be strongly in favour of the first course. He would not hold up the summoning of the Round Table Conference.

This was also the general view of the meeting.
THE CHANCELLOR OF THE EXCHEQUER asked whether the High Commissioner for Palestine had been consulted about the proposed temporary arrangement, i.e. the infusion of Arab and Jewish elements into the Advisory Council and the Executive Council, pending the results of the Round Table Conference.

THE SECRETARY OF STATE FOR THE COLONIES said that the High Commissioner had been consulted, and had agreed to an arrangement of this kind being offered.

THE MINISTER OF HEALTH enquired whether it was intended to allow the Mufti to appear at the Round Table Conference. He (Mr. Elliot) thought it very important that the Mufti should not attend. If he did, his presence would certainly be interpreted as meaning that we had sold our friends and that the Mufti had won.

THE SECRETARY OF STATE FOR FOREIGN AFFAIRS was not sure that he completely agreed. He would certainly hope that the Mufti's presence might be avoided. On the other hand, if it appeared that the Round Table Conference would make real progress if the Mufti were a Delegate, and would make no progress if he were excluded, it would probably be necessary to let him come. On the whole, therefore, Lord Halifax favoured keeping an open mind on this point for the present.

THE SECRETARY OF STATE FOR THE COLONIES said that his own desire was to maintain the exclusion of the Mufti. The Mufti himself, of course, was keen to get back into the picture. "It might be that an invitation to the Round Table Conference would turn out to be a way of purchasing the Mufti's
acceptance of our solution.

THE MINISTER OF HEALTH hoped that no decision need be taken that day as to what subjects were to appear on the Agenda of the Round Table Conference.

THE SECRETARY OF STATE FOR THE COLONIES agreed that there was no need for a decision that day. The terms of reference of the Conference might, as he had suggested at an earlier stage in the meeting, be either in quite general terms or more specific.

THE SECRETARY OF STATE FOR FOREIGN AFFAIRS thought that we should have to lay it down, at the proper stage, that no treaty would be acceptable to us which did not include satisfactory provisions on certain specified heads.

THE SECRETARY OF STATE FOR THE COLONIES suggested as a matter of detail that we ought to avoid in our pronouncements speaking of "safeguards for the minority". The Jews would resent the implication that they were always to continue as a minority. We should employ instead some such phrase as "safeguards for the various communities".

A general approval was given to the tentative proposals developed by the Secretary of State for the Colonies, and summarised on pages 4 to 7 above.

The Secretary of State for the Colonies was authorised, in the light of the discussion at the present Meeting, to put forward those proposals as a basis of negotiation.

Richmond Terrace, S.W.1.

February 24th, 1939.
CABINET.

C.P.57(39)

ACCESS TO MOUNTAINS BILL.

Memorandum by the Minister of Agriculture and the Secretary of State for Home Affairs.

1. This Bill, which was introduced by Mr. Creech Jones (Labour Member for Shipley) on behalf of English Rambling Associations, was considered by the Cabinet on 30th November, 1938, when it was agreed that it should be blocked, (Cab. 57(38) conclusion 19) but it received Second Reading on the 2nd December, and is to be taken in Standing Committee on Tuesday, 7th March.

2. As introduced, the Bill gave a right of access for recreational purposes to all uncultivated mountain, heath, moorland or downland, and afforded no adequate safeguards to the landowners. On Second Reading it was at first opposed by representatives of landowners. The supporters of the Bill admitted that it was defective, but expressed readiness to make reasonable amendments in Committee, and reference was made to negotiations already proceeding between the Land Union, the Central Landowners Association, and the Commons and Open Spaces and Footpaths Preservation Society, with a view to reaching agreement upon proposals that access to uncultivated lands should be legalised, subject to provisions based upon section 193 of the Law of Property Act, 1925. Under this section certain restrictions are imposed under penalty upon public access to commons in urban districts and the Minister of Agriculture is empowered to add to them. In rural districts the lord of the manor can secure the application of the section voluntarily by depositing a deed with the Minister.
3. The feeling of the House was overwhelmingly in favour of the principle of the Bill and by means of discussion during the course of the debate with the promoters and opponents of the Bill the Under Secretary of State for the Home Department, who was to speak for the Government, found that a compromise was quite possible. With the agreement of the Home Secretary and Chief Whip, he left the Bill to a free vote, but, after pointing out that the Bill as it stood was a bad Bill, mentioned as one possibility that - if the Bill received Second Reading - the Committee stage might be deferred to some extent in the hope that the above mentioned negotiations might lead to an agreement which could be embodied in the Bill. The idea was generally welcomed and on this understanding the landowners' representatives withdrew their opposition and the Bill was read a second time without a division.

4. The negotiations resulted at the end of last week in an agreement, accepted by a great majority of the English Rambling Associations, and this has been embodied in amendments which will result in a very different and much longer Bill. Only a few words of the original Bill are retained, and the scope has been enlarged so as to extend to the seashore. Mr. Creech Jones, however, is understood to hope that the Chairman of the Standing Committee will not object to the proposed amendments in view of the understanding upon which the Bill received Second Reading.

5. The original Bill imposed penalties for a list of offences, such as are commonly prohibited by byelaws for commons and open spaces. The revised Bill extends the list considerably and requires persons availing themselves of access to give their names and addresses, if required, by any person authorised by the landowner or occupier.

6. A new clause based on the procedure embodied in Section 193 of the Law of Property Act, 1925 (which has worked
satisfactorily) would empower landowners voluntarily to secure the application of the Bill to specified land by depositing a deed with the responsible department. It was no doubt this provision which secured the assent of the landowners to the new proposals.

7. Another clause empowers the responsible Minister on application (and after holding a public enquiry if necessary) to apply the Bill by Order to specified land (with additional restrictions if needed). This proposal gets over the difficulty of defining exactly in the Bill the land to which it is to apply.

8. The Bill places responsibility on the Minister of Agriculture and Fisheries and the landowners are understood to have pressed for this. The Bill has so far been dealt with primarily by the Home Office, but the department possessing the appropriate machinery for dealing with work of the kind now envisaged seems to be the Ministry of Agriculture and Fisheries.

9. The Bill is obviously a measure of considerable public importance, and calls for very careful consideration by the Government. Detailed consideration by the 7th March is impossible. The Bill seems to be on workable lines, but the work involved is likely to be considerable.

10. The Minister is required to deposit with local authorities concerned copies of deeds and orders conferring rights of access, so that they may be available for inspection by the general public. They are required to be accompanied by 6 inch maps and provision is further made for modification from time to time.

11. Applications for Orders might come from a landowner, a local authority (including a parish council) or a rambling association. The responsible Minister is required to give
notice to local authorities and landowners concerned. If a public enquiry were involved the work would be greatly increased. Something might be done by amendment to put more of the burden on the applicant, who might well be expected to take all possible steps to secure agreement before approaching the responsible department.

12. The Bill is framed to apply to Scotland, but it is understood that Scottish rambler may ask for Scotland to be excluded. If so, the promoters would agree.

13. As a large measure of agreement on this contentious subject seems somewhat unexpectedly to have been reached, we feel that it would be a pity to let the opportunity slip of enabling the general public to have increased rights of air and exercise subject to reasonable restrictions for preventing damage being done to the interests of those who own the land over which the rights are to be granted. We recommend, therefore, that the Cabinet should give general approval to the new proposals.

14. It would seem, however, that the Government spokesmen, at the commencement of the Committee stage of the Bill, should explain that the Government has had insufficient opportunity to examine the amendments proposed in the Bill, and that as the new proposals, are likely to involve considerable labour and increased staff, and consequent expense, the Government is bound to consider them seriously and may have to move amendments at a later stage.

R.H.D.S.
S.H.

28th February, 1939.
CABINET

Unemployment Insurance Statutory Committee.

Annual Report upon the Financial Condition
of the Unemployment Fund at 31st December, 1958.

Memorandum by the Minister of Labour.

1. The Unemployment Insurance Statutory Committee have presented their
   Annual Report upon the financial condition of the General Account of the
   Unemployment Fund on the 31st December, 1958, together with a similar report
   in respect of the Agricultural Account of the Fund. A proof copy of the two
   reports is annexed.

2. The General Account of the Fund. The balance of the General Account was
   £43,954,000, a smaller figure than last year owing to the fact that
   £20,000,000 was used to pay off debt on the 31st March last. The bulk of
   this balance is required as a Reserve, but there remains a surplus of
   £3,100,000 for distribution by further improvements of the scheme if the
   liabilities remained the same. The Committee point out, however, that their
   estimates of the income and expenditure of the General Account of the Fund
   will be affected in future years by recent or prospective changes in the
   Unemployment Insurance Scheme. On the one hand, certain classes of domestic
   workers were brought into insurance in April, 1938, resulting in a net gain
   to the General Account estimated at £500,000 in a full year. On the other
   hand, the Committee, in their Report on Holidays in relation to Unemployment
   Insurance, have recommended, and the Cabinet have recently approved, changes
   in the Unemployment Insurance Scheme, which will increase the annual
   expenditure on the General Account by about £200,000. (Effect is being
   given to these recommendations in the Unemployment Insurance Bill about to
   be introduced in Parliament). Further, it is estimated that the charge for
   administration on the General Account will increase by nearly £400,000 a year.
   These counter-balancing factors leave an annual adverse balance of about
   £100,000.
3. In the circumstances, the Committee propose that £3,000,000 of the surplus should be used to discharge part of the debt of the Fund which stands at present at £81,530,000 with a resultant saving of £150,000 in the annual debt charge. The Committee consider that the prospective liabilities and resources of the General Account of the Fund may then be regarded as balancing and consequently they make no recommendations for changes in the General Scheme.

4. The Agricultural Account of the Fund. The Committee report that the income of the Agricultural Account exceeded expenditure by £949,000 during 1938 while the balance at 31st December, 1938 had increased to £2,774,000; they report that the Agricultural Account is and is likely to continue to be more than reasonably sufficient to discharge its liabilities. Making allowance for the operation for a full year of the cost of the improvements in the Agricultural Scheme, made in accordance with the recommendations in their Report of a year ago, and for an increase in the annual amount of benefit which they assume will be paid over a period of years, the Committee make the following recommendations as to changes required to make the Fund, in respect of its Agricultural Account, not more than reasonably sufficient:

(a) that the existing rates of contributions by each party to the Scheme should be reduced in respect of contributors aged 18 and upwards by 1d. from July, 1939 to July, 1942 and by ½d. thereafter. Thus, the contribution by each party in respect of an adult man will become 3d. instead of 4d. for the three years ending July, 1942 and, subject to any further recommendations by the Committee, 3½d. thereafter. The object of the higher reduction for the first three years is to reduce the present large balance in the Fund, which is in excess of any probable requirements.

(b) That the following increases should be made in the weekly rates of benefit:

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<th>Category</th>
<th>Present Rate</th>
<th>Proposed Rate</th>
<th>Increase</th>
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<tr>
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<td>14/-</td>
<td>15/-</td>
<td>1/-</td>
</tr>
<tr>
<td>Women aged 21 and upwards</td>
<td>12/6</td>
<td>13/-</td>
<td>6d</td>
</tr>
<tr>
<td>Young men between 18 and 21</td>
<td>12/-</td>
<td>13/-</td>
<td>1/-</td>
</tr>
<tr>
<td>Young women between 18 and 21</td>
<td>9/6</td>
<td>10/-</td>
<td>6d</td>
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Boys between 17 and 18  
Girls between 17 and 18  
Boys between 16 and 17  
Girls between 16 and 17

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<th>Present Rate</th>
<th>Proposed Rate</th>
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<tr>
<td>Boys between 17 and 18</td>
<td>6/-</td>
<td>7/6</td>
<td>1/6</td>
</tr>
<tr>
<td>Girls between 17 and 18</td>
<td>5/-</td>
<td>6/-</td>
<td>1/-</td>
</tr>
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<td>5/-</td>
<td>1/-</td>
</tr>
<tr>
<td>Girls between 16 and 17</td>
<td>3/6</td>
<td>4/-</td>
<td>8d</td>
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(c) That the weekly rate of benefit paid in respect of an adult dependant - usually the applicant's wife - should be increased from 7/- to 9/-.

(d) That the maximum limit in the weekly rate of benefit should be raised from 30/- to 33/-. This increase of 3/- corresponds to the increase of 1/- in the proposed weekly rate of benefit for an adult man, and of 2/- for an adult dependant and to the estimate made by the Committee of the average increase throughout the country in agricultural wages. The Committee point out that while they think it desirable to raise the limit the increase proposed will establish a benefit limit which for many counties is very high in relation to the minimum wage.

5. The Committee estimate that their recommendations will decrease the annual income of the Fund on the Agricultural Account by approximately £380,000 for the three years from July, 1939, and £190,000 thereafter; while expenditure will be increased by about £75,000 a year for the first three years and about £101,000 a year thereafter.

6. I think that we should adopt the recommendations of the Committee which are unanimous in respect of both Reports. The recommendation to apply the surplus of about £2,000,000 on the General Account to the reduction of debt is, in the circumstances, the only course which could be adopted without impairing the finances of that account. The improvements proposed in the rates of benefit under the Agricultural Scheme should command general approval and it is reasonable to assume that they should assist in checking to some extent the drift of men from the land, which still continues. In my view the proposed reduction in the rates of contributions is an essential part of the plan for bringing the finance of the Agricultural Scheme more into line with requirements.
7. Subject to the Chancellor's concurrence, I propose to adopt the recommendations as indicated above and to take the necessary action for giving effect to those regarding the Agricultural Scheme by affirmative Resolutions in both Houses. Effect will be given on my authority to the recommendation to pay off £3,000,000 of debt under Clause 3 of the Unemployment Insurance Act, 1938; the approval of Parliament is not required.

8. In addition to their recommendations as to changes required to make the Agricultural Account not more than reasonably sufficient, the Committee further recommend the abolition of Section 10 of the Unemployment Insurance (Agriculture) Act, 1936, which provides for a repayment of part of the contributions where men have been engaged under 'long hirings' (yearly or half-yearly contracts of service). The Committee give reasons to show that the grounds on which these repayments were based have proved to be unsound; moreover, the scheme is complicated and expensive to administer. In the view of the Committee the abolition of Section 10 should be effected under full Parliamentary procedure. I have already taken steps to introduce a clause in the new Unemployment Insurance Bill to give effect to the recommendation of the Committee, and this has been approved by the Cabinet. Abolition of the system will save about £10,000 a year in rebates and about £12,000 a year in administrative costs.

(Int.) E.B.

3rd March, 1939.
Reports of the Unemployment Insurance Statutory Committee

in accordance with section 59 of the Unemployment Insurance Act, 1935, and section 8 of the Unemployment Insurance (Agriculture) Act, 1936, on the Financial Condition of the Unemployment Fund on the 31st December, 1938

Required by section 59 (4) of the Unemployment Insurance Act, 1935, to be laid before Parliament

Ordered by The House of Commons to be Printed

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1939
Price d. net
Sixth Report on the Financial Condition of the Unemployment Fund (General Account), as at 31st December, 1938

To the Rt. Hon. Ernest Brown, M.C., M.P.,
Minister of Labour.

Sir,

By section 59 (1) of the Unemployment Insurance Act, 1935, we are required to make a report on the financial condition of the Unemployment Fund at the end of each calendar year. By section 8 (1) of the Unemployment Insurance (Agriculture) Act, 1936, we are required to exercise this function of reporting on the financial condition of the Unemployment Fund separately with regard to the General and the Agricultural Accounts of the Fund. We submit below a report with regard to the General Account of the Unemployment Fund, with a recommendation for the application of an amount standing to the credit of that account towards the discharge of part of the debt of the Fund. We propose to describe this Report in future as our Sixth General Report. We are reporting separately with regard to the Agricultural Account.

1. We begin by presenting in Appendix A a formal account of the working of the Fund in the calendar year 1938, with corresponding figures for 1937 in parallel columns for comparison. The first portion of this Appendix deals with the General Account. The account has been prepared for us by the Accountant General for the Ministry of Labour. It is not an audited account, but it is in the same form as the accounts of the Fund which are presented to Parliament after audit, for the financial year ending on 31st March.

2. The receipts for the calendar year were £65,894,665, of which all but £1,443,412 represented insurance contributions by employers, employed persons, and the State. The other receipts included a net sum of £1,431,243 as income from investments, including a small profit on realization of certain securities. The expenditure was £62,320,027, made up of £51,662,000 for unemployment benefit, £5,874,592 for administration, £4,259,389 for debt service, and £524,046 for minor items. Income during 1938 exceeded expenditure accordingly by £3,574,638. The balance carried forward at 31st December, 1937, was £60,379,006 of which £20,000,000 was subsequently applied towards the discharge of part of the debt of the Fund. There was accordingly a net balance at 31st December, 1938, of £43,953,644.

3. As compared with 1937, contributions from employers and employed persons show a decline of £65,820. The increase of unemployment has been such as to involve a loss of contribution income much in excess of this figure. But the loss has been offset both by the growth of the insured population and by the extension
of insurance as from 4th April, 1938, to about 220,000 persons in institutional and outdoor domestic employments. Contributions from the Defence Departments in respect of men discharged from H.M. Forces show a marked increase, due to the adjustment, in 1937, of previous capitation payments by the Defence Departments. The Exchequer contribution, being proportionate to the aggregate contributions from other sources, shows a small increase of £56,294. Income from investments has risen materially from £674,105 to £1,431,243; the rise is due largely to the receipt in 1938 of interest payments on certain investments made, at advantageous rates, in 1937. Taking all items together, the income of £65,894,665 in 1938 shows an increase of £927,752 as compared with the income of £64,966,913 recorded in 1937.

4. On the side of expenditure, increase of unemployment, and of the proportion of unemployment ranking for benefit, has led to an increase in the expenditure on benefit of £18,502,000. The substantial rise of £1,004,592 in the cost of administration is due mainly to the increase in unemployment and in the proportion ranking for benefit, but partly also to improvements in Employment Exchange premises and organization and improvements in salary scales, etc., for certain grades of staff. There is a decrease of £1,317 in the minor item of refund of contributions paid in error and of £10,600 in the item of contributions to courses of instruction. The first of these items depends on the claims made by employers and employed persons; the second depends, as regards juveniles, on the rate of the approved expenditure by Local Education Authorities, and, as regards adults, on the programme of training of the Ministry of Labour. Taking all items together, the expenditure of £62,320,027 in 1938 shows an increase of £18,754,840 as compared with the expenditure of £43,565,187 in 1937.

5. The position as regards debt service has been materially altered by the repayment, on 31st March, 1938, of £20,000,000 of the outstanding debt, in accordance with the recommendation made by us in our last report. The half-yearly debt charge on the Fund was proportionately reduced—from £2,500,000 to £2,006,259 3s. od. For the first quarter of 1938 the charge was at the higher rate and amounted to £1,250,000, while for the other three quarters it was at the reduced rate and amounted to £3,009,389, making a total for the year of £4,259,389. The debt at the end of September, 1938, was £81,530,000, and from that date till the end of the period laid down for repayment the rate of interest on the outstanding debt will be 3½ per cent. per annum.

6. As regards investments, the policy was continued of investing the growing balance of the Fund in short term securities, this policy being governed by the conclusion that the securities would need to be realized to meet deficiencies in the present trade cycle. The position on 31st December, 1938, in relation to investments is shown
at the foot of the Statement of Account (Appendix A). The net rate of interest that was being received on these investments, after allowing for loss or profit on redemption, was slightly under 2 per cent.

7. In our earlier financial reports we supplemented the formal account of the Unemployment Fund in the year under review, by a table showing the general course of unemployment and the financial working of the unemployment insurance scheme, month by month from November, 1931. In this report we limit the table, printed in Appendix B, to the three years 1936–1938; figures for the earlier years can be obtained, if required, from any of the earlier reports. In the three years covered by our present table there are two or three minor changes in the basis of the figures to which attention is called in notes to the table. The figures of income and expenditure are statistical approximations only, but are sufficient as a general guide to the operation of the scheme.

8. In our earlier reports we gave also a somewhat detailed account of the principles adopted by us in adjusting the finance of the insurance scheme and estimating its surpluses or deficiencies. It will be sufficient here to summarise this in a few words, since those reports can be referred to for further information. Starting with a statement submitted to us in 1935 by the Committee on Economic Information of the Economic Advisory Council, as to what appeared then to be the most probable mean level of unemployment for the next complete trade cycle, we made assumptions as to the rate of unemployment in each of the eight years 1936 to 1943 that would yield this mean over the eight years as a whole. The actual unemployment in each of the last two years having proved less than the assumption, at the end of each of those years we found ourselves in a position to declare a substantial surplus in the Unemployment Fund over and above the reserves required to meet a depression. We dealt with those surpluses, amounting in the two years together to nearly £24,000,000, by recommending their distribution during the next eight years in improved benefits or reduced contributions.

9. On the same assumptions as those used in our earlier reports, while we allowed for the probability that unemployment during 1938 would be materially greater than in 1937, we expected during the year 1938 to make a further gain of income over expenditure of "about £3,000,000," as is stated in paragraph 22 of our last financial report. The exact figure in our table of expectations was £3,133,000. How does the experience of 1938 compare with this expectation?

10. The table in Appendix B shows clearly the change in the experience of the Unemployment Fund which followed the rise of unemployment in the autumn of 1937. From May to October, 1937, the Fund was making a weekly surplus ranging from £414,000 to
£708,000, and averaging £517,000 a week over the six months as a whole. In February, 1938, the weekly surplus had almost vanished, falling to £26,000, and though a large surplus was recorded once more in July, in the last four months of the year there was a net loss at the rate of about £20,000 a week. This change reflects both the rise in unemployment as a whole and a rise in the proportion ranking for benefit. The first additions to the unemployed after a period of good employment are predominantly workpeople with a record of contributions qualifying them for benefit, as distinct from assistance. As appears from column 5 of the table, the proportion of total unemployment ranking for benefit, which ranged from 44 to 48 per cent. in the six months May to October, 1937, has been nearly 60 per cent. for the greater part of 1938. It should be added that the weekly surplus or deficiency shown in the column for any particular month is liable to disturbance by interest on investments, and by variations in the sale of insurance stamps; in July, for instance, when unemployment books are due to be exchanged, the receipts are regularly swollen by purchases of stamps which legally should have been purchased and affixed before then.

II. In spite of the changes recorded in the last paragraph, the income of the Fund during 1938 has exceeded expenditure by an amount which, if smaller than that recorded in previous years, is still appreciable. From about £60,379,000 at 31st December, 1937, the balance of the Unemployment Fund on 31st December, 1938, has become £43,954,000. Allowing for the £20,000,000 used for the payment of debt, the excess of receipts over expenditure during the year has been about £3,575,000. From this, however, a deduction has to be made for depreciation in the capital value of investments. Part of the Unemployment Fund has been invested in securities carrying relatively high rates of interest, and due for early redemption, and in calculating the liabilities of the Fund allowance has been made for this loss. In the account itself this allowance cannot be made directly, though reference is made to it in note (d) at the foot of the table in Appendix A. Deducting this sum of £400,000, the true excess of income over expenditure during 1938 becomes about £3,175,000.

12. At first sight it looks as if our expectations for 1938 of a gain of £3,133,000 had been all but exactly realised, by the actual gain of £3,175,000. This comparison, however, does not correctly represent the position in respect either of resources or of liabilities.

13. On the one hand, the resources are greater than appears. In each of our last two reports we recommended changes in the scheme, to be financed by drawing on a lump sum surplus over a period of eight years. These surpluses are included in the accumulated balance of £60,379,000 with which we began in 1938. The gain of £3,175,000 made in 1938 is a net gain, after providing for the changes in the scheme out of income and not by drawing on our accumulated
balance. Allowing for this, and making other necessary adjustments, the true position is that at the end of 1938 we have not just realised expectations, but have improved on expectations to the extent of about £3,100,000. That is to say, we should have a surplus of about that size for distribution by further changes of the scheme, if our liabilities remained the same.

14. This, however, is not the case. In two respects which we are bound to take into account the liabilities of the Fund have increased.

First, in our report on holidays in relation to Unemployment Insurance, we recommended several changes, including a lengthening of the period within which a fresh waiting period should not be required, whose net result would be to increase the annual expenditure of the Fund by about £200,000 a year. It is possible that H.M. Government may introduce legislation to give effect to this report. At any rate, until we know that they are not likely to do so, we are bound to regard this additional expenditure, which we have recommended, as one of the liabilities of the Fund. When making the recommendation, as we did, with the assurance that the Fund could afford it, we had in mind the substantial gains above expectation made by the Fund in the first half of 1938.

Second, we have received a Memorandum from the Accountant General to the Ministry showing that we must provide for a substantial increase in the cost of administration in 1939, and thereafter, as compared with the year now ended. This prospective increase is due in the main to improvements in the remuneration of the staff, and in the offices and premises provided for the administration of unemployment insurance. The additional charge in 1939 as compared with 1938 is put at £350,000.

15. Nor, in considering the prospective charges on the general account, can we leave out of reckoning the effect of the recommendations which we are making simultaneously, in our agricultural report, for a reduction of agricultural contributions. As is explained in paragraphs 35 and 36 of that report, an automatic consequence of any reduction of agricultural contributions is a reduction of the sum charged to the agricultural account for administration; since the cost of administration is not changed thereby, this means an increase in the liabilities of the general account. Adoption of our recommendations in the agricultural report would increase the liabilities of the general account in the next three years by nearly £50,000 a year. Adding this to the £350,000 mentioned in paragraph 14, the total additional liability of the general account for administration is nearly £400,000 a year.

16. Over and above this prospective increase in the liabilities of the Fund, reference must be made to two other considerations. First, part even of the £3,100,000 estimated above as the real excess
of receipts over payments during 1938 is of the nature of a windfall, because part of the expenditure in respect of some of the improvements of benefit made in our last report has been incurred only during a portion of the year under review. The rate of expenditure during a whole year will be higher. Second, the £20,000,000 which last year we devoted to repayment of debt was not a disposable surplus. If unemployment should work out at the level of our calculations we should need to borrow again later in the trade cycle. Only if unemployment proved materially less than in our calculation should we be able to avoid recourse to borrowing. Under the terms covering the repayment of debt, our power of borrowing diminishes each year, and may be materially less than £20,000,000 if and when the necessity for borrowing arises. On the other hand, the Fund will still have in hand, for several years to come, a substantial proportion of the disposable surpluses declared in our last two reports and allocated for expenditure over a period of eight years. Actually, therefore, our borrowing powers, even as diminished, should prove sufficient. While mentioning these two considerations, accordingly, we do not think it necessary to take account of them expressly in judging of the current resources and liabilities of the Fund.

17. It is clear indeed, even without taking them into account, that the estimated excess of income over expenditure in 1938, amounting to £3,100,000, cannot be regarded as a disposable surplus. If it stood by itself it would fail far short of providing the means of meeting both the increased administrative charge of £400,000 a year and the net increase of £200,000 a year due to the recommendations of our report on holidays. Fortunately the year 1938 has witnessed another change in the general insurance scheme, namely, the inclusion of institutional domestic servants, as well as certain other classes of employees, which, on balance, seems likely to strengthen its financial position. The rate of unemployment among the persons newly brought into the scheme is below the average. As appears from the monthly record of the Unemployment Fund since July, 1938, the unemployment percentage, inclusive of the new classes of insured persons, has been 0.1 or 0.2 below the percentage without them. If this difference is maintained, the net gain to the Unemployment Fund from the latest extension of insurance may be about £500,000 a year. This is nearly, but not quite, enough to meet the additional liabilities of £600,000 a year for which provision must be made.

18. In the circumstances, it appears to us that the most appropriate way of adjusting the finance of the Unemployment Fund on this occasion will be to devote to the reduction of debt, and the consequent reduction of debt charge, such portion of the balance now standing in the Unemployment Fund as will be sufficient to ensure that our income is not less than our expenditure, and at the same time will
not involve us in increased risk of having to borrow. Both these ends would be accomplished by using for the repayment of debt a sum of the order of magnitude of the excess of receipts over payments actually realized in 1938. To allocate to the reduction of debt a sum of £3,000,000 would reduce the debt charge by nearly £150,000 a year. In so far as we have a sum just exceeding £3,000,000 available which was not taken into account in our former financial estimates, the whole of this reduction of the debt charge is a net gain to the Fund and has not to be offset by allowing for loss of interest which had been expected. With this repayment, the Fund in effect will have, on the one hand, £150,000 a year of reduced debt charge and about £500,000 a year of increased income, to set against liabilities amounting to about £600,000 a year in respect of the recommendations in our report on holidays, and of increased charges for administration.

19. As required by section 59 (3) of the Unemployment Insurance Act of 1935, we gave notice in the press on 6th December, 1938, and directly to the principal organizations of employees and employers, of our intention to make a report on the financial condition of the Unemployment Fund. We received written and oral representations from the National Confederation of Employers' Organizations and the Trades Union Congress General Council. In communicating with these two bodies we indicated our view that the Fund was unlikely at the end of 1938 to show a substantial surplus or a substantial deficiency, and that, as a consequence, we should probably not be in a position to recommend any considerable changes in the scheme.

20. In the light of this communication, the National Confederation of Employers' Organizations emphasized the importance of taking any possible opportunity of reducing contributions and of avoiding any increase in the liabilities of the Fund. They suggested that should there be any disposable surplus of an amount insufficient to bring about a reduction of contributions, it should be allocated to the reduction of debt.

21. The Trades Union Congress General Council, after naming the changes which they would desire if considerable changes were possible, urged that any small disposable surplus should be used for amendment of the Anomalies Orders, putting first those relating to married women, and second those relating to seasonal workers. In the circumstances reported above, we have no disposable surplus, and are not in a position to act either in the direction of changing contributions or of changing the amounts and conditions of benefit. As regards the suggestions made by the Trades Union Congress General Council that we should recommend revision of the Anomalies Orders, it appears desirable to refer to the discussion of this topic on pages 14 and 15 of our second Financial Report. For the reasons
given there, we are of opinion that change of the provisions in regard
to Anomalies should normally be undertaken only by the procedure
specially provided for that purpose under section 55 of the Un-
employment Insurance Act, 1935, and not as part of a financial
adjustment under section 59.

22. We received representations also from the National Federation
of Grocers' and Provision Dealers' Associations, proposing that any
available surplus should be used for the reduction of contributions.
The National Council for Equal Citizenship urged the equalization
of contribution and benefit rates for men and women, while the
Association of Women Clerks and Secretaries asked for an increase
in benefit rates and for the equalization of benefit rates for men and
women.

23. In the light of the foregoing considerations, the prospective
liabilities and resources of the Unemployment Fund may be regarded
as substantially balancing, and no occasion arises for us to report
under section 59 (2) of the Act "that the Unemployment Fund is or
is likely to become and is likely to continue to be insufficient to dis-
charge its liabilities, or is and is likely to continue to be more than
reasonably sufficient to discharge its liabilities," or to make any
consequent recommendations for any amendment by Order of those
provisions of the Act which can be so amended.

We conclude our report on the financial condition of the
Unemployment Fund in respect of its general account by recommend-
ing under section 3 (1) of the Unemployment Insurance Act, 1938,
that an amount of £3,000,000 standing to the credit of the General
Account of the Unemployment Fund should be applied to the
discharge of the liabilities of the Fund named in subsection (2)
of section 60 of the Unemployment Insurance Act of 1935.

We have the honour to be, Sir,
Your obedient servants,

W. H. Beveridge (Chairman),
Arthur Digby Besant,
H. F. Brand,
Harold L. Murphy,
Katharine J. Stephenson,
Mary Stocks.

A. Reeder,
Secretary.

24th February, 1939.
Third Report on the Financial Condition of the Unemployment Fund (Agricultural Account) as at 31st December, 1938

To the Rt. Hon. Ernest Brown, M.C., M.P.,
Minister of Labour.

SIR,

By Section 8 (1) of the Unemployment Insurance (Agriculture) Act, 1936, we are required to exercise our function of reporting on the financial condition of the Unemployment Fund separately in respect of its General and of its Agricultural Accounts.

We submit below our third report in respect of the Agricultural Account, which we propose to describe in future as the Third Agricultural Report.

1. We attach in the second part of Appendix A a formal account of the receipts and expenditure of the Fund on the agricultural side during the year 1938, similar to that given in the first part of the Appendix for the general scheme. The receipts of the agricultural account shown in this table were £1,942,533, of which all but £43,854 represented insurance contributions by employers, employed persons and the State. The expenditure was £993,649, made up of £742,000 for unemployment benefit, and £251,649 for administrative and minor items. Income during 1938 exceeded expenditure accordingly by £948,884, making, with the balance of £1,824,987 carried forward at 31st December, 1937, a net balance at 31st December, 1938, of £2,773,871.

2. As compared with 1937, contributions from employers and employed persons show an increase of £26,466. The scheme was extended as from 4th April, 1938, to include grooms, gamekeepers and certain other classes of outdoor domestic servants, and the income for 1938 included contributions in respect of private gardeners for a full year as compared with less than a full year in 1937. On the other hand the rate of contribution for most insured persons was reduced by 1½d. for each party as from 4th July, 1938. There was an increase of £25,715 in income from investments, due to the increase in the balance standing to the credit of the agricultural account. Taking all items together, the income of £1,942,533 in 1938 showed an increase of £64,905 over the income of £1,877,628 in 1937.

3. On the side of expenditure, an increase in unemployment and in the proportion ranking for benefit, together with the improvements in benefit rates and conditions recommended in our last report, led to an increase of £287,000 in the expenditure on
agricultural benefit. There was an increase in the amount allocated to cost of administration of just under £5,000, i.e., one-eighth of the increase in the net income from contributions. There was little change in the other minor items of expenditure. Taking all items together, the expenditure of £993,649 in 1938 showed an increase of £293,633 over the expenditure of £700,016 in 1937.

**Working and Prospects of Agricultural Insurance Scheme.**

4. We give in the second part of Appendix B, and in the first three tables of Appendix C, statistics as to the working of insurance, and as to unemployment, in agriculture, corresponding to those printed in our last report. The fourth table in Appendix C is new. It shows the distribution in certain age groups of insured males in the general scheme, in farming and forestry, and in market gardening respectively. It will be seen that, in the general scheme and in market gardening, the proportions over and under the age of 20 showed little change in the last three years. In farming and forestry, on the other hand, the proportion of the male labour force that is under 20 has fallen from 20.3 per cent. to 18.5 per cent.; the entry of young men into agricultural employment in those three years has grown visibly smaller.

5. As appears from Appendix B and from the figures given above, the income on the agricultural account during 1938 has been nearly twice the expenditure on that account, exceeding the expenditure by about £949,000 for the year. In this respect the year under review has repeated the experience of earlier years. The outstanding feature in the working of the agricultural scheme of unemployment insurance from its beginning has been excess of income over expenditure. As a result, by the end of 1938, the Unemployment Fund in its agricultural account has accumulated a balance of about £2,774,000. This is not far short of three times the present annual expenditure.

6. The comparison in the last paragraph of income and expenditure in 1938 has to be adjusted in two ways if it is desired to determine how agricultural income and expenditure on the present basis of the scheme are likely to compare over a period of years.

7. First, as is stated in paragraph 2 the rate of agricultural contributions of most insured persons was reduced by ½d. a week from each party as from 4th July, 1938, while on the other hand the scheme was extended to certain classes of outdoor domestic servants as from 4th April, 1938. We estimate that if these changes had been in operation throughout the year, and allowance is made for a higher rate of unemployment as suggested in the next paragraph, the total income for the year would have been about £1,820,000. The reduction in contribution income, for the reasons set out in
Paragraphs 34 and 35 below, involves a consequential reduction of administrative expenditure by about £15,000 a year to about £220,000.

8. Second, 1938 was a year of good trade and of less than average unemployment, in which the general account, like the agricultural account, has had a surplus of income. Exactly how agricultural unemployment and the finance of the agricultural account will be affected by the trade cycle it is impossible to say. Among workpeople insured under the agricultural scheme the rate of unemployment during 1938 has been 5.5 per cent. Among workpeople insured under the general scheme, the rate of unemployment during 1938 has been 12.6 per cent. as compared with an expected mean rate, taking good and bad years together, of 15.1 per cent. That is to say, in adjusting the finance of the general scheme, it is assumed that the mean rate of unemployment over a trade cycle will be about one-fifth, or 20 per cent., above that experienced in 1938. On general grounds it is likely that agricultural employment will be affected by cyclical fluctuation less violently than industrial employment. On the other hand, the agricultural scheme is still something of a novelty; it is likely that, as agricultural workers become familiar with the machinery of insurance, the claims on the agricultural account will tend to rise. On a balance of considerations it appears to us prudent to allow for agriculture, taking good years and bad years together, a rate of unemployment 25 per cent. above that experienced in 1938. A proportionate increase of 25 per cent. on the current rate of expenditure on agricultural benefit would be £185,000 a year, making the average annual expenditure on benefit £927,000 and the total expenditure on agricultural account about £1,164,000 per annum.

9. The real gap, accordingly, between agricultural income and expenditure, on the present conditions and experience, is that between £1,820,000 and £1,164,000, that is to say £656,000 a year. That is prima facie the excess of resources over liabilities, after the adjustments referred to in the preceding paragraphs.

10. To what is the difference between expected and actual expenditure on benefit in agriculture to be attributed? To some extent it is due to unemployment in agriculture having proved less than was allowed for. To some extent it is due to the fact that, of this smaller unemployment, a larger proportion than was expected is that of women, having lower rates of benefit than men. To a much larger extent it is due to the fact that so small a proportion of the unemployment which does occur ranks for benefit. During the year 1938 the proportion of unemployment in agriculture ranking for agricultural benefit has been 48 per cent. for males, 60 per cent. for females, and 50 per cent. for both sexes together. This is considerably lower than the proportion in the general scheme (now
about 60 per cent.). It is considerably lower also than the expectations and intentions with which the agricultural scheme was established.

11. The unexpectedly small proportion of the total unemployment that has ranked for benefit hitherto is a feature of the agricultural scheme second only in importance to the excess of income over expenditure. It will clearly be a matter of importance to discover just what forces are operating to keep the percentage ranking in agriculture as low as it is, and which are the types of employees at present excluded. We hope that, before it becomes necessary for us to make a further financial report on the agricultural scheme, it will have been possible by means of enquiries made through the Ministry of Labour, or otherwise, to throw light on this problem. The unemployed men insured under the agricultural scheme who fail to draw benefit under it cannot, to any large extent, be drawing benefit under the general scheme, while many of them are clearly in need of an income, since the number of agricultural workers receiving allowances from the Unemployment Assistance Board is substantial.

12. Whatever the cause of the low percentage of unemployment in agriculture that is now covered by insurance, it is difficult to be content with the result. In an industry with unemployment as low as 7 per cent., a scheme which provides for no more than half that unemployment cannot be regarded as fulfilling the purpose of insurance. It may be that the percentage ranking for benefit will rise automatically under the existing rules determining the period of benefit, as men accumulate more and more contributions. It may be that some amendment of these rules will become necessary to bring about such a rise. In any case, it appears to us that covering of a larger proportion of the total unemployment than at present should be regarded as one of the essential purposes of the agricultural insurance scheme. That is to say, we should assume that the rate of expenditure ultimately experienced by the scheme will be based not upon a 50 per cent. proportion ranking but on a much higher proportion, such as 70 per cent.

13. An increase of the percentage ranking for benefit to about 70 per cent. would make the average annual expenditure on benefit about £1,298,000 a year in place of the figure of £927,000 named above. The total expenditure, after allowing for the reduction in the charge for administration referred to in paragraph 7 above, would be £1,535,000. We should reckon our liabilities on the latter basis, as the figure to which, by suitable adjustments (if necessary) in the rules regulating the period of benefit, we expect and desire that expenditure should rise. The difference between £1,535,000 (our assumed average income) and £1,535,000 is £285,000. That is the maximum that we should regard as available for immediate distribution in any way other than by the changes of the
ratio rule or other extensions of the period of benefit. Even this, having regard to the scale of the agricultural scheme, is a substantial disposable surplus. In addition there is the balance already accumulated in excess of any probable requirements to meet depression.

Representations.

14. In accordance with section 59 of the Act of 1935 we gave notice in the Press, and by direct communication to the principal associations of employers and employees in the agricultural industry, of our intention to make a report on the financial condition of the Unemployment Fund in respect of its agricultural account. In this communication we called attention both to the excess of income over expenditure and to the low percentage of unemployment ranking for benefit, and we invited special comment upon the latter point. We received oral evidence in respect of the agricultural account from the National Farmers' Union (in England), from the National Farmers' Union and Chamber of Agriculture for Scotland, from the Trades Union Congress General Council, the National Union of Agricultural Workers, and the Transport and General Workers' Union and its Scottish Farm Servants' Section. We received representations also from the Ministry of Agriculture and Fisheries and from the Department of Agriculture for Scotland.

15. The representatives of the employers emphasized the view that employment conditions were still far from normal and urged that having regard to the short experience of the scheme it would be undesirable to make drastic changes in it. They suggested in writing that if there were a sufficient disposable surplus this should be used to reduce contributions. In oral evidence, they expressed the view that they would have no objection to a moderate increase of benefits.

16. The representatives of the employees submitted a memorandum containing a number of proposals for improvement of benefits, including abolition of the three days' waiting period, giving of cash benefits between 14 and 16 years of age to boys and girls who now receive no such benefit, increase of rates of benefit by varying amounts in each of the other sex and age classes (the proposition in respect of the largest class—namely men over 21—being a rise of 2s. a week from 14s. to 16s.), increase of the adult dependants' allowance from 7s. to 8s., and the removal of the present limit of 30s. a week as the maximum benefit that can be drawn. They stated that none of those whom they represented favoured a reduction of contributions; on the contrary agricultural workers would prefer, if necessary, to pay higher contributions in order to secure higher benefits.
17. The representatives of the agricultural Departments advocated in the first place an increase in benefit rates, though not on so high a scale as those proposed by the employees; they did so with the express object of increasing the attractiveness of agricultural work and so checking the drift of men from the land. They combined with this recommendation a proposal for the raising of the limit on maximum benefit. They agreed that if after these changes had been made, funds were still disposable, it would be reasonable to reduce contributions.

**Disposal of Current Surplus.**

18. In considering the question of an increase of rates of benefit in the agricultural scheme, it is not in our view possible, nor indeed would it be in the interests of the employees themselves, to leave out, as has been suggested in some quarters that we should leave out, the consideration of wages. We have already expressed the view in an earlier report that unemployment insurance is insurance against the loss of wages. The case both for an increase in benefit rates and for the removal, or raising, of the present maximum limit upon total benefit, was argued by those who put it forward largely on the ground that since the scheme was started, wages in agriculture had advanced materially. We asked the Ministry of Labour accordingly to supply us with such information as they could about wages in agriculture and their course in recent years. We print the memorandum supplied in Appendix D. The main results of this memorandum may be summed up as follows:—From 31st March, 1936 (just before the introduction of the agricultural scheme) to 30th November, 1938, there have been substantial increases in the minimum rates of wages in practically all parts of the country. The smallest increase is 1s., recorded in one county of Wales, and the largest is 4s. recorded in one county of England; the commonest increases are 2s. 6d., or 3s. a week. The average increase, whether reckoned by counties or in accordance with the number of adult male workers employed in each area, is about 2s. 7d. a week.

19. The minimum wages do not represent the whole annual earnings even of those who are paid at these rates, and many men of all classes are paid more. There are large classes paid considerably more. As far as it is possible to give a single figure for the average wage of all agricultural workers in England and Wales, the most defensible figure for 1936 is one of 35s. 9d. a week. If it be assumed that since 1936 total earnings have risen in the same proportion as the weekly minimum for agricultural workers, the corresponding average total earnings in 1938 would be about 38s. 9d., or a rise of 3s. a week. These two figures of 35s. 9d. and 38s. 9d. are estimates only, but they are estimates prepared with care and are the best guide that we can get for our action at present. In Scotland the
increases in the past three years have been rather greater than the
increases in England and Wales, and the current wages in Scotland
compare favourably with those in the rest of the country.

20. The average wage of insured applicants under the general
scheme, as shown in our last report, is about 55s. 6d. From these
figures it appears that the rates of benefit now in force under the
agricultural scheme are much nearer to the wages normally earned
than is the case in the general scheme. A man with wife and three
children receives when unemployed 36s. a week in the general
scheme, as compared with the average wage of 55s. 6d. An
agricultural worker in the same position gets 30s. as compared with
an average wage of just under 39s. Considered accordingly as
compensation for loss of wages, insurance under the agricultural
scheme is already on a more generous scale than under the general
scheme. This, however, arises essentially from the relatively low
wages in agriculture. It was common ground among all those
who made representations before us that we ought to contemplate
an increase in the remuneration of agricultural workers as a means
of preventing the further continued drift from the land into industrial
employment. In the light of these considerations we believe that
the case for an increase of benefits under the agricultural scheme
is made out and we make the following proposals accordingly.

Class of Insured Persons

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<tr>
<th>Benefit to be increased</th>
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<tr>
<td>Weekly rate of</td>
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<table>
<thead>
<tr>
<th>Class of Insured Persons</th>
<th>Benefit to be increased</th>
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<tbody>
<tr>
<td>Men aged 21 and under 65</td>
<td>from 14s. to 15s.</td>
</tr>
<tr>
<td>Young men aged 18 and under 21</td>
<td>from 12s. to 13s.</td>
</tr>
<tr>
<td>Boys aged 17 and under 18</td>
<td>from 6s. to 7s. 6d.</td>
</tr>
<tr>
<td>Boys aged 16 and under 17</td>
<td>from 4s. to 5s.</td>
</tr>
<tr>
<td>Women aged 21 and under 65</td>
<td>from 12s. 6d. to 13s.</td>
</tr>
<tr>
<td>Young women aged 18 and under 21</td>
<td>from 9s. 6d. to 10s.</td>
</tr>
<tr>
<td>Girls aged 17 and under 18</td>
<td>from 5s. to 6s.</td>
</tr>
<tr>
<td>Girls aged 16 and under 17</td>
<td>from 3s. 6d. to 4s.</td>
</tr>
<tr>
<td>Benefit for an adult dependant</td>
<td>from 7s. to 9s.</td>
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21. These proposals will mean, for every adult married male
workman, an increase of 3s. in the weekly rate of benefit. This is
the same as he would have got under the proposals put before us by
the trade union representatives, though it is made up in a different
way, by adding 1s. to the benefit of the man (in place of 2s. as pro­
posed by the trade unions), and 2s. to the benefit for adult dependants
(in place of 1s. as proposed by them). The increases which we
propose in other classes are generally smaller than the proposals of
the trade unions, though there is some increase in all cases. We
are not satisfied that a case is made out for the complete abolition of the waiting period, and we make no proposition for benefit to boys and girls under 16. Their inclusion in the insurance scheme for contributions without benefit was a deliberate decision of policy by Parliament; this should not be changed without a full consideration of the educational and other issues involved.

22. Raising of the rates of benefit in the manner proposed by us, for men with dependants, involves in our view the raising of the maximum limit of benefit. We propose that this limit should be raised by 3s. to 33s. a week, so that it will continue to affect the same class of persons as are now affected by it. While we think it desirable to raise the limit in order to avoid extending its operation, we are bound to point out that the increase proposed is more, rather than less, than the average increase of minimum wages throughout the country, and that it will establish a benefit limit which for many counties is very high in relation to the minimum wage. In the 49 county areas of England and Wales there were, in November, 1938, 10 with minimum wages at 33s. or less, 4 at 33s. 6d. and 8 at 34s.

23. We estimate that the foregoing proposals will increase the expenditure of the Fund, assuming both the increase of unemployment and the increase in the proportion ranking indicated in paragraphs 8 and 12 above, by about £125,000 a year. This will still leave something like £160,000 a year as a disposable surplus. This is the surplus which remains after providing for extension in all directions, by an increase of unemployment, by an increase in the proportion ranking for benefit, and by substantial improvements in the rates of benefit. There appears to be no possibility of absorbing this surplus in any reasonable further increases of rates of benefit, or in improvements of the conditions of benefit, which we are prepared to recommend. In the circumstances, we think it is right to conclude that the finance of the agricultural scheme as originally framed, though not unduly cautious having regard to the scanty data available, has proved in fact to be too conservative. We believe that it would be reasonable to use the remaining surplus in a reduction of contributions, and we propose accordingly that the contributions of men aged 21 and under 65, of young men aged 18 and under 21, of women aged 21 and under 65, and of young women aged 18 and under 21, should in all cases be reduced by 3d. a week from each party. These changes are estimated to reduce the income of the agricultural account by £190,000 a year. Incidentally they will reduce by one-eighth of that sum, that is to say by £23,750 a year, the sum charged to the account as expenditure for administration. The net cost accordingly to the agricultural account of the reduction of contributions proposed is about £166,000 a year, which is practically the same as the sum of £160,000 a year named above as still disposable.
Rebates for Long Hirings.

24. There is one further saving to the agricultural account which we hope to see realised, though for the reasons given below we do not feel justified in seeking to bring it about directly by financial Order. This is a possible saving in respect of the provision made by Section 10 of the Unemployment Insurance (Agriculture) Act, 1936, for refunding part of the contributions paid, where men have been engaged under yearly or half-yearly contracts. Such contracts, described hereinafter as long hirings, are common for certain classes of agricultural employees in Scotland and, to a less extent, in the North of England. In our report last year we pointed out that the number of long hirings for which rebate of contributions had been claimed had been much below expectations. We added that, in view of the heavy administrative expense involved in giving rebates, it might soon become a question for consideration whether the system of rebates was worth while.

25. We have now been furnished by the Ministry of Labour with a memorandum setting out fully the working of this provision of the agricultural insurance scheme, with estimates of the cost involved. The gist of this memorandum is that the administrative cost of giving the rebates appreciably exceeds the amount of the rebates themselves. The estimate of the Ministry of Labour is that, in order to return a sum of just under £10,000 a year as rebates to particular employers and employees, it is necessary to incur expenditure on administration, that is to say, on the time of clerical and other officers and on stationery, postage, travelling and on other items, of about £12,000 a year. These figures by themselves make it difficult to justify continuing the system of rebates.

26. The origin of the system is to be found in a proposal made by ourselves in our report of December, 1934, upon which the agricultural insurance scheme was based. In that report, however, we recommended that the concession which we thought reasonable in respect of long hirings should be given, not by a refund of contributions already paid, but by the introduction of a special stamp for six months' or twelve months' contributions, to be affixed in advance. Obviously such a system would have involved far less administrative expenditure than the giving of rebates. The Ministry of Labour, however, after considering our recommendation, came to the conclusion that the use of special stamps for long hirings was impracticable and that the reduction of contributions could only be made by way of rebate. It was in this form that reduction of contributions for long hirings was embodied in the legislation establishing agricultural unemployment insurance.

27. We are not in a position to question the view of the Ministry of Labour that our proposal, in the form in which it was made, was
impracticable. But even if there appeared to be any hope of materially reducing the administrative cost of giving this concession, the reason which led us to propose the concession has ceased to be valid. When in 1934 we were considering the question of unemployment insurance in agriculture, it was urged upon us by the representatives of the farmers in Scotland that it would be unfair to extend unemployment insurance to Scotland on the same terms in regard to contributions as to England. They argued that the risk of agricultural unemployment was materially less in Scotland than in England. On the data then before us (secured through a question in the ordinary census) we raised some doubt as to the claim that agricultural unemployment in Scotland was materially less than in other parts of Great Britain. These data suggested that, taking all classes of agriculturalists together, there was little difference between the two countries; according to our estimate, the rate of unemployment in England and Wales was higher than that in Scotland only in the proportion 11 to 10.

The actual working of agricultural unemployment insurance shows that, so far from Scotland having a lower risk of agricultural unemployment than England, it has a higher risk. The unemployment percentages for 1937 and 1938 have been as follows:—

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<tr>
<th></th>
<th>1937 England and Wales</th>
<th>1938 England and Wales</th>
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<tr>
<td></td>
<td>4.0</td>
<td>5.5</td>
</tr>
<tr>
<td>Farming, Forestry, etc.</td>
<td>4.8</td>
<td>6.4</td>
</tr>
<tr>
<td>Market Gardening, Horticulture, etc.</td>
<td>5.1</td>
<td>7.1</td>
</tr>
<tr>
<td>Other Gardening (excluding Private gardening)</td>
<td>3.6</td>
<td>4.2</td>
</tr>
</tbody>
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It may be of interest to add that the experience of the North of England, in which also long hirings are common, confirms the experience of Scotland that this system does not lead to a low rate of unemployment among agricultural workers as a whole. In the Northern Division of England the unemployment percentage among insured persons engaged in farming and forestry was 7.0 in 1937 and 8.5 in 1938, as compared with the percentages of 4.0 and 5.5 given above for England and Wales as a whole.

28. The giving of special discounts for long hirings which took off the risk of unemployment from the Fund for six months or a year at a time was recommended by us in 1934 as being “in our view the best way of meeting the claim put forward on behalf of the farmers in Scotland either for exclusion from insurance or for special treatment.” But this greater temporary security of employment for some of the employees is now shown to be accompanied by a rate of unemployment among other workers in the same industry so high that the
unemployment percentage over all employees taken together is actually higher in Scotland and in the North of England than it is in England and Wales as a whole. The claim of the Scottish farmers to come into the insurance scheme on more favourable terms than the English farmers loses its justification. In these circumstances, it does not appear to us worth while to explore the possibility of being able to give a reduction of contributions for long hirings by some method costing less in administration than that now in force. We are of opinion that the system itself should not be continued.

29. We should add that in preparing this report we invited expressions of opinion from representatives of agricultural employees and employers as to the desirability of continuing the rebates for long hirings. The representatives of the agricultural trade unions, both in England and in Scotland, expressed themselves as opposed to the rebates. The National Farmers’ Union in England expressed no strong opinion. The National Farmers’ Union and Chamber of Agriculture for Scotland, while recognizing that the administrative cost of the rebates made them hard to justify, thought that a reduction of contributions for long hirings should continue in some form or another. Finally, we may add that, since the agricultural scheme was established, the contributions of employers have been reduced by a ¾d. per man per week (representing £60,000 a year) and that a further reduction is proposed in this report.

30. Section 10 of the Unemployment Insurance (Agriculture) Act, 1936, which provides for reduced contributions in yearly or half-yearly hirings, is included in the Fourth Schedule of that Act among the provisions of which amendments may be recommended by the Unemployment Insurance Statutory Committee, in adjusting the finance of the agricultural scheme. But, in our view, our power to amend section 10 should not be interpreted as a power directly or indirectly to abolish the section altogether. We have given reasons for concluding that the rebates for long hirings should be abolished, and they can now be abolished, without hardship to anybody, as an accompaniment to the reduction of contributions which we propose. But, as a matter of constitutional practice, we believe that a provision introduced so recently by Parliament should not be rescinded, directly or indirectly, without full parliamentary procedure. We hope that an early opportunity will be taken of any legislation affecting unemployment insurance to include in such legislation a clause repealing section 10 of the Unemployment Insurance (Agriculture) Act, 1936.

Accumulated Reserve.

31. There remains for consideration the question of dealing with the reserve that has already been accumulated. This stands now at £2,774,000, and is increasing steadily. Even on the view taken
unemployment percentage over all employees taken together is actually higher in Scotland and in the North of England than it is in England and Wales as a whole. The claim of the Scottish farmers to come into the insurance scheme on more favourable terms than the English farmers loses its justification. In these circumstances, it does not appear to us worthwhile to explore the possibility of being able to give a reduction of contributions for long hirings by some method costing less in administration than that now in force. We are of opinion that the system itself should not be continued.

29. We should add that in preparing this report we invited expressions of opinion from representatives of agricultural employees and employers as to the desirability of continuing the rebates for long hirings. The representatives of the agricultural trade unions, both in England and in Scotland, expressed themselves as opposed to the rebates. The National Farmers' Union in England expressed no strong opinion. The National Farmers' Union and Chamber of Agriculture for Scotland, while recognizing that the administrative cost of the rebates made them hard to justify, thought that a reduction of contributions for long hirings should continue in some form or another. Finally, we may add that, since the agricultural scheme was established, the contributions of employers have been reduced by a 3d. per man per week (representing £60,000 a year) and that a further reduction is proposed in this report.

30. Section 10 of the Unemployment Insurance (Agriculture) Act, 1936, which provides for reduced contributions in yearly or half-yearly hirings, is included in the Fourth Schedule of that Act among the provisions of which amendments may be recommended by the Unemployment Insurance Statutory Committee, in adjusting the finance of the agricultural scheme. But, in our view, our power to amend section 10 should not be interpreted as a power directly or indirectly to abolish the section altogether. We have given reasons for concluding that the rebates for long hirings should be abolished, and they can now be abolished, without hardship to anybody, as an accompaniment to the reduction of contributions which we propose. But, as a matter of constitutional practice, we believe that a provision introduced so recently by Parliament should not be rescinded, directly or indirectly, without full parliamentary procedure. We hope that an early opportunity will be taken of any legislation affecting unemployment insurance to include in such legislation a clause repealing section 10 of the Unemployment Insurance (Agriculture) Act, 1936.

Accumulated Reserve.

31. There remains for consideration the question of dealing with the reserve that has already been accumulated. This stands now at £2,774,000, and is increasing steadily. Even on the view taken
above as to what should be the annual expenditure of the agricultural scheme, it will shortly exceed twice the annual expenditure. There is no justification for keeping so large a reserve.

32. In the general scheme we have been able to dispose of lump sum surpluses by spreading them over short periods of years, because we were working on the assumption that the trend of unemployment was downward. We have now a second means of disposal of lump sums, in paying off debt. In the agricultural scheme neither of these methods is open to us.

33. The only means of disposing of a lump sum surplus in the agricultural account is by an improvement of benefits or reduction of contributions, which both in form and in substance shall be made only for a limited time and shall then stop. Practically this means a reduction of contributions made for a specific limited period. We propose accordingly that, in addition to the ½d. a week reduction which we recommend from our current disposable surplus, there should be a reduction of another ½d. for the same classes of contributors, limited to the next three years. The net cost of this, to the agricultural account, is £166,000 a year; if the Fund in other respects balances, it would involve reducing our present accumulation in the agricultural account by about £500,000. It is a simple means of returning to the industry past contributions in excess of requirements.

34. In making this proposal of a reduction limited to three years, we do not of course affect the powers given to us by the Act to recommend changes in the finance of the agricultural scheme, including the rates of contribution, at any time when this appears to be necessary. Our proposal, as formulated in paragraph 37 below, does not mean that no further changes, upwards or downwards, can be made in contribution rates before July, 1942. It means that if our recommendations are accepted and contributions are now reduced by ½d. a week from each party, for the principal classes of contributors, the rates of contribution will rise again automatically by ½d. a week from each party in July, 1942, if no further Order is made about them.

Conclusion.

35. In summing up the financial results of the various proposals which we make in this report, we have to call attention to the effect of the arrangement whereby the sum charged to the agricultural account, as the cost of administering the agricultural scheme, is fixed, not by reference to the administrative expenditure actually incurred, but as a proportion of the income of the agricultural account. Under section 9 of the Unemployment Insurance (Agriculture) Act, 1936, the sum charged to the agricultural account for administration may not exceed one-eighth of the contribution income of that account.
In practice the charge made has been one-eighth of the contribution income. This practice gives effect to a recommendation made by ourselves in paragraph 133 of our report of December, 1934, where we suggested that "at least for the first five years the cost of administration charged to the agricultural scheme should be 1/8th of the agricultural contribution income." We added that "at the end of that time it will be possible to determine whether a detailed allocation of costs is desirable." In view of the difficulties at the beginning of agricultural insurance, both of judging the kind and the cost of administration that would be required, and of allocating administrative expenditure as between the general and the agricultural accounts, the practice adopted hitherto has great convenience.

36. But this arrangement, however convenient, has incidental effects which complicate in unexpected ways the finance of the insurance schemes. In the first place, any reduction of agricultural contributions automatically reduces the sum charged to the agricultural account for administration, and throws a corresponding additional burden on the general account. Thus the proposals made above to reduce the contribution income of the agricultural account in the next three years by £380,000 a year, simultaneously relieves that account of a charge of £47,500 a year for administration and adds this charge to the liabilities of the general account. In the second place, the special expenditure involved in administering the provision for long hirings, excessive as it is, falls, in effect, not on the agricultural account, but on the general account. If, as we hope, the rebate for long hirings is abolished, the agricultural account will gain by having £10,000 a year of additional contributions, less an additional £1,250 which will then be added to its charge for administration, while the general account will benefit both by the dropping of the £12,000 a year of actual administrative cost that is now incurred, and by transference of £1,250 a year from general to agricultural charges. In the third place, the fact that reduction of agricultural contributions automatically reduces agricultural administrative expenditure, makes it difficult, without special explanation, to show the real effect of our various proposals. Actually, as stated above, we are proposing to increase expenditure on benefits by about £125,000 a year, but as our accompanying proposal to reduce contributions automatically reduces the expenditure of the agricultural account on another item, namely administration, the net increase of agricultural account expenditure is not £125,000 a year, but about £78,000 a year for the next three years and about £101,000 a year thereafter. It is in this form that we are bound formally to present the effect of our proposals on the expenditure of the agricultural account. As is stated in paragraph 35, the present arrangement in regard to costs of administration was proposed by us as an experiment for five years, and should be regarded as subject to revision at the end of that time.
37. We conclude this our Third Report on the financial condition of the Unemployment Fund in respect of its agricultural account:—

(1) By reporting formally under Section 59 (2) of the Unemployment Insurance Act of 1935 and Section 8 of the Unemployment Insurance (Agriculture) Act, 1936, that the Unemployment Fund in respect of its agricultural account is, and is likely to continue to be, more than reasonably sufficient to discharge its liabilities.

(2) By recommending as changes required to make the Fund in respect of its agricultural account not more than reasonably sufficient:—

(i) that in the Second Schedule of the Unemployment Insurance (Agriculture) Act, 1936, as amended by the Unemployment Insurance (Additional Benefits and Reduction in Contributions) (Agriculture) Order, 1938, dated 25th March, 1938,

    for 4d. as the weekly rate of contribution by the employed person and by the employer in the case of men who have attained the age of 21 years there should be substituted 3d. as from 3rd July, 1939, until 6th July, 1942, and 3½d. thereafter;

    for 3½d. as the weekly rate of contribution by the employed person and the employer in the case of women who have attained the age of 21 and in the case of young men between the ages of 18 and 21 there should be substituted 2½d. as from 3rd July, 1939, until 6th July, 1942, and 3d. thereafter;

    for 3d. as the weekly rate of contribution by the employed person and by the employer in the case of young women between the ages of 18 and 21 there should be substituted 2d. as from 3rd July, 1939, until 6th July, 1942, and 2½d. thereafter;

(ii) that in the Third Schedule of the Unemployment Insurance (Agriculture) Act, 1936, as amended by the Unemployment Insurance (Additional Benefits and Reduction in Contributions) (Agriculture) Order, 1938, dated 25th March, 1938, there should be substituted for the rates of benefit now in force, set out in column (2) below, in respect of the various classes of contributors set out in column (1), the rates specified in column (3).

<table>
<thead>
<tr>
<th>Col. (1)</th>
<th>Col. (2)</th>
<th>Col. (3)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>s. d.</td>
<td>s. d.</td>
</tr>
<tr>
<td>Men who have attained the age of 21 years</td>
<td>...</td>
<td>14 0</td>
</tr>
<tr>
<td>Women who have attained the age of 21 years</td>
<td>...</td>
<td>12 6</td>
</tr>
<tr>
<td>Col. (1)</td>
<td>Col. (2)</td>
<td>Col. (3)</td>
</tr>
<tr>
<td>----------------------------------------------</td>
<td>----------</td>
<td>----------</td>
</tr>
<tr>
<td>Young men between the ages of 18 and 21 years</td>
<td>12 0</td>
<td>13 0</td>
</tr>
<tr>
<td>Young women between the ages of 18 and 21 years</td>
<td>9 6</td>
<td>10 0</td>
</tr>
<tr>
<td>Boys between the ages of 17 and 18 years</td>
<td>6 0</td>
<td>7 6</td>
</tr>
<tr>
<td>Girls between the ages of 17 and 18 years</td>
<td>5 0</td>
<td>6 0</td>
</tr>
<tr>
<td>Boys who have not attained the age of 17 years</td>
<td>4 0</td>
<td>5 0</td>
</tr>
<tr>
<td>Girls who have not attained the age of 17 years</td>
<td>3 6</td>
<td>4 0</td>
</tr>
</tbody>
</table>

(iii) that paragraph (a) of section 3 (2) of the Unemployment Insurance (Agriculture) Act, 1936, as amended by the Unemployment Insurance (Additional Benefits) Order, 1938, shall have effect as if for the words "seven shillings" there were substituted the words "nine shillings" and paragraph (b) of that section shall have effect as if for the words "thirty shillings" there were substituted the words "thirty-three shillings";

(iv) that the changes in paragraphs (ii) and (iii) above shall be made so as to be in operation, so far as practicable, by 30th March, 1939.

(3) By estimating that these recommendations will decrease the income of the Fund on the agricultural account by approximately £380,000 a year for the three years beginning 3rd July, 1939, and by £190,000 a year thereafter, and will increase the expenditure of the Fund on the agricultural account by approximately £78,000 a year for the first three years, and £101,000 a year thereafter.

In presenting this report it is necessary for us who sign it to refer to the heavy loss which we as a Committee, and all the causes that the Committee was intended to serve, have suffered by the recent sudden death of Mr. Arthur Shaw.

As a member of the Unemployment Insurance Statutory Committee from its beginning, and, before that, of the Anomalies Advisory Committee, to some of whose duties the Statutory Committee succeeded, Mr. Shaw by his experience, by his abilities and by his personality had rendered services which were invaluable, and
had secured the respect and affection of all of us. To the preparation of this Third Agricultural Report and the Sixth General Report which precedes it, he had contributed his usual full share in discussion and his agreement in the conclusions. But for his untimely death, he would have joined with us in signing both these reports. Missing his familiar name, we realize most clearly how much our deliberations have owed to him and how much weaker we are left by his loss.

We have the honour to be, Sir,
Your obedient servants,

W. H. BEVERIDGE (Chairman),
ARTHUR DIGBY BESANT,
H. F. BRAND,
HAROLD L. MURPHY,
KATHARINE J. STEPHENSON,
MARY STOCKS.

A. REEDER,
Secretary.

24th February, 1939.
APPENDIX A.

UNEMPLOYMENT FUND.

STATEMENT, prepared for the information of the Unemployment Insurance Statutory Committee, showing the approximate RECEIPTS and PAYMENTS of the GENERAL ACCOUNT and of the AGRICULTURAL ACCOUNT, respectively, of the UNEMPLOYMENT FUND appropriate to the Calendar Year 1938 (with comparative figures for 1937), together with the balances at the beginning and end of the year (See Note (a)).

PART I.—GENERAL ACCOUNT.

<table>
<thead>
<tr>
<th>Receipts</th>
<th>Year ended 31st December, 1937</th>
<th>Year ended 31st December, 1938</th>
<th>Payments</th>
<th>Year ended 31st December, 1937</th>
<th>Year ended 31st December, 1938</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(See Note (b))</td>
<td>(See Note (b))</td>
<td>Unemployment Benefit</td>
<td>33,160,000</td>
<td>51,662,000</td>
</tr>
<tr>
<td></td>
<td>(1) Employers and Employed Persons</td>
<td>42,724,771</td>
<td>42,658,951</td>
<td>Refunds to employers and employed persons of contributions paid by them in respect of non-insurable employment</td>
<td>90,663</td>
</tr>
<tr>
<td></td>
<td>(2) Defence Departments in respect of men discharged from H.M. Forces</td>
<td>161,242</td>
<td>338,333</td>
<td>Grants towards the cost of Authorised Courses of Instruction and Training</td>
<td>430,600</td>
</tr>
<tr>
<td></td>
<td>(3) Exchequer</td>
<td>21,307,675</td>
<td>21,453,969</td>
<td>Grants towards Travelling Expenses of insured contributors for the purpose of obtaining employment</td>
<td>13,924</td>
</tr>
<tr>
<td>Income from Investments</td>
<td>674,105</td>
<td>1,431,243</td>
<td>Administrative Expenses</td>
<td>4,870,000</td>
<td>5,874,592</td>
</tr>
<tr>
<td>Miscellaneous Receipts</td>
<td>9,120</td>
<td>12,169</td>
<td>Debt Service</td>
<td>5,000,000</td>
<td>4,259,389</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Excess of Receipts over Payments (excluding special Reduction of Debt)</td>
<td>21,401,726</td>
<td>3,574,638</td>
</tr>
<tr>
<td></td>
<td>64,966,913</td>
<td>65,894,665</td>
<td>Applied towards reduction of debt on 31st March, 1938 (Section 3 of U.I. Act, 1938)</td>
<td>60,379,006</td>
<td>20,000,000</td>
</tr>
<tr>
<td>Excess of Receipts over Payments during 1938, as shown above</td>
<td>3,574,638</td>
<td>43,953,644</td>
<td>Balance at 31st December, 1938 (See Note (d))</td>
<td>63,953,644</td>
<td>63,953,644</td>
</tr>
</tbody>
</table>
### PART II.—AGRICULTURAL ACCOUNT.

<table>
<thead>
<tr>
<th>Receipts</th>
<th>Year ended 31st December, 1937. (See Note (b)).</th>
<th>Year ended 31st December, 1938.</th>
<th>Payments</th>
<th>Year ended 31st December, 1937. (See Note (b)).</th>
<th>Year ended 31st December, 1938.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Contributions from:</strong></td>
<td><strong>£</strong></td>
<td><strong>£</strong></td>
<td><strong>Unemployment Benefit</strong></td>
<td><strong>£</strong></td>
<td><strong>£</strong></td>
</tr>
<tr>
<td>(1) Employers and Employed Persons</td>
<td>1,244,000</td>
<td>1,270,466</td>
<td>Refunds to employers and employed persons of contributions paid by them in respect of non-insurable employment</td>
<td>455,000</td>
<td>742,000</td>
</tr>
<tr>
<td>(2) Exchequer</td>
<td>615,631</td>
<td>628,213</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income from Investments</td>
<td>17,826</td>
<td>*(c)*43,541</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Miscellaneous Receipts</td>
<td>171</td>
<td>313</td>
<td>Repayments to employers and employed persons in respect of yearly or half-yearly hirings</td>
<td>3,543</td>
<td>4,929</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Grants towards the cost of Authorised Courses of Training</td>
<td>9,195</td>
<td>9,110</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Grants towards Travelling Expenses of insured contributors for the purposes of obtaining employment</td>
<td>1,400</td>
<td>2,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Administrative Expenses <em>(e)</em></td>
<td>230,862</td>
<td>235,586</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Excess of Receipts over Payments</td>
<td>1,177,612</td>
<td>948,884</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>1,877,628</strong></td>
<td><strong>1,942,533</strong></td>
</tr>
<tr>
<td>Balance at 1st January, 1938 (See Note (b))</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Excess of Receipts over Payments during 1938, as shown above</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>£2,773,871</strong></td>
<td><strong>£2,773,871</strong></td>
</tr>
<tr>
<td>Balance at 31st December, 1938 (See Note (d))</td>
<td>1,824,987</td>
<td>948,884</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>£2,773,871</strong></td>
<td><strong>£2,773,871</strong></td>
</tr>
</tbody>
</table>
NOTES.

(a) The Statement includes figures taken from accounting and other records which have not yet been subjected to examination and audit.

(b) See Appendix A to the Committee’s Report on the financial condition of the Unemployment Fund on the 31st December, 1937. (H.C.68—1938.)

(c) Interest received £1,472,396, plus £2,388, being net profit on realisation of investments—£1,474,784, apportioned as follows: General Account, £1,431,243; Agricultural Account, £43,541. No allowance has been made in respect of interest accrued but not received at 31st December, 1938.

(d) A total sum of £47,768,203 (representing the balances at 31st December, 1938, on the General Account, £43,953,644, and on the Agricultural Account £2,773,871, the accrued charge (£1,003,130) included in Part I of this Statement for Debt Service for the quarter ended 31st December, 1938, and sundry balances amounting to £37,558) was held by the National Debt Commissioners at 31st December, 1938, in the following securities:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2½ per cent. Conversion Stock, 1944-49</td>
<td>4,037,868</td>
<td>4,017,688</td>
</tr>
<tr>
<td>4½ per cent. Conversion Stock, 1940-44</td>
<td>20,000,000</td>
<td>21,426,759</td>
</tr>
<tr>
<td>1 per cent. Treasury Bonds, 1939-41</td>
<td>21,024,700</td>
<td>20,585,942</td>
</tr>
<tr>
<td>Treasury Bills</td>
<td>1,740,000</td>
<td>1,737,814</td>
</tr>
<tr>
<td></td>
<td><strong>£47,768,203</strong></td>
<td></td>
</tr>
</tbody>
</table>

The balances at 31st December, 1938—shown in Parts I and II above—make no allowance for any loss or profit on realisation redemption of investments. If such an allowance had been made, it is estimated that the balance on the General Account would be reduced by £400,000.

(e) Assumed at one-eighth of the net contribution income; see paragraph 133 of the Committee’s Report dated 20th December, 1934. (Cmd. 4786—1935).

J. W. TODD,
Accountant General,
Ministry of Labour.

24th January, 1939.
### APPENDIX B.

**MONTHLY RECORD OF UNEMPLOYMENT FUND IN GREAT BRITAIN.**

**Part I.—General Account, January, 1936, to December, 1938.**

**Unemployment among Insured Persons aged 16-64.**

<table>
<thead>
<tr>
<th>Date</th>
<th>Per cent. of numbers insured</th>
<th>Total Unemployed</th>
<th>Claims admitted for Insurance Benefit</th>
<th>Per cent. of Total Unemployed</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
</tr>
<tr>
<td>1936</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20th January</td>
<td>16.0</td>
<td>2,059,716</td>
<td>1,030,093</td>
<td>50.05</td>
</tr>
<tr>
<td>24th February</td>
<td>15.1</td>
<td>1,945,870</td>
<td>941,212</td>
<td>48.4</td>
</tr>
<tr>
<td>23rd March</td>
<td>14.0</td>
<td>1,810,932</td>
<td>834,813</td>
<td>46.0</td>
</tr>
<tr>
<td>27th April</td>
<td>13.4</td>
<td>1,741,934</td>
<td>797,712</td>
<td>45.8</td>
</tr>
<tr>
<td>25th May</td>
<td>12.6</td>
<td>1,632,161</td>
<td>722,237</td>
<td>44.25</td>
</tr>
<tr>
<td>22nd June</td>
<td>12.0</td>
<td>1,642,368</td>
<td>750,073</td>
<td>45.7</td>
</tr>
<tr>
<td>20th July</td>
<td>12.2</td>
<td>1,592,807</td>
<td>724,441</td>
<td>45.4</td>
</tr>
<tr>
<td>24th August</td>
<td>11.8</td>
<td>1,545,624</td>
<td>681,787</td>
<td>44.1</td>
</tr>
<tr>
<td>21st September</td>
<td>11.8</td>
<td>1,533,117</td>
<td>660,778</td>
<td>44.5</td>
</tr>
<tr>
<td>26th October</td>
<td>11.8</td>
<td>1,546,797</td>
<td>690,863</td>
<td>44.7</td>
</tr>
<tr>
<td>23rd November</td>
<td>11.8</td>
<td>1,559,754</td>
<td>710,670</td>
<td>45.8</td>
</tr>
<tr>
<td>14th December</td>
<td>11.8</td>
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**Unemployment Fund (000's omitted).**

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<th>Total</th>
<th>Average per week</th>
<th>Benefit</th>
<th>Other</th>
<th>Total</th>
<th>Average weekly expenditure on benefit</th>
<th>Average Surplus (+) Deficiency (-) during period</th>
</tr>
</thead>
<tbody>
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<td>(7)</td>
<td>(8)</td>
<td>(9)</td>
<td>(10)</td>
<td>(11)</td>
<td>(12)</td>
<td>(13)</td>
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<td>759</td>
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<td>745</td>
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*Note: The figures for the *13th September* period are based on a different methodology. The average surplus is +174.5, and the average deficiency is -477.5.
### Table: Figures of Income and Expenditure

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<tr>
<th>Date</th>
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<th>Expenditure</th>
</tr>
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<td>4,778</td>
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<td>5,174</td>
<td>4,712</td>
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<td>4,924</td>
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### Notes

1. The figures in Col. (2) up to June, 1938, are the finally revised percentages published in the Ministry of Labour Gazette and include the Special Schemes for Banking and Insurance. If the latter were excluded, the percentages would usually be about 0.2 higher. The figures in Cols. (3) and (4) exclude Special Schemes. The percentage figures in Col. (2) from July, 1938, onwards may be subject to slight revision in November, 1939. The figures of Income and Expenditure are provisional figures prior to the detailed examination of the relevant accounts.

2. As from 6th July, 1936, the rates of contribution for persons aged 18 and over were each reduced by 1s. from each party.

3. As from 31st March, 1938, the weekly rate of benefit for an adult dependant was increased from 9s. to 10s.

4. The grant of additional days of benefit under section 3, Unemployment Insurance Act, 1934, in cases where there had been a good contribution record in the five years preceding the claim, was increased in respect of benefit years beginning on or after 1st January, 1937, and was further increased in respect of benefit years beginning on or after 1st January, 1938.

5. As from 25th March, 1937, the waiting period was reduced from six days to three days.

6. The funded debt of the Unemployment Fund at 1st July, 1934, was £105,780,000. Up to March, 1938, repayment was made by half-yearly instalments of £2,500,000 and was further increased in respect of debt for persons of the Unemployment Fund at 1st July, 1934, in cases where there had been a good contribution record in the five years preceding the claim, was increased in respect of benefit years beginning on or after 1st January, 1937. and was further increased in respect of benefit years beginning on or after 1st January, 1938.

7. The funded debt of the Unemployment Fund at 1st July, 1934, was £105,780,000. Up to March, 1938, repayment was made by half-yearly instalments of £2,500,000 and was further increased in respect of debt for persons of the Unemployment Fund at 1st July, 1934, in cases where there had been a good contribution record in the five years preceding the claim, was increased in respect of benefit years beginning on or after 1st January, 1937. and was further increased in respect of benefit years beginning on or after 1st January, 1938.

The method of taking the count of the unemployed was revised in September, 1937, with the object of ensuring with closer accuracy that persons on the Exchange registers but not actually unemployed on the day of the count are not included in the total. For 13th September, 1937, (Cols. (2)-(5), the figures in line (a) have been compiled on the old basis and are comparable with those for earlier dates; those in line (b) have been compiled on the new basis.

† For each month from July, 1938, line (a) excludes and line (b) includes domestic workers brought into the scheme in April, 1938.
### Unemployment among Insured Persons aged 16–64.

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<th>Date (Month/Day)</th>
<th>Percent. of numbers insured</th>
<th>Total Unemployed</th>
<th>Claims admitted for Insurance Benefit</th>
<th>Per. cent. of Total Unemployed</th>
<th>No. of weeks</th>
<th>End of Period</th>
<th>Total</th>
<th>Average per week</th>
<th>Benefit</th>
<th>Other</th>
<th>Total</th>
<th>Average weekly expenditure on benefit</th>
<th>Average weekly Surplus (+) Deficiency (-) during period</th>
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### Unemployment Fund (ooo's omitted).

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<th>Period (Month/Day)</th>
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<th>Expenditure</th>
<th>Average Weekly Surplus (+) Deficiency (-) during period</th>
</tr>
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<td>+ 20</td>
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<td>20</td>
<td>+ 10.5</td>
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<td>+ 12</td>
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<tr>
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<td>108</td>
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<td>+ 21</td>
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<td>+ 23</td>
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<td>Income</td>
<td>Contribution</td>
<td>Benefit</td>
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<td>55,121</td>
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Notes.

(1) Contributions under the Unemployment Insurance (Agriculture) Act, 1936, became payable as from 4th May, 1936. The rates of contributions for persons aged 18 and over were reduced by 1/4d. from each party as from 4th July, 1938.

(2) The first day in respect of which Agricultural Benefit was payable was 5th November, 1936. The rate of benefit for young men between 18 and 21 years of age was increased from 10s. 6d. to 12s. as from 31st March, 1938.

(3) As from 31st March, 1938, the waiting period was reduced from six days to three days.

(4) As from 31st March, 1938, the ten requalifying contributions condition was abolished except in cases where benefit is exhausted under the 300 days rule.

(5) Private Gardeners. Contributions became payable in respect of private gardeners as from 1st February, 1937, but benefit was not payable for any day before 15th June, 1937. The income and benefit figures include payments in respect of private gardeners as from these dates, and gardeners are also included as from June, 1937, in columns (3), (4) and (5), and as from July, 1937, in column (2).

(6) Income includes interest on Investments:—up to the end of 1937, £18,000; 1938, January, £11,000, February, £5,000, March, £1,000, May, £8,000, July, £19,000, August, £4,000.

* The method of taking the count of the unemployed was revised in September, 1937, with the object of ensuring with closer accuracy that persons on the Exchange registers but not actually unemployed on the day of the count are not included in the total. For 13th September, 1937, (Cols. (2)—(5)) the figures in line (a) have been compiled on the old basis and are comparable with those for earlier dates; those in line (b) have been compiled on the new basis.

† For each month from July, 1938, line (a) excludes and line (b) includes domestic workers brought into the scheme in April, 1938.
### APPENDIX C.

#### Table I.—Percentages unemployed in 1938 among persons, aged 16-64, insured under the Agricultural Scheme in Great Britain.

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<td>3.7</td>
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<td>18.1</td>
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<td>5.2</td>
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* Including from July, 1938, certain outdoor domestic employments that were brought into insurance in April, 1938.
### Table 2.—Average percentages unemployed in 1938, among persons, aged 16–64 insured under the Agricultural Scheme.

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<th></th>
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<td><strong>Farming, Forestry, etc.</strong></td>
<td></td>
<td></td>
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<tr>
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<td>18.3</td>
<td>7.1</td>
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<td>10.9</td>
<td>6.4</td>
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<td>4.6</td>
<td>10.9</td>
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<tr>
<td><strong>Total—Great Britain</strong></td>
<td>5.1</td>
<td>3.0</td>
<td>20.1</td>
<td>12.2</td>
<td>5.7</td>
<td></td>
</tr>
</tbody>
</table>

| **Market Gardening, Horticulture, etc.** |                 |                   |                   |                     |                   |                  |
| London ...             | 3.8             | 2.7               | 17.6              | 3.6                 | 6.7               |
| South Eastern ...      | 3.7             | 2.8               | 19.7              | 8.6                 | 5.8               |
| South Western ...      | 5.0             | 2.3               | 13.9              | 7.6                 | 5.5               |
| Midlands ...           | 4.7             | 1.8               | 26.5              | 5.4                 | 7.8               |
| North Eastern ...      | 6.9             | 3.5               | 21.6              | 11.6                | 10.5              |
| North Western ...      | 8.6             | 4.8               | 16.6              | 5.8                 | 9.3               |
| Northern ...           | 13.9            | 6.4               | 19.5              | 17.7                | 14.6              |
| Scotland ...           | 12.8            | 10.4              | 27.3              | 21.7                | 15.4              |
| Wales ...              | 14.5            | 6.5               | 32.4              | 16.3                | 15.3              |
| **Total—Great Britain**| 5.6             | 4.1               | 20.2              | 10.8                | 7.8               |

| **Other Employments (including Private Gardening).** |                 |                   |                   |                     |                   |                  |
| London ...             | 3.2             | 1.8               | 8.4               | 3.0                 | 3.2               |
| South Eastern ...      | 2.1             | 1.6               | 4.9               | 6.7                 | 2.1               |
| South Western ...      | 2.5             | 1.7               | 3.5               | 5.0                 | 2.5               |
| Midlands ...           | 3.9             | 1.4               | 2.7               | —                   | 3.8               |
| North Eastern ...      | 5.2             | 3.0               | 4.7               | —                   | 5.1               |
| North Western ...      | 6.2             | 3.3               | 6.1               | —                   | 6.1               |
| Northern ...           | 6.9             | 5.2               | 12.5              | 17.5                | 6.9               |
| Scotland ...           | 5.7             | 4.9               | 13.5              | 20.0                | 5.7               |
| Wales ...              | 7.4             | 5.8               | 8.4               | —                   | 7.3               |
| **Total—Great Britain**| 3.7             | 2.4               | 7.4               | 13.4                | 3.6               |

| **Total—Agricultural Scheme.** |                 |                   |                   |                     |                   |                  |
| London ...             | 3.9             | 2.5               | 17.1              | 4.1                 | 5.4               |
| South Eastern ...      | 3.4             | 2.1               | 23.0              | 11.5                | 4.4               |
| South Western ...      | 3.0             | 1.6               | 10.1              | 5.8                 | 3.0               |
| Midlands ...           | 4.7             | 1.7               | 21.7              | 6.8                 | 4.9               |
| North Eastern ...      | 5.2             | 2.3               | 26.0              | 17.8                | 7.1               |
| North Western ...      | 8.1             | 3.3               | 15.1              | 6.3                 | 8.0               |
| Northern ...           | 8.6             | 4.9               | 12.6              | 11.5                | 8.5               |
| Scotland ...           | 6.4             | 5.5               | 14.4              | 13.9                | 6.9               |
| Wales ...              | 11.0            | 5.5               | 11.9              | 7.8                 | 10.6              |
| **Total—Great Britain**| 4.8             | 3.0               | 19.9              | 11.7                | 5.5               |

* Including from July, 1938, certain outdoor domestic employments that were brought into insurance in April, 1938.
### Table 3.—Unemployment at 12th December, 1938, among persons insured under the Agricultural Scheme.

<table>
<thead>
<tr>
<th>Division</th>
<th>Men aged 21-64</th>
<th>Young men aged 18-20</th>
<th>Total, men aged 18-64</th>
<th>Women aged 21-64</th>
<th>Young women aged 18-20</th>
<th>Total, women aged 18-64</th>
<th>Total, males and females aged 16-64</th>
</tr>
</thead>
<tbody>
<tr>
<td>London</td>
<td>1,302</td>
<td>94</td>
<td>1,396</td>
<td>1,252</td>
<td>50</td>
<td>1,302</td>
<td>2,765</td>
</tr>
<tr>
<td>South Eastern</td>
<td>6,716</td>
<td>568</td>
<td>7,284</td>
<td>6,225</td>
<td>381</td>
<td>6,606</td>
<td>14,321</td>
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<tr>
<td>South Western</td>
<td>3,520</td>
<td>247</td>
<td>3,767</td>
<td>259</td>
<td>39</td>
<td>298</td>
<td>4,813</td>
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<tr>
<td>Midlands</td>
<td>3,505</td>
<td>167</td>
<td>3,672</td>
<td>805</td>
<td>32</td>
<td>927</td>
<td>4,695</td>
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<td>318</td>
<td>4,436</td>
<td>4,474</td>
<td>486</td>
<td>4,960</td>
<td>10,015</td>
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<tr>
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<td>235</td>
<td>3,492</td>
<td>293</td>
<td>43</td>
<td>336</td>
<td>3,956</td>
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<tr>
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<td>250</td>
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<td>133</td>
<td>101</td>
<td>234</td>
<td>2,509</td>
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<td>6,876</td>
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<td>305</td>
<td>1,348</td>
<td>8,999</td>
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<td>3,576</td>
<td>171</td>
<td>45</td>
<td>216</td>
<td>3,996</td>
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<td>36,570</td>
<td>14,745</td>
<td>1,482</td>
<td>16,227</td>
<td>55,469</td>
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</table>

### Numbers of insured persons recorded as unemployed.

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<tr>
<th>Division</th>
<th>Numbers</th>
<th>Percentage of estimated total number insured.</th>
</tr>
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</tr>
<tr>
<td>South Eastern</td>
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<tr>
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<tr>
<td>Midlands</td>
<td></td>
<td></td>
</tr>
<tr>
<td>North Eastern</td>
<td></td>
<td></td>
</tr>
<tr>
<td>North Western</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Northern</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scotland</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wales</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Great Britain</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Claims for agricultural insurance benefit as percentages of total numbers unemployed at 12th December, 1938.

<p>| Division       | 52.7          | 77.3          | 54.0          | 76.4          | 63.6          | 59.4          | 60.2          | 78.4          | 69.0          | 77.9          | 68.5          | 58.9          | 62.3          | 73.4          | 79.5          | 74.2          | 60.1          | 47.5          | 64.1          | 48.3          | 82.0          | 68.8          | 81.6          | 56.4          | 63.8          | 56.9          | 78.8          | 71.6          | 78.1          | 67.7          | 47.2          | 60.0          | 48.1          | 63.8          | 72.1          | 64.9          | 49.5          | 46.1          | 68.8          | 48.8          | 72.9          | 69.3          | 71.4          | 57.7          | 52.5          | 64.8          | 54.1          | 55.8          | 47.2          | 53.9          | 53.7          | 55.6          | 73.2          | 57.4          | 74.3          | 77.8          | 75.0          | 58.9          | 54.0          | 65.5          | 55.0          | 76.6          | 65.5          | 75.6          | 61.1          |</p>
<table>
<thead>
<tr>
<th>Division</th>
<th>Men aged 21-64</th>
<th>Young men aged 18-20</th>
<th>Total men aged 18-64</th>
<th>Women aged 21-64</th>
<th>Young women aged 18-20</th>
<th>Total women aged 18-64</th>
<th>Total males and females aged 16-64</th>
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<td>2.6</td>
<td>5.0</td>
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<td>3.3</td>
<td>2.4</td>
<td>4.0</td>
<td>20.4</td>
<td>39.0</td>
<td>4.7</td>
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<td>2.3</td>
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<td>12.8</td>
<td>10.3</td>
<td>12.3</td>
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<tr>
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<td>2.6</td>
<td>33.7</td>
<td>9.2</td>
<td>31.2</td>
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<td>4.0</td>
<td>49.9</td>
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<td>5.0</td>
<td>19.1</td>
<td>14.8</td>
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<tr>
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<td>7.0</td>
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<td>15.9</td>
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<td>3.3</td>
<td>33.2</td>
<td>17.7</td>
<td>31.0</td>
<td>4.9</td>
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</table>

Claims for agricultural insurance benefit at 12th December, 1938, as percentages of estimated numbers insured at July, 1938.

**Table 4.—Age analysis of males insured at July, 1936, 1937 and 1938, under the General Scheme and in Farming, Forestry, etc., and Market Gardening respectively.**

<table>
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<th>Market Gardening, etc.</th>
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<td>July, 1938</td>
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<td></td>
<td>Numbers</td>
<td></td>
<td>Per cent. of total</td>
</tr>
<tr>
<td>14 &amp; 15</td>
<td>515,000</td>
<td>493,000</td>
<td></td>
</tr>
<tr>
<td>16 &amp; 17</td>
<td>564,000</td>
<td>683,000</td>
<td></td>
</tr>
<tr>
<td>18 &amp; 20</td>
<td>756,000</td>
<td>718,000</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1,835,000</td>
<td>1,894,000</td>
<td></td>
</tr>
<tr>
<td>14-20</td>
<td>1,835,000</td>
<td>1,894,000</td>
<td>1,933,000</td>
</tr>
<tr>
<td>21-64</td>
<td>8,218,000</td>
<td>8,360,000</td>
<td>8,431,000</td>
</tr>
<tr>
<td>Total</td>
<td>10,053,000</td>
<td>10,254,000</td>
<td>10,364,000</td>
</tr>
<tr>
<td>14-64</td>
<td>10,053,000</td>
<td>10,254,000</td>
<td>10,364,000</td>
</tr>
</tbody>
</table>

| 14 & 15   | 5.1            | 4.8                    | 4.5                    |
| 16 & 17   | 5.6            | 6.7                    | 6.3                    |
| 18-20     | 7.5            | 7.0                    | 7.8                    |
| Total     | 18.2           | 18.5                   | 18.6                   |
| 14-20     | 18.2           | 18.5                   | 18.6                   |
| 21-64     | 81.8           | 81.5                   | 81.4                   |
| Total     | 100.0          | 100.0                  | 100.0                  |
APPENDIX D.

WAGES IN AGRICULTURE.

The principal sources of information regarding agricultural wages in England and Wales are the Orders made by the Agricultural Wages Board fixing minimum rates of wages for male workers in agriculture. For this purpose the country is divided into 49 areas, and minimum wage rates are fixed for each area separately. In some areas only one minimum rate is fixed for adult male workers, with provision for overtime rates for work in excess of a specified number of hours. In a number of areas, however, minimum rates are also fixed for special classes of workers, such as horsemen and stockmen, these rates being usually payable in respect of hours longer than those to which the minimum rate for ordinary workers applies. In Table 1 figures are given showing, for each of the 49 areas, the minimum rates of wages for ordinary adult male workers at 31st March, 1936 (just before the extension of unemployment insurance to agriculture) and 30th November, 1938, as fixed by the Agricultural Wages Board. The figures are inclusive of the value of certain "perquisites," and employers are authorised to make deductions, at stipulated rates, in respect of board and lodging or other specific allowances.

The lowest minimum rates fixed are those for Merioneth and Montgomery-shire, viz., 28s. 6d. in March, 1936, and 31s. 6d. in November, 1938. The highest minima are in Northern Lancashire (36s. 6d. in March, 1936, and 39s. 6d. in November, 1938). For England and Wales as a whole the average minimum has risen in the same period from 31s. 11 1/2d. to 34s. 7d., or by 2s. 7 1/2d. per week.

As regards Scotland, legal minimum rates of wages were fixed in 1938 for the first time under the Agricultural Wages (Regulation) (Scotland) Act, 1937, and these rates became operative in the different districts at various dates between July and September. Some particulars are available, however, of the wages paid in previous years, and in Tables 2 and 3 figures are given showing for each of the 11 areas into which Scotland is divided for the purposes of the Act (a) the average weekly wages (including the value of allowances) for each of five classes of workers at Whit-Sunday, 1935, and Whit-Sunday, 1938, as ascertained by the Department of Agriculture for Scotland, and (b) the minimum rates of wages in operation at November, 1938, as fixed by the Scottish Agricultural Wages Board. These figures show that the increases in Scotland in the past three years have been rather greater than the increases in England and Wales, and the current wages in Scotland compare favourably with those in England and Wales.

All the figures for England and Wales and the current figures for Scotland are, of course, minima, and it is possible that the actual rates of remuneration may be appreciably different, particularly in the case of horsemen and stockmen, whose hours usually exceed the normal week. Very little information is available as to the actual wages being paid, but the following extract from the Ministry of Agriculture's "Agricultural Statistics" for 1936 gives some indication of the comparison between minimum rates and actual rates in England and Wales in that year.

"As regards the actual earnings of agricultural workers, although no precise statistics are available, some particulars in this respect are obtained by the Ministry's Inspectors in the course of their duties in the enforcement of the minimum rates. Such particulars are obtained, to a large extent, from workers on farms at which investigations have been made following complaints as to non-observance of the minimum rates and, therefore, since the number of investigations varies considerably,
in different parts of the country, the averages calculated on this data are submitted only as an illustration of the difference between actual wages and the minimum rates and must not be taken as an authoritative estimate of actual wage levels over the country as a whole.

The calculations in question show that, on the basis of the figures obtained, the average total earnings of ordinary male workers were 34s. 7d. per week, while for horsemen and stockmen the averages were 37s. 4d. and 39s. 8d. per week respectively. In view of the limitation of the information upon which these averages are based and for the reasons already mentioned, comparison of the estimates with those for previous years would be unreliable. It may be stated, however, that estimates for previous years would appear to indicate that there have been no very wide fluctuations in the average earnings. In the case of ordinary workers the estimates have ranged over the previous 9 years from a maximum of 33s. 11d. in 1931 to a minimum of 32s. 8d. in 1933, while the average earnings of horsemen have ranged from 37s. 5d. in 1929 and 1930 to 36s. 6d. in 1933 and of stockmen from 39s. 5d. in 1931 to 38s. 6d. in 1933."

On the basis of these figures for average total earnings in the three main classes, the weighted average in 1936 for all workers in England and Wales would probably be between 35s. 6d. and 36s. If total earnings have risen since 1936 in the same proportion as the average weekly minimum for ordinary workers the corresponding average total earnings in 1938 would be between 38s. 6d. and 39s., showing a rise of about 3s.

Information is not available as to the extent to which the average actual earnings in Scotland exceed the statutory minimum rates of wages shown in Table 3.

**Recent changes in Rates of Wages.**

As stated above, the average of the minimum rates of wages for ordinary agricultural labourers in England and Wales rose from 31s. 11½d. in 1936 to 34s. 7d. in 1938, or approximately 8 per cent. At the end of January, 1939, the average was 34s. 7½d. In Scotland, the average weekly rates of wages, inclusive of the estimated value of allowances in kind, as shown in Table 2, rose by amounts varying from 3s. 9d. to 8s., in different occupations, between Whitsun, 1935, and Whitsun, 1938. Comparable figures are not available for any later date, but there have probably been further increases in rates of wages in some cases as a result of the recent Orders fixing minimum rates of wages.

*Ministry of Labour.*
TABLE I.—Minimum Rates of Wages (including the value of allowances) at 31st March, 1936, and at 30th November, 1938, fixed by Orders of the Agricultural Wages Board for ordinary adult male workers employed in agriculture in England and Wales.

<table>
<thead>
<tr>
<th>Area</th>
<th>Minimum Rates of Wages at 31st March, 1936</th>
<th>Minimum Rates of Wages at 30th Nov., 1938</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Per week s. d.</td>
<td>Per week s. d.</td>
</tr>
<tr>
<td>England—</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beds. and Hunts.</td>
<td>31 6 34 0</td>
<td></td>
</tr>
<tr>
<td>Berkshire</td>
<td>31 6 34 6</td>
<td></td>
</tr>
<tr>
<td>Buckinghamshire</td>
<td>32 0 34 6</td>
<td></td>
</tr>
<tr>
<td>Cambs. and Isle of Ely</td>
<td>31 6 35 0</td>
<td></td>
</tr>
<tr>
<td>Cheshire</td>
<td>32 6 35 0</td>
<td></td>
</tr>
<tr>
<td>Cornwall</td>
<td>32 0 34 0</td>
<td></td>
</tr>
<tr>
<td>Cumberland and Westmorland</td>
<td>32 6 35 6</td>
<td>31 0 34 0</td>
</tr>
<tr>
<td>Derbyshire</td>
<td>8 38 0</td>
<td></td>
</tr>
<tr>
<td>Devonshire</td>
<td>32 6 35 6</td>
<td></td>
</tr>
<tr>
<td>Dorset</td>
<td>31 6 34 0</td>
<td></td>
</tr>
<tr>
<td>Durham</td>
<td>29 0 33 0</td>
<td></td>
</tr>
<tr>
<td>Essex</td>
<td>31 0 34 6</td>
<td></td>
</tr>
<tr>
<td>Gloucestershire</td>
<td>31 0 34 0</td>
<td></td>
</tr>
<tr>
<td>Hants and Isle of Wight</td>
<td>31 0 33 0</td>
<td></td>
</tr>
<tr>
<td>Herefordshire</td>
<td>31 0 34 0</td>
<td></td>
</tr>
<tr>
<td>Hertfordshire</td>
<td>32 0 35 0</td>
<td></td>
</tr>
<tr>
<td>Kent</td>
<td>33 0 34 0</td>
<td></td>
</tr>
<tr>
<td>Lancashire—</td>
<td>32 9 35 6</td>
<td></td>
</tr>
<tr>
<td>Southern Area</td>
<td>36 6 39 6</td>
<td></td>
</tr>
<tr>
<td>Rest of County</td>
<td>33 0 35 0</td>
<td></td>
</tr>
<tr>
<td>Lincolnshire—</td>
<td>34 0 37 6</td>
<td></td>
</tr>
<tr>
<td>Holland and Lindsey</td>
<td>32 0 34 6</td>
<td></td>
</tr>
<tr>
<td>Middlesex</td>
<td>35 5 38 6</td>
<td></td>
</tr>
<tr>
<td>Monmouthshire</td>
<td>32 0 35 0</td>
<td></td>
</tr>
<tr>
<td>Norfolk</td>
<td>31 6 34 6</td>
<td></td>
</tr>
</tbody>
</table>

Average of the weekly minimum wages (weighted in accordance with the number of adult ordinary male workers employed in each area) at—

31st March, 1936, 31s. 11d.
30th November, 1938, 34s. 7d.
Table 2.—The following are the average weekly wages (including the value of certain allowances in kind) of each class of workers specified, in each of the districts defined under the Agricultural Wages (Regulation) (Scotland) Act, 1937, as ascertained by the Department of Agriculture for Scotland at Whit-Sunday, 1935, and Whit-Sunday, 1938, with a weighted average in each case for Scotland as a whole.

### Whit-Sunday, 1935.

| District Number | Ploughmen. | | | | |
|----------------|------------|----------------|----------------|----------------|
| s. d. | s. d. | s. d. | s. d. | s. d. | s. d. |
| 1 | 29 0 | 28 0 | 29 6 | 31 6 | 26 3 |
| 2 | 30 6 | 26 3 | 32 0 | 31 9 | 25 0 |
| 3 | 29 9 | 28 6 | 31 3 | 31 9 | 28 9 |
| 4 | 34 0 | 26 6 | 34 0 | 36 9 | 33 0 |
| 5 | 34 6 | 27 6 | 36 0 | 36 9 | 29 0 |
| 6 | 33 3 | 32 0 | 37 0 | 37 0 | 32 3 |
| 7 | 33 9 | 27 6 | 34 9 | 40 3 | 32 0 |
| 8 | 36 6 | 26 9 | 36 3 | 41 3 | 35 0 |
| 9 | 37 3 | 27 3 | 43 6 | 38 9 | 33 6 |
| 10 | 37 9 | 29 3 | 42 3 | 37 9 | 34 9 |
| 11 | 38 3 | 29 9 | 35 6 | 33 6 | 31 3 |
| Weighted Average | 33 9 | 27 9 | 35 9 | 37 0 | 30 6 |

### Whit-Sunday, 1938.

| District Number | Ploughmen. | | | | |
|----------------|------------|----------------|----------------|----------------|
| s. d. | s. d. | s. d. | s. d. | s. d. | s. d. |
| 1 | 31 0 | 30 3 | 32 9 | 34 9 | 30 3 |
| 2 | 34 3 | 35 0 | 37 9 | 36 6 | 32 9 |
| 3 | 36 3 | 39 9 | 38 0 | 38 0 | 35 9 |
| 4 | 39 3 | 37 0 | 39 9 | 40 3 | 37 3 |
| 5 | 38 0 | 31 6 | 39 9 | 40 3 | 34 6 |
| 6 | 38 9 | 37 0 | 43 3 | 44 6 | 37 9 |
| 7 | 40 0 | 33 6 | 40 3 | 46 6 | 30 9 |
| 8 | 39 0 | 32 9 | 40 6 | 43 0 | 36 9 |
| 9 | 43 0 | 31 9 | 49 9 | 43 3 | 38 6 |
| 10 | 41 9 | 34 0 | 44 3 | 42 3 | 38 9 |
| 11 | 40 9 | 31 0 | 40 0 | 39 3 | 33 0 |
| Weighted Average | 38 6 | 35 9 | 39 6 | 41 6 | 36 6 |
Table 3.—The following are the minimum rates of wages (inclusive of the value of certain allowances in kind) fixed for adult male workers by Orders of the Scottish Agricultural Wages Board.

November, 1938.

<table>
<thead>
<tr>
<th>District No.</th>
<th>Ploughmen, Horsemen or Tractormen</th>
<th>Cattlemen</th>
<th>Shepherds</th>
<th>Ordinary Male Workers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>s. d.</td>
<td>s. d.</td>
<td>s. d.</td>
<td>s. d.</td>
</tr>
<tr>
<td>1</td>
<td>34 6°</td>
<td>34 6</td>
<td>36 0</td>
<td>32 0</td>
</tr>
<tr>
<td></td>
<td>37 0</td>
<td></td>
<td>37 0</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>35 6°†</td>
<td>36 6</td>
<td>36 6</td>
<td>32 0</td>
</tr>
<tr>
<td>3</td>
<td>35 6°‡</td>
<td>35 6</td>
<td>35 6</td>
<td>33 0</td>
</tr>
<tr>
<td>4</td>
<td>36 6†</td>
<td>38 6</td>
<td>37 6</td>
<td>33 6</td>
</tr>
<tr>
<td></td>
<td>40 0</td>
<td></td>
<td>38 6</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>34 0*</td>
<td>378. &amp; 418. 6d.</td>
<td>39 6</td>
<td>32 4</td>
</tr>
<tr>
<td></td>
<td>36 0*§</td>
<td>408. &amp; 448. $</td>
<td></td>
<td>34 0§</td>
</tr>
<tr>
<td>6</td>
<td>348. † &amp; 358. *†</td>
<td>40 0</td>
<td>44 0</td>
<td>32 0</td>
</tr>
<tr>
<td></td>
<td>378. †§ &amp; 388. *†§</td>
<td>43 0§</td>
<td></td>
<td>35 0§</td>
</tr>
<tr>
<td>7</td>
<td>338. od. †</td>
<td>35 6</td>
<td>358. 6d. &amp; 38s.</td>
<td>32 0</td>
</tr>
<tr>
<td></td>
<td>358. 6d. † &amp; 378. 6d. †§</td>
<td>37 6§</td>
<td>378. 6d. § &amp; 408.$</td>
<td>34 0§</td>
</tr>
<tr>
<td>8</td>
<td>37 0†</td>
<td>37 0</td>
<td>39 0</td>
<td>35 0</td>
</tr>
<tr>
<td></td>
<td>40 0†§</td>
<td>40 0§</td>
<td>42 6§</td>
<td>36 6§</td>
</tr>
<tr>
<td>9</td>
<td>338. *† &amp; 358. *†</td>
<td>338. &amp; 358.</td>
<td>37 0</td>
<td>318. &amp; 338.</td>
</tr>
<tr>
<td></td>
<td>368. *§ &amp; 388. *§§</td>
<td>368.$ &amp; 388.$</td>
<td>40 0§</td>
<td>338.$ &amp; 358.$</td>
</tr>
<tr>
<td>10</td>
<td>38 0*</td>
<td>37 0</td>
<td>37 0</td>
<td>36 0</td>
</tr>
<tr>
<td>11</td>
<td>36 0*†</td>
<td>36 0</td>
<td>35 0</td>
<td>33 0</td>
</tr>
<tr>
<td></td>
<td>to 39 0*†</td>
<td>to 39 0</td>
<td>to 40 0</td>
<td>to 35 0</td>
</tr>
</tbody>
</table>

* Ploughmen.
† Horsemen.
‡ Tractormen.
§ These rates are the minima for householders.
CABINET.

THE FORM OF EIRE PASSPORTS.

Memorandum by the Secretary of State for Dominion Affairs.

I think that my colleagues should be aware of a development which has recently taken place regarding the form of passports issued by the Government of Eire.

2. Hitherto these documents (which have not, I understand, been amended since 1936) have borne two indications of relationship to the British Commonwealth of Nations, namely:

(a) On the inside of the front cover a "request" page in the following terms:

"We, the Minister for External Affairs of the Irish Free State, request and require, in the name of His Majesty George V King of Great Britain, Ireland and the British Dominions beyond the Seas, Emperor of India, all those whom it may concern to allow the bearer to pass freely without let or hindrance, and to afford . . . . every assistance and protection of which . . . . may stand in need."

This is followed by a facsimile signature of the Secretary of the Department of External Affairs in Dublin.

(b) On the front page, underneath the words "Irish Free State" (in Irish, English and French) appear the words "British Commonwealth of Nations."

3. For some time it has been known that Mr. de Valera has not felt satisfied with the existing form of passport. In September 1937 he mentioned the matter to Mr. MacDonald in the course of a general conversation at Geneva on Anglo-Irish relations. Mr. de Valera then stated that the mention of the King in the passport was a matter to which attention was frequently called in the Irish Free State, and that he might have to consider raising the question of an alteration, though he had not yet reached a decision on the point. Mr. MacDonald suggested that as passports are connected with External Relations it was proper, in accordance with the Irish Free State External Relations Act of 1936, that the King's name should be used, and urged that no change should be made, at any rate without prior consultation with the United Kingdom Government (C.P. 228 (37), pp. 2-3).

4. It will be recalled that the Irish Free State External Relations Act of 1936 provided in effect that the King should continue to perform for the Irish Free State those functions in relation to External Affairs which are performed by His Majesty for other members of the British Commonwealth of Nations. An attempt was made to persuade Mr. de Valera to incorporate this Act into the new Constitution of Eire, or, at any rate, to give it equal status as regards the requirement of a special procedure for amendment or repeal. Mr. de Valera, however, felt unable to do this. Nevertheless, the conclusion was reached by the United Kingdom Government that, having regard in particular to the existence [15736].
of this Act, it would be proper, notwithstanding that the effect of the new
Constitution was to eliminate all references to the King from the internal con­
stitution of the Irish Free State, to treat the new Constitution as not effecting
a fundamental alteration in the position of the Irish Free State as a member
of the British Commonwealth of Nations. A copy of the statement issued on
behalf of the United Kingdom Government at the time of the coming into
operation of the new Constitution is annexed (Appendix I).

5. Recently, in the course of a conversation in Dublin with the Duke of
Devonshire, Mr. de Valera raised again the passport question. He said that the
position of Eire with regard to External Relations was not unsatisfactory to him
and was seldom obtruded on the notice of those people to whom it was
objectionable. They did not know, for instance, that when he appointed a rep­
resentative abroad he did so in the name of the King. But every time one of them
went abroad they could not fail to notice that the "request" page of the passaport
was made out in the name of the King, who was, moreover, specifically mentioned
as King of Ireland. Mr. de Valera said that he did not want to do anything to
upset us, but he would very much like, as a compromise between having the
"request" page in the name of the King and in his own name, to leave it out
altogether. He pointed out that the United States passport contained no
"request" page, and he would very much like to omit this page from the Eire
passport. The Duke of Devonshire said that this seemed to him to be a matter
of considerable constitutional importance on which he could not possibly give an
answer, and that he hoped that Mr. de Valera would not send a despatch on the
subject, but would take some opportunity of discussing the question verbally.

6. About a week or two later the High Commissioner for Eire called to see
me and left with me a letter, of which I attach a copy as Appendix II, intimating
the intention of the Government of Eire to alter the form of passport, not, as had
been suggested by Mr. de Valera to the Duke of Devonshire, by the omission of
the "request" page, but by the substitution of a formula omitting the King's
name. Further alterations to be made in the existing form of passport would
include the omission on the first page of the reference to "British Commonwealth
of Nations" and the substitution of "Ireland" (not Eire—though presumably
Eire and Irlande would appear also as the Irish and French versions) for Irish
Free State. Mr. Dulanty explained, in handing me the letter, that this was to
be regarded as a definite decision, and that it was politically impossible for
Mr. de Valera to avoid making the change. I attach as Appendix III a note of
my talk with Mr. Dulanty.

7. I am afraid that, in the circumstances, there is no real hope of inducing
Mr. de Valera to change his attitude on this question, and the point on which I
should like to have my colleagues' views is whether any written reply should be
sent to Mr. Dulanty's letter. It is clear, of course (as I told Mr. Dulanty), that
the retention of forms is not a matter of major importance; the essential feature
of the relation between members of the British Commonwealth of Nations is their
free association as members of the Commonwealth, and their co-operation with
each other, as members, in matters of common concern. A common allegiance to
the Crown is, moreover, in our view, the very substance of their union, however
much this has been strained by recent developments of the Constitution of Eire.
But Mr. de Valera's action is, without doubt, a further definite step in the
direction of eliminating the visible signs of the connection between Eire and the
King, and I am very doubtful whether it is right to allow this step to be taken
without some written comment. I should propose, therefore, if my colleagues
agree, to hand to Mr. Dulanty a brief written reply to the effect that His
Majesty's Government in the United Kingdom greatly regret the proposed
elimination of the King's name from Eire passports; that, in their view, this
omission, when it comes to be known, is bound to create a bad impression in the
United Kingdom, and to widen the separation which Mr. de Valera deplores
between Eire and Northern Ireland. To say more than this might raise questions
which it was the object of the statement of the 30th December, 1937, to avoid.

Dominions Office, March 1, 1939.

T. W. H. I.
APPENDIX I.

Statement issued on behalf of His Majesty's Government in the United Kingdom, published on December 30, 1937.

His Majesty's Government in the United Kingdom have considered the position created by the new Constitution which was approved by the Parliament of the Irish Free State in June 1937, and came into force on the 29th December. They are prepared to treat the new Constitution as not effecting a fundamental alteration in the position of the Irish Free State, in future to be described under the new Constitution as “Eire” or “Ireland,” as a member of the British Commonwealth of Nations.

His Majesty's Government in the United Kingdom have ascertained that His Majesty’s Governments in Canada, the Commonwealth of Australia, New Zealand and the Union of South Africa are also prepared so to treat the new Constitution.

His Majesty's Government in the United Kingdom take note of Articles 2, 3 and 4 of the new Constitution. They cannot recognise that the adoption of the name Eire or Ireland, or any other provisions of those Articles, involves any right to territory or jurisdiction over territory forming part of the United Kingdom of Great Britain and Northern Ireland, or affects in any way the position of Northern Ireland as an integral part of the United Kingdom of Great Britain and Northern Ireland. They therefore regard the use of the name Eire or Ireland in this connexion as relating only to that area which has hitherto been known as the Irish Free State.

APPENDIX II.

Letter from the High Commissioner for Eire to the Secretary of State for Dominion Affairs dated February 16, 1939.

Dear Secretary of State,

My Government wish me to inform you, as a matter of courtesy, that the Minister for External Affairs wishes to let you know that he is considering a change in the existing form of the Irish passport. The Request Page would read as follows:

“ ‘I, the undersigned, Minister for External Affairs of Ireland, hereby request all whom it may concern to permit safely and freely to pass, and in case of need to give all lawful aid and protection to a citizen of Ireland.

‘Given under my Hand and Seal at Dublin.’”

The first page of the passport would carry simply the description of the bearer with the heading “Passport,” and underneath “Ireland.”

The model being followed generally is the United States passport.

The association of the States of the Commonwealth is bound as time goes on to depend less and less on the use of forms and symbols and more and more on the real advantages, social and economic, which the individual States may derive from it. These forms and symbols have very little binding force in themselves. They may even have the opposite effect, and in the case of Ireland they do definitely create antagonisms and discontent which tend to make isolation from the Commonwealth group a desirable aim of all Nationalists. Ireland is the only member of the association in which the form of the Request Page of the passport is opposed to the will of the majority of the people, and the people do not understand why they should have to accept such a humiliating position. It is not necessary to recall that the King in Ireland is ineradicably associated in the minds of our generation with domination and ascendancy. The proclamations and the laws
(down to the year 1921) intended to suppress the aspirations of the Irish people were issued in his name, and the continued use of it in the passport can have no other result than to perpetuate bitter memories between the two countries. The Irish Government, in proposing to eliminate it from the Request Page of the passport, feel sure they are taking a step which is not only in accordance with the will of the Irish people, but which will also remove another obstacle in the way of friendly relations with England.

Yours sincerely,

(Signed) J. W. DULANTY.

The Right Hon.
Sir Thomas Inskip, K.C.

APPENDIX III.

Note of Conversation between the Secretary of State for Dominion Affairs and the High Commissioner for Eire on the 16th February, 1939.

Mr. DULANTY called to-day in order to make two communications to me.

The second communication which Mr. Dulanty wished to make to me was that an alteration would be made in the existing form of the Irish passport with a view to eliminating any reference to The King. I gathered from Mr. Dulanty that a decision to make this change had been arrived at and that the new passport would be in use at the next holiday season. The letter which Mr. Dulanty handed to me, however, merely says that the Minister for External Affairs wishes to let me know that he is considering the change. Mr. Dulanty repeated the arguments he had used in connection with the bomb outrages as to the political difficulties which Mr. de Valera would have to meet unless he made the alteration. He recently had been asked in the Dail two questions by two Members as to the removal of The King's name from the passport, and it was impossible for him to avoid the change. Upon reading the letter handed to me by Mr. Dulanty I observed a reference in the last sentence to the removal of 'another obstacle in the way of friendly relations with England.' I told Mr. Dulanty that I hoped Mr. de Valera would be under no misapprehension on this point. As soon as it became known, as was certain sooner or later, the elimination of The King's name would be seized upon at once in Northern Ireland as another reason for refusing any closer relations with Eire. So far as the suggestion contained in the letter went that the proposed change was merely the removal of a form or symbol, whereas what was important was the advantages which individual States may derive from their association with each other, I made the observation that what was significant was that the form was being abolished because there was no desire to preserve the substance of the association. Speaking for myself, I did not regard forms and symbols as being of primary importance, and the more substance there was in our association, perhaps it might be said that the less importance ought to be attached to forms. Mr. Dulanty did not dispute this. His only plea was that Mr. de Valera was forced by his political position to take this action. I told Mr. Dulanty that, while I personally did not feel any resentment, I felt the greatest possible regret, because I thought this was a change that presaged the abolition of any mention of The King even in connection with external affairs. I hoped I was wrong, but apparently if Mr. de Valera was pressed upon that point he would feel the pressure of political influences to be too strong for him.

T. W. H. I.

February 16, 1939.
CABINET.

COTTON INDUSTRY (RE-ORGANISATION) BILL.

Memorandum by the President of the Board of Trade.

In December last I was authorised by my colleagues (see Cabinet 60(39), conclusion 14) to publish a White Paper containing the clauses of a draft Bill, based substantially upon the proposals of the Joint Committee of Cotton Trade Organisations, for the re-organisation of the cotton industry, together with a short explanatory memorandum. The paper (Cmd. 5935) was issued on 6th February, and copies were sent to all producing firms in the industry, together with a ballot paper on which they were asked to record their votes either for or against the introduction in Parliament of a Bill embodying the provisions of the draft. In addition, the three Chambers of Commerce chiefly interested, namely, Manchester, London and Glasgow, were asked to ascertain the views of their members so far as these were affected, and the three Trade Unions concerned were invited to express the views of their organisations.

The result of the ballot of producers is as follows:-

The number of effective ballot papers received was 1,997. The firms who voted represented over three-quarters of the estimated number of firms in the industry as defined by the Bill; on the basis of employment the proportion exceeded five-sixths.

The proportion of votes in favour of the Bill in each section of the industry was as follows:-
For the industry as a whole the proportion of votes in favour of the Bill was 65 per cent. measured by number of firms, 72 per cent. measured by employment and 70 per cent. measured by output.

As was to be expected, the views of merchants are distinctly less favourable. The Manchester Chamber took a postal ballot of their members on the basis of the White Paper. While the ballot was open to all members of the Chamber, the votes cast were classified as between members interested in the proposals and those whose interests lay outside. The result showed a majority of some 5 to 1 against the Bill among merchants dealing in the home market, and of some 4 1/2 to 1 against the Bill among the export merchants. On the other hand, of the members engaged in the producing sections of the industry, 436 voted for the Bill and 167 against it.

The Cotton Exporters' Section of the London Chamber of Commerce passed a resolution against the Bill on the ground that it provides insufficient representation for export merchants and inadequate safeguards to maintain a just balance between the interests of merchants and producers.

The Glasgow Chamber recorded a vote of 8 to 5 in favour of the Bill.

The three Trade Unions expressed themselves in favour of the Bill.
I do not think there is anything very surprising in these results, though the support forthcoming from the producing sections of the industry is more substantial than at one time appeared likely. It is, I think, clearly sufficient to warrant the introduction of a Bill, in spite of the opposition of the merchanting interests. I therefore ask for authority to announce that the Government have decided to introduce the Bill forthwith. At the same time, I should propose to invite the merchanting interests to consider what further safeguards they regard as essential to protect them and to formulate proposals accordingly that can be considered at the proper time during the progress of the Bill. As regards the Bill, I should propose, with my colleagues' permission, to circulate it to the Home Affairs Committee for consideration at their next meeting and to introduce it immediately it has received their approval.

O.F.G.S.

Board of Trade,
3rd March, 1939.
Cabinet

Air Raid Precautions Bill.

Financial Provisions.

Memorandum by the Lord Privy Seal.

1. The draft of this Bill, which has been discussed with the Civil Defence (Policy) Sub-Committee of the Committee of Imperial Defence, will in due course come before the Cabinet through the Home Affairs Committee, but I think it desirable to submit separately to the Cabinet certain major matters of principle affecting the financial implications of the Bill, which imposes new obligations on industrial and commercial establishments that will cost money, and interferes with private rights in buildings and houses.

The Bill represents measures which are all necessary and urgently necessary for the proper development of Civil Defence.

2. Industrial Establishments.

It is now generally accepted that there is a moral obligation on employers to protect their workpeople. Indeed this is the most important aspect of the shelter problem, for it covers the protection of vital workers at their work.

The Bill requires industrial establishments in which more than fifty persons are employed

(1) to organise air raid precautions and to provide training and protective equipment for some of their workpeople, and
(2) to provide protective shelter for their workpeople.

The first requirement is not expensive and by the Chancellor's statement of the 18th March, 1938, of which a copy is attached, the expenditure on it would be deductible as a trading expense for purposes of income tax and national defence contribution.

The second obligation will be defined by a code of structural protection which gives a varied choice of types of protection suitable for various types of industrial establishments. Expenditure on this item would only be allowable in rare cases, e.g. where the protection took the form of movable steel shelters.

On the best information available the cost per head for protection which the code will lay down should not exceed £4 for units of fifty, though this figure might be exceeded in the case of certain vital establishments.

3. Commercial Establishments.

The owners of commercial buildings i.e. shops and offices, in which more than fifty persons are employed, will have a similar obligation, both with regard to training and provision of shelter.

In the case of commercial establishments occupying what can best be described as office accommodation, there is power in the Bill for the owner to charge to the tenants, by alteration in the rent, the cost of protection, and the tenants can in turn charge the increased rent as a trading expense and will therefore in effect receive a financial contribution to the cost.

4. Restriction to Vulnerable Areas.

The Minister will have power under the Bill to exempt from the statutory obligations any premises or buildings in any area. It is important in my opinion to do everything possible
to concentrate upon protective measures and the organisation of air raid precautions in the more vulnerable areas.

5. **Attitude of the Industrial Panel.**

The Industrial Panel, recognising that the major items in this obligation extend to physical protection for workpeople involving structural operations which, being on capital account, would not be allowable as a trading expense, pressed very strongly that the whole of the A.R.P. expenditure incurred by industrial and commercial undertakings should be chargeable to the year in which it is incurred, and that, in order to purchase acceleration, this concession should be limited to work effectively begun or completed during the year 1959/40.

This method would make the relief dependent upon the earning of profits and would, I am certain, be attacked, for example, by industries such as the cotton textile trade and others, and for this and other reasons I cannot support it. I am convinced, however, that some relief towards the burden of this expenditure is necessary. The success of the Bill depends upon the speed with which these protective measures are undertaken, and this in turn depends upon the goodwill of employers and their organisations.

I am satisfied therefore that financial assistance on the scale recommended by the Panel, of an amount at least equivalent to income tax remission, should be provided, and that it should extend to commercial as well as industrial undertakings, except to the extent to which there is already provision in the Bill for passing on costs to the tenants of offices. It would automatically extend also to the cost of the "Good Employers' Code" in public utility undertakings, to the extent that this expenditure is not already covered by the Chancellor's Statement.
I do not regard it as practicable to confine the financial assistance to those undertakings upon whom the statutory obligation rests. I do not think the obligation itself need be extended to units of a smaller size than I have described; but I think that, where other commercial and industrial establishments take measures for the protection of their workpeople which are on capital account, similar financial assistance must be given to them. I should however hope that, just as the statutory obligation would not generally be put upon industrial and commercial establishments in non-vulnerable areas, similarly the subsidy would not be payable to such undertakings. We do not wish to encourage extravagance in protective measures in areas not exposed to risk of attack.

I should also hope to be able to put a financial limit upon the expenditure per head of persons employed against which a subsidy might be paid though I am bound to say that there may be cases, notably of undertakings carrying on work of vital importance in exceptionally vulnerable areas, where it would be very difficult from the standpoint of equity to justify the application of a uniform overriding limit.

If the Cabinet accept the principles outlined in this memorandum, detailed plans can be elaborated in consultation with the Treasury and Inland Revenue Department, with whom the matter has already been discussed.

I must at this point make it clear that a subsidy extending so widely could not be administered unless the Inland Revenue Department were prepared to collaborate to an extent beyond their normal duties.
The Cabinet will understand that it is very difficult to make any precise estimate of the cost that these provisions will involve for the Exchequer. There are rather more than twelve million persons employed in industry and commerce under the Unemployment Insurance Scheme. If all of them were covered by protective measures at £4 per head the total cost to employers would be in the neighbourhood of fifty millions, of which rather more than a quarter would fall to be borne by the Exchequer. In practice, of course, these figures will be much reduced, not only by many small employers who will not think it worth while to take these measures, but also by the elimination of establishments in non-vulnerable areas, and by the fact that many big industries such as coal mining and agriculture will not need to make such expensive arrangements. I should conjecture therefore that the liability upon the Exchequer would be of the order of seven to eight million pounds.

6. Obscuration of Lighting.

At the end of 1937 the Home Office were instructed by the Committee of Imperial Defence to aim at a policy of the severest restriction possible of lighting. The draft Defence Regulation on this point is cast on the lines that no light must be visible outside a building. The Air Ministry attach great importance to securing as nearly as possible a complete black-out between dusk and dawn.

In ordinary establishments obscuration of lighting can be achieved by providing darkening materials which would enable daytime work to be conducted by ordinary lighting, or by covering the windows and glass roofs with paint or Latex or brown paper which would involve the use of artificial lighting, or by shielding the lights.
Expenditure on these matters would be covered by the Chancellor's statement attached.

If a policy of obscuring lighting is to be effective immediately on the outbreak of war without interruption of production, it is necessary that preparations should be made in peace-time, and I propose therefore to take power in the Bill to require establishments to make these preparations in advance.

There is one problem in the obscuration of industrial lighting which is of different dimensions—the obscuration of glare from blast furnaces and other continuous processes. This involves in many cases elaborate and expensive structural work and other forms of capital expenditure. The iron and steel industry have estimated that the cost, for their industry, of compliance with the present requirements would be from four to seven million pounds, and the Imperial Chemical Industries estimate that the cost to them would be about £500,000.

These special measures for a limited number of industries seem to be outside the normal "Good Employers' Code" and to be analogous rather to the special measures which we are asking public utility undertakings to put in hand. I think, therefore, that there should be financial assistance to those industries, and I propose that the assistance should be provided under the Bill, subject to conditions to be agreed between the Department and the Treasury in respect of each industry, and with a maximum of 50% of the agreed cost.

On the present standards of our requirements, the cost to the Treasury should not exceed £3,000,000, but on closer examination with the Air Ministry and the industries chiefly
concerned we may find it practicable to reduce that standard and accordingly to reduce the cost.

It is very desirable that I should be authorised to make, at a very early date and in advance of the publication of the Bill, a comprehensive statement in the House of Commons regarding the nature of the obligations to be imposed on industrial and commercial undertakings and the fact that financial assistance will be forthcoming from the Exchequer. This is necessary because I understand that some employers are holding back until the extent of their liabilities is known. This statement would cover not only the obligations described above, but also the arrangements made some time ago with firms working on Government contract on a costed basis for the Service Departments by which the cost of air raid precautions measures taken by them is carried into the price of their contracts over a two-year period. In the case of firms which are engaged partly on Government contract and partly on private work, these arrangements will have to be dovetailed into the scheme for relief outlined in this memorandum.

7. Compensation.

The Bill gives power to a local authority to "designate" a building or part of a building or house as a public air-raid shelter or for other A.R.P. purposes, and to enter upon the designated premises in order to carry out works which would make the premises more suitable for those purposes.

Appeal against designation can be allowed on the ground that the premises are required as a private shelter or that they are required for purposes of public importance. The
Bill contains an additional safeguard for premises of public
utilities and other vital establishments. But no appeal
is allowed in any case on grounds of personal inconvenience
or temporary loss of trade.

Local authorities have pressed very strongly for these
powers as a result of their difficulties, during and since
the crisis, in obtaining access to buildings. Without
these powers the preparation of public air-raid shelters would
be gravely impeded. I recognise that these are drastic
powers for peace-time, but I am satisfied that it is essential
that these powers should be available if due progress is to be
achieved with those preparations which must be made in advance
of an emergency.

As the Bill stands, the occupier of the premises receives
compensation for interference with his use of the premises,
but only on the basis of a fair rent for the premises over
the period during which the works are carried out; he does
not receive compensation for disturbance or loss.

A further clause provides that on the making of an
order by the Minister on the imminence of an emergency, the
local authority may take possession of designated premises,
and the Office of Works may take possession of any premises
needed for use by the Government Departments in view of the
possibility of air attack.

In the case of requisitioning the Bill lays down
that compensation will be payable on the basis of the rent
which the hypothetical tenant would pay for the premises in
the condition in which they were at the time of requisitioning.

I have no doubt as I have already said that these powers
of designation and of requisitioning are necessary and that if
I am to be satisfied that a transition from peace-time to war-
time conditions in Civil Defence can be effected smoothly and
in time, the powers should be taken now. But I think that the proposed terms of compensation raise difficulties, and I should propose therefore that compensation for interference with the use of a building in peace-time while a local authority is carrying out works in it should be extended to include compensation for disturbance and for any properly authenticated loss. The compensation payable would be a grant-aided liability of the local authority, and in practice I believe that the cost would be much less than the principle might indicate. Unless we can provide for compensation on these lines I think the chances of Parliament accepting the clause would be very slender indeed.

As regards compensation for requisition in the event of an emergency, I think we must abandon any attempt to settle the basis of compensation now, and say merely that the compensation for requisitioning in time of emergency would be in accordance with terms to be determined by Parliament at the time. We are not announcing now the basis of compensation in war-time for loss of life or for damage to property by enemy action; we are asking Parliament and the public to accept the view that those terms would be fixed as fairly to private interests and the national interest as the situation at the time might permit. I see no reason why a similar policy should not be adopted in respect of compensation for the requisitioning of buildings for national purposes.

8. Local Authorities.

The Bill gives local authorities some powers for which they have asked and gives them some more work, mainly administrative. It puts one new specific duty upon them, to do the work upon the struttoed private casements, using the material which they will be given free. The cost of the work will be
grant-aided, and in a number of areas the Government will soon be paying 85\% of the cost of air raid precautions.

The authorities may take this new obligation as an excuse for raising the general question of finance for air raid precautions. Although it was understood, and the Act indicates this, that a review of the financial basis would be undertaken towards the end of a three-year period, the cost of air raid precautions to the local authorities is proving much heavier than had been indicated to them when the Act was under discussion, and they may plead that a new situation has arisen.

I would resist any such claims, but I thought my colleagues should know that I expect the local authorities may make the new Bill the occasion for raising this matter inside and outside Parliament.

J.A.

3rd March, 1939.
The question of the extent to which expenditure on air-raid precautions may be admissible as a deduction in computing trading profits for Income Tax purposes is primarily one for the respective bodies of Income Tax Commissioners, to be determined in accordance with the provisions of the Income Tax Acts. So far as the Board of Inland Revenue are concerned, the treatment which, in their view, would be appropriate to the various classes of expenditure which a trader might incur is indicated below. It will be appreciated that it is not possible on such a subject-matter to give more than general outlines: the particular application will depend upon the particular facts of different cases.

1. Expenditure on such items as the following would be deductible:
   
   (a) civilian duty and service respirators;
   
   (b) protective clothing for staff engaged on air-raid precautionary duties;
   
   (c) the training of employees in such duties;
   
   (d) covering of glass with wire netting;
   
   (e) dark blinds, screens and paint to render windows opaque;
   
   (f) equipment and stores for first aid parties;
   
   (g) equipment of decontamination squads.

2. A wear and tear allowance would be due in respect of equipment in the nature of plant and machinery, such as fire appliances and air filtration plant.
3. No deduction would be allowable in respect of expenditure of a capital nature, for example, expenditure which results in the physical alteration of, or in the incorporation of additions to, the structure of the trading premises. The Board, however, would not be disposed to regard as within this category expenditure on items such as steel shutters for protection of windows or timber frames and screens to provide air locks at doors or windows, which are not part of the permanent structure but represent fixtures or fittings required and used only for the emergency, and they would not object if the Commissioners allowed deduction of such expenditure.
THE CABINET

THE ARMY AND AIR FORCE (ANNUAL) BILL

MEMORANDUM BY THE SECRETARY OF STATE FOR WAR

1. I circulate herewith the Army and Air Force (Annual) Bill, with a prefatory memorandum explaining the amendments of the Army Act and the General Air Force Act.

2. I think that I need draw special attention only to Clauses 4 and 5 of the Bill, which relate to billeting, and to Clause 11, which relates to certain flying offences.

(a) Clause 4 (which is applicable also to the Air Force Act) is a natural outcome of the process of mechanization. It will permit the billeting of vehicles in use for the purposes of the military or air forces in buildings or on open land in time of emergency (but not in peace). As is the case in the billeting in an emergency of officers, men and horses, the prices to be paid for the billeting of vehicles are to be fixed by regulations made by the Army Council (or the Air Council), with the consent of the Treasury, subject to annulment by Parliament. No payment for billeting will be made when vehicles are billeted in the open on land not made up for the passage or parking of vehicles, or on land so made up where vehicles are normally allowed to stand free of charge. In all cases, however, compensation will be payable when buildings or land are damaged as a result of billeting.

(b) Clause 5 amends the Second Schedule of the Army Act and Air Force Act in regard to the meals to be supplied to soldiers and airmen when billeted. The amendments are designed to bring these meals more into line with the meals now supplied to soldiers and airmen in barracks, and, in particular, to supply them with a fourth meal—in this case, tea.

The prices to be paid for the four meals, as laid down in the Schedule to the Bill, total 2s. 3d. as compared with 1s. 9d. now payable for three meals. The difference covers the retail cost of the extra food.

(c) Clause 11 (which relates primarily to certain offences in connection with the flying of aircraft) comprises amendments of Sections 9 and 39A of the Air Force Act. Section 39A of the Air Force Act has no counterpart in the Army Act, and corresponding amendment of the Army Act is not needed.

3. As my colleagues are aware, the Bill must receive the Royal Assent by 30th April, and, in view of the incidence of Easter, I desire to circulate the Bill immediately after its First Reading which follows automatically on the Report stage of Vote A of the Service Departments' Estimates.

L. H. B.

THE WAR OFFICE,

9th March, 1939
NOTES ON CLAUSES.

Clause 4.

This clause enables vehicles to be billeted in times of emergency in the same way as horses, but has no application to ordinary times when no emergency exists.

All that can be required under the clause is standing room for the vehicles, and payment is to be made in the case of buildings and artificially made-up parking places on a scale prescribed by regulations. Subsection (2) of the clause applies to these regulations the provisions of section 108A requiring them to be laid before Parliament and enabling Parliament to present addresses with a view to their annulment.

Subsection (3) of the clause requires compensation to be paid in all cases of damage occasioned by billeting under s. 108A whether done by officers and men, horses or vehicles. The existing section is limited to damage done by officers and men to the premises in which they are billeted and omits damage, e.g., to a stable in which horses are billeted, the men being billeted elsewhere.

Clause 5.

This substitutes new provisions as to the meals which have to be furnished for billeted soldiers, in place of the existing provisions which are expressed in archaic language, do not take account of the fact that a soldier is now allowed tea and supper as separate meals, and are otherwise not in accord with present-day ideas as to diet. The Schedule to the Bill has been drafted so as to accord with this clause, and the amounts to be paid under it are calculated on the assumption that it will become law.

It should be observed that (1) the obligation of the person on whom soldiers are billeted is to provide the specified meals or meals substantially equivalent to them, (2) under s. 108A (3) (c) of the Army Act the standard of the meals to be provided can be lowered during an emergency and the prices paid varied by regulations.
Clause 6.
This clause makes a formal amendment consequential on the Eire agreement of last year.

Clause 7.
This applies clauses 4 to 6 to the Air Force Act.

Clause 8.
One of the punishments which can be awarded in the case of an officer whose promotion depends on the length of his service is forfeiture of the whole or any part of his service for purposes of promotion. In the case of an officer who is dealt with summarily under section forty-seven of the Army Act and in the case of an officer of the Indian Army who is tried by court-martial, this punishment can be combined with a severe reprimand or reprimand; but this is not so under the Army Act as it stands in the case of an officer tried by court-martial who does not belong to the Indian Army. This clause removes this anomaly by extending the powers possessed in this respect by courts-martial in the case of officers of the Indian Army to all officers. Most officers of the British Army are now on a time promotion basis up to the rank of major. Subsection (2) of the clause is consequential.

Clause 9.
Under section ninety of the Army Act, a soldier who is sent home to the United Kingdom after the time has arrived for his discharge or transfer to the reserve has normally to be discharged or transferred with all convenient speed after his arrival, but may, with his consent, be retained with the colours for a period not more than three months. The purpose of the retention is to enable a soldier to re-establish himself in civil life, before ceasing to draw army pay. This clause extends that period up to a maximum of six months, so as to give time, in proper cases, for a full course of vocational training on army pay prior to discharge or transfer to the reserve. In all cases, the consent of the soldier is necessary.
The separation of India and Burma on 1st April, 1937, necessitates the formation of an Army in Burma Reserve of Officers to fill, in Burma, a corresponding rôle in relation to the Army in Burma to that which the Army in India Reserve of Officers fills in India in relation to the Army in India. The amendment contained in this clause will render the officers of the new Reserve, when it is formed, subject to military law in like manner as officers of the Army in India Reserve of Officers.

This clause makes express provision for the trial by court-martial of certain offences which have hitherto been usually dealt with as "conduct to the prejudice of good order and air force discipline" under the general provisions of section forty of the Air Force Act. The offences dealt with are all of them offences in connection with the flying of aircraft, except the first one which covers the case of, e.g., the mechanic who signs a certificate that the petrol tank of an aircraft is full when he has not verified that it is so.

Subsection (2) makes it clear that, where an officer or airman has been nominated to be the captain of an aircraft on a particular flight, all present in the aircraft must obey his orders, even though they are of superior rank.

The definition of "officer" in section one hundred and ninety of the Air Force Act at the moment includes officers of the Indian air force when they are serving with the Royal Air Force. The present clause extends the definition to cover an officer of the Burma air force in similar circumstances, if and when such an air force is created.
Army and Air Force (Annual) Bill.

ARRANGEMENT OF CLAUSES.

Clause.
1. Short title.
2. Army Act and Air Force Act to be in force for specified times.
3. Prices in respect of billeting.

AMENDMENTS OF THE ARMY AND AIR FORCE ACTS.

PART I.
AMENDMENTS OF THE ARMY ACT APPLICABLE ALSO (SUBJECT TO MODIFICATIONS) TO THE AIR FORCE ACT.

5. Amendment of Schedule II of Army Act.
6. Amendment of s. 190 of Army Act.

PART II.
AMENDMENTS OF THE ARMY ACT.

8. Courts-martial to have power to combine sentence of severe reprimand or reprimand with sentence of forfeiture of service for purposes of promotion.
9. Amendment of s. 90 of Army Act.
10. Amendment of s. 175 of Army Act.

PART III.
AMENDMENTS OF THE AIR FORCE ACT.

11. Amendments as to offences.

SCHEDULE.—Prices in respect of Billeting.
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WHEREAS the raising or keeping of a standing army within the United Kingdom in time of peace, unless it be with the consent of Parliament, is against law:

And whereas it is adjudged necessary by His Majesty and this present Parliament that a body of land forces should be continued for the safety of the United Kingdom and the defence of the possessions of His Majesty's Crown, and that the whole number of such forces should consist of one hundred and eighty-five thousand seven hundred, exclusive of the numbers actually serving in India or Burma:

And whereas under the Air Force (Constitution) Act, 7 & 8 Geo. 5. 1917, His Majesty is entitled to raise and maintain the air force, and it is judged necessary that the whole number of such force should consist of one hundred and eighteen thousand, exclusive of the numbers serving as aforesaid:

And whereas it is also judged necessary for the safety of the United Kingdom and the defence of the possessions of this realm that a body of Royal Marine forces should be employed in His Majesty's fleet and naval service under the direction of the Lord High Admiral of the United Kingdom, or the Commissioners for executing the office of Lord High Admiral aforesaid:

And whereas the said marine forces may frequently be quartered or be on shore, or be sent to do duty or be
A.D. 1939.

on board transport ships or vessels, merchant ships or vessels, or other ships or vessels, or they may be under other circumstances in which they will not be subject to the laws relating to the government of His Majesty's forces by sea:

And whereas no man can be forejudged of life or limb, or subjected in time of peace to any kind of punishment within this realm, by martial law, or in any other manner than by the judgment of his peers and according to the known and established laws of this realm; yet, nevertheless, it being requisite, for the retaining all the before-mentioned forces, and other persons subject to military law or to the Air Force Act, in their duty, that an exact discipline be observed and that persons belonging to the said forces who mutiny, or stir up sedition, or desert His Majesty's service, or are guilty of crimes and offences to the prejudice of good order and military or air force discipline, be brought to a more exemplary and speedy punishment than the usual forms of the law will allow:

And whereas the Army Act and the Air Force Act will expire in the year one thousand nine hundred and thirty-nine on the following days:

(a) In Great Britain and Northern Ireland, the Channel Islands, and the Isle of Man, on the thirtieth day of April; and

(b) Elsewhere, whether within or without His Majesty's dominions, on the thirty-first day of July:

Be it therefore 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. This Act may be cited as the Army and Air Force (Annual) Act, 1939.

2.—(1) The Army Act and the Air Force Act shall be and remain in force during the periods hereinafter mentioned, and no longer, unless otherwise provided by Parliament, that is to say:

(a) Within Great Britain and Northern Ireland, the Channel Islands, and the Isle of Man, from the thirtieth day of April, one thousand nine
hundred and thirty-nine, to the thirtieth day of April, one thousand nine hundred and forty, both inclusive; and

(b) Elsewhere, whether within or without His Majesty’s dominions, from the thirty-first day of July, one thousand nine hundred and thirty-nine, to the thirty-first day of July, one thousand nine hundred and forty, both inclusive.

(2) The Army Act and the Air Force Act, while in force, shall apply to persons subject to military law or to the Air Force Act, as the case may be, whether within or without His Majesty’s dominions.

(3) A person subject to military law or to the Air Force Act shall not be exempted from the provisions of the Army Act or Air Force Act by reason only that the number of the forces for the time being in the service of His Majesty, exclusive of the marine forces, is either greater or less than the numbers hereinbefore mentioned.

3. There shall be paid to the keeper of a victualling house for the accommodation provided by him in pursuance of section one hundred and six of the Army Act or the Air Force Act the prices specified in the Schedule to this Act.

AMENDMENTS OF THE ARMY AND AIR FORCE ACTS.

PART I.

AMENDMENTS OF THE ARMY ACT APPLICABLE ALSO (SUBJECT TO MODIFICATIONS) TO THE AIR FORCE ACT.

4.—(1) After subsection (3) of section one hundred and eight A of the Army Act (which relates to billeting in cases of emergency), there shall be inserted the following subsection:

"(3A) A billeting requisition issued under subsection (2) of this section may also require the provision of billets for such number of vehicles of any class prescribed by regulations made by the Army Council with the consent of the Treasury, being vehicles in use for the purposes of His Majesty’s military forces, as may be specified in

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the requisition, and the provisions of this Act as to billeting shall apply in relation to the billeting of such vehicles as aforesaid under a billeting requisition as they apply in relation to the billeting of horses under such a requisition subject, however, to the following modifications:

(a) The occupier of any building or land shall be liable to billets;

(b) The accommodation to be furnished by the occupier of the building or land shall be standing room for the vehicles, and the prices to be paid therefor shall be such as may be fixed in relation to different classes of buildings and land and different classes of vehicles by regulations made by the Army Council with the consent of the Treasury:

Provided that nothing in this paragraph shall be construed as requiring any payment to be made in respect of vehicles billeted otherwise than in a building unless the vehicles are billeted on land the surface of which has been made up for the passage or parking of vehicles not being land where vehicles are normally allowed to stand free of charge irrespective of the person by whom they are owned or driven;

(c) The power conferred by paragraph (7) of Part II of the Second Schedule to this Act on the officer demanding billets to allot them among his soldiers and their horses shall extend to vehicles but save as aforesaid the said Part II shall not apply."

(2) In subsection (4) of the said section one hundred and eight A, for the words "so made" there shall be substituted the words "made under this section."

(3) In subsection (6) of the said section one hundred and eight A, for the words "damage caused by any officer or soldier billeted under this section to the premises in which he is billeted" there shall be substituted the words "damage caused to any building or land which is occasioned by any billeting therein or thereon under this section."
5.—(1) In paragraph (2) of Part I of the Second Schedule to the Army Act, for the words from "breakfast," in the first place where it occurs, to the end of the paragraph, there shall be substituted the words "breakfast, hot dinner, tea and supper on each day, such meals to consist of, or to be substantially equivalent to, the following quantities of food and drink—

(a) For breakfast, five ounces of bread, one ounce of butter, one pint of tea with milk and sugar, four ounces of bacon, one ounce of marmalade;

(b) For hot dinner, ten ounces of meat, three ounces of bread, ten ounces of potatoes, eight ounces of other vegetables, four ounces of pudding;

(c) For tea, four ounces of bread, half an ounce of margarine, one pint of tea with milk and sugar, two ounces of jam;

(d) For supper, three ounces of bread, one pint of tea with milk and sugar, four ounces of meat; and"

(2) For paragraph (3) of the said Part I there shall be substituted the following paragraph—

"(3) When a soldier is not so entitled to be furnished with 'a meal,' shall furnish the soldier with the means and the necessary utensils for the preparation and cooking of his food; and"

6. In paragraph (23) of section one hundred and ninety of the Army Act, for the words "the Irish Free State" there shall be substituted the word "Eire."

7. References in the preceding sections of this Part of this Act to the Army Act shall be deemed to include references to the Air Force Act, and the provisions of the said sections shall in their application to the Air Force Act have effect subject to any of the general modifications set out in Part I of the Second Schedule to the Air Force (Constitution) Act, 1917, which apply and to the following special modification, namely, that for the words "military forces" there shall be substituted the words "air forces."
A.D. 1939.

PART II.

AMENDMENTS OF THE ARMY ACT.

8.—(1) In paragraph (3) of the proviso to section forty-four of the Army Act (which enables a court-martial to combine the punishment of a severe reprimand or reprimand with the punishment of forfeiture of seniority of rank) after the words “forfeiture of seniority of rank” there shall be inserted the words “and an officer when sentenced to forfeiture of all or any part of his service for the purposes of promotion”.

(2) Paragraph (e) of subsection (2) of section one hundred and eighty of the Army Act (being a special provision as to officers belonging to His Majesty’s Indian forces which is rendered unnecessary by the preceding provisions of this section) is hereby repealed.

9. In the proviso to subsection (2) and the proviso to subsection (4) of section ninety of the Army Act (which enable discharges and transfers to the reserve to be delayed in certain cases with the consent of the soldier concerned) for the words “three months” there shall be substituted the words “six months.”

10. In paragraph (9) of section one hundred and seventy-five of the Army Act (which relates to persons subject to military law as officers) after the words “the Army in India reserve of officers” there shall be inserted the words “or the Army in Burma reserve of officers.”

PART III.

AMENDMENTS OF THE AIR FORCE ACT.

11.—(1) At the end of section thirty-nine A of the Air Force Act there shall be inserted the following sub-section—

“(2) Every person subject to this Act who commits any of the following offences, that is to say,—

(a) signs any certificate in relation to an aircraft or aircraft material without ensuring the accuracy thereof; or
being the pilot of one of His Majesty's aircraft, flies it at a height less than such height as may be prescribed by any regulation issued under the authority of the Air Council, except—

(i) while taking off or alighting; or
(ii) in such other circumstances as may be so prescribed; or

(c) being the pilot of one of His Majesty's aircraft, flies it so as to cause, or to be likely to cause, unnecessary annoyance to any person,

shall on conviction by court-martial be liable to suffer imprisonment, or such less punishment as is in this Act mentioned.

(2) At the end of section nine of the Air Force Act there shall be inserted the following subsection—

"(3) For the purposes of this section the captain of an aircraft, though of inferior rank, shall, in relation to the flying or handling of the aircraft and all matters affecting the safety thereof, be deemed to be the superior officer of every other person therein."

12. In paragraph (4) of section one hundred and twenty-five of the Air Force Act (which defines the word "officer") after the words "in India" there shall be inserted the words "or Burma".
A.D. 1939.

Section 3.

**Prices in respect of billeting.**

<table>
<thead>
<tr>
<th>Accommodation to be provided</th>
<th>Maximum price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lodging and attendance for a soldier where meals furnished</td>
<td>Tenpence a night for the first soldier and fivepence a night for each additional soldier</td>
</tr>
<tr>
<td>Breakfast as specified in Part I of the Second Schedule to the Army Act</td>
<td>Eightpence each</td>
</tr>
<tr>
<td>Dinner as so specified</td>
<td>Elevenpence</td>
</tr>
<tr>
<td>Tea as so specified</td>
<td>Threepence</td>
</tr>
<tr>
<td>Supper as so specified</td>
<td>Fivelpence</td>
</tr>
</tbody>
</table>

Where no meals furnished, lodging and attendance, and the means and the necessary utensils for the preparation and cooking of his food |

| Stable room and ten pounds of oats, twelve pounds of hay, and eight pounds of straw a day for each horse | Two shillings and threepence a day |
| Stable room without forage | Sixpence a day |
| Lodging and attendance for an officer | Three shillings a night |

**Note.**—An officer shall pay for his food.

In the application of this Schedule to the Air Force, references to the Air Force Act and to an airman shall be substituted for references to the Army Act and to a soldier.
Army and Air Force (Annual).

DRAFT

OF A

BILL

To provide, during twelve months, for the discipline and regulation of the Army and the Air Force.

XXVIII—C. (3.)

10th March 1938.
Quarterly Survey of the Political and Constitutional Position in British India for the period from 1st November 1938 to 31st January 1939.

Circulated for the information of the Cabinet by the Secretary of State for India.
QUARTERLY SURVEY OF THE POLITICAL AND CONSTITUTIONAL POSITION IN BRITISH INDIA.

No. 6. For the period from November 1st, 1938, to January 31st, 1939.

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I.—INTRODUCTION.

Progress of Provincial Autonomy.

In an Appendix to this Survey will be found a summary of the legislation passed in the Governor’s Provinces under the new constitution up to the end of 1938. A perusal of this will show at any rate the reality of provincial autonomy. The Legislatures have been busy, and among the enactments passed in most Provinces are some that bear unmistakably the stamp of a new régime. Only popular Ministries could have fathered the legislation which drastically affects landholders, particularly in their relations with their tenants, and creditors and debtors; or touches religion, for instance by providing for the opening of Hindu temples to “Harijans”; or commits Provinces to “prohibition”; or restores to Congress followers the lands they forfeited in the civil disobedience campaign. The formal intervention of Governors has been rare; only three Bills have been returned by Governors to the Legislatures for amendment under section 75 of the Constitution Act. In only one instance has a Governor withheld his assent, and that Bill had been introduced by a private member.

A large number of Bills have been reserved for the consideration of the Governor General: but the reservation has mostly been for reasons of technical repugnancy to the provisions of existing Indian law; and in no case has the Governor General ultimately withheld his assent.

It must not, however, be deduced that Governors, the Governor General and the Secretary of State have not had frequent occasion for careful consideration of provincial measures. Though the “repugnancy” provisions of the Constitution Act have not hitherto proved of material interest, those contained in section 299 of the Act and in the Governors’ Instrument of Instructions as a safeguard against unconscionable expropriation of rights in land have given cause for much discussion and close examination particularly of agrarian measures. Governors have in a number of instances prevailed on their Ministers to modify features which appeared to go beyond what could be accepted without nullification of the safeguard, the duty of preserving which has hitherto proved the most important and the most contentious of Governors’ functions in matters affecting the Legislatures.

II.—CONGRESS PROVINCES.

(a) Ministries: stability and reputation.

3. Assam.—Although only the Premier and one other member of the coalition Ministry belong to the Congress party, it was formed under the
aegis of that party and its policy is likely to follow the Congress programme: Assam must now be counted as the eighth “Congress Province”. During the period between Bardoloi’s formation of a cabinet (middle of September) and the meeting of the Assembly (December 1st), the coalition succeeded in winning over a few members of the opposition; and the no-confidence motion, which had appeared likely to bring the Ministry down at its first appearance in the legislature, was defeated by a margin of four votes. Bardoloi has insisted on the release of the few “political” prisoners, but in general has not shown himself unreasonable. In view of the Ministry’s narrow majority and the proved fickleness of the legislature, the outcome of the next session cannot be confidently predicted.

4. Bihar.—Although it appears to be generally agreed, both in Congress circles and outside them, that the Ministry is not numerous enough to cope with its work, no decision has yet been made to enlarge it. The comfort of the Ministry is still threatened from the left (in both agrarian and labour agitation) and by communal discord. Feeling between Hindus and Muhammadans has not been improved by the Patna Conference of the Muslim League at the end of December; and the preservation of public order is likely to be tested during the Bakrid celebrations at the beginning of February.

The rivalry between Bengalis and Biharis has not been settled. Rajendra Prasad’s report on this controversy has been considered and accepted by the Congress Working Committee. The general principles are that identical treatment should be given to Biharis and Bengali-speaking residents in Bihar, and that all persons holding appointments under Government must be treated alike. It remains to be seen whether these conclusions can be so applied as to remove discontent.

5. Bombay.—The Ministry’s determination in tackling any threat to law and order was again demonstrated during the attempted general strike in Bombay city in November. The Ministry is firmly seated in the saddle; while claiming to adhere to Congress principles and the party programme, it is generally regarded as preserving successfully the momentum of pre-autonomy government.

6. Central Provinces.—The Maharashtra revolt has collapsed; Khare seems to have made his exit from the political stage. No more has been heard of Dr. Raghavendra Rao. The empty places in the Ministry remain unfilled. Ministers were previously so much occupied with party dissensions that they had little time for administration; they have found a fresh diversion in the preparations for the next session of the All-India Congress, which is to be held in this Province in March. Budget prospects are gloomy.

7. Madras.—Raman Menon, Minister for Courts and Prisons, died on January 3rd. He was a competent Minister whose loss will be felt. His place has been filled by an Indian Christian, C. J. Varkey.

There are signs from various quarters of challenge to the Premier’s supremacy. The anti-Hindi agitation is by no means dead; and the distrust of Brahmins which is at the bottom of it has helped to produce symptoms of an awakening of the non-Brahman (“Justice”) party from its lethargy under incompetent leadership since the general election. From within the Brahman community S. Srinivasa Ayyangar (an ex-President of the All-India Congress who retired from politics as a protest against Gandhi’s leadership) has emerged to attack the Ministry; though he himself is not a likely champion of a forlorn hope, he may rally discontented elements. Again, the report recently published by the Committee of the legislature appointed to examine conditions in the zamindaris is believed to be a serious inconvenience to the Premier, both from the extravagance of its proposals on behalf of the tenants and from their being sponsored by the Revenue Minister (Prakasham) as Chairman of the Committee. Prakasam is an Andhra; and the undercurrent of Andhra restlessness and intrigue may explain the Premier’s unwillingness to accept as final the refusal of the Secretary of State to consider the proposal for a separate Andhra Province (see para. 7 of the last Survey).
North-West Frontier Province.—Gandhi’s visit to the Province, which ended early in November, does not appear to have strengthened the position of the Congress. Hindus were disappointed because he did nothing to redress their grievances, and they failed to appreciate his non-violent prescription for combating frontier raids. Muslims were not impressed. Gandhi is believed to have taken the Ministers to task in private, but his public utterances were not critical of them.

During the November session of the Assembly, Government on several occasions escaped defeat by a margin of only three votes. Three Ministerial supporters deserted, but the opposition still lacked the necessary cohesion to make a determined attack. Bribery is said to have been used in enticing away a Muslim Ministerialist whose defection the opposition hope will enable them to upset the Ministry in the next session. The opposition has formally assumed the name of the Muslim League coalition party.

Orissa.—This Province, from which agitation in the neighbouring States has been fomented, is also the resort of some thousands of States subjects who are alleged to have been driven from their homes by repression and of agitators whose extradition is demanded by the States. Though the shock of Major Bazalgette’s murder (see para. 84) induced the Ministry to allow provincial police to be sent into Rampur State, and though they have used their influence behind the scenes to damp down agitation in the Province, their unwillingness to assist the Rulers by overt forms of co-operation still makes conflict possible with the Governor and Governor-General.

United Provinces.—Until the Tenancy Bill, which is still under discussion in the Assembly, takes its final form, the Ministry’s future is bound to be uncertain. At present the radical elements, though powerful, are subordinate to the right-wing direction of the Premier. But the provincial Congress Committee is both further to the left, and more assertive in its attitude towards the Ministry, than in other Congress Provinces: and pressure from the extremist forces in the fields of agrarian and labour agitation may shake the authority of the Premier or drive him further than he wants to go in concession to subversive influences.

Legislatures: events of the sessions.

11. A summary of all the legislation passed in Governors’ Provinces during the period between the introduction of Provincial Autonomy and the end of the year 1938 will be found in Appendix III. It is intended to issue annual supplements.

12. Assam.—The Legislative Assembly met, as arranged, on December 1st. The session was brief. As mentioned above, the Government defeated the no-confidence motion by four votes on December 8th. On the 6th the Assembly passed a Bill reducing Ministers’ salaries to the level prevailing in other Congress Provinces.

13. Bihar.—The Legislative Assembly began a session on January 16th, and the Council on January 23rd. A Bill has been passed to amend the Moneylenders’ Act of 1938, by repealing and re-enacting a section of that Act which the Patna High Court had held to be invalid, on the ground that under Section 107 of the Government of India Act the Bill should have been reserved for the consideration of the Governor-General. The intention is that the new Bill shall be so reserved.

14. Bombay.—The sessions of the Legislative Assembly and Council which were in progress at the beginning of November ended on November 17th. The Trades Disputes Bill was passed by the Assembly on November 4th, by the Council on November 15th with some amendments, and again by the Assembly on November 17th. The Tenancy Bill was formally introduced.

15. Central Provinces.—There has been no session of the Legislative Assembly.
16. Madras.—The Legislature sat from November 28th to December 12th. The most important Bills passed were the Malabar Temple Entry Bill and a Bill which enables the Government to divert to general revenues any excess over 20 lakhs of rupees in the Minor Ports fund. The Legislature held a second session from January 17th to 27th, during which an important Public Health Bill was passed. There was a seven days' debate in the Assembly on the Estates Land Act Enquiry Committee's report. (See para. 67).

17. North-West Frontier Province.—The Assembly held a session from November 3rd to the 22nd. The Government defeated a series of adjournment motions by a margin of only three votes; one motion was to discuss the failure of the authorities to combat the Bannu raid; another discussed the curtailment by Government of the liberty of the press. The Prohibition Bill was finally passed, and the Agricultural Debtors' Relief Bill; also a Bill to fix the allowances of Members of the Assembly.

18. Orissa.—There has been no session of the Assembly.

19. United Provinces.—The Legislative Assembly met on November 10th, and, with intervals for holidays, sat throughout the quarter: the session was still proceeding at the end of January. The Tenancy Bill has occupied nearly all its time, and has not yet been passed. From December 1st to the 5th a joint session was held of both Houses of the Legislature, to consider the Stamp and Court Fees Amendment Bills, about which no agreement could be reached independently. This is the first joint session to have been held in India under the new constitution. Both Bills were passed by a large majority. The Stamp Amendment Bill has been reserved for the consideration of the Governor-General.

(c) Relations of Ministries with the Central Congress Command.

20. In the last Survey (para. 18) mention was made of contemplated arbitration by the High Command in the agrarian legislation of the U. P. and Orissa—the pending Tenancy Bill in the former and in the latter the Bill which has been reserved for the consideration of the Governor-General. The opposition of the Oudh landowners led the Congress Parliamentary Sub-Committee to refuse intervention in the United Provinces. Rajendra Prasad, the member of the Working Committee who has been designated for arbitration in Orissa, has been prevented by illness from taking it up, but is expected to give his attention to it in the near future.

The Working Committee accepted generally the principles recommended by Rajendra Prasad for settling the conflict of Bihari and Bengali interests in Bihar, and have advised that they should be made the basis of a settlement.

There has been controversy about the distribution of revenues between the Central Provinces and Berar. The Governor has a special responsibility under section 52 (2) of the Constitution Act for securing that a reasonable share of the revenues of the Province is expended in or for the benefit of Berar. In March 1938, Berar members of the Assembly showed dissatisfaction with the distribution, and Khare, who was then the Premier, appealed to the Congress President to arbitrate. In April the question was placed before the Working Committee, who deputed Vallabhai Patel to arbitrate; later this duty was delegated to Mr. Aney, a Berar leader. When preparation of the budget for 1939-40 was in hand the question again became a live issue. In December, Patel, Aney and the Ministers met for discussion of the problem and asked the Finance Secretary to the Central Provinces Government to be present; as he was well qualified to advise, the Governor raised no objection. The formula suggested by the Finance Secretary was adopted; and if it appears to meet the wishes of the Berar members of the Assembly the Governor, who regards it as suitable, is likely to give it his sanction.

The Working Committee continue to dictate policy on questions of all-India importance. They are reported recently to have framed for
Congress Ministries an “instrument of instructions” as to the manner in which they should treat the Muslim minority. When the Income-Tax Bill was pending before the Central Assembly, Vallabhai Patel urged all Provincial Governments to demand certain amendments in it, and some of them complied. The support he gave to the Bombay Government in the labour riots of November 7th strengthened their hands against the forces of the left wing. The Orissa Ministry are known to have been in close touch with the High Command regarding the measures to be taken in connection with the States agitation. Gandhi’s peremptory insistence on more rapid progress towards complete “prohibition” is undoubtedly pushing some Ministries further along this expensive course than, if left to themselves, they would be willing to go.

Mention is made in para. 91 below of the “National Planning Committee,” which has emerged from a conference of Congress Ministers for Industries. The Bombay Minister returned from the conference with the report that the Congress President had appointed the Committee with representatives of the Congress Governments on it. The Ministry wrote to the President pointing out that it was hardly proper for him to appoint such representatives, and that the proper course would be to ask Governments to make their own appointments. It is understood that other Governments took the same line. Subhas Bose further announced that the Provinces participating in the Committee’s work would contribute towards the necessary expenses. Giri, the Madras Minister, in his capacity as convener, wrote to each Province asking for “its first instalment of Rs. 1,000”. The United Provinces agreed to give Rs. 1,000 as a grant-in-aid to a useful investigation, and the money was found from the Industries’ budget. The Government of Bihar also paid up Rs. 1,000. The Government of Bengal expressed considerable resentment at the attempt of the Congress “High Command” to set itself up as a parallel authority, and the Finance Minister was of the opinion that the reply should contain a protest that the plan had been started without consulting the Government from whom assistance was asked. It is not known how other Provinces responded.

21. The “Vidya Mandir” Scheme.—In the Central Provinces Muslim feeling against the “Vidya Mandir” scheme (which owes its origin to Gandhi’s dictation) has been increasing in bitterness; against the advice of the provincial Muslim League some Muslims decided to start civil disobedience in protest; and on January 26th (“Independence Day”), which was the day fixed for the inauguration of a number of the new schools, ten Muslims marched to the Nagpur Secretariat to commit satyagraha, and were removed by the police; on subsequent days parties of Muslim volunteers courted arrest in the same manner, defying the magistrate’s order to disperse. A number have been arrested. The enthusiasm of the Premier for the scheme has led him into proposals which, if accepted, would have intensified the opposition to it.

On December 4th the Council of the all-India Muslim League appointed a sub-Committee to consider the scheme and investigate the possibilities of a separate system of education for Muslims: nothing has yet been heard of its activities. The Central Advisory Board of Education has considered the report on the scheme submitted by a sub-committee, and has accepted the recommendations generally and decided to send copies of the report to Provincial Governments for consideration. The Governments of Bihar, Bombay and Orissa, are reported to have decided to start the scheme experimentally in the near future.

(d) Relations of Ministers with Governors: social contacts: special responsibilities.

22. Relations between Ministers and the Governor and officials in the Central Provinces have improved considerably; the beginning of this tendency was mentioned in paragraph 21 of the last Survey.
The presence of three Madras Ministers at the Proclamation Parade has exposed them to criticism from their more rigid supporters.

*Special responsibilities.*—There is nothing to report.

(e) Relations of Ministers with their Secretariats: methods of business.

23. The Government of the Central Provinces issued a notification in December, asking the public not to make representations direct to Ministers, but to take their grievances to the district authorities.

In paragraph 24 of the last Survey mention was made of disclosure of official records in this Province. A further instance is the publication in a local newspaper of photographs of a confidential report submitted by a Superintendent of Police about an abduction case in which a Minister (Misra) was said to have been concerned. The case dates back to the time before Congress took office, and the report came into the hands of Khare, the ex-Premier, while he was in office: he is suspected of having shown it to the press in order to discredit Misra.

III.—NON-CONGRESS PROVINCES.

(a) Ministries: stability and reputation.

24. Bengal.—In an attempt to strengthen the precarious position of the Government, the Premier has enlarged the cabinet by the addition of two new Ministers. One, Shamsuddin Ahmed, is the leader of the Krishak Proja party, and is expected to bring four votes with him; the other, Tamizuddin Khan, is the leader of the Independent Proja party, who may bring another 8 votes. The Proja parties represent generally the peasant interests. The Krishak Proja party by no means unanimously approved the appointment of Shamsuddin, and has since “directed” him to introduce various forms of legislation as a condition of his remaining in the Ministry.

Congress intrigue, and efforts towards the formation of a coalition government, have continued. Much speculation arose from the conduct of Sarkar (Finance Minister): when in December he paid a visit to Gandhi, Nehru and Vallabhai Patel, his previous connection with Congress was not forgotten, and it was surmised that he was lending himself to the intrigue: but nothing came of it except an emphatic denial from Sarkar of any negotiations for a coalition. It is said that Gandhi has advised Subhas Bose to abandon the attempt to form a coalition as Congress has not the requisite strength in Bengal to impose its programme on any Ministry that could be formed. The Congress party in the Province is still rent by faction.

25. Punjab.—A few defections among Government supporters and the establishment of an Independent party numbering about nine have not seriously weakened the Ministry’s position. Further agrarian legislation has been received with the same modified hostility from Congress, governed as they are by urban interests. Provincial finances have been seriously affected by expenditure on famine relief in the south-eastern areas, and drastic economy will be necessary as well as some new form of taxation.

26. Sind.—The Ministry has had unexpected success in weathering the storm. Towards the end of November, the Premier again parleyed with Vallabhai Patel, who is believed not to be opposed to the Lloyd Barrage assessment proposals; Abul Kalam Azaal, who maintains his opposition to the proposals, could not be present at the negotiations, and nothing came of them. The Congress demand was that the orders should be postponed for one year, and should then be modified in consultation with the Sind Congress Committee. In January, when the Assembly met for the first time since last June, the long-expected motion of no-confidence, after three days’ debate, was defeated by 32 votes to 7; Congress remained neutral,
in spite of the Premier having repeated his inability to postpone the orders; and Sir Ghulam Hussain (ex-Premier) caused surprise and speculation by resigning his leadership of the Muslim League and of the opposition on the opening day of the debate. Dissatisfied with the attitude of the Muslim League, he secretly expressed his readiness to join the Ministry, with some of his followers, the consideration for this support is to be an increase in the number of Ministers to five or six. Two Ministries in succession have been unable to do anything effective because of their feeling of insecurity, and it is hoped that this coalition will enable the Ministry to formulate and execute a progressive policy. The new coalition and the increase in the number of Ministers are not to be announced till a date in February.

Later, on January 25th, a Congress resolution (supported by the Muslim League) on the assessment proposals was defeated by 30 votes to 20; the Premier announced some slight modifications.

The Ministry is unique in refusing allegiance to either Congress or the Muslim League; its adoption of many items of the Congress programme has not destroyed its independence, and its antipathy to the League is remarkable in a Province where Muslims are in the majority. In its existing form it is probably not so secure as the result of the recent trial of strength would suggest, for resistance to demands for abandoning increased taxation has no popular appeal.

(b) Legislatures: events of the sessions.

See Appendix III for the legislation passed up to the end of 1938.

27. Bengal.—There has been no session of the Legislature.

28. Punjab.—The Legislative Assembly held a session from November 10th to December 2nd, and another special session commencing on January 9th, summoned to continue consideration of the Agricultural Produce Markets Bill. The first session came to an abrupt conclusion before this Bill had been passed; the Opposition adopted dilatory tactics and eventually forced from the Speaker a ruling of doubtful validity about the days on which the House could sit: at the Premier's suggestion the House then adjourned sine die. The Bill was passed on January 24th: the session ended the same day.

Both sessions have been marked by scenes of disorder; the level of parliamentary behaviour in the Punjab has proved to be well below the average. Towards the end of January the Government introduced a Bill providing for the appointment of a Sergeant-at-Arms; the object of this is to give the Speaker assistance in enforcing discipline; the Bill was strongly opposed, but the motion to refer it to Select Committee was carried.

29. Sind.—The Assembly, which had not been in session since June 1938, sat from January 4th to 28th. The Government's victory in the motion of no-confidence and the events connected with it have been described in para. 26.

(c) Relations of Ministers with Governors: social contacts; special responsibilities.

30. There is nothing to report.

(d) Relations of Ministers with their Secretaries: methods of business.

31. Mention was made in paragraph 33 of the last Survey of the tendency in Bengal for officers to approach Ministers and politicians direct for favours. In November the Government warned subordinate officers that they are liable to disciplinary action if they try to approach Ministers otherwise than through the proper official channels. Another order laid down that any memorial against dismissal submitted by a subordinate officer will be referred to the Public Services Commission before a Minister deals with it; and if it is to be considered seriously, it will be brought to the notice of the Governor before final orders are passed.
The Punjab Premier, who is feeling the strain of incessant work and heavy responsibility, has suggested to the Governor that he should be assisted by an I. C. S. private secretary, to relieve him of labour which cannot be relegated either to the permanent secretariat staff or to Parliamentary Secretaries.

IV.—CHIEF COMMISSIONERS' PROVINCES.

32. There is nothing of interest to report about events in the Andaman Islands, Coorg or Panth Piploda. The further history of the communal unrest in Delhi is described in paragraph 81. The Province has been suffering from the worst drought in living memory, and of the last instalment of land revenue amounting to Rs. 1,81,000, the collection of no less than Rs. 1,31,000 has had to be suspended. Conditions in the rural areas of Ajmer-Merwara also are such as to cause much hardship.

V.—GENERAL SUBJECTS.

(a) Treatment of Services: Service feeling.

33. This subject is one on which it is difficult to add matter with the certainty of conveying a correct impression. To quote particular incidents that come to notice may have the effect of stressing what is not typical: and only from time to time is material available for an estimate even of conditions in one Province. The appendix to Survey No. 4 (May 1st to July 31st 1938) gave an analysis of data received in reply to the Governor-General's enquiry from Governors about the strain placed on the Services by the circumstances of Provincial Autonomy: in a general way it would probably be safe to say that, since that material was supplied, the stresses due to adaptation of the old machine to new conditions have diminished: the machine is being “worked in”. This accords in fact with the forecast of most of the Governors at that time. But there are circumstances which require caution in deducing that the process of adaptation is on the way to satisfactory achievement. First, the strain has naturally been felt most by the senior officers, on whom generally the greater responsibility falls: and if these on their retirement—and a number are likely to retire before they would have done under the old conditions—are not replaced by officers of equal ability and enterprise, the machine will suffer a permanent weakening. (It is unfortunate that the circumstances which prevented normal British recruitment to the more important Services during and for a while after the Great War have left a gap just where present conditions specially call for strength). Secondly, it may be found, at any rate in some Provinces, that much more is expected of the Services than an adjustment here and there in the performance of their duties. The requirement of a “changed attitude” on their part is in some degree inevitable, and one to which the working of the new constitution demands obedience: but if it goes, or threatens to go, to the length of reducing the officials of the key Services to nonentities, subservient to the will of persons wielding political influence, the results will be serious not only for the Services but also for the working out of the democratic principles which are erroneously supposed to require a weakening of the administrative arm of Government. (It is fair to add that among the Ministries which avoid this error are some of the Congress Ministries). Again, the motive of retrenchment may produce disturbing results. Under the present constitution, revenue tends to slip away with sometimes alarming facility. Apart from definite items of a political programme—such as “prohibition”, or reduction of rents with consequent reduction in the ability of landholders to pay revenue to Government—the vagaries of the season and natural calamities cause demands for
remissions or expenditure which responsible Ministers can with difficulty resist. With falling revenues, the temptation to economise by an inroad on the pay and allowances of the Services is strong; and a deterioration in the finances of the Provinces may become one of the main threats to the efficiency and contentment of their servants.

The difficulty of gauging feeling in the Services may be illustrated by enquiries recently made in one of the Congress Provinces. In some quarters it was stated that apprehension is widespread, that administrative standards are deteriorating in consequence, and that there is a general desire to get, or keep, out of trouble by any means possible. In other quarters the view expressed was strongly reassuring: it was denied that officials are generally apprehensive: things are settling down well: even though some deterioration is inevitable it will not be serious, and there is hope that in the next few years relations between the permanent Services will settle themselves on lines satisfactory to both. With such conflicting views, it is probable that the truth lies somewhere between them.

The movement for the suppression of corruption in the Services is a matter where cordial approval of the aim must be tempered with caution in accepting suggested measures. Previous Surveys have mentioned the apparatus set up in the United Provinces. The objectionable features of this are said to have been somewhat mitigated. The Punjab Government have now decided to form a staff of trained investigators to assist heads of departments in dealing with complaints. The Madras Premier, when questioned in the Assembly on the subject of corruption, stated that his Government had no intention of appointing an anti-corruption officer, and would not "commit the obvious error of distrusting their officers without adequate proof". The Bihar Corruption Enquiry Committee has recently published its report. This deals with every department of Government and analyses the extent, and the causes, of corruption—which it finds to exist in greater or less degree in almost all departments, and not to be wholly confined to the lower ranks: the culprits include some members of the Provincial Services and even some members of the all-India Services. Proposed remedies of general application include increase in the pay of the subordinate clerks and peons; the appointment of a standing Provincial Committee consisting of heads of departments and non-officials nominated by Government; and the appointment of a special officer of high rank in one locality as an experimental measure, to report suspected instances of corruption and to help heads of offices and departments and the general public in suppressing the practice.

In the Central Provinces relations between Ministers and both civil and military officers are reported to have much improved. Nothing more has been heard of the Bilaspur election enquiry. In Madras Rajagopalachari again expressed his appreciation of the work done by the Services in a speech which he made as a guest at the St. Andrew’s Day’s dinner. The N.-W. F. P. Government have under consideration the total abolition of lambardars, village officials whose office is hereditary and one of whose chief duties is to collect the land revenue, and their replacement by a special staff of revenue collectors. The reason given for this proposal is that it is essential to check corruption, but the real object is in some degree political, because lambardars do not support the Ministry, alienated as they have been by the general attack on the position of the Khans. The Punjab is probably the Province where the pre-autonomy conditions of service have suffered least change; yet even here the Premier has recently complained that permanent officials have caused difficulties to the Ministry by failing to appreciate fully the implications of the new constitution: some of the more senior officers resent what they regard as undue interference by Ministers and do not make allowances for the exigences of party government: local officials do not suffer gladly requests of Ministerial supporters, and are not always scrupulously loyal to Ministers in casual
conversation: moreover a certain type of Hindu official works in subtle ways
to embarrass or discredit the Ministry.

36. Separation of judicial and executive functions.—No definite pro-
gress has yet been made with the schemes prepared in Bihar and U. P.
which were mentioned in paragraph 39 of the last Survey. In Bombay the
Ministry have decided to postpone consideration of the proposal for the
present. The Sind Re-organisation Committee recommended that a start
should be made, and have suggested a scheme of modified separation.

37. Abolition of posts.—On the advice of the Government of India,
the Secretary of State has approved the proposal to abolish one of the two
posts of Commissioner in Assam, on the understanding that his sanction
must not be taken as pre-judging in any way the question of continuing the
system of Commissioners generally. The post is likely to be abolished from
the 1st of April 1939. Although political changes were responsible for
the proposal being made, past history supplied some authoritative support
for the recommendation. The policy of the Secretary of State remains as it
was: he is prepared to consider on the merits any proposal for reducing a
particular post of Commissioner, but the view is still held that the system
of Commissionerships cannot be abandoned wholesale without serious detri-
ment to the efficiency of the administration. It is recognised that the need
for Commissioners would be especially felt if the Governor had to resume
control under section 93 of the Government of India Act.

Early in November, the United Provinces Ministry took up the question
of abolishing Commissioners, and a formal proposal for the abolition of
all the posts is expected. The Bombay Ministry proposed that one of the
posts of territorial Commissioners should be abolished and replaced by a
Commissioner for Rural Reconstruction, but soon abandoned the idea. The
Minister in charge of rural reconstruction preferred to have a more junior
officer to do the work; and when it was known that a particular Division
was to be selected for the abolition of the Commissioner, resentment was
shown in that locality. One of the Ministers favours the abolition of all
Commissioners, but his colleagues show no great keenness for this, and have
not questioned the validity of the objections taken to it by the Governor.
The report of the Bihar Retrenchment Committee, most of whose recom-
mendations were mentioned in paragraphs 40 and 42 of the last Survey,
suggested that instead of Commissioners the Board of Revenue should be
abolished and its work entrusted to the Commissioners; they calculated that
the saving would be greater thereby than if Commissioners were abolished.

The Madras memorandum recommending the abolition of the civil
branch of the Indian Medical Service has been forwarded to the Secretary
of State with advice that it should be rejected.

38. Pay and Allowances.—The Sind Re-organization Committee has
produced a comprehensive report recommending inter alia that the Indian
Civil and Indian Police Services should be completely provincialised within
the space of 10 years; reductions, in some cases drastic, in the pay of offi-
cers of the Provincial Services; the total abolition of the Sind allowance
paid to officers as compensation for the bad climate; the revision of all
house-rent concessions; that compensatory allowance for the high cost of
living in Karachi should be paid only to officers drawing Rs. 350 per men-
sem or less; and a revised scale of special pay. Consideration of these
proposals does not appear to have been pressed.

The United Provinces Ministry have produced a complete scheme of
new scales of pay for new entrants to the Services under their control; they
involve a considerable reduction of the present scales. Late in January the
Premier was enquiring as to the effect of a ten per cent, cut in the pay of
Government servants in case the Provincial revenues suffered a heavy loss
as a result of bad harvest. It is understood that he does not propose to
press this point. Detailed proposals will shortly come before the Bengal
Mention was made in paragraph 42 of the last Survey of proposals for reduction of special pay in Bihar and the Central Provinces. No progress in the consideration of those proposals has been reported. This matter has come to a head in the United Provinces. The Premier accepted the Secretariat proposals, which make reductions in special pays and compensatory allowances yielding an annual saving of about Rs. 1,05,000 in the former and Rs. 1,06,000 in the latter. So far as the proposals affect the Secretary of State’s Services his sanction is required. The proposals are now before the Governor. In the North-West Frontier Province proposals for reduction of special pay have been formulated. In prolonged Cabinet discussion the Ministers, who at first proposed drastic reductions, accepted the need for examining each case on its merits, and in the end decided on cuts which the Governor considers justifiable. As regards the Secretary of State’s Services, the Ministers are unlikely to put forward proposals for the consideration of the Secretary of State unless they are sure of the Governor’s support.

With regard to travelling allowance, the C. P. Ministry are pressing a proposal similar to that made by the Bihar Ministry (see para. 55 of Survey No. 4 and para. 42 of the last Survey) which was the occasion for the Secretary of State taking the matter into consideration. In January the Secretary of State made rules which provide that the travelling allowances admissible to his civil officers holding reserved posts or military officers appointed to civil employ shall be regulated by the rules in force on January 1st, 1939, and that no alteration which would operate to their disadvantage shall have effect save with his approval: the Governor in his individual judgment, or (in the transitional period) the Governor-General in Council, as the case may be, shall determine any question that may arise whether an alteration does so operate.

The Government of Assam were compelled to order a 10 per cent. cut in travelling allowance, as a temporary expedient, in November, because the financial outlook was so gloomy. The Premier of Madras, on being told that the Governor’s special responsibility was attracted, abandoned with a bad grace the proposals for reducing travelling allowance which were mentioned in paragraph 42 of the last Survey. The Sind Reorganisation Committee have made reasonable recommendations for the reduction of travelling allowance; amongst other things they propose that all All-India Service officers, and officers of Provincial Services drawing Rs. 1,000 or more, shall still be included in the first grade, i.e., they will continue to draw first class railway fares. Previously all Government servants drawing over Rs. 750 per month were placed in the first grade.

The Madras Ministry have agreed that their orders depriving medical officers under their control of the privilege of engaging in private practice shall not take effect until the beginning of 1940; women doctors are to be exempt from this prohibition; but the Premier now proposes to demand from officers statements showing the amounts received as consultation fees, of which 15 per cent. will have to be paid into the Treasury.

The same Government published a scheme for a Nursing Service on reduced scales of pay which was to include male nurses. The Governor had to intervene to protect the prospects of nurses in service who would in future be promoted as Ward Sisters. The scheme has met with a good deal of opposition; the orders have since been slightly modified.

The Government of the North-West Frontier Province have recently made a proposal to deprive medical officers of the privilege of private practice without the special permission of Government.

The Madras Government have decided not to allow members of Provincial Services to commute their pensions in future. The Sind Reorganisation Committee, on the other hand, have recommended that commutation of
39. Following the lead given by the Congress Working Committee’s resolution mentioned in paragraph 43 of the last Survey, the United Provinces Provincial Congress Committee issued a circular in December warning Congressmen to abstain from interference with police and magistrates.

40. **Rural Development Schemes.**—The United Provinces scheme, described in para. 55 of Survey No. 4, appears to have made a beginning on lines that permit official supervision and co-operation and have not proved objectionable.

41. **Local Self-Government Reform.**—The United Provinces Government intend to concentrate on a scheme recommended by the Committee for reorganisation and expansion of village panchayats. A Bill is being drafted. In the Central Provinces slow progress has been made with Misra’s proposals (see para. 51 of Survey No. 2): a Bill of an extravagant and impracticable nature has been drafted; it proposes to increase the number of village panchayats from 1,000 already existing to about 20,000, and to form two types of panchayat, one of which will be responsible for administrative duties and the other for civil and criminal judicial work. The association and control of Deputy Commissioners is to be abolished, and in fact centralisation is actually to be increased in direct opposition to the idea of local self-government.

42. **District Councils.**—The Premier of the United Provinces has recently revived a proposal, which has been considered in various forms from time to time in the past, to appoint councils in every district to advise District Officers over a large field in which the advice of non-officials might in his opinion be useful. The Council would consist of the District Magistrate and Superintendent of Police, with the President of the local Bar Association, the local members of the Legislative Assembly and Council, and two or three other members to be nominated by the Government. The scheme is at present in embryo: its effect on the status of district officers might be detrimental, and would certainly be so if they were generally expected to follow the advice of the Councils.

43. **The Volunteer Movement.**—The information which has been collected about the progress of volunteer organisations in India leads to the conclusion that at present there are large gaps between professed aims and achievement, that the drive behind the various movements is fitful, and that their development is neither co-ordinated nor rapid. The Congress enterprise lacks central control and unity of effort; this is rather less true of the Muslim organisation. The danger of the parallel growth of imperfectly disciplined volunteer corps of communal and nationalist origin is obvious. A feature of the whole movement is the tendency towards training on military lines; almost all volunteers have a distinctive uniform and flag and carry lathis. Another potentially dangerous feature is the training camp, which is liable to become a seed-bed of subversive doctrine or communal enmity. It appears that generally speaking the volunteer movement has made more progress in the United Provinces than elsewhere.

The Congress volunteer movement has aroused very little interest in the Punjab, Bengal or Madras, and has hardly passed beyond the talking stage in most other Provinces. In the United Provinces attempts are being made to form a Congress “army”, whose “commander” hopes to raise a lakh of volunteers by 1940, to be trained on police and military lines, and intended eventually to replace the police force. The organisers’ attempts to extend the influence of the “army” beyond the Province have met with negligible success, but a number of training camps have been started inside the Province. Elsewhere schemes have been prepared, camps have been
opened, and volunteer organisations have begun recruiting, but nowhere has the movement yet developed strongly.

Response to Gandhi’s call for “peace brigades” to function during communal trouble has been slight. Feeble attempts to organise brigades were made in Bihar, Bombay and Sind, but nothing is ever heard of their activities.

The Muslim League sponsors two organisations, viz., volunteer corps and the “Muslim National Guard”. Again it is the United Provinces where these movements have made most progress. The volunteer corps is said to have a membership of 11,000 in this Province, and 6,000 in the North-West Frontier Province; the “National Guard” (which was mentioned in paragraph 46 of the last Survey) is 3,000 strong in the United Provinces. Small “guards” also exists in Sind and in Calcutta. The volunteers are required to keep lathis and knives.

There are a number of other purely communal volunteer organisations, e.g., the Ahirs in the Punjab and the United Provinces, who number 4,000 odd, and a Hindu movement run under the auspices of the Hindu Maha Sabha. One revolutionary body exists in the United Provinces, the Jaunpore Youth League, whose activities include the preparation and issue of revolutionary literature. The present membership of the League is about 1,150 and is increasing. The only other organisation, of which mention need at present be made is the labour volunteer corps known as the “Mazdur Red Army” in Cawnpore (United Provinces), which has a strength of about 2,000, and which may become a danger to public order.

The training of volunteers on military lines and in the use of weapons—usually lathis, but swords and spears also have made their appearance—is meaningless unless they are expected some day to use force. It has already been hinted that the Muslim National Guard will remain non-violent only so long as suits its purpose. Behind the movement is a volume of youthful energy which might prove useful to the country if means could be devised to divert it into other channels, such for instance as could be linked with the defence forces. Interest therefore attaches to the proposals made to extend military training in the Provinces. The Governments of Bihar, Bombay, the Central and United Provinces, have all been considering the development of military training in schools and Universities. The Madras Legislative Assembly accepted a resolution urging Government to provide facilities for military training in schools and outside them; but the Premier, while agreeing with the principle, said that it was impossible to give effect to the resolution for want of money.

(c) Parliamentary Secretaries.

44. Mention was made in paragraph 61 of Survey No. 4 of a proposal by a Parliamentary Secretary in Bihar, that he should be authorised to inspect jails, police stations, etc.; at the time the Premier agreed, but the Chief Secretary pointed out that the proposal required the approval of the Governor. The outcome of the Secretariat discussion was an order of the Premier which in effect gave up the proposal for a general authorisation in favour of the practice of deputing Parliamentary Secretaries to make inspections on particular occasions.

Elsewhere there have been no important developments. In Madras the vacancy created by the promotion of a Parliamentary Secretary to be a Minister has not been filled. In the United Provinces, where the services of Parliamentary Secretaries are much employed, their sphere appears to have been satisfactorily defined.

(d) Attitude of Ministries to law and order.

45. No change has been observed in the policy of the non-Congress Governments towards law and order, nor have there been any serious developments in any of these three Provinces except for the labour disturbances in Bengal, which are described in paragraph 74.
The Congress Ministries vary in their attitude. The less resolute, or more sentimental, of them are still averse from using some of the customary legal weapons, and are apt to prefer their own methods of restraining the unruly; but this aversion seems to be less pronounced than it was (except where, for instance in dealing with agitation against States, there are special reasons for hesitation); and the use of section 144 of the Criminal Procedure Code is now common and passes almost unnoticed.

46. The Government of Assam have released all the "political" prisoners in the Province (see para. 55).

47. In Bihar, industrial labour is continually restless; and communal feeling, aggravated by the recent Patna conference of the All-India Muslim League, may give rise to awkward problems in the near future. The field in which the Ministry's capacity to govern seems now to be seriously challenged is that of agrarian agitation, under the leadership (but apparently going beyond the control) of extremists with whom the Ministry is still not prepared to deal firmly.

The Ministry proposed to repeal the Bihar Public Safety Act, 1933, which is in force till March, 1941. This Act gives powers of internment and externment, to secure reports of public meetings, and to deal with agitation to prevent the payment of rent or taxes. The Orissa Government has already repealed the Act in its application to that Province; and similar, or stronger, measures have been repealed or allowed to lapse in Bombay and Bengal. As long as the present Ministry is in power the Act is likely to be a dead letter; and although its repeal will deprive Government of useful powers against labour and agrarian disturbances, it was considered impossible in the circumstances to over-ride the Ministry. The Premier was intending to introduce legislation, on the lines of the Goondas Acts existing in some other Provinces, and to embody in this measure provisions not unlike some appearing in the Public Safety Act: but this idea has been dropped.

48. The Bombay Ministry have shown their customary firmness in dealing with labour disturbances (see para. 76).

The Ordinance drafted by the Home Minister to replace in an emergency the repealed Bombay Special (Emergency) Powers Act (see para. 66 of Survey No. 4), does not give the Provincial Government power to control traffic and transport, or to secure reports of public meetings; it omits also all the powers given by the Act to deal with no-rent and similar campaigns; otherwise it is an almost exact replica of the repealed Act and gives the same powers of control over suspected persons, internment and so forth.

The security taken from the newspaper "Al-Hilal" under the Indian Press (Emergency Powers) Act was refunded in December under section 7 (2) of the Act. In November the Legislative Assembly rejected a resolution recommending the return of all securities forfeited under the Act between 1929 and 1937.

49. The Madras Government have had nothing more serious to cope with than the anti-Hindi agitation, which showed signs of subsiding in November but has since revived. By the end of January 669 persons had been convicted. The movement has become more violently anti-Brahmin. Picketing of schools in Madras has been more or less continuous; on January 24th, 45 arrests were made, the largest contingent up to date. A new feature has been participation in picketing by women, a number of whom have been sent to jail. In December, E. V. Ramaswami Naicker, an agitator of some influence who was about to be elected leader of the Justice party, was arrested for abetting picketing and sentenced to a year's imprisonment and a fine of Rs. 1,000. Though his prosecution was initiated without the knowledge of the Premier, he remains in jail. His brother, Krishnaswami Naicker, is the editor who was prosecuted in October for sedition and exciting communal hatred (see paragraph 54 of the last Survey): he was acquitted of the offence of sedition but convicted of the offence of exciting communal hatred and sentenced to six months' imprisonment.
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This Ministry has decided to abandon the forcible feeding of hunger-strikers in jail, and to issue orders for artificial feeding only when a prisoner, as a result of his own obstinacy, is in a state where he is not responsible for his actions.

50. The policy of the Orissa Ministry towards anti-State agitation is described elsewhere—(see para. 84).

51. In the United Provinces there was a serious outbreak of indiscipline among the students of the Aligarh University on January the 26th—"Independence Day". A number of students, apparently irritated by the behaviour of a policeman who is alleged to have struck one of them during an altercation outside an exhibition, attacked the police camp, beat a number of policemen and set the camp on fire; some 40 policemen were injured and some students also were hurt. The next day several hundred students made a demonstration in front of the police station and also at the bungalow of the Superintendent of Police. The authority of the police in Aligarh was considerably shaken; police reinforcements were sent and quiet was restored. The University authorities, instead of expressing their regret and offering their assistance in restoring discipline, publicly identified themselves with a version of the events which appears to be quite inaccurate.

52. Reporting of speeches.—Swami Sahajanand, the kisan leader, visited the Central Provinces in January; his utterances were so objectionable that the Government have issued orders that full reports shall be secured of his speeches if he returns. The United Provinces Government instructed District Magistrates in November that all speeches delivered at communal and agrarian meetings are to be reported by the police, unless the District Magistrate considers it unnecessary. These orders represent a slight advance on those mentioned in para. 53 of the last Survey.

53. Honorary Magistrates.—The Central Provinces Government have decided to abolish all the "special magistrates" appointed to take the place of honorary magistrates—(see para. 73 of Survey No. 4). As a result all the criminal work of the Province has now to be done by the stipendiary staff.

54. Tear gas.—A contingent from Bombay has received training in the Punjab; only contingents from Bengal, Bihar, Sind and Delhi are expected to attend the next course in April, 1939.

55. Remission of sentences.—A case which occurred in the United Provinces has been vigorously criticised. One Makhan Singh was sentenced to transportation for life in January 1936, for the murder of two Muslims. The High Court upheld the verdict and sentence. Under the pre-autonomy régime the Government considered a representation of the District Magistrate and Commissioner that local opinion held the men to be guiltless: but refused to interfere on the ground that such opinion should not prevail against the findings of the Courts. The present Ministry were induced to reopen the case, and after studying the material with care decided that the prisoner should be released on the ground that facts had been overlooked which rendered his guilt doubtful.

Questions were asked in the Assembly, and an adjournment motion on the subject was debated and defeated. The Ministry, however, fully convinced of the innocence of the man, were the more certain to be attacked for unwarrantable interference with the course of justice from the communal aspect of the case.

The storm brewing in Madras between the Government and the High Court (see para. 61 of the last Survey) happily blew over.

In Assam an instance of interference by the Government in a criminal case has been condemned in scathing terms by the High Court. Several accused were under trial for fabrication of evidence and forgery, one of them being a Sub-Registrar whose prosecution was sanctioned by the Government. In August 1937 the Government called for the records of the
case and kept them for six months. In March 1938 the Government Pleader asked for withdrawal of the case, one of the grounds being that the Government considered that the evidence was insufficient to warrant further proceedings—although the prosecution evidence was by no means finished. The Magistrate allowed the accused persons to be discharged, noting that in his opinion there were sufficient grounds for holding that serious offences had been committed. Later it came out that one of the accused was closely related to one of the Ministers (not now in office) and that two other accused also were his relations. The High Court returned the case to the Magistrate for retrial, holding that the action of the Government was entirely illegal and based on worthless pretexts.

56. Conferences.—The conference of Home Ministers (referred to in para. 62 of the last Survey) was arranged for the middle of December, eight Provinces having accepted the invitation. Of those who refused, the Government of Assam said they could not afford to send their Minister; the Home Minister of the United Provinces was busy with an Assembly session; and Rajagopalachari, of Madras, thought that the conference was premature. At the last moment the Ministers of Bihar, the Central Provinces and Sind were prevented from attending, so the conference had to be postponed. It is now proposed to hold it in May or June next, in Simla.

In accordance with a recommendation of the Indian Jails Committee, conferences of Provincial Inspectors General of Prisons have been held periodically. In response to the Central Government’s invitation to the conference to be held in January, 1939, the Governments of Bihar and the Central Provinces indicated that they were opposed to the nature and principle of such a conference, however useful a purpose it may have served in the past. The Bombay Government also refused to send their Inspector General, and Sind were unable to do so. The Inspectors-General of the other seven Provinces assembled in Delhi at the end of January; the agenda included subjects such as the classification of prisoners with special reference to the treatment of “political prisoners”; treatment of hunger-strikers; remissions, premature releases, and the like.

(e) “Political” prisoners and detenus.

57. With the release of all the “political” prisoners in Assam by the new Congress coalition Government, this problem should now be confined to Bengal and the Punjab, unless other Ministries discover in their jails prisoners hitherto not defined as “political”.

58. In Assam there were ten terrorist convicts: one was released temporarily early in 1938 on grounds of health, and later freed unconditionally. On December 5th, a resolution was accepted in the Assembly to the effect that all “political” prisoners should be released forthwith; and on December 14th the remaining nine were set free. Among these nine were two who had served only 5 years of a life sentence. It was regarded as certain that the Ministry would resign if the proposal were rejected. The Governor was unable to plead grave menace to the peace and tranquillity of the Province as ground for rejecting it; and though the possibility of embarrassment being caused to the neighbouring Government of Bengal was appreciated, it was hoped that this would be mitigated by the terms of the announcement which made it clear that the Assam Government had examined each case individually and were satisfied with the assurances obtained from the prisoners that they had abjured terrorism.

59. The Bengal Congress Committee decided early in November to start a campaign for the release of the 242 terrorist convicts still in jail. On November 11th, 220 prisoners went on a three-day hunger-strike, apparently in concert, with the agitation. On the 12th, Subhas Bose launched the new campaign: it has created no excitement and has received little response. Bose announced that Congress do not propose to precipitate an all-India crisis over this question, although the demand for releases has the support of the Working Committee.
In the middle of December the Bengal Government announced the personnel of the Advisory Committee appointed in accordance with the policy previously announced (see para. 75 of Survey No. 4). The President is a retired High Court Judge; the leader of the Congress opposition, Sarat Bose, has agreed to sit on the Committee, which includes six other members of the Legislature and an official of the Bengal Government. Gandhi is believed to take the view that no drastic action should be taken by Congress until this Committee submits a report: but it may be presumed that he has not forgotten his undertaking to secure the release of the prisoners by April 13.

Towards the end of January the committee submitted its first recommendations. Of 83 cases examined consideration of 36 has been postponed until the prisoners are interviewed; the committee recommended that the other 47 should be released unconditionally. Of these, 43 have half or less of their sentences to serve. The Governor has agreed with his Government’s proposal to release the convicts in small groups early in February.

A census of released detenus has recently been taken in the districts of Noakhali, Jalpaiguri and Tipperah. In the first, out of 112 ex-detenus only 34 have settled down to jobs: 13 who have employment are still engaging in their old activities, and 63 are unemployed, of whom 31 are taking part in the activities of revolutionary organisations. In the last two districts, the census shows that about a half or more of the ex-detenus are still engaged in their old subversive activities. Released detenus have also been agitating among the cultivating classes and students, under the guise of political propagandists.

60. There are 28 terrorist convicts in the Punjab. One Sham Lal, a member of the Central Assembly, in a letter to Gandhi expressed his regret that the prisoners would not give an assurance of belief in non-violence even to Gandhi himself. Eight have recently been prematurely released, most of them on grounds of health. All have served the greater part of their sentences. From one of them an undertaking has been obtained not to enter the Punjab without written permission.

61. In the Delhi Province there are three persons detained on account of revolutionary activities under Regulation III of 1818, by order of the Central Government. After consulting the Governments of the Provinces in which they had been active, the Central Government decided to offer them their freedom on their giving certain undertakings. For instance, the Congress Government of Bombay asked that one of the prisoners should undertake to remain outside Bombay Province. They were also required to give an assurance that they would refrain from violence. The prisoners rejected this offer in contemptuous language last November; they have therefore been kept in jail. A Congress member of the Central Assembly tried but failed to persuade them to change their minds and give the required undertakings; he was however much impressed by the comforts which the prisoners enjoy and which may in some degree explain their refusal to leave the prison.

(f) The Agrarian situation.

62. Agrarian discontent has been widespread, and agitation has been reported from nearly all Provinces.

It was reported in January that in one district in Assam tenants were withholding rents on the advice of agitators. In Bengal ex-detenus have been instrumental in creating discontent and spreading Communist doctrines among the peasant classes. There appears to be a general feeling that rents are bound to be reduced soon, so that there is good reason for postponing payment. One Commissioner reported that collection of rent is likely to be seriously affected by the provision in the Bengal Tenancy (Amendment) Act which abolishes the system of summary procedure for recovery of rents.
Tenants are expecting a lowering of rent-rates as a result of the enquiries by the Land Revenue Commission, the personnel of which was announced on November 5th. The Chairman is Sir Francis Floud, and the personnel includes three members of the Legislative Assembly, a retired High Court Judge, and a member of the I. C. S. The Commission has prepared an elaborate questionnaire and is prosecuting its enquiries.

In Bihar the agrarian situation has continued to be unsettled. Swami Sahajanand has kept up his virulent propaganda against landlords and Congress; he has lately been preaching a modified no-rent campaign—that kisans should refuse to pay any part of their produce to zamindars unless the latter behave themselves; and that then they should pay only what they can afford after satisfying their own needs. The Provincial Kisan Congress in December attracted large crowds: an important resolution stated that in order to fight for their rights kisans had “no other means but to offer satyagraha with full strength, in an organised way, remaining peaceful under all conditions”. Another resolution attacked Congress for drifting away from kisan sabhas towards constitutionalism. In the Gaya district, in November, kisans defied magistrates' orders; the Ministry gave the District Magistrate a free hand to deal with leading agitators under the security sections of the Criminal Procedure Code, but were opposed to the use of prohibitory orders. In December so-called satyagraha commenced in the same district: crops on disputed lands were cut, and the police had to harvest crops on one occasion. Four volunteers were arrested for criminal offences. In January the situation deteriorated. A lightning strike broke out in the Gaya Cotton and Jute Mills and was immediately taken up by the Socialist-affiliated Kisan group; the strike was marked by a number of attacks on the police who were on duty near the mill and culminated in a riot on January 4th, when, immediately after Swami Sahajanand had addressed a mass meeting of strikers, a mob of 300 attacked the police of whom about 20 received injuries. Thirteen leaders were arrested during the strike and received sentences varying from six months to a year. Organised crop-cutting and ploughing continued in the district and volunteers came from other districts in the Province to assist; a resolution of the Provincial Congress Committee that no district Committee may start satyagraha without its sanction has given the kisan leaders a check; their local President threatened to resign from the Congress unless the resolution was withdrawn. There were indications that the situation was getting beyond the control of the kisan leaders; at a demonstration organised by Sahajanand at Gaya on January 16th, a crowd when wishing to return home rushed the railway station barrier and occupied the train; a similar scene occurred at a neighbouring station. Satyagraha has also been started in other areas and threatened in two other districts. In Monghyr a volunteer camp organised crop looting at night over a large area and a force of 100 mounted and armed police had to be deputed there.

There has been instigation to the non-payment of rent in the Surat district of Bombay, where a volunteer corps of kisans was being organised. Sahajanand visited Gujarat in December, freely criticised the policy of non-violence and advised peasants to meet zamindars' violence with lathis in self-defence. His preaching seems to have had less effect in this Province than elsewhere.

The Ministry decided to create a portfolio of rural reconstruction under the charge of the Finance Minister, to whom most agricultural subjects would be transferred from the portfolio of the Revenue Minister.

In the Central Provinces the agitation has been comparatively mild; but it took a serious turn in Berar in January, where the worst feature was an apparently effective boycott of land sales. Sahajanand visited this Province also in January and made objectionable speeches; the Government have ordered full reports to be taken of his speeches if he returns.

A no-rent campaign in the Malabar and South Kanara districts of Madras, fostered by Socialists, achieved some success, and intemperate
speeches were common. In January the situation was reported to be improving after the Revenue Minister and local Congressmen denounced the agitation.

The publication of the report of the Estates Land Act Committee (see para. 67), has aroused exorbitant hopes in the tenants of Zamindaris, and rents are being collected with great difficulty.

There has been no recrudescence of the Galladher agitation in the North-West Frontier Province, mentioned in para. 64 of the last Survey. Before the Assembly session began in November the Premier released 159 of the agitators who had been sentenced to imprisonment.

In Orissa, kisan leaders were reported in December to be advising tenants to pay only half the rent due to landowners. Congressmen and Socialists stirred up unrest in the Multan district of the Punjab; speeches were anti-British and glorified terrorism. The situation improved when the Cotton-Growers' Association conceded many of their tenants' demands. In the Hoshiarpur district there has for some time been friction between tenants and landlords; 16 tenants were recently acquitted on a charge of assaulting a commissioner appointed to arbitrate in a dispute, with the result that tenants in the area declared their determination not to pay any of their dues to their landlords.

There have been few reports from the United Provinces of any dangerous agitation; the Tenancy Bill was still under discussion in the Assembly at the end of January. The Premier agreed to the use of the security sections of the Criminal Procedure Code to deal with agrarian agitation in Lalitpur district.

63. Land Revenue.—The Bombay Government have decided to grant revenue rebates, in view of the fall in prices, of fourteen lakhs of rupees as against a previous average of eight lakhs. The position in the Central Provinces appears to be serious; the cotton crop in Berar and in the Nagpur division has been a comparative failure, and a vigorous agitation began in which impossible demands were given currency—an agitation partly intended to embarrass the Mahakoshal Ministers. The latest report states that proposed suspensions of revenue amount to more than eight lakhs of rupees in Berar and six lakhs in the C. P. In Madras a cyclone in one area and failure of the monsoon elsewhere will necessitate remissions amounting to about half a crore of rupees. In the Punjab, various forms of famine relief have cost about 56½ lakhs in the current financial year and are estimated to cost 75½ lakhs more in the next year. Drastic economy will be necessary to remedy the financial situation which would otherwise have been satisfactory. In Sind a disastrous frost in November caused much damage to the cotton crop and large remissions of revenue will be necessary. In the United Provinces land revenue collections have begun; they are progressing satisfactorily and are said to be somewhat better than last year.

64. Agrarian Legislation.—Details of all legislation, agrarian and otherwise, passed into law between April, 1937, and the end of 1938, will be found in Appendix III. It will be seen that agrarian enactments have formed a large part of the output of nearly all the Provincial Legislatures. Measures of wide scope, or involving important principles, have been passed in Bengal, Bihar, Madras, Orissa, the Punjab, and the United Provinces, the effect of which is to benefit agriculturists at the expense of landlords or moneylenders, or both. (See also paras. 65—71 of the last Survey.)

65. Bombay.—The Tenancy Bill was formally introduced in the Legislative Assembly during November but discussion was postponed till the next session.

66. Central Provinces.—The Revision of Land Revenue of Estates Bill received the assent of the Governor-General in December.
67. Madras.—In 1938 a Committee of the Legislature was appointed, with Prakasam, the Revenue Minister, as Chairman, to enquire into relations between Zamindars and tenants in permanently settled estates and to make recommendations for legislation. Its report was signed on November 7th; the Committee was divided in its opinions, and the main recommendations were carried by a majority of 5 to 4, Prakasam being among the majority. The majority report proceeds on the assumptions that the ryot and not the Zamindar is the owner of the soil, and that (in spite of various legal decisions to the contrary) the intention of the Permanent Settlement of 1802 was to fix rents (as well as the sums—"peshkash"—payable by the Zamindars to Government) for all time. Whatever the merit of these assumptions, and however unfavourable the conditions of Zamindari tenants may now be as compared with those of ryots holding under Government, the recommendations of the Committee, particularly the main proposal to restore the level of rents prevailing in 1802, would be devastating in effect; and the immediate result of the publication of the report is the withholding of rents, whether high or low, by the tenants. The Premier in private professed to be much alarmed by the recommendations; and most of the Ministers are believed to be against the more drastic of them. But the result of the debate in the Assembly which began on January 20th, and lasted seven days is reported to be acceptance of the Congress party motion recommending that immediate steps should be taken to introduce legislation based on the Committee’s proposals.

In October the Madras Government requested the Central Government to introduce legislation to remove doubts and difficulties that had arisen in the enforcement of the Agriculturists’ Relief Act, 1938. Courts had given conflicting interpretations as to whether debts of a certain kind could validly be reduced under the Act. The proposal was not one which the Central Government could accept. Either the disputed matter is valid as being within the powers of the Provincial Legislature, in which case intervention by the Central Legislature is unnecessary; or it is invalid, in which case the Centre could reasonably require a ruling of the highest Court before considering whether by introducing legislation it should endorse methods of dealing with debt which have aroused a good deal of controversy in the Province. The Central Government declined to comply with the request.

68. North-West Frontier Province—The Agricultural Debtors’ Relief Bill was passed during November, but has not yet received the Governor’s assent. Its provisions appear to be more sweeping than those of similar legislation passed in other Provinces. The Muslim League party supported the Bill. It is heartily disliked by all Hindus in the Province and is one of the main causes of dissension in the Congress ranks. The “Teri Dues” Bill, mentioned in paragraph 92 of Survey No. 4 was passed in November in the form recommended by the Governor, and received his assent in December.

69. Orissa.—No progress has been made with compromise over the Madras Estates Land (Orissa Amendment) Bill. A conference was to have been held with landowners in November, with Rajendra Prasad present as the Ministry’s expert adviser; but Rajendra Prasad’s illness has prevented him from taking part so far. It is now expected that discussions will begin early in February.

70. Punjab.—Three more Bills to benefit agriculturists have been passed. The provisions of the Alienation of Land (Fourth Amendment) Act and of the Punjab Debtors’ Protection (Amendment) Act will be found in Appendix III. The Agricultural Produce Markets Bill was passed in January: it is intended to secure a higher percentage of the sale price of agricultural produce for the producer, by regulating the numerous charges levied from him. The Alienation of Land (Second Amendment) Bill, dealing with benami transactions, which was reserved for the consideration of the Governor-General, is still under discussion with the Secretary of State.
United Provinces.—Towards the end of the year two Acts were passed, the terms of which appear in Appendix III. They are the Temporary Postponement of Execution of Decrees Act and the Rent and Revenue Relief Act. The Tenancy Bill was introduced in the Assembly on November 10th; it has been under discussion ever since and is expected to be passed about the end of February. The Congress Working Committee declined to intervene to secure a compromise, the talukdars of Oudh having refused to pledge themselves to accept the Committee's decisions as final. The intention of the Ministry appears to be to carry through the Bill essentially in the form recommended by the Select Committee. Even so, it is by no means certain that the left wing will be content, and that section of Congress is powerful enough in the Province to cause the Government a good deal of inconvenience. The principles for the fixation of rent have gone through practically unchanged, and these appear to give much less scope for reduction of rent than the left wing demands.

(g) Communism.

Communist plans have continued to concentrate on left-wing unity. At the beginning of November, Communists, Socialists and other left-wing elements, decided to act as a united bloc with a common programme. A new working formula was evolved, which has been published and distributed as a "Call to Congressmen". This manifesto appeals to Congressmen to uphold the revolutionary principles of the Congress, criticises Congress Ministries for repressive measures, and demands uncompromising opposition to Federation, active support for the States' people's agitation, and enlargement of civil liberties.

Subhas Bose's re-election as President of the Congress, in a straight fight with a moderate who was admittedly the right-wing nominee, must give great encouragement to the extremist sections which look to him for leadership: and it may be expected that the left wing will not be so easily thwarted at the Tripuri session in March as they were at Haripura and Delhi.

The Bombay strike of November 7th is described below. This was organised with the full force and energy of the Communist party, in opposition to the Congress Ministry and to establish a hold on labour in competition with the claims of Congress. Cawnpore is still a hotbed of Communism: elsewhere in the United Provinces—at Lucknow, Allahabad, and Benares—the Communist aim is against the electricity and other public utility services: a strike at Lucknow on "Independence Day" (January 26th) was averted, but may only have been postponed.

(h) The Labour situation.

Assam.—The situation in Digboi has been quiet; the parties were awaiting the report of the court of enquiry; this came out in January and its finding was that conditions of labour in the Assam Oil Company are not unsatisfactory. At Dibrugarh, a number of contractors' labourers had to be discharged, with a month's notice, when the site for stacking coal on which they were employed was washed away by river erosion: a campaign was started to boycott the Dibru-Sadiya railway: the station and railway buses were picketed. The Premier intervened in the dispute; the boycott was called off on December 22nd, and a settlement reached.

Bengal.—As a protest against the refusal by the management of a jute mill in Titagarh to reinstate six workers who had been discharged for carrying on propaganda against the Jute Ordinance, (as to which see paragraph 31 of the last Survey), more than 20,000 workers in the jute mills in that area went on strike on November 14th. By the end of November, the number rose to 43,000 and 10 mills were affected. The strike early
assumed a communal character; on November 17th three persons were killed and forty injured in rioting. Many arrests were made, a curfew order was issued, and police and troops patrolled the area. Another clash on December 5th resulted in twenty-five more injuries. Attempts made to call a general strike failed, and the strike collapsed early in January when the mills reopened with a nearly full complement. The managements have since been accused of victimization, more particularly of labour recruited from Madras. Though labour unrest in Bengal may at times be instigated and financed by rival business interests or be prompted by non-industrial, for instance communal, motives, as soon as trouble breaks out leaders of the professional revolutionary type step in to enhance their own importance and the danger of the spread of Communist propaganda and of control by Communist leaders is always present.

A hopeful sign is that all the members of the Indian Jute Association have recently executed a working agreement, to come into operation by March, and to last for a period of five years, to regulate production. This was the purpose of the Bengal Jute Ordinance; the Association hopes to suggest very shortly a date for the withdrawal of the Ordinance.

On January 4th workers in the Bata Shoe Factory at Batanagar went on strike, instigated by agitators amongst whom was a notorious Communist. On the 9th the police had to open fire on an unruly mob during a disturbance between strikers and loyal workers. Two men were injured: no one was killed. The dispute was settled by January 19th. A strike which began in October at the Indian Standard Wagon Company's works at Asansol was continuing at the end of January: on November 17th one of the European staff was attacked and escaped with difficulty. Another strike at the Bengal Paper Mills, Ramiganj, which began on November 13th, had not been settled at the end of January.

75. Bihar.—There has been a general improvement. The disputes at the Tatanagar Foundry and the Copper Works have been settled by arbitration. The strike in the coal-fields spread no further; though stalemate existed for some time, a settlement was reached at the end of December. The Cable company agreed to the appointment of a conciliation board, and in the meantime the parties engaged in private negotiation; a settlement was reached on December 31st and all the strikers resumed work a few days later.

76. Bombay.—On November 4th, the Trades Disputes Bill was passed by the Legislative Assembly (see paragraph 12 of the last Survey). Opposition to the Bill found vent in a call for a general strike in Bombay city on November 7th. The idea was started by Communist agitators who foresaw that their chances to organise lightning strikes would be seriously curtailed; but they were joined by other parties who were determined to use the opportunity for an anti-Congress demonstration. The “Harijan” leader, Ambedkar, and his Independent Labour party, and Jamnadas Mehta with the Bombay T. U. C., accepted the Communist scheme for their own purposes, and called for volunteers. The Home Minister warned the public that, while a peaceful demonstration would be tolerated, Government were bound to afford adequate protection to those who did not join in the strike. On November 7th, in Bombay city 00 out of the 77 mills and factories opened and about half the workers attended: in Ahmedabad, Sholapur, and other industrial centres, there was even less response to the call to strike. In Bombay city there were serious disturbances which compelled the police to open fire: 11 people were injured by the firing of whom 2 died. Vallabhai Patel and Munshi, Home Minister, had stones thrown at their car. Traffic was dislocated by crowds of demonstrators. About 75 persons in all were injured, including 11 policemen. Order was restored and on the next day all was quiet.

Vallabhai Patel at once issued a statement stressing the miserable failure of the strike as a whole, and later spoke in justification of the firing. The Bombay Government appointed a Committee to enquire into all the
events of the strike, under the chairmanship of a High Court Judge; the Bombay T. U. C. decided to boycott the enquiry because the terms of reference were unacceptable and Patel's statement had prejudiced the Committee's impartiality. Under Munshi's personal direction the Government drew up an elaborate note for the Committee, attributing the strike to the machinations of Communists, tracing the history of Communist activity in India and justifying the measures taken to suppress disturbance. The Bombay Provincial Congress Committee has taken disciplinary measures against a number of persons who took part in the strike.

The Government can claim to have handled the situation with firmness and success: and to have once more shown their capacity for pursuing a definite policy without yielding to clamour and for dealing effectively with a challenge to public order.

The long drawn out strike at the Gokak mills came to an end on November 15th when workers returned to work unconditionally. A number of mischief-makers among them succeeded in creating a fresh disturbance on December 23rd; several injuries were caused in rioting; a number of arrests were made, a prohibitory order was issued, and 13 persons were served with externment orders under the Police Act.

More than 100 violent picketers were arrested and prosecuted under the Police Act during disturbances at the Saraswati Printing Works in November.

77. Madras.—A fresh dispute broke out at the Chittivalsa jute mills in November, when a woman worker was dismissed for insubordination, and the management closed the mill in expectation of a stay-in strike. The dispute was settled on December 12th. At Madura, a member of the Provincial Assembly brought about a strike in the Mahalakshmi mills in October; he formed a union of mill-workers among whose demands was the reinstatement of 14 dismissed workers; the Commissioner of Labour found the demand unjustified, whereupon the men struck; the mill was kept working. Eighty picketers were prosecuted, strikers had to be dispersed by a lathi charge, and the member of the Assembly was arrested and sentenced to a term of imprisonment. The strike ended on November 7th, the management having agreed to certain concessions.

78. United Provinces.—There have been one or two minor strikes in Cawnpore, where labour conditions are far from settled. Communists are active, revolution is preached, unruly meetings are held at the mill gates; and labour is being kept in a state of unrest by artificial agitation. The employers are critical of the Government's inactivity and believe that the demonstrations could be suppressed with little difficulty. While the Ministry have issued a circular to District Magistrates permitting them to demand security from persons who publicly advocate violence, the danger remains of an irresolute policy in the face of the growing strength of forces of discontent. During January there was some uneasiness about the possibility of strikes in the Electric Supply Works both at Lucknow and Allahabad, but the efforts of the Labour Commissioner were successful in getting at any rate a postponement of the trouble, and the chances of a settlement are fair.

79. Trades Unions.—No mention has been made in previous Surveys of Trades Unions in India; in fact there is little to be said. The All-India Trade Union Congress was founded in 1920; in 1926 the Trade Unions Act was passed conferring on registered unions immunity from prosecution for criminal conspiracy and from civil suits for breach of contract, and subjecting their accounts to an annual audit. In 1929 the moderate elements broke away from the extremists and formed an All-India Trade Union Federation, and this in 1933 was amalgamated with the National Federation of Labour under the title of National Trades Union Federation. In April 1933, this body rejoined the All-India Trade Union Congress, which is not a registered association. The Trade Union organisation appears to have
little support or influence, and its importance is negligible in actual disputes between employers and employed.

The President is one Suresh Bannerji, who has stated that the final object of the organisation is the establishment in India of a Socialist State, and its present policy co-operation with the Indian National Congress.

(i) Terrorism.

80. There is little that is definite to say under this head. Though many persons who had been in confinement for terrorist crime are now at large, their activities, where of political interest, appear to be for the most part uncoordinated. The desire among persons with terrorist inclinations to make the next political mass movement a violent one is common, and this as a rule leads to their support of the 'united front' movement and the Communist programme. Among ex-detenus in Bengal, the Anushilan group favours the capture of the Congress Socialist party, and is closely associated with the leading ex-Kakori convicts in the United Provinces; the Jugantar group prefers to base its organisation on the Congress. In the United Provinces the main effort is directed to infiltration into youth leagues.

Terrorist organisation in Bihar and the Punjab has not progressed beyond the efforts to re-establish connection with other revolutionaries.

As has been mentioned in paragraph 59 above, a recent census of ex-detenus in certain districts in Bengal reveals that about half of them are still engaged in their old subversive activities.

Another serious railway accident has been attributed to sabotage, but cannot be traced to the work of terrorists. There have been two recent instances of terrorists taking part in crime—a profitable burglary in a jeweller's shop in the Punjab, and a succession of dacoities in the United Provinces: the motive was apparently not political but their own benefit.

(j) Communal troubles.

81. During the quarter, there have been no serious disturbances, and the great Muslim festival of Id-ul-Fitr on November 24th passed off peacefully: but it would be quite incorrect to make the deduction that communal relations are improving. It is scarcely possible for them to improve so long as the blatant propaganda of the Muslim League and the Hindu organisations continues.

The Assam Government have issued orders similar to those prevailing in Bengal, that music shall be prohibited before mosques at certain fixed hours of prayer. In Bengal, tension arose when Hindus of Burdwan took out an unlicensed procession, and the Ministry desired to express the displeasure of Government by the refusal of a licence so long as they remained defiant: negotiations were opened through a resident of Burdwan on whose persuasion the defiant attitude was dropped and a peaceful settlement was reached. Stray assaults and rioting followed a Hindu-Muslim dispute at Asansol on January 19th; one Hindu was killed and 18 persons were injured. A prohibitory order was issued for two months.

The excitement created by the session of the Muslim League at Patna has led to more embittered relations in Bihar. On January 26th communal rioting at Gaya in connection with a flag-hoisting ceremony in honour of 'Independence Day' led to about 50 persons being injured. A prohibitory order under section 144 was promulgated. The Committee enquiring into the Bannu raid in the North-West Frontier Province (see paragraph 84 of the last Survey) has been recording evidence, but has not yet produced a report. Asaf Ali concluded his enquiry on November 8th: his conclusions have not been published. Communal tension was acute at Multan in the Punjab during November; on the 15th a Muslim procession was banned and
the crowd had to be dispersed by a lathi charge; a prohibitory order was promulgated. There have been no developments in the Shahidganj dispute.

The Madhe-Sahaba controversy at Lucknow, United Provinces, has been quiescent, but is not settled. The Government announced in December that the District Magistrate would decide any application for permission to recite the offending verses, keeping in view the conditions prevailing at the time, and that he would be responsible for the consequences of his action.

In the Delhi “temple dispute”, civil disobedience was kept up throughout the quarter and was continuing at the end of January. Prohibitory orders have been extended from time to time. Some excitement was caused by a hunger-striker who announced his intention of fasting to death in support of the claims of the Hindus; when he was proposing to lead a procession through the city, lying on a stretcher, the authorities, in expectation of a disturbance, arrested him; he provided the security demanded and left Delhi. The sadhu who is the source of all the trouble has been released by the High Court, which while upholding his conviction reduced the sentence to the period already served. He has been served with an order prohibiting him from entering municipal limits. On January 28th judgment was delivered in the civil suit lodged by Government against the sadhu. Decreeing the suit for Government with costs, the judge found that Government was the owner of the disputed site.

On January 22nd a Hindu celebration of “Hyderabad Day”, to protest against alleged oppression of Hindus in that State, caused offence to Muslims in Delhi; 70 persons were injured in the ensuing riot. On the same occasion a riot broke out in Bareilly (United Provinces) where 4 persons were killed and 69 injured; there was grave tension in Lucknow also.

VI.—Political Movements.

(a) The Congress Party.

82. Congress and Federation.—No further pronouncements on Federation have emanated from the Working Committee. But in view of Subhas Bose’s very recent re-election as President, in circumstances which suggest that his opinions will in future carry more weight than hitherto, it is worth while to recall some of his utterances. In November he was reported as stating that the time had come for Congress to abandon its defensive policy and to give the British Government an ultimatum, backed by the threat of civil disobedience, demanding complete freedom within six months: Britain’s weakness as a world power offered an opportunity which should be seized to secure India’s emancipation. A few days later he demanded that the “drift towards constitutionalism” should cease, and that the war against Federation should be waged from all sides: he repeated the threat of satyagraha, and, in reply to a question as to whether or not Congress Ministries should resign if civil disobedience began, said that this was a matter of expediency which would be decided when the time came.

In December, referring to a speech made by the Viceroy at Calcutta, he declared that it contained nothing which would warrant a change of attitude towards Federation; swaraj within a year is possible if full advantage is taken of the present opportunity: the Congress is opposed, not to the idea of Federation, but to the Federal scheme of the Constitution Act: the Government need not delude themselves with the belief that because office was accepted that scheme also would be accepted.

Subhas Bose claimed to be fighting the election for the office of President of the Congress on the issue of Federation, in opposition to the secret intention of the right-wing leaders to accept it; and his victory, whatever its results may prove to be, must for the present be regarded as an endorsement of hostility to the Federal scheme stated in more uncompromising terms than the other leaders of Congress opinion have cared to use.
83. Congress and the States—Since paragraphs 90 and 91 of the last Survey were written, interference by Congress in the affairs of the States has grown to the size of a first-class issue. The unacknowledged, but palpable, motive is the securing of a majority in the Federal Legislature. Of the 250 British Indian seats in the future Assembly, Congress cannot hope to secure more than half. To obtain a majority in the whole House they must secure the allegiance either of Muslims or of States' representatives. The wooing of Muslims having proved a failure, the only possible line of advance is through the representation of the States: and that is open only if election is accepted as the method of appointing the States' representatives, or some portion of them. An obvious method of forcing Rulers to agree to this method is to foment such unrest in the States as will induce them to make terms with the power which can pacify the storm it has raised.

It is beyond the scope of this Survey to describe in detail the prosecution of this design. The main points of recent attack have been Rajkot in the west, Jaipur in Rajputana, Nandgaon and the Orissa States in the east.

On December 3rd, Gandhi, writing in the "Harijan", made a pronouncement of the greatest importance. He acclaimed the simultaneous awakening in various States, and declared that there is no halfway house between the total extinction of the States and full responsible government. Professing to have heard a rumour that the British Government would go back on the statement of Lord Winterton in Parliament about the ability of the Princes to grant responsible government to their people, he announced that any such recantation would "precipitate a first-class crisis whose magnitude it is difficult to foretell." Alluding to stories of excesses committed by the police of States in suppressing agitation, he claimed that Ministries in the Provinces had the moral right and duty to take notice of gross misrule in the States, and to advise the Paramount Power on what should be done. In a phrase which was remembered, in a sense he did not intend, when a month later Major Bazalgette was murdered, he claimed that Ministers in the Provinces have a moral responsibility regarding what happens in the States. He then gave warning that the Congress policy of non-interference might be abandoned: in terms which can only mean that the policy was adopted for lack of power rather than of will, he announced that the Congress would be bound to intervene if its growing influence gave it the strength to do so with effect: and he advised the Princes to "cultivate friendly relations with an organisation which bids fair in the future, not very distant, to replace the Paramount Power—let me hope, by friendly arrangement."

The Working Committee's resolution published on December 14th, repeated the familiar condemnation of repression in the States: and asserted the right of Congress to protect the people against the unwarranted use of military or police forces lent by the British Government to combat the legitimate demand for responsible government. Though considerations of prudence prevented Congress at present from intervening directly and as an organisation in the conflict, the right is reserved to guide and assist the people of the States, and the Congress must be increasingly identified with them. But the advice was repeated that persons not belonging to the States should not intervene: and the necessity of non-violence was enjoined. The full text is in Appendix I.

The policy of the Paramount Power was comprehensively defined in the reply given to a question in the House of Commons on December 16th: there will be no obstruction to proposals for constitutional advance initiated by Rulers, but His Majesty's Government will bring no pressure on them to initiate such changes: it is for the Rulers themselves to decide what form of government they should adopt in the diverse conditions of the States: the obligations of the Paramount Power extend to protecting the Rulers against violence and disorder, and to advising and assisting them in remedying such legitimate grievances of their subjects as may be found to exist.
Gandhi has shewn bitterness especially in his reference to affairs in Rajkot and Jaipur: and it is noticeable that his animus is shewn against British officers as such. In both States members of the Working Committee have interfered—in the former Vallabhai Patel and in the latter Jamnalal Bajaj. Alluding to the ban on Jamnalal’s entry into Jaipur State, Gandhi announced that if Jamnalal disregarded the ban and was arrested and put in jail with his “peaceful co-workers” Congress would have no alternative but to make the matter “an all-India issue”.

Thus Congress intentions and practice have gone well beyond the terms of the Haripura and Delhi resolutions; and Gandhi’s threat may mean that, unless the emissaries of Congress can have their way in the States, the whole of India will be brought into the struggle. Jamnalal announced his intention of defying the Jaipur ban on February 1st.

84. Mention must be made of the attitude of those Provincial Governments which have been affected by trouble in neighbouring States. Something was said about the attitude of the Orissa Ministry in para. 91 of the last Survey. Through November and December they continued to give some assistance in minor ways, but still resisted the application of the dormant provisions of the Indian States (Protection) Act, and placed obstacles in the way of extraditing persons who had been arrested in the Province. A number of these belonged to the small State of Talcher, and the issue was complicated by thousands of the subjects of that State moving into Orissa Province where they lived in improvised shelters and refused to return to the State. Whatever their grievances may be, the migration was largely due to instigation from British India.

The murder of Major Bazalgette, the Political Agent, early in January by a riotous mob in Ranpur State startled and for the moment shocked all but the extreme supporters of the agitation in the States. The Orissa Government agreed to the immediate despatch of a force of provincial police to the State. In other respects however the Ministry have not materially modified their attitude.

The Central Provinces Government have not been helpful in connection with the agitation in Nandgaon and Hyderabad States. The Ministry refused to lend police assistance, to prevent local Congressmen from participating in the agitation, or to give information to the State police. A number of students expelled for indiscipline from the Osmania University in Hyderabad State have been admitted into the Nagpur University. The Nandgaon agitation is directed by the Socialist leader Ruikar from C. P. territory and from railway lands which belong to the Nandgaon State but are not under the State’s jurisdiction.

The Bombay Government have shown less reluctance to help: they are prepared to give routine information and assistance to the Hyderabad police, and to help the State authorities to take action against newspapers published in the Province which after being banned in the State renew publication under a new name. But they refuse to stop parties of volunteers from entering the States so long as their intentions appear to be non-violent.

With the Congress High Command disorganised at present as the result of Subhas Bose’s successful revolt, it would be rash to make any prediction of the action that may be dictated to Congress Ministries as the result of the agitation in the States. Gandhi’s personal interest in the struggle is keen: as recently as January 28th, he complained bitterly in a “Harijan” article of the action attributed to “the Imperial power” in Rajkot and Jaipur, with a sneering allusion to police and military in Ranpur State “having a merry time at the expense of innocent men and women” in revenge for the murder of the Political Agent. Even the present disunion in the Congress may enhance the value of a battle-cry which would unite all sections in the forthcoming session at Tripuri. Thus the danger cannot be ignored of a crisis in the Congress Provinces resulting from what is now proclaimed as a conflict, no longer between States Rulers and their subjects, but between Congress and the Imperial Government.
The Congress President.—Throughout his year of office Subhas Bose has kept himself prominently before the public in various parts of India: but his utterances have received the less consideration, outside left-wing circles, because of the coolness known to exist between him and his colleagues in the Working Committee. As the time for the election of the new President drew near, it was at first generally accepted that Maulana Abul Kalam Azad would be Bose's successor; he had the backing of the Congress leaders: and if he had remained in the field it is pretty certain that the election would have been, as usual, uncontested. He, after some vacillation, professed himself unequal to the burden of office and withdrew his candidature at a late stage. Only Subhas Bose and Pattabhi Sitaramayya were then left in the lists. All the forces of the High Command were applied to prevent Bose's election. Gandhi himself requested him to withdraw: Jawaharlal Nehru discouraged his candidature: and seven other members of the Working Committee, known to be representing the views of practically the whole body, issued a manifesto which made it clear that Sitaramayya was the official nominee and Bose an unwelcome interloper. None of his opponents explained precisely why Bose was not wanted: the plea that re-election was a most unusual course was a lame pretext: and, as the High Command would not frankly proclaim that both his personality and his politics were disliked, Bose had no difficulty in meeting the objections to his candidature. He accused his colleagues of secretly working for the acceptance of the Federal scheme and condemned the attempted "moral coercion" of the electors.

India is for Congress purposes divided into 21 linguistic "provinces": in each the primary ("four-anna") members annually elect delegates to the plenary session, the number of the delegates in each "province" depending on the number of primary members enrolled: and it is these delegates (over 3,000 in number on this occasion) who are empowered to choose, by ballot if the election is contested, the President for the plenary session and the ensuing year. The delegates had themselves been elected during the month of January.

The election held on January 29th resulted in 1575 votes for Subhas and 1376 for Sitaramayya: majority 199 in a total poll of 2951. There cannot be the slightest doubt that the result was totally unexpected: Bose himself had admitted that his followers were in a minority. The heaviest polling was in Bengal and the United Provinces: in the former Bose received 80 per cent. of the votes, the two factions in the provincial Congress having closed their ranks for the occasion to support the Bengali candidate: in the latter Bose polled a handsome majority. In the Punjab and the Karnataka "province" also Bose obtained good majorities: in Bihar, Gujrat and Orissa, and naturally in Andhra where he belongs, Sitaramayya received the greatest support: elsewhere the voting was fairly even. The Tamil "province" produced more votes for Bose than for Sitaramayya. It is too early to give a considered appreciation of the meaning and probable outcome of this surprising election. It appears that it does not represent as strong a swing to the left as the figures would suggest. But estimates from various quarters agree that it does mean something in the nature of a revolt against the flat dictation practised by Gandhi and his favourite lieutenants, particularly Vallabh bhai Patel: and Bose's majority in three of the four "provinces" which comprise the Madras Presidency is regarded as a vote against Rajagopalachari's policy and methods in provincial administration—regarded as typical of the mind of the High Command. Other factors contributing to Bose's success were his greater fame, and a special dislike for Sitaramayya in the important province of Bengal.

Gandhi has admitted frankly that Bose's victory is a defeat for himself. In a statement issued on January 31st he recalls an article he wrote in October on the defiant attitude of the left wing at the Delhi session of the Congress: in that article (quoted in para. 88 of the last survey) he put forward the view that, if his opponents in the Congress fold continued their obstruction, the reins should be handed over to them, and Gandhi's party
should come out of the organisation and practise the Congress programme while giving up the Congress label. Most significantly, he now says that his defeat gives him an opportunity of putting into practice what he then preached: and he adds that Subhas Bose's victory "enables him to choose a homogeneous Cabinet and enforce his programme without let or hindrance." Gandhi's own followers (now referred to as "the minority" which is the term by which he described his opponents in October) will find that the "current" (i.e., the Gandhian) programme of Congress can be worked whether they are in the Congress or outside it. Those who now feel uncomfortable in the Congress may come out. The threat in this passage of a division in the Congress ranks is unmistakable. Less lucid is his utterance on the position of Ministers: these have been chosen, and the programme shaped, by the erstwhile majority: "but parliamentary work is but a minor item of the Congress programme: Congress Ministers have after all to live from day to day: it matters little to them whether they are recalled on an issue in which they are in agreement with the Congress policy or whether they resign because they are in disagreement with the Congress." Whatever the significance of these words, they do show an expectation that the Ministries, from one cause or another, may give up office in consequence of circumstances arising out of the election.

Subhas Bose has himself taken his victory with unwonted modesty: and, perhaps from bewilderment, has refrained from any indication of the course he will follow. He is however committed to the view that the President is like a Prime Minister rather than a chairman of a deliberative body, and must select his Cabinet for himself.

86. The annual session of the Congress is to be held at the village of Tripuri in the Central Provinces in March. The Central Provinces Ministry, after making this gesture of hospitality, got into difficulties about collecting the large sum required for the construction of the camp. Money came in slowly: some of it was embezzled by the Congress secretary, a Muslim: questionable methods of collecting funds were alleged: and the Ministry, with doubtful propriety, made a special allotment towards the expenses from Government resources.

87. Internal condition of Congress.—Gandhi's dissatisfaction with the corruption and indiscipline of Congressmen, and with their failure to practise true non-violence, has been repeatedly expressed. His statement of January 31st on the election of Subhas Bose roundly declared that the Congress registers contain a very large number of bogus members, and that a scrutiny would result in the unseating of many of the delegates elected on those registers. This was not an after-thought, calculated to cast doubts on the result of the election: for on the eve of the election he had stated the same view, and written vehemently about the personation practised at the elections of the delegates, and the violent scenes that occurred at the polls. As an instance of indiscipline he quoted the defiance of the Bihar Ministry by kisan leaders. He concluded—"Out of the present condition of Congress I see nothing but anarchy and red ruin in front of the country. Shall we face the harsh truth at Tripuri?" The Working Committee passed a lengthy resolution in December dealing with internal administrative reform; it aims at ridding Congress of bogus members by a revision of all membership registers and by the introduction of constitutional changes to prevent the enrolment of unqualified members; qualifications already prescribed are to be strictly observed; and election to the executives of Congress bodies is to be restricted to members of at least three years' standing. The resolution (if carried into action) should place difficulties in the way of the plans of the Socialists and Communists for capturing executive committees and other responsible bodies.

88. The Rupee Ratio.—On December 14th the Working Committee passed a resolution, referring to the Government communiqué of June, 1938 (see para. 113 of Survey No. 4), and stating their reasons for making a positive demand that the rate should be lowered from 1s. 6d. to 1s. 4d. The full text of the resolution is in Appendix I. It stated that since June
the balance of trade has turned more and more against India, that the present rate has hit agriculturists hard by lowering the price of commodities produced by them, and that it gives an unfair advantage to imports: the present rate has been maintained by large exports of gold which have been injurious to the country, and can now only be maintained by contracting currency and credit and by further depletion of the gold and sterling resources of India. The Government immediately replied to this demand in a communique which, by reference to recent figures of the trade balance and the trend of prices and of the proportion of gold and sterling reserves to the note issue, completely controverted each of the specific grounds alleged for it: the conviction was stated that a lowering of the ratio would cause no appreciable rise in the prices of agricultural products but would immediately raise the prices of what the cultivator needs to buy: it would seriously weaken the budgetary position of the Central Government and the larger Provincial Governments; and would benefit no one except the monied and speculative interests: the Government would defend the present exchange value of the rupee by every means in their power, and were completely confident of their ability to maintain it.

The press which speaks both for Congress and for Indian capitalism attributed the views of Government to a desire to protect British officers remitting their savings to England and the interests of British manufacturers, and declared that India was determined to have a lower ratio and would get it soon, notwithstanding the opposition of Government. Bose and Satyanurti have made statements indicating that the Congress does not intend to accept the Government verdict as by any means final. On January 23rd the Viceroy, speaking in Bombay, repeated Government's intention of doing everything in their power to maintain the ratio. (It is worthy of mention that the Punjab Government in the middle of January made a statement giving reasons for their dissent from the demand for a lower ratio).

89. Attitude to "untouchables".—The Malabar Temple Entry Bill, which was described in para. 96 of the last Survey, was passed by the Madras Legislature early in December, and received the Governor's assent in January.

90. Attitude to Indians Overseas.—According to a press report the Aga Khan has persuaded Gandhi to agree to sending Vallabhbhai Patel to East Africa in May next in connection with the interests of Indians living there. It has been alleged that Patel will in some degree be concerned with Indian opposition to the return of East African colonies to Germany.

91. "The National Planning Committee".—From the conference of Congress Ministers for Industries held at the beginning of October has emerged a scheme for a "National Planning Committee". Mention has already been made (in para. 20) of the response by Provincial Governments to the Committee's demand for financial assistance. The Committee held its first session under the chairmanship of Jawaharlal Nehru, recently returned from Europe, on December 17th, when Subhas Bose inaugurated the proceedings. The object of national planning is stated to be to improve the well-being of the community by intensifying economic development in a systematic manner; it is hoped to "double the standard of living" within a period of five to ten years at the most. A questionnaire has been issued to Provincial Governments, Indian States, organisations of trade, commerce, labour and agricultural interests, in order to collect the necessary data and to obtain helpful suggestions. The questionnaire seeks information regarding raw materials, resources available, transport facilities, and numerous other subjects.

92. Enlistments to the Congress party for 1938 totalled about 45 lakhs, compared with 36½ lakhs in 1937; one extra month was allotted for enrolments in 1938. Gandhi and the Working Committee are sufficient authority for the view that the registers contain many bogus names.
93. Relations with Congress.—The negotiations for a settlement between Congress and the Muslim League have been closed. The Congress President's reply to Jinnah's letter of October 9th (which was mentioned in para, 99 of the last Survey) shut the door at last, after stating that the Congress Working Committee found it impossible to agree to the basis of the negotiations, it continued 'The Working Committee regret that they are not in a position to do anything further in the direction of starting negotiations with the League with a view to arriving at a settlement of the Hindu-Muslim question'. This was in December.

At the session of the Muslim League at Patna at the end of the same month Jinnah laid the blame for the breakdown on Congress, who had 'dashed every possible hope for arriving at a settlement on the rocks of Congress fascism'. This was followed by a resolution which accused certain Congress Ministries of committing 'atrocities' on the Muslim minority, and authorised the Working Committee to resort to 'direct action' if necessary—(see text see Appendix II). The Ministries concerned have been at pains to refute these charges; and when the Congress Working Committee met in January, it is understood to have framed an 'instrument of instructions' to Congress Ministries, calling upon them to give proper representation to Muslims in Congress cabinets, local bodies and public services, to assist in the enrolment of Muslims as members of Congress, and not to cause offence by flying the Congress flag or singing Bande Mataram in opposition to Muslims' wishes.

It appears then that the Congress, while giving up the attempt to negotiate with the Muslim League, desire to find other means of wooing Muslim support. Though it is easy for Congress dialecticians to rebut the clumsy arguments and allegations of the rival organisation, the Congress, claiming to represent the whole people of India, makes no progress in winning the allegiance of the Muslim community. Congress machinations in Indian States have alarmed the Muslims; signs of the League's militant opposition are the resolution authorising the committee to resort to 'direct action', the use of the Congress weapon of satyagraha in the Central Provinces to protest against the 'Vidya Mandir' scheme, and the development of the idea of a separate Federation for Muslim areas. The Executive Council of the League in December appointed a committee to send deputations to the Punjab, Sind, the N.-W. F. P., and Islamic countries abroad, to acquaint them with the repressive policy of Congress towards the Muslim minority.

In the middle of January a visit of the Aga Khan to Gandhi aroused much speculation; it has been suggested that one object of the meeting was to approach, independently of Jinnah and the Muslim League, the problem of a settlement with the Congress.

94. The Patna session.—The annual general session of the All-India Muslim League was held at Patna from December 25th to the 28th. The full text of the most important resolutions passed will be found in Appendix II. Jinnah had previously been returned unopposed as President. The session is considered to have been the most successful ever held and displayed the remarkable advance which has attended Jinnah's plans for raising the League to the status of a powerful and coherent political force. Enthusiasm was militant, and at times hysterical, and there was a note of defiance in the discussions which Jinnah and the more temperate leaders found it difficult to moderate. Sustained and bitter hostility to Congress was combined with a large degree of anti-British feeling. The outstanding feature of the session was the enunciation of a new revolutionary principle in the 'direct action' resolution. The Bihar group were in favour of being authorised to start satyagraha when and where they liked, but the wording of the resolution seems to have been dictated by practical considerations; civil disobedience by Muslims in a Congress Province could only provoke retaliation in Provinces predominantly Muslim. Anti-British
feeling was concentrated on British policy in Palestine and on the alleged apathy of Governors in Congress Provinces towards the Muslim minority.

65. The League and Federation.—The change of Congress policy towards agitation in Indian States is an irritant to Muslims. Apart altogether from sympathy with Muslim Rulers, e.g., the Nizam, Muslim feeling has been roused by the political design behind the movement—the design to make Federation safe for Congress by compelling the Rulers to accept popular election as the method of appointing the States' representatives in the Central Legislature. The resolutions passed on the Indian States and on Federation by, first, the Executive Council of the League and later the Patna session, should be read together—(see Appendix II).

The Executive Council, meeting early in December in Delhi, countered Gandhi's threats addressed to the Rulers and the British Government with a warning of dire consequences if the British Government yielded to them: the Patna resolution on Indian States declared that, if Congress did not desist from its subversive activities in the States, the League would be forced to take action to guard its interests. The Patna resolution on Federation authorised the President to explore the possibility of "a suitable alternative which would completely safeguard the interests of Musalmans and other minorities in India"; this vague phrase is known to cover, if not to endorse, the scheme of a separate Muslim federation which was mentioned in para. 101 of the last Survey.

Sir Abdulla Haroon, the principal exponent of this scheme, addressed a letter in November to about fifteen States, in which he gave fuller details of it. The Muslim and Hindu federations would be based as far as possible on geographical convenience and similarity of outlook; each would include such States as desired affiliation. The Muslim federation would allow to minorities such rights as the other federation would allow to Muslims. Federating States would have complete internal freedom guaranteed and their treaties with the Paramount Power would be preserved. All minorities would have a statutory guarantee permitting them to adhere to their own religion, customs, language and personal laws. The nucleus of the federation would be the north-western Provinces and Kashmir State.

96. Attitude to war.—When the Executive Council met early in December, a resolution was moved criticising Sir Sikandar Hayat's pledge of the complete support of the Punjab in the event of a war—(see para. 109 of the last Survey). Accounts differ as to the trend of the discussion thereon. According to the pro-Congress press, Sir Sikandar was rebuked and humbled. His own account is that Jinnah spoke in praise of the offending pronouncement, and took the earliest opportunity of closing the discussion by insisting on the withdrawal of the resolution. That on one occasion or another there has been some explaining away of the uncalculating generosity of the pledge seems certain. It is probable, and not unnatural, that among Muslims Sir Sikandar would wish it to be regarded as qualified by a reservation that no advantage should be taken of Punjab support for action detrimental to the interests of Muslims in any part of the world.

97. General.—The progress of Muslim League volunteer organisations is described in para. 43. The League's lack of political ability is illustrated by its failure to keep the Saadullah Ministry in power in Assam, or to dominate the Sind Ministry, or to upset Congress control of the Government of the Frontier Province.

(c) Other opposition to Congress.

98. The session of the All-India Hindu Mahasabha held in Nagpur at the end of December was attended by immense crowds, including a contingent of volunteers armed with swords and lathis. Strong anti-Congress feeling was in evidence, though a Congress emissary is said to have been sent
to dissuade the Mahasabha authorities from passing any anti-Congress resolution. Savarkar, the President, in his inaugural address asserted extravagant claims for the Mahasabha, describing the Hindus as the Indian nation and Muslims as but a communal minority; he attacked the Congress for turning against the Hindus who had raised it to power, and declared that Hindus should vote, not for Congress, but only for genuine Hindu nationalists. Among a large number of resolutions, the session, alarmed by the design attributed to the Muslim League to organise a federation of Muslim units, desired the inauguration of the statutory federal scheme however defective it may be; condemned Congress only less vigorously than Muslims and claimed that the Mahasabha was the only national organisation in the country; and demanded general military training in order to counteract the preponderance of Muslims in the Indian army and to lay the foundation for a national militia.

99. At about the same time the National Liberal Federation held its session in Poona, under the Presidency of P. N. Sapru (member of the Council of State), who dealt in familiar terms with the modifications required in the administration of defence and with the economic problems of the country, but for the most part criticised the Congress programme and practice—the demand for a constituent assembly and threat of renewed civil disobedience in opposition to the Federal scheme; the “totalitarian” tendency of the High Command; its financial policy of unnecessary sacrifice of revenue, ill-judged economies, and new taxation for expenditure on hastily considered schemes; the failure to separate judicial and executive functions; and the unsound basis of the Wardha educational scheme. One resolution while describing the new constitution as utterly unsatisfactory stated the amendments which would make it acceptable; another cautiously advised Indian Princes to satisfy the legitimate aspirations of their peoples for civil and political liberties; the Congress “Working Committee’s interference with Provincial Ministries was strongly condemned; and a demand was put forward for the rapid nationalisation of India’s defence forces, the speedier development of the Indian Army and Air Force, and systematic organisation of air-raid precautions.

VII.—SPECIAL PROBLEMS.

(a) Palestine.

100. The report of the Woodhead Commission and the British Government’s findings thereon at first attracted little attention in India; the abandonment of partition was generally welcomed; Indian Muslims appeared to be content to await the results of the London conference. Early in November the “Palestine Defence Committee” (mentioned in para. 104 of the last Survey) decided to begin civil disobedience at the end of that month; but later, when it was seen that educated Muslim opinion favoured the London conference, they resolved to postpone action until the decisions of the conference were made known. But at the session of the All-India Muslim League held at Patna at the end of December great excitement was roused by the discussions on Palestine; rabid abuse of the British Government was uttered, and Jinnah and other responsible leaders had some difficulty in restraining talk of jihad. The resolution on the subject (see Appendix II for the full text) condemned the whole policy of the British Government in Palestine, and “atrocities and cruelties” perpetrated in pursuance of it; demanded that the immigration of Jews should cease, and that the Grand Mufti as well as representative Indian Muslims should be included in the conference; and proclaimed that Indian Muslims would be prepared to make any sacrifices if justice were not done to the Arabs.

For various reasons His Majesty’s Government found it impracticable to accept a suggestion that the Aga Khan should be formally associated
with the conference on behalf of Indian Muslims: but the Secretaries of State for India and the Colonies have had the advantage of discussion with him.

Gandhi has twice expressed his views on the Palestine problem. He holds the balance nicely between the claims of Jew and Arab, expressing his sympathy with the Jews but denying their right to a national home in Palestine which belongs to the Arabs: the Jews should make their homes in the countries where they earn their livelihood. Both in Germany, and in the struggle with the Arabs in Palestine, satyagraha should be their weapon.

There is no real interest in the Palestine question outside Muslim circles, but the Congress is careful to keep on its agenda a subject which offers the rare chance of standing beside Muslims in opposition to British Imperialism. The Working Committee (see Appendix I) in December reiterated its sympathy with the Arabs, and amplified previous pronouncements in condemnation of "atrocities" committed by British troops and police: the Jews were reproved for relying on British arms for protection: and both races were vaguely exhorted to co-operate in establishing an administration based on the principle of self-determination.

(b) "Prohibition".

101. Again no progress has been made with the introduction of "prohibition" in non-Congress Provinces.

Writing in the "Harijan" on December 24th Gandhi stressed the signal importance of "prohibition" as a part of the Congress programme: he found fault with the Congress Ministers, including even the devoted Rajagopalachari, for their cautious and calculating approach to the problem: the loss of excise revenue must be made up by fresh taxation, particularly of industrialists in urban areas who profit by the increased sobriety of their workers: in the last resort the Central Government must be asked for grants or loans without interest: unless a rapid advance is made, the goal of complete "prohibition" will not be reached within the three years prescribed by the Working Committee.

In most Provinces the revenue that would be lost by total "prohibition" is second only to the land revenue demand: the zeal of Ministries for a reform which would cripple their "nation-building" schemes is generally well below that of Gandhi: but under his urgent pressure it may be expected that further sacrifices of this item of revenue will be made in all Congress Provinces in the coming financial year.

The Bombay Government are said to have decided to extend the measure to two more districts in April next; it is also to be extended to Bombay city and suburbs, but the question of how to finance this extension is under consideration. One of the Ministry's suggestions is that the Central Government should be moved to sanction cuts in service salaries. All liquor and toddy shops will be closed in Bombay city on each day in the month fixed for the payment of Wages and on the following day—(see para. 105 of the last Survey). In the Central Provinces the districts of Wardha and Akola "went dry" on January 1st.

The new Congress coalition Ministry in Assam are considering total prohibition of the consumption of opium in the two worst opium-consuming areas, as well as the closing of all liquor shops on Sundays; the latter measure will particularly affect tea-gardens, where Saturday is pay-day and Sunday is a holiday.

Reports from Bihar, Bombay and the United Provinces indicate that the Provincial Governments profess satisfaction with the results of their experiments, though it is too soon yet to calculate the economic benefits which have accrued. In Madras, the Government report on the working of "prohibition" in Salem district during the first year claims success for
the measure; and the Collector’s report states that it is removing “one of the main causes of indebtedness, semi-starvation, unhappiness and degradation”. The Professor of Economics in the University of Madras has recently estimated the economic results; the earnings of former drinkers have not increased except in the case of some mill-labourers, and those of some workers have actually fallen owing to certain unfavourable physiological and psychological reactions, which may not be permanent; most of the money formerly used for drink has been diverted to the purchase of food and clothing; some to the repayment of debt, and not much to the purchase of tobacco: there has been a striking increase in the consumption of tea, brass-ware utensils are to some extent replacing earthenware, and cinemas are more frequented: urban labourers are more inclined to purchase books. He added that it is still too soon to calculate economic results with certainty; but if “prohibition” continues successfully further improvement in the welfare of the working classes and a steady expansion of trade and business might be expected.

(c) Gujarati Lands (Bombay).

102. After consulting the Governor-General, the Governor of Bombay in November gave his assent to the Forfeited Lands Restoration Bill (described in paragraph 106 of the last Survey). The Act was brought into force on December 13th, and the necessary notifications have been issued. Not many owners have agreed voluntarily to accept the terms of the Act, so the majority of cases will have to be decided by the tribunal: a High Court judge has been appointed as the tribunal.

(d) The Congress flag and Bande Mataram.

103. Early in November Gandhi, commenting on a complaint that the Congress flag was used in rivalry with religious symbols or for factional purposes, admitted the truth of it: if he had his way the flag would not be exhibited at any meeting, other than a purely Congress meeting, if a single person objected: the flag is out of place in religious gatherings or processions: and “in the present tension” Gandhi would not hoist it on Government buildings or municipal offices unless by unanimous consent.

Little is now heard of the exhibition of the Congress flag or the singing of Bande Mataram, except as a standing grievance of anti-Congress organisations.

(e) War and Recruiting.

104. Public interest in India’s attitude to a war in which Britain might be involved has naturally waned with the passing of the crisis in Europe. There is no reason to revise the estimate made in para. 109 of the last Survey of the attitude that would then have been adopted by Congress in general and Congress Ministries in particular, if war had broken out. But there are influences which may have an increasing effect in opposition to the Gandhian demand for complete dissociation from war in any circumstances. First, there seems to be a growing recognition that India will not be unaffected by a great war, and by its results: this may be explained in part by the progress of Japanese aggression. Those who put any faith in Jawaharlal Nehru’s announcement that the British Empire is doomed must face the question what then will become of India. Secondly, India is not unaffected by the identification of nationalism with militarism in a number of countries: and the confidence that has been bred by provincial autonomy and the hope of obtaining control of Defence under Federation have inspired a more purposeful demand for the right, if not the obligations, of military service. Thus the United Provinces Government have made a request to the Central Government for assistance in a scheme of compulsory military
training in the higher stages of the educational system: the growing interest in Air Raid Precautions is described below: and reliable secret information shows that Asaf Ali, a prominent member of the Congress party in the Central Assembly, expressed to Jawaharlal Nehru in December a view which illustrates the consciousness of political disadvantages in a creed of non-violence. Asaf Ali deplored Gandhi’s attitude to the September crisis, and argued that, if Congress subscribed to the view that armed forces are unnecessary, the British Government could then more plausibly decline to hand over control of defence and external affairs. The interest of the Muslims in the Army, service in which is of material and political importance to the Punjab especially, discourages them from participation in propaganda against recruiting or against India assisting in a war. But sympathy with the Arabs of Palestine, and in some degree with the tribes on the frontier affected by the alleged “forward policy”, would make the League hostile to the Army being used for purposes considered to be prejudicial to Islam.

105. Air-raid Precautions.—As a result of the recommendations of a committee set up to examine this subject, the Government of India came to certain conclusions in June last and conveyed them in the form of advice to Provincial Governments, who were informed that if they wished to adopt the proposals the Central Government would be ready to assist in technical matters and in co-ordination. A somewhat modified appreciation of the nature and extent of the danger, and of the measures to be taken, was issued in January.

Provincial Governments generally are co-operating; Congress Governments have made the stipulation that such measures as are at present being undertaken shall not involve any expenditure. The Bombay Government questioned the Centre’s view that expenditure on all measures taken in prosecution of civil air-raid precautions should be civil departmental expenditure and not expenditure on defence, and that all measures for the general protection of the public, as opposed to the special protection of certain sections thereof, would be a charge on Provincial or municipal revenues. They argued that defence should include all measures adopted to protect the country from enemy acts of aggression, and that air-raids are acts of aggression undertaken not only to damage important works but to terrorise the civil population as part of military strategy. Expenditure on precautions calculated to increase civilians’ power of resistance should therefore be treated as expenditure on defence, and borne by Central revenues under section 33(3)(e) of the Government of India Act. The Central Government, disagreeing with this opinion, held that as the term “defence” is not defined in the Act, it must, so far as executive functions go, be regarded as co-extensive with the relevant entries in the Federal Legislative List, in which neither “defence” nor “air-raid precautions” find a place: air-raid precautions are a collection of non-military measures, expenditure on them is incurred by civil authorities in the executive field of civil government, and the incidence and classification of it will be governed by the usual practice and procedure. At the same time the Central Government recognised that a Provincial Government might have more cogent grounds in equity for favourable treatment, should they ever have to incur extraordinary expenditure on such precautions; and they undertook to consider claims for financial assistance, under section 150 (2) of the Act, should the necessity ever arise. Such assistance would presuppose prior scrutiny and approval of the expenditure. The measures hitherto recommended need not involve any Province in any considerable expenditure, so no assistance is yet contemplated.

The resolution of the All-India Congress passed at Haripura nearly a year ago on “foreign policy and war danger” included air raid precautions among the preparatory measures of which the Congress entirely disapproved. It is worthy of note that Congress Ministries have not regarded themselves as bound by this doctrine.
106. The Criminal Law Amendment Act penalising dissuasion from enlistment in the Army and instigation of mutiny (see para. 112 of the last Survey), the passing of which excited such acrimony during the last Simla session, has not been brought into force in any Province; even the Punjab Government, at whose instance it was passed, prefer to wait and choose their own time for its application. The number of speeches directed against recruiting in the Province is said to have decreased since the Act was passed. Information as to conditions throughout the area (the U. P. is the most affected, besides the Punjab) where such propaganda was common is not sufficiently recent to permit of an estimate of the probable effect of the enactment.

(f) Language in Legislatures.

107. There is nothing fresh to report.

VIII.—THE CENTRAL LEGISLATURES.

(a) The Central Assembly.

108. General.—The special session of the Central Assembly, which was summoned for consideration of the Select Committee's report on the Indian Income-tax (Amendment) Bill, lasted from November 10th to December 12th. The strength of the Muslim League party has now risen to 26. With official representatives also numbering 26, and support among the nominated non-officials and unattached members, the Government are now in a position to carry any proposal if the alliance of the Muslim League and the European Group is obtained. Discussion of the Income-tax Bill occupied nearly the whole of the session and little other business of interest was transacted.

The Indian Income-tax (Amendment) Bill.—So far as the Bill aimed at higher taxation of large incomes, stopping gaps in the law which enabled taxation to be evaded, and an easing of procedure in favour of the honest taxpayer, its provisions met with fairly general acceptance. The Congress party lent their co-operation; their leader, Bhulabhai Desai, had thrown himself whole-heartedly into constructive work on the Bill in Select Committee. The Congress attitude may be attributed in part to the desire to benefit the finances of Provincial Governments by increasing one item of Central revenue which is shared with those Governments; and in part to the expectation of coming into office at the Centre under Federation. Controversy arose mainly over certain clauses which were alleged to discriminate in favour of British and other non-domiciled residents in India. The law as it stands taxes income accruing or arising or received in or brought into British India. The Bill proposed to tax also the whole foreign income of domiciled residents in India, not merely the income remitted to India. The distinction made between domiciled residents and non-domiciled residents, i.e., foreigners in India, including Europeans and subjects of Indian States, was that the former were to be taxed on all their income, wherever it might arise, while the latter were to be taxed on their income which accrued or arose in or was received in or brought into British India, and any income from business, profession or vocation which arose outside British India whether it was brought in or not. Opposition to this clause was expected; but when the Congress party amendment for deletion of the clause was moved it received the united support of all parties including the European Group, which disclaimed a desire for discrimination in favour of British interests. This clause was considered so vital by Government that for some time the fate of the whole Bill hung in the balance. A conference of party leaders succeeded in reaching a compromise, by the complicated provisions of which the appearance of undue discrimination was removed and the taxation of income accrued abroad was relaxed by the exemption of a certain
portion. The position under the Bill now is as follows:—Persons who are not resident in British India will pay only on income arising or received in British India; persons who are resident but “not ordinarily” resident in British India will pay on income arising in British India and on foreign income as well, subject to an exempted amount of Rs. 4,500 (about £340). “Ordinary residence” has been so defined as to exclude persons who have not spent a considerable time in the country. Only the Congress Nationalist party of 11 opposed this compromise till the end, actuated apparently by a desire to show that they are not an integral part of the Congress party as their usual behaviour might indicate, and by their adherence generally to old-fashioned anti-State and individualist ideas. Their opposition did not hinder the easy passage of the Bill in its amended form.

Other business.—Amendments made in two Bills by the Council of State were accepted by the Assembly. Four other official Bills were passed during the session; one lowers the educational qualification entitling a person to be enrolled as an elector to a municipality in Ajmer-Merwara; another reimposes on imported wheat and wheat flour until the end of March, 1940, a duty first imposed in 1931 and allowed to lapse last year. A motion to circulate an innocuous measure for regulating the extent to which railway property should be liable to taxation by local authorities in the Provinces was thrown out by the combined efforts of the Congress and the Muslim League; the principal motive appeared to be reluctance to arm the present “irresponsible” Central Government with a power which would pass to the Federal Railway Authority on its institution.

The private Bill to give Hindu women a right to divorce has been circulated for public opinion; and the time for the presentation of the Select Committee’s report on the Muslim Dissolution of Marriage Bill has been extended.

The House expressed its disapproval of the present form of administration in Ajmer-Merwara by refusing an excess grant of Rs. 27 to regularise expenditure incurred in excess of the grant voted in 1936-37. An adjournment motion which was carried without a division disapproved of the recent erection (by private enterprise) of a memorial to troops who fell in a minor engagement during the siege of Delhi in 1857; the objection was mainly to the description of the mutineers as such, and to the Government of India having associated themselves with the occasion by the presence of the Commander-in-Chief.

The Governor-General’s use of his power to disallow questions and motions once again called forth Congress protests.

During the session the death occurred of Maulana Shaukat Ali, once notorious as a Khilafat agitator, and latterly a prominent personality in the Muslim League party.

The House adjourned as a mark of respect to the memory of Kemal Ataturk; the speeches glorified his resuscitation of the Turkish nation; those of Hindu members also praised his social and legal reforms, but on this point the Muslim speakers were silent.

(b) The Council of State.

109. The session of the Council of State opened on January 23rd. It is unusual for the Council session to commence before that of the Central Assembly, but on this occasion it was imperative for the Income-tax Bill to be passed in order to permit the new scales to be incorporated in the budget. In the course of the first five days’ sittings, the Council passed the Income-tax Bill, the Bill reimposing the duty on imported wheat, and the Motor Vehicles Bill as well as three smaller measures. There being no further business before the House, the session was adjourned for a fortnight. An adjournment motion to discuss a serious railway disaster which occurred in Bihar in January was withdrawn when the Government announced that
earnest consideration would be given to the Bihar Government's request for an inquiry.

IX.—THE FEDERAL COURT.

110. The Federal Court was formally inaugurated on October 1st, 1937, with Sir Maurice Gwyer as Chief Justice, and two other Judges, Sir Shah Muhammad Sulaiman and Mr. Jayakar. The latter has recently been appointed to the Privy Council; his successor has not yet been named.

Of the three cases so far decided by the Court, only one deserves detailed mention—a special reference by the Governor General under Section 213 of the Government of India Act. This important reference enquired whether any of the provisions of the Central Provinces and Berar Sales of Motor Spirit and Lubricants Taxation Act, 1938, is ultra vires of the Provincial Legislature. Section 3 (1) of that Act is in these terms:—“There shall be levied and collected from every retail dealer a tax on the retail sales of motor spirit and lubricants at the rate of five per cent. on the value of such sales”. On behalf of the Central Government it was argued that this tax is an excise on goods manufactured or produced in India and falls within entry (45) of the Federal Legislative List and is therefore an intrusion upon a field of taxation reserved for the Federal Legislature (which is at present the Central Legislature). The Provincial Government urged that the tax falls within entry (48) of the Provincial Legislative List as a tax on the sale of goods and is therefore within the exclusive competence of the Provincial Legislature. A second argument on behalf of the Central Government was that even if the Act were within the competence of the Provincial Legislature, it is nevertheless invalid by reason of the non-obstante provision of section 100(1) read with section 100(3) of the Act, which makes the Federal power prevail if Federal and Provincial Legislative powers overlap. The Provincial Government claimed that the entries do not overlap but are mutually exclusive.

The Court delivered its opinion on December 2nd, 1938, to the effect that the Act is within the competence of the Provincial Legislature. This decision is of great importance, placing beyond question the right of Provincial Governments to impose taxation over a wide field. Already several other Provinces are considering legislation to impose such taxation.

Another case involving a conflict between the Central and a Provincial Government is also before the Court; judgment has not yet been delivered. The United Provinces Government are claiming from the Central Government the return of all fines collected by Cantonment courts since 1934 and demanding that in future all such fines shall be credited to Provincial revenues.
1. INDIAN STATES.

"The Working Committee welcome the awakening of the people of Indian States in many parts of the country and consider this as a hopeful prelude to a larger freedom comprising the whole of India for which the Congress has laboured.

The committee support the demand for civil liberty and responsible government under the aegis of the rulers in States and express their solidarity with these movements for freedom and self-expression.

"While appreciating that some rulers of States have recognised this awakening as a healthy sign of growth and are seeking to adjust themselves to it in co-operation with their people, the committee regret that other rulers have sought to suppress these movements by banning peaceful and legitimate organisations and all political activity and, in some cases, resorting to cruel and inhuman repression.

"In particular, the committee deplore the attempt of some rulers to seek the aid of the British Government in India to suppress their own people, and the committee assert the right of the Congress to protect the people against unwarranted use of military or police forces lent by the British authorities for the suppression of the legitimate movement of the people for responsible governments within the States.

"The committee desire to draw attention afresh to the resolution of the Haripura Congress, which defines Congress policy in regard to the States. While it is the right and privilege of the Congress to work for the attainment of civil liberty and responsible government in the States, the existing circumstances impose certain limitations on this work and considerations of prudence prevent the Congress from intervening organisationally and directly in the internal struggles in the States.

"This policy was conceived in the best interests of the people to enable them to develop self-reliance and strength. It was also intended as a measure of goodwill of the Congress towards the States and of its hope that the rulers of their own accord would recognise the spirit of the times and satisfy the just aspirations of their people. Experience has proved the wisdom of this policy. But this was never conceived as an obligation. The Congress has always reserved the right, as it is its duty, to guide the people of the States and lend them its influence. With the great awakening that is taking place among the people of the States, there must be an increasing identification of the Congress with the States people. The policy laid down by the Haripura Congress, which has been so abundantly justified, must continue to be pursued.

"While, therefore, the Working Committee welcome the movements in the States for the attainment of responsible government, they advise the people not belonging to the States concerned against taking part in civil disobedience or the like. Participation by such people will bring no real strength to the movement and may even embarrass the people of the States concerned and prevent them from developing a mass movement on which strength and success depend.

"The committee trust that all movements in the States will adhere strictly to the fundamental Congress policy of non-violence."

2. THE RUPEE RATIO.

Since the fixation of the ratio at 1 sh. 6 d. to the rupee all trade interests in India and public bodies have protested that this measure is against the vital economic interests of India and have insistently demanded its revision. The Government of India have hitherto resisted all these attempts and last issued a communiqué on June 6, 1938, declaring that it did not intend making any change in the ratio for the time being and in support of that declaration sought to rely merely on the instability and uncertainty during the period of readjustment, which, according to them, was likely to cause greater loss to Indian interests than any corresponding gain from the change to a lower ratio. Since June last the balance of trade has turned more and more against India. The committee of opinion that the rate of exchange of 1 sh. 6 d. to the rupee has hit hard the agriculturist of this country by lowering the price of agricultural commodities and given an undue and unfair advantage to imports into this country. The Working Committee is satisfied that the rate of 1 sh. 6 d. cannot any longer be maintained on the balance of trade. During the last seven years that rate has been maintained by large exports of gold which have been very injurious to the country. Matters have now reached a stage when the rate can only be maintained by a policy of contraction of currency and credit and by further depletion of the gold and sterling resources of India and particularly the Paper Currency Reserve. These sterling resources have already been used up to an alarming extent and there is a danger of further serious depletion taking place if efforts continue to be made by the Government of India to maintain the present ratio. The Working Committee look upon such prospect with the utmost concern and anxiety.
In view of this situation the Working Committee have come to the conclusion that the best interests of the country demand that efforts to maintain the present exchange level should henceforth cease and urge upon the Governor-General-in-Council the necessity of taking immediate steps to lower the rate to 1 sh. 4 d. to the rupee.

3. PALESTINE.

"The Working Committee has passed resolutions from time to time dealing with the changing situation in Palestine and sympathizing with the struggle of Arabs to maintain their political and national integrity. Reports are continuously coming in from a variety of reliable sources of unnamable atrocities committed by the British military and police on the plea of maintaining law and order in this mandatory territory. The courage, determination and sacrifices made by the Arabs in this life and death struggle have evoked the admiration of the people of India, who once more wish to convey to them their good wishes for their complete success in the attainment of their objective.

"The committee express condemnation of the ruthless policy being pursued by the British Imperialism in Palestine, which must lead to grave consequences, and the committee reiterate the opinion that the issue of the future Government of Palestine should be left to be decided on the principle of self-determination.

"While sympathizing with the plight of the Jews in Europe and elsewhere, the committee deplore that in Palestine the Jews have relied on British armed forces to advance their special claims and have thus aligned themselves on the side of British Imperialism. The committee trust that Arabs and Jews will endeavour to find a basis for direct cooperation with a view to establishing a free, democratic State in Palestine with adequate protection to Jewish rights."
APPENDIX II.

Resolutions passed by the Executive Council of the Muslim League, and at the Patna session of the All-India Muslim League, December 1938.

A.

The Executive Council.

1. STATES AND CONGRESS.

While the All-India Muslim League fully sympathises with the aspirations of States subjects for their constitutional advance, it deprecates a change of attitude on the part of the Congress, whose main objective in championing the cause of the States' people is only to secure the establishment in the Indian States of an elective system enabling their representatives to be returned to the Federal Legislature, irrespective of anything else, in the hope that it might get a majority in the Federal Legislature. The Council, therefore, views with grave apprehensions the recent pronouncement of Mahatma Gandhi, which threatens the extinction of the Ruling Princes and the British Government with disastrous consequences, if they did not meet the demand of the Congress.

2. FEDERATION.

The Muslim League is already opposed to the Federal scheme embodied in the Government of India Act of 1935, for reasons it has repeatedly made clear, and it warns the British Government that, if the methods of coercion and intimidation result in the British Government yielding to the Congress, the Muslims will not hesitate to resort to the extremest measures in their opposition to such a position where their most vital interests would stand to be sacrificed.

B.

The All-India Muslim League.

1. FEDERATION.

The All-India Muslim League reiterates its view that the scheme of federation embodied in the Government of India Act, 1935, is not acceptable, but in view of further developments that have taken place or may take place from time to time, it hereby authorises the President of the All-India Muslim League to take such steps and adopt such course as may be necessary with a view to explore the possibility of a suitable alternative which would completely safeguard the interests of Mussalmans and other minorities in India.

2. INDIAN STATES.

While fully sympathising with the legitimate aspirations of the subjects of Indian States for constitutional advancement and for obtaining redress of their grievances, the Muslim League, although it is bound by its present programme and policy to maintain an attitude of non-interference in the affairs of Indian States, unequivocally declares that if the Congress or other Hindu organisations do not desist forthwith from the present subversive activities in States, actuated by ulterior motives, the League will be forced to take such action as may be necessary to safeguard the legitimate interests of Mussalmans.

3. CIVIL DISOBEDIENCE.

That having regard to the atrocities that have been committed and that elementary rights of the Mussalmans have been trampled upon in a systematic manner in Bihar, U. P., and C. P., and the Governments of these provinces have failed to redress and protect even the elementary rights of Mussalmans of these provinces in spite of all constitutional methods adopted so far by the Muslims, this session of the All-India Muslim League is of opinion that therefore the time has now come to authorise the Working Committee of the All-India Muslim League to decide and resort to direct action if and when necessary.

4. PALESTINE.

It is the definite opinion of the All-India Muslim League that the unjust Balfour declaration and the cruel methods adopted thereafter by the British Government to suppress the Arabs, are manifestations of a decided policy of the British Government to keep Palestine as a part of the British Empire for ever in the name of Jews, strengthen British Imperialism, frustrate the desire of Arabs to unite and form into a federation, and also to check unity among Muslim nations and use Palestine as a centre of their activities and a naval and aerial base. This object by itself and all atrocities and cruelties that have been perpetrated on Palestine Arabs to obtain this object have no parallel in history. This
session of the All-India Muslim League regards those Arabs, who are laying down their lives and sacrificing their all and are being harassed and crushed for the cause of preserving the sanctity of Palestine, to protect their national rights and free their country, as heroes and martyrs, and congratulates them on their courage, sacrifice and perseverance. It warns the British Government that if it does not stop the influx of Jews into Palestine forthwith and does not include the grand Mufti, the real leader of Arabs, as well as representatives of Indian Mussalmans at the proposed Conference, the Conference will prove a farce. It declares that the problem of Palestine is the problem of the Mussalmans of the world and if the British Government does not even now do justice to Arabs and fulfil the demands of Mussalmans of the world, Muslims of India will adopt any programme and will be prepared to make any sacrifice that may be decided upon by a conference of representatives of all Muslim nations in which Indian Muslims will also participate, to free the Arabs from the clutches of British domination and usurpation of Palestine by Jews. This session also declares in clear terms to the British Government that if any attempt is insisted upon to give practical shape to the idea that appears to be prevalent in some British and American circles to make Palestine as the national home of Jews, it will lead to a state of perpetual conflict.

5. Frontier Policy.

Whereas the forward policy of the British Government, which in the name of Indian defence aims at forcible subjugation of the independent tribal belt lying between Afghanistan and North-West Frontier on the border of India, has failed, with all its military resources, to attain its objective, and has resulted only in incalculable yearly loss of men and money, without any prospect of coming to a successful end in the near or distant future, and whereas the trans-frontier border tribes, who prefer total extinction to life servitude, have all along made it clear that they will resist to the bitter end all British attempts to dominate their homeland, this session of the All-India Muslim League is of opinion that the time has now come for the British Government to reconsider its Frontier policy in a more statesmanlike manner, based on the universally recognised principle of self-determination. Further, it condemns the policy and activities of the Congress in the N.-W. F. P., whereby they have given indications that tribal areas should become parts of the administered territory.
APPENDIX III.

Summary of Legislation passed, Ordinances promulgated, and Regulations made, in Governors' Provinces, between the 1st April, 1937, and the 31st December, 1937.

A—Acts passed by Provincial Legislatures.

Abbreviations: A.—Legislative Assembly; C.—Legislative Council.

Note.—There is no Legislative Council in the Central Provinces, the N. W. F. P., Orissa, the Punjab or Sind.

Title of the Act.

ASSAM.

1. The Assam Local Rates (Amendment) Act, I of 1937.
   Action taken by the Governor under section 75 of the Government of India Act; if reserved, action taken by the Governor-General under section 76.

2. The Assam Speaker's Salary Act, II of 1937.
   Assent given by the Governor on 5th November 1937.

3. The Assam Deputy Speaker's Salary Act, III of 1937.
   Assent given by the Governor on 5th November 1937.

4. The Assam Ministers' Salaries Act, IV of 1937.
   Assent given by the Governor on 5th November 1937.

5. The Assam President's Salary Act, V of 1937.
   Assent given by the Governor on 5th November 1937.

6. The Assam Deputy President's Salary Act, VI of 1937.
   Assent given by the Governor on 5th November 1937.

7. The Assam Court of Wards (Amendment) Act, VII of 1937.
   Assent given by the Governor on 5th November 1937.

8. The Assam Municipal (Removal of Female Ineligibility) Amendment Act, VIII of 1937.
   Assent given by the Governor on 31st December 1937.

9. The Assam Legislative Chambers (Members' Emoluments) Act, I of 1938.
   Assent given by the Governor on 20th December 1937.

Date when passed.

A. 12-8-37
C. 29-10-37
A. 1-9-37
C. 30-10-37
A. 1-9-37
C. 30-10-37
A. 1-9-37
C. 30-10-37
A. 1-9-37
C. 30-10-37
A. 1-9-37
C. 30-10-37
A. 20-12-37
A. 1-9-37
C. 30-10-37
A. 19-2-38

Summary of Provisions.

The Act of 1937 has enabled the imposition in the permanently settled portions of Sylhet and Goalparia of a local rate at double the figure imposed elsewhere. Act I of 1937 abolishes this distinction and provides the lower rate throughout.

Fixes the salary of the Speaker of the Legislative Assembly at Rs. 1,000 per mensem.

Fixes the salary of the Deputy Speaker of the Legislative Assembly at Rs. 1 per annum.

Fixes the salary of the Chief Minister at Rs. 2,500 per mensem, and of other Ministers at Rs. 1,500 per mensem.

Fixes the salary and allowances of the President of the Legislative Council at the following rates—:

<table>
<thead>
<tr>
<th>Salary</th>
<th>Rs. 500 per mensem for the period of each session of the Council. Double halting allowance for a fortnight before and ten days after each session, or for such less time as the President may halil in Shillong for Council business.</th>
</tr>
</thead>
</table>

Fixes the salary of the Deputy President of the Legislative Council at Rs. 1 per annum.

Amends the Bengal Court of Wards Act, 1879, in its application to Assam, with a view to strengthening the hands of the Court of Wards against creditors who sue to sell up the ward's property or to attach the working balances of estates. One provision prevents the execution of a decree against a ward until four years after the commencement of the Act, or seven years if the interest on the decree is paid in full every year. Among other provisions is one for the better realisation of Government dues from estates which have been released.

Removes the prohibition on women standing for election to municipal committees.

Fixes the salaries and allowances of members of the Legislative Council and Assembly at the following rates—:

<table>
<thead>
<tr>
<th>Salary</th>
<th>Re. 190 per mensem.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daily allowance</td>
<td>Re. 5 p. d.</td>
</tr>
<tr>
<td>Travelling allowance</td>
<td>At the rate paid to 1st grade Government servants.</td>
</tr>
</tbody>
</table>

Daily and travelling allowance to be drawn only by members not ordinarily resident at the place where their attendance is required.
The Good Conduct Prisoners' A. 5-3-38 Probational Release Act, II C 6-9-38.

BENGAL:

1. The Bengal Ministers' Salaries Act, I of 1937.

2. The Bengal Legislative Chambers (Members' Emoluments) Act, II of 1937.


4. The Bengal Cruelty to Animals (Amendment) Act, I of 1938.

5. The Bengal Rhinoceros Preservation (Amendment) Act, II of 1938.


7. The Bengal Expiring Laws Act, IV of 1938.


Assent given by the Governor on 12th September 1938.

Assent given by the Governor on 5th October 1937.

Assent given by the Governor on 5th October 1937.

Assent given by the Governor on 5th October 1937.

Assent given by the Governor on 28th April 1938.

Assent given by the Governor on 28th April 1938.

Assent given by the Governor on 5th May 1938.

Returned by the Governor to the Legislature under the proviso to section 75. After the Bill was passed in accordance with his recommendation, assent was given on 18th August 1938.

Empowers the Provincial Government to release under a licence a prisoner whose antecedents and conduct in prison indicate that he is likely to abstain from crime and lead a useful and industrious life, on condition that he be placed under the supervision or authority of a servant of the Crown, or a secular institution, or a person or society professing the same religion as the prisoner. Provides that the period during which the prisoner is absent from prison shall be reckoned as part of his sentence; and that any prisoner released under the provisions of this Act who escapes from supervision, or who fails to return to prison if his license is revoked, shall be punishable with imprisonment up to two years or fine or both.

Fixes the salary of the Chief Minister at Rs. 3,000 per mensem, and of other Ministers at Rs. 2,500 per mensem each.

Fixes the salaries and allowances of members of the Legislative Council and Assembly at the following rates —

- Salary: Rs. 150 per mensem.
- Conveyance allowance: Rs. 2.8-0 per day.
- Travelling allowance: 1 J times 1st class rail fare.
- Daily allowance: Rs. 10 per day.

Permits certain persons holding offices of profit under the Crown to be members of the Legislative Council or Assembly, e.g. Parliamentary Secretaries, officers in railway services.

Strengthens the Bengal Act of 1920 against the practice of phooka.

Strengthens the Bengal Act of 1932, so as to prohibit the possession, sale or purchase of any part of a rhinoceros without the permission of Government.

Creates a fund for relief and insurance against famine and natural calamities in the Province, with an initial contribution from the Provincial Government of 10 lakhs of rupees, to be made up to a permanent capital of 12 lakhs; and provides that the contributions shall be charged on Provincial revenues.

Extends sine die the validity of certain Acts imposing taxation, which would have expired in 1938.

Gives special powers to Land Mortgage Banks to effect speedy recovery of dues from defaulters.

Intended to alleviate the burden of the cultivator by making urgent amendments to the Act of 1885.

(i) Abolishes the landlord's transfer fee and right of pre-emption.
(ii) Provides that an occupancy-tenant may regain possession of a mortgaged holding on certain conditions.
(iii) Reduces the rate of interest on arrears of rent from 12½ per cent. to 8½ per cent.
(iv) Provides that a landlord who realises any illegal imposition from his tenant shall be liable to summary fine.
(v) Provides that all provisions relating to enhancements of rent, and decrees and orders passed after August, 1937, enhancing rent, shall be suspended for ten years.
(vi) Gives a tenure-holder the power of surrender.
(vii) Allowing an under-tenant the right to surrender a holding on the same terms as a raiyat.
(viii) Provides that where a tenure or holding is lost or partly destroyed by diluvion, the rent shall be abated accordingly.
(ix) Gives increased facilities for subdivision of tenures and holdings.
(x) Provides a landlord from bringing a second suit for recovery of the rent of a holding within nine months of a previous suit. (The period used to be three months.)
(xi) Abolishes the system of summary procedure for recovery of rent by landlords.
Summary of Legislation passed, Ordinances promulgated, and Regulations made, in Governors’ Provinces, between the 1st April, 1937, and the 31st December, 1938—contd.

<table>
<thead>
<tr>
<th>Serial No.</th>
<th>Title of the Act</th>
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<th>Summary of Provisions</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>The Calcutta Official Receiver’s Act, VII of 1938.</td>
<td>A. 30-3-38. C. 16-8-38.</td>
<td>Assent given by the Governor on 22nd September 1938.</td>
<td>Changes the status of the Official Receiver, making him independent of the High Court and placing him under the administrative control of the Provincial Government, subject only to the High Court’s judicial control.</td>
</tr>
<tr>
<td>1</td>
<td>The Bihar Ministers’ Salaries Act, I of 1937.</td>
<td>A. 30-5-37. C. 4-9-37.</td>
<td>Assent given by the Governor on 7th September 1937.</td>
<td>Fixes the salary of each Minister at Rs. 500 per mensem.</td>
</tr>
<tr>
<td>2</td>
<td>The Bihar Legislature (Officers’ Salaries) Act, II of 1937.</td>
<td>A. 24-5-37. C. 4-9-37.</td>
<td>Assent given by the Governor on 7th September 1937.</td>
<td>Fixes the salaries of the following offices at the rates shown: President of the Legislative Council, Speaker of the Legislative Assembly, Deputy President and Deputy Speaker: Rs. 500 per mensem.</td>
</tr>
<tr>
<td>3</td>
<td>The Bihar Legislature (Removal of Disqualifications) Act, III of 1937.</td>
<td>A. 24-5-37. C. 4-9-37.</td>
<td>Assent given by the Governor on 7th September 1937.</td>
<td>Permits certain persons holding offices of profit under the Crown to be members of the Legislative Council or Assembly, e.g., Advocate-General and Parliamentary Secretaries.</td>
</tr>
<tr>
<td>4</td>
<td>The Bihar Famine Relief Fund (Expenditure) Act, IV of 1937.</td>
<td>A. 8-9-37. C. 16-12-37.</td>
<td>Assent given by the Governor on 21st December 1937.</td>
<td>Provides that expenditure required in any year to maintain the capital of the fund shall be charged on Provincial revenues.</td>
</tr>
<tr>
<td>5</td>
<td>The Bihar Entertainments Duty Act, V of 1937.</td>
<td>A. 8-9-37. C. 16-12-37.</td>
<td>Assent given by the Governor on 22nd December 1937.</td>
<td>Provides for the levy of a duty on payments for admission to places of entertainment. Exempts payments for admission to entertainments where the whole of the takings are devoted to charitable purposes, and educational entertainments.</td>
</tr>
<tr>
<td>6</td>
<td>The Bihar Stamp (Amendment) Act, VI of 1937.</td>
<td>A. 1-12-37. C. 16-12-37.</td>
<td>Assent given by the Governor on 22nd December 1937.</td>
<td>Enhances the rate of stamp duty payable on certain instruments.</td>
</tr>
<tr>
<td>7</td>
<td>The Bihar Sugar Factories Control Act, VII of 1937.</td>
<td>A. 12-12-37. C. 18-12-37.</td>
<td>Assent given by the Governor on 22nd December 1937.</td>
<td>In force until 30th June 1941. Enacted in agreement with the Government of the United Provinces. Provides for the licensing of sugar factories, the establishment of a Sugar Control Board and advisory committees, the regulation of the purchase of sugar-cane by factory owners, the fixing of a minimum price for sugar-cane, and a tax on the sale of sugar-cane intended for use in factories.</td>
</tr>
<tr>
<td>8</td>
<td>The Bihar Tenancy (Amendment) Act, VIII of 1937.</td>
<td>A. 17-12-37. C. 22-12-37.</td>
<td>Assent given by the Governor on 23rd December 1937.</td>
<td>Amends the Tenancy Act of 1885, with the object of mitigating the hardships of tenants: (i) Provides that a tenant’s application for commutation of rent payable in kind into cash rent shall be granted even if the landlord objects. (ii) Reduces the interest payable on arrears of rent from 12½ per cent. to 6½ per cent. (iii) Abolishes the power to award damages on rent withheld without cause, or to a tenant improperly sued for rent. (iv) Makes illegal exactions by or on behalf of a landlord a penal offence instead of the subject of a suit. (v) Empowers Collectors to cancel enhancements of rent of occupancy holdings made between 1911 and the end of 1936; to reduce rents in accordance with fall in prices, or to order remission on certain grounds, and to settle fair rents. (These provisions go well beyond those of the Act of 1885.)</td>
</tr>
</tbody>
</table>
11 The Bihar Moneylenders Act, A. 29-4-38
10 The Chota Nagpur Tenancy Act, A. 6-3-38
14 The Bihar Prohibition Act, VI A. 23-8-38
13 The Bihar Moneylenders (Amendment) Act, A. 16-8-38
The Bengal Troops Transport Act, A. 7-3-38
and Travellers' Assistance Regulation (Amendment) Act, I
of 1938. C. 1-4-38.

Assent given by the Governor on 12th April 1938.

Assent given by the Governor on 9th May 1938.

Assent given by the Governor on 24th June 1938.

Assent given by the Governor on 4th July 1938.

Assent given by the Governor on 10th September 1938.

Returned to the Legislature by the Governor under the provisions of the Government of India Act, 1935, it is repugnant to provisions of existing Indian law, and that the Bill should therefore have been reserved for the consideration of the Governor-General.

Amends the Regulation of 1806, abolishing the power of impressment of transport for civil officers and private travellers.

Requires the registration, on payment of a fee, of all moneylenders before they can institute suits for recovery of loans; requires registered moneylenders to keep proper accounts and to give receipts for payments made.

Contains provisions somewhat similar to those of Bihar Act, VIII of 1937 (item 8 above).

Exempts Muslim documents of divorce from stamp duty.

Removes certain ambiguities and defects in the Moneylenders Act, III of 1938 (item 11 above).

Enforces in the first place in the district of Saran only:

(i) Provides that in execution of decrees for arrears of rent, only such portion of land shall be sold as will satisfy the decree.

(ii) Prohibits the imprisonment of a tenant in execution of a decree for arrears of rent; also the sale of houses and other sites belonging to tenants and occupied by them, unless the acreage is due for those sites; also the sale of movable property without the tenant's consent, unless the decree cannot be satisfied by the sale of the holding.

(iii) Abolishes the system of danabandi, i.e. calculation of rent on the estimated value of the crop or estimated produce of the holding. Fixes nine-twentieths of the produce as the maximum rent, if rent is paid by the tenant in kind by division of the produce.

(iv) Provides for the issue of licenses for the use of liquor or drugs for medicinal, scientific or industrial purposes; with punishment of fine up to Rs. 1,000. Advertisements in catalogues approved by Prohibition Commissioner and scientific opinions on the medicinal value of specified drugs are exempted from this provision, which is in force throughout the Province.

(v) Provides for the creation of prohibition committees; and lays down procedure for the enforcement of the Act.

(vi) Powers of the Provincial Government to declare any liquor or drug required by persons other than those specifically exempted by notification because they are required for medicinal, scientific or industrial purposes; with punishment of fine up to Rs. 1,000. Advertisements in catalogues approved by the Prohibition Commissioner and scientific opinions on the medicinal value of specified drugs are exempted from this provision, which is in force throughout the Province.

(vii) Watersheds and other sites belonging to tenants and occupied by them, unless the arrear is due for those sites; also the sale of movable property without the tenant's consent, unless the decree cannot be satisfied by the sale of the holding.

(viii) Prohibits the imprisonment of a tenant in execution of a decree for arrears of rent; also the sale of houses and other sites belonging to tenants and occupied by them, unless the acreage is due for those sites; also the sale of movable property without the tenant's consent, unless the decree cannot be satisfied by the sale of the holding.

(ix) Provides for the issue of licenses for the use of liquor or drugs for medicinal, scientific or industrial purposes; with punishment of fine up to Rs. 1,000. Advertisements in catalogues approved by the Prohibition Commissioner and scientific opinions on the medicinal value of specified drugs are exempted from this provision, which is in force throughout the Province.

(x) Exempts Muslim documents of divorce from stamp duty.

(xi) Provides for the issue of licenses for the use of liquor or drugs for medicinal, scientific or industrial purposes; with punishment of fine up to Rs. 1,000. Advertisements in catalogues approved by the Prohibition Commissioner and scientific opinions on the medicinal value of specified drugs are exempted from this provision, which is in force throughout the Province.

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(xiii) Provides for the issue of licenses for the use of liquor or drugs for medicinal, scientific or industrial purposes; with punishment of fine up to Rs. 1,000. Advertisements in catalogues approved by the Prohibition Commissioner and scientific opinions on the medicinal value of specified drugs are exempted from this provision, which is in force throughout the Province.

(xiv) Provides for the issue of licenses for the use of liquor or drugs for medicinal, scientific or industrial purposes; with punishment of fine up to Rs. 1,000. Advertisements in catalogues approved by the Prohibition Commissioner and scientific opinions on the medicinal value of specified drugs are exempted from this provision, which is in force throughout the Province.

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<tbody>
<tr>
<td>15</td>
<td>The Bihar Agricultural Income-Tax Act, VII of 1938.</td>
<td>A. 3-5-38</td>
<td>Assent given by the Governor on 20th August 1938.</td>
<td>(i) Levies an income-tax on agricultural income at rates on a scale from six pies in the rupee on incomes between Rs. 5,000 and Rs. 10,000, up to thirty pies in the rupee on incomes over Rs. 15,00,000. Incomes below Rs. 5,000 are not taxable and an exception is made in favour of persons cultivating less than 200 acres.</td>
</tr>
<tr>
<td>16</td>
<td>The Bihar Legislature (Members' Salaries and Allowances) Act, VIII of 1938.</td>
<td>A. 1-6-38</td>
<td>Assent given by the Governor on 6th August 1938.</td>
<td>(ii) Provides that agricultural income shall be estimated in various ways according to the ways in which it is derived; in general it is the net amount after various deductions have been made, including sums paid as revenue to the Crown or rent to a landlord and any local cess or rate, and an allowance for rent-collection charges.</td>
</tr>
<tr>
<td>17</td>
<td>The Bihar Restoration of Balasad Lands and Reduction of Arrears of Rent Act, IX of 1938.</td>
<td>A. 27-7-38</td>
<td>Assent given by the Governor on 1st October 1938.</td>
<td>(iii) Exempts from the tax the agricultural income of a public charitable or religious trust, if applied to any public charitable or religious purpose; in particular, makes exception of Muslim trusts referred to in section 3 of the Masulman Wale Qualification Act, 1913.</td>
</tr>
</tbody>
</table>

(i) Provides that the Speaker and Deputy Speaker of the Legislative Assembly and the President and Deputy President of the Legislative Council shall be paid allowances at a rate to be determined by rules. (ii) Establishes a Board of Agricultural Income-Tax, with Commissioners, Assistant Commissioners and officers; and lays down procedure for assessing and collecting the tax. (iii) Enables a raiyat, whose holding or portion of a holding was sold in execution of a decree for arrears of rent between the beginning of 1929 and the end of 1937 and was purchased by the landlord, to apply to the Collector for its restoration, within one year from the date on which this provision comes into force. (iv) Provides for the reduction of arrears of rent. Enables a raiyat to apply, within one year from the date on which this provision comes into force, for reduction of arrears of rent due to a landlord for any period ending September 1937. All suits and proceedings for recovery of such arrears shall be stayed while the application is pending. (v) If the raiyat has not paid or tendered at least 10 per cent. of these arrears within three months of the date on which this provision comes into force; or, if he has not paid or tendered any instalment of rent which has fallen due during the current agricultural year; or, if he has never, during the past five years, paid the rent without being sued for it, the application shall be dismissed.
<table>
<thead>
<tr>
<th>No.</th>
<th>Act Title</th>
<th>Assent Given By</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>18</td>
<td>The Champaran Agrarian (Amendment) Act, X of 1938</td>
<td>Assent given by the Governor</td>
<td>11th October 1938</td>
</tr>
<tr>
<td>19</td>
<td>The Bihar Tenancy (Amendment) Act, XI of 1938</td>
<td>Assent given by the Governor</td>
<td>11th October 1938</td>
</tr>
<tr>
<td>1</td>
<td>The Bombay Legislature Members (Removal of Disqualifications) Act, I of 1937</td>
<td>Assent given by the Governor</td>
<td>12th October 1937</td>
</tr>
<tr>
<td>2</td>
<td>The Bombay Legislative Council (President and Deputy President) and the Bombay Legislative Assembly (Speaker and Deputy Speaker) Salaries Act, II of 1937</td>
<td>Assent given by the Governor</td>
<td>16th October 1937</td>
</tr>
<tr>
<td>3</td>
<td>The Bombay Legislature Members' Salaries and Allowances Act, III of 1937</td>
<td>Assent given by the Governor</td>
<td>16th October 1937</td>
</tr>
<tr>
<td>4</td>
<td>The Bombay Ministers' Salaries Act, IV of 1937</td>
<td>Assent given by the Governor</td>
<td>21st October 1937</td>
</tr>
<tr>
<td>5</td>
<td>The Bombay Weights and Measures (Amendment) Act, V of 1937</td>
<td>Assent given by the Governor</td>
<td>27th October 1937</td>
</tr>
</tbody>
</table>

**BOMBAY.**

The Champaran Agrarian (Amendment) Act, X of 1938.

Cancels the enhancements made in Champaran district by landlords in the rent of certain tenancies when tenants who had previously been obliged to grow indigo for the landlords were released from that obligation.

Fixes the salaries and allowances of the following offices at the rates shown:
- President of the Legislative Council: Rs. 500 per mensem salary.
- Speaker of the Legislative Assembly: Rs. 100 per mensem house allowance unless a free house is provided by Government.
- Deputy President and Deputy Speaker: Rs. 150 per mensem motor-car allowance.

Prohibits the President and Speaker from engaging in any trade or profession or undertaking any paid employment during their tenure of office.

Fixes the salaries and allowances of members of the Legislative Council and Assembly at the following rates:
- Salary: Rs. 75 per month.
- Daily Allowance: Rs. 3 per day during a session or meeting of a committee.
- Travelling allowance: Double the rail fare of a class to be prescribed, not to be drawn by members ordinarily residing in the place where the session or meeting is held.

Cancels the arrears of rent to such extent as he thinks fit, if he is satisfied that the raiyat has suffered from a fall in agricultural prices during the period from 1929 to 1937. The raiyat must deposit the arrears as so reduced within 18 months of the date of the order; otherwise they shall be recoverable as arrears of revenue.

Abolishes the landlord's transfer fee for "tenure-holders" and replaces it by a landlord's registration fee at the same rate.

Modifies the respective rights of landlords and tenants in trees growing on the land.

Enables an occupancy-raiyat to transfer his holding without the landlord's consent and without payment of a transfer fee.

Enables the rent of trees or bamboos, the product of which is shared by an occupancy-raiyat and his landlord, to be commuted to money rent.

Enables a holding to be held by habitual defaulters in the payment of rent.

Abolishes the landlord's transfer fee for "tenure-holders" and replaces it by a landlord's registration fee at the same rate.

Modifies the respective rights of landlords and tenants in trees growing on the land.

Enables an occupancy-raiyat to transfer his holding without the landlord's consent and without payment of a transfer fee.

Permits the sale of holdings of raiyats who are held to be habitual defaulters in the payment of rent.

Abolishes the system of summary procedure for recovery of rent by landlords.

Abolishes the system of summary procedure for recovery of rent by landlords.
## Summary of Legislation passed, Ordinances promulgated, and Regulations made, in Governors’ Provinces, between the 1st April, 1937, and the 31st December, 1938—cont’d.

<table>
<thead>
<tr>
<th>Serial No.</th>
<th>Title of the Act</th>
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<th>Summary of Provisions.</th>
</tr>
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<tbody>
<tr>
<td>7</td>
<td>The Bombay Local Boards (Amendment) Act, I of 1938.</td>
<td>A. 22-1-38. C. 25-1-38.</td>
<td>Assent given by the Governor on 28th January 1938.</td>
<td>Abolishes the system of nominations to local boards; provides that all local boards shall consist of members to be elected by general and Mohammadan constituencies, with reservation where necessary of seats in joint electorates for Harijans, backward tribes and certain minority communities. Gives an option to Mohammadans in any Mohammadan constituency to declare that it is abolished and to obtain representation in general constituencies.</td>
</tr>
<tr>
<td>8</td>
<td>The City of Bombay Municipal (Amendment) Act, II of 1938.</td>
<td>A. 10-1-38. C. 12-1-38.</td>
<td>Assent given by the Governor on 26th January 1938.</td>
<td>Provides for an improved system of auditing the accounts of the Bombay Corporation under a separate department in charge of a municipal chief auditor.</td>
</tr>
<tr>
<td>10</td>
<td>The Bombay Provisional Collection of Rates Act, IV of 1938.</td>
<td>A. 10-1-38. C. 12-1-38. A. 18-1-38.</td>
<td>Assent given by the Governor on 26th January 1938.</td>
<td>Provides for immediate effect being given, for a period up to two months, to provisions of any Bill imposing or increasing a tax.</td>
</tr>
<tr>
<td>11</td>
<td>The City of Bombay Municipal (Second Amendment) Act, V of 1938.</td>
<td>A. 24-1-38. C. 21-1-38. A. 1-2-38.</td>
<td>Assent given by the Governor on 28th January 1938.</td>
<td>Makes numerous amendments to the Act of 1888, the most important relating to sanitary arrangements and defects in the water supply.</td>
</tr>
<tr>
<td>13</td>
<td>The Bombay Finance (Amendment) Act, VII of 1938.</td>
<td>A. 3-3-38. C. 10-3-38.</td>
<td>Reserved on 16th March 1938 for the consideration of the Governor-General who gave his assent under section 76 on 24th March 1938.</td>
<td>Extends by one year the validity of the Finance Act of 1932 from which certain revenue was derived, and provides for enhanced duties on the consumption of electricity and on certain stock exchange transactions.</td>
</tr>
<tr>
<td>14</td>
<td>The Bombay Small Holders' Relief Act, VIII of 1938.</td>
<td>A. 3-3-38. C. 4-3-38.</td>
<td>Reserved on 9th February 1938 for the consideration of the</td>
<td>A temporary measure, in force for one year up to 31st March 1939, pending further legislation.</td>
</tr>
</tbody>
</table>

(i) Provides that all proceedings for the sale of land belonging to a small holder, for recovery of money under
| 15  | The Bombay District Municipal and Municipal Boroughs (Amendment) Act, IX of 1938. | A. 6-2-38. | Governor-General, who gave his assent under Section 76 on 27th March 1938. |
| 16  | The Bombay Racecourse Licensing (Amendment) Act, X of 1938. | A. 2-5-38. | Assent given by the Governor on 14th May 1938. |
| 18  | The Bombay Primary Education (Amendment) Act, XII of 1938. | A. 5-3-38. | Assent given by the Governor on 20th May 1938. |
| 19  | The City of Bombay Municipal (Third Amendment) Act, XIII of 1938. | A. 5-5-38. | Assent given by the Governor on 29th May 1938. |
| 20  | The City of Bombay Police Extension (Amendment) Act, XIV of 1938. | A. 36-4-38. | Reserved on 12th May 1938 for the consideration of the Governor-General, who gave his assent under section 76 on 1st June 1938. |

Applies to municipal boards the same provisions as those of Act I of 1938 (item 7 above).

Explains that the conditions which Government may impose under the Act of 1912 upon the owner of a racecourse may include the payment of a license fee to Government, and touch all matters connected with horse racing.

Enables the trustee or majority of trustees of any Hindu temple to declare it open to Harijans for the performance of worship, on conditions to be specified (which must not be applicable to Harijans only), notwithstanding anything contained in the terms of dedication, etc., of the temple. An interested person may apply to the court to have the declaration set aside, only on the grounds that the persons purporting to be trustees were not entitled to act as such, or that they did not form the majority. Distraction from Harijans in contravention of the declaration is made punishable with fine.

Establishes a Provincial Advisory Board, and makes provision for the better management and control, development and expansion of primary education; gives power of control to the Director of Public Instruction and the Government, and the power of dissolution or suspension of school boards to Government. Provides that administrative officers of school boards and the inspecting staff shall be Government servants, appointed by the Provincial Government; and abolishes nominations to (local) school boards.

Inter alia (i) abolishes the nominated seats on the Bombay Corporation, which will consist of 114 elected and 3 ex-officio members.

(ii) Extends the term of the Corporation from 3 to 4 years after 1945.

(iii) Introduces adult franchise for the elections to be held in 1942 and thereafter.

(iv) Reduces the salaries of certain officers of the Corporation.

(v) Empowers the Commissioner of Police to remove from the city of Bombay, after giving him an opportunity to explain the charges against him, any dangerous individual, or anyone whose residence in the city is likely to spread an epidemic disease. (Under the Act of 1922 the Commissioner could use this power only against gangs or large bodies, or members of such.)

(vi) Empowers the Provincial Government to proclaim a state of emergency for a period up to one month, if the public peace is likely to be disturbed by a conflict between communities or gangs. The Commissioner of Police may then direct any dangerous individual to confine himself in a certain way or to remove himself from the city.

An appeal to the Provincial Government within 10 days is allowed against the Commissioner's order.
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<td>21</td>
<td>The Indian Lunacy (Bombay Amendment) Act, XV of 1938.</td>
<td>A. 11-4-38 . C. 25-4-38.</td>
<td>Reserved on 20th May 1938 for the consideration of the Governor-General, who gave his assent under section 76 on 7th June 1938.</td>
<td>Empowers the person in charge of an asylum to release a lunatic for a period of not more than two months and to hand him over to his relations or friends, on the letter's application.</td>
</tr>
<tr>
<td>22</td>
<td>The Bombay Special (Emergency) Powers (Repeal) Act, XVI of 1938.</td>
<td>A. 6-4-38 . C. 11-4-38.</td>
<td>Reserved on 7th May 1938 for the consideration of the Governor-General, who gave his assent under section 76 on 24th September 1938.</td>
<td>Repeals the Bombay Special (Emergency) Powers Act, 1932. (This Act, in force up to 31st December 1938, gave power to arrest, detain and control suspected persons; to prohibit or limit access to certain places; to regulate traffic and means of transport and the use of railways and vessels; to control posts and telegraphs; to secure reports of public meetings; to punish instigation to the non-payment of notified liabilities and to collect them as arrears of land revenue and to deal with refractory accused.)</td>
</tr>
<tr>
<td>24</td>
<td>The Land Acquisition (Bombay Amendment) Act, XVIII of 1938.</td>
<td>A. 24-8-38 . C. 20-9-38.</td>
<td>Assent given by the Governor on 18th October 1938.</td>
<td>Reduce from 6 per cent to 4 per cent, the rate of interest payable by Government under the Act of 1894 on compensation paid, after possession is taken of the land, to owners of land which is acquired compulsorily.</td>
</tr>
<tr>
<td>25</td>
<td>The Bombay Probation of Offenders Act, XIX of 1938.</td>
<td>A. 31-1-38 . C. 28-4-38. A. 3-5-38.</td>
<td>Reserved on 20th May 1938 for the consideration of the Governor-General, who gave his assent under section 76 on 11th October 1938.</td>
<td>Empowers specified courts, in areas to be notified, to (i) release after due admonition first offenders convicted of minor offences, punishable with not more than 2 years' imprisonment; (ii) release on probation of good conduct women convicted of any offence, and men convicted of offences punishable with death or transportation for life; (iii) release under the supervision of a probation officer an offender who is under the age of 25, for any period until he reaches the age of 25.</td>
</tr>
<tr>
<td>26</td>
<td>The Cotton Ginning and Pressing Factories (Bombay Amendment) Act, XX of 1938.</td>
<td>A. 24-8-38 . C. 20-9-38.</td>
<td>Assent given by the Governor on 18th October 1938.</td>
<td>Amends the Act of 1925 so as to make it clear that the mixing of cotton waste with cotton, and the deliberate watering of cotton, are offences.</td>
</tr>
<tr>
<td>28</td>
<td>The Bombay Forfeited Lands Restoration Act, XXII of 1938.</td>
<td>A. 14-10-38 . C. 16-10-38.</td>
<td>Assent given by the Governor on 24th November 1938.</td>
<td>Empowers the Provincial Government to acquire on the conditions shown below, and to restore to the original holders, any lands forfeited to the Crown during the Civil Disobedience Movement between 1930 and 1934 for non-payment of land revenue and other sums due to Government. (i) The Provincial Government, if it is satisfied that any forfeited lands should in the public interest be acquired and restored to the original holders, may make a declaration to that effect, and (ii) An official tribunal shall give public notice of the fact, and also private notice to the occupier of the land and persons interested in it, and to the original holder.</td>
</tr>
</tbody>
</table>
29. The Bombay Local Boards (Amendment) Act, XXIII of 1938.

CENTRAL PROVINCES.


2. The C. P. and Berar Legislative Assembly Committee Sums Enforcement Act, II of 1937.

3. The C. P. and Berar Police (Amendment) Act, III of 1937.

4. The C. P. and Berar Payment of Salaries Act, IV of 1937.

Assent given by the Governor on 19th December 1938.

Assent given by the Governor on 25th August 1937.

Assent given by the Governor on 2nd October 1937.

Assent given by the Governor on 7th October 1937.

Assent given by the Governor on 19th October 1937.

Amends the Act of 1923 so as to provide for the levy of octroi by local district boards.

Permits certain persons holding offices of profit under the Crown to be members of the Legislative Assembly, e.g., Advocate-General and Parliamentary Secretaries.

Under section 71 (4) of the Government of India Act, 1935, makes refusal to give evidence before a committee of the Legislature a penal offence.

Provides for the appointment of honorary police officers, to be subject to the orders of the District Superintendent of Police.

Fixes the salaries and allowances of the following offices at the rates shown:—

<table>
<thead>
<tr>
<th>Office</th>
<th>Salary</th>
<th>Conveyance Allowance</th>
<th>House Rent Allowance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ministers</td>
<td>Rs. 399 per month</td>
<td>Rs. 100 per month</td>
<td>Rs. 100 per month</td>
</tr>
<tr>
<td>Speaker of the Assembly</td>
<td>Rs. 399 per month</td>
<td>Rs. 100 per month</td>
<td>Rs. 100 per month</td>
</tr>
<tr>
<td>Deputy Speaker</td>
<td>Rs. 350 per month</td>
<td>Rs. 100 per month</td>
<td>Rs. 100 per month</td>
</tr>
<tr>
<td>Parliamentary Secretaries</td>
<td>Rs. 250 per month</td>
<td>Rs. 100 per month</td>
<td>Rs. 100 per month</td>
</tr>
<tr>
<td>Members of the Assembly</td>
<td>Rs. 75 per month</td>
<td>Rs. 100 per month</td>
<td>Rs. 100 per month</td>
</tr>
</tbody>
</table>

Prohibits Ministers, the Speaker, and Parliamentary Secretaries, from practising any profession or trade or undertaking any paid employment during their tenure of office.

Provides for the payment of travelling allowance and daily allowance to all the above while they are touring on public business, at rates and on conditions to be prescribed by rules; and for the supply of suitable conveyances to Ministers at Government expense.

(iii) After due enquiry, the tribunal shall award the amount of compensation to be paid to the occupier or persons interested.

(v) The amount of compensation to be awarded shall be—

(a) the amount paid to Government as the price of the land;

(b) the amount of expenditure incurred by the occupier in making improvements on the land;

(c) the amount of land revenue paid in respect of the land by the occupier;

(d) interest at the rate of 4 per cent. on the total of (a), (b) and (c); and

(i) the profit, if any, received by the occupier;

(ii) the amount of any damage done to the land by the occupier.

Provided that the amount of compensation awarded shall not be less than the total of (a) and (b) above.

(vi) If the occupier, within 15 days of the publication of notice states that he is willing to receive as compensation a sum equal to the amount paid for the land and the expenditure incurred on improvements plus 4 per cent. interest thereon, then he shall receive such a sum without any deductions being made.

(vii) If the occupier is not the person to whom the land was sold but has bought it in the meantime in good faith and for consideration, he shall receive compensation equal to the amount he paid for the land and expenditure incurred on improvements.

(viii) If the land is subject to any mortgage or charge made in favour of a person who has advanced money in good faith, such person shall receive compensation equal to the unpaid balance of the principal advanced, and, if he is not in possession, of the land, the unpaid amount of interest payable at a rate not exceeding 7 per cent.

(ix) 15% shall be added to the net compensation awarded in any of the above cases.

(x) The tribunal may, with the sanction of the Provincial Government, make any arrangement instead of money compensation, either by grant of other land in exchange or in any other equitable manner.

(xi) If the occupier is not the person to whom the land was sold but has bought it in the meantime in good faith and for consideration, he shall receive compensation equal to the amount he paid for the land and expenditure incurred on improvements.

(xii) If the land is subject to any mortgage or charge made in favour of a person who has advanced money in good faith, such person shall receive compensation equal to the unpaid balance of the principal advanced, and, if he is not in possession, of the land, the unpaid amount of interest payable at a rate not exceeding 7 per cent.

(xiii) The tribunal may, with the sanction of the Provincial Government, make any arrangement instead of money compensation, either by grant of other land in exchange or in any other equitable manner.

(xiv) 15% shall be added to the net compensation awarded in any of the above cases.

(xv) The tribunal may, with the sanction of the Provincial Government, make any arrangement instead of money compensation, either by grant of other land in exchange or in any other equitable manner.
<table>
<thead>
<tr>
<th>Serial No.</th>
<th>Title of the Act.</th>
<th>Date when passed.</th>
<th>Action taken by the Governor under section 75 of the Government of India Act; if reserved, action taken by the Governor-General under section 76.</th>
<th>Summary of Provisions.</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>The C. P. and Berar Payment of Salaries (Amendment) Act, I of 1938.</td>
<td>A. 9-12-37.</td>
<td>Assent given by the Governor on 7th January 1938.</td>
<td>Amends Act IV of 1937 so as to allow the Speaker of the Assembly, in addition to his salary, a free furnished house or house rent allowance of Rs. 100 per mensem, and conveyance allowance of Rs. 150 per mensem. Provides for the supply to the Speaker of a suitable conveyance at Government expense.</td>
</tr>
<tr>
<td>6</td>
<td>The C. P. and Berar Payment of Salaries (Second Amendment) Act, II of 1938.</td>
<td>A. 15-12-37.</td>
<td>Assent given by the Governor on 13th January 1938.</td>
<td>Provides that the Deputy Speaker of the Assembly be paid her salary from the date on which she took office.</td>
</tr>
<tr>
<td>7</td>
<td>The C. P. Tenancy (Amendment) Act, III of 1938.</td>
<td>A. 7-12-37.</td>
<td>Assent given by the Governor on 20th January 1938.</td>
<td>Empowers Revenue officers to penalise the levy of forced labour (begar) by landlords.</td>
</tr>
<tr>
<td>8</td>
<td>The C. P. Tenancy (Second Amendment) Act, IV of 1938.</td>
<td>A. 7-12-37.</td>
<td>Assent given by the Governor on 20th January 1938.</td>
<td>Empowers a Revenue officer to take action suo motu against a landlord who fails to give a tenant a receipt for rent paid; previously a tenant had to apply for such action to be taken. Extends the limitation for a tenant's application from three months to one year.</td>
</tr>
<tr>
<td>9</td>
<td>The C. P. and Berar Committees of Inquiry (Evidence) Act, V of 1938.</td>
<td>A. 16-12-37.</td>
<td>Assent given by the Governor on 16th January 1938.</td>
<td>Empowers the Provincial Government to appoint committees of inquiry into definite matters of public importance with power to summon evidence; the proceedings to be judicial.</td>
</tr>
<tr>
<td>10</td>
<td>The C. P. and Berar Motor Vehicles Taxation Act, VI of 1938.</td>
<td>A. 2-3-38.</td>
<td>Assent given by the Governor on 17th March 1938.</td>
<td>Enacted in order to replace the previous Motor Vehicles Taxation Act, 1932, which expired on 31st March 1938. Provides for the levy of registration fees on motor vehicles; the fees charged are in almost every case the same as those charged before.</td>
</tr>
<tr>
<td>11</td>
<td>The C. P. and Berar Prohibition Act, VII of 1938.</td>
<td>A. 10-3-38.</td>
<td>Assent given by the Governor on 24th March 1938.</td>
<td>Enforced in the first place in Saugor district and a few other areas only.—(i) Penalties—(a) the unlicensed import, export, transport, sale, purchase, consumption, manufacture, and bottling of intoxicating liquor; the tapping of toddy trees the construction of a brewery or distillery; and the treatment of denatured spirit to render it fit for human consumption; with punishment of imprisonment up to six months or fine up to Rs. 2000 or both; (b) the keeping of a common drinking-house, with the same punishment; (c) drinking or drinking in a common drinking-house, with punishment of fine up to Rs. 500. (ii) Permits any person of non-Asian domicile or any member of His Majesty's regular Naval, Military or Air Forces, to buy, consume or possess any liquor which is lawfully procured for his bona fide private consumption and not for sale. (iii) Empowers the Provincial Government to exempt from the provisions of the Act any specified liquor required for medicinal, scientific or industrial purposes; or any person or class of persons. (iv) Provides for the issue of licences for sale, possession, etc., of liquor, if required for bona fide medicinal, scientific, or industrial purposes; and for the issue of permits or licences for consumption of liquor privately, for use for religious purposes, for use in clubs and hotels for issue to licensed persons only, and in railway restaurant cars. (v) Provides for the appointment of a Prohibition Commissioner, and officers paid or honorary, and lays down procedure for enforcing the Act.</td>
</tr>
<tr>
<td>12</td>
<td>The Khandwa Ginning and Pressing Cotton Tax Validating Act, VIII of 1938.</td>
<td>A. 24-3-38.</td>
<td>Assent given by the Governor on 30th March 1938.</td>
<td>Validates a tax imposed in a municipality in 1922 which had been declared by the Privy Council to have been invalidly imposed.</td>
</tr>
<tr>
<td>No.</td>
<td>Title</td>
<td>Assent/Reserved Date</td>
<td></td>
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<tr>
<td>13</td>
<td>The C. P. and Berar Land Revenue Code (Amendment) Act, IX of 1938</td>
<td>A. 24-3-38, on 17th April 1938</td>
<td></td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>The C. P. Reduction of Interest (Amendment) Act, X of 1938</td>
<td>A. 11-3-38, on 21st April 1938</td>
<td></td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>The Berar Land Revenue Code (Amendment) Act, XI of 1938</td>
<td>A. 24-3-38, on 21st April 1938</td>
<td></td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>The C. P. Consolidation of Holdings (Amendment) Act, XII of 1938</td>
<td>A. 24-3-38, on 21st April 1938</td>
<td></td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>The C. P. and Berar Finance Act, XIII of 1938</td>
<td>A. 20-3-38, on 6th May 1938</td>
<td></td>
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</tr>
<tr>
<td>18</td>
<td>The C. P. and Berar Sales of Motor Spirit and Lubricants Taxation Act, XIV of 1938</td>
<td>A. 24-3-38, on 14th May 1938</td>
<td></td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>The C. P. and Berar Indian Contract (Amendment) Act, XV of 1938</td>
<td>A. 24-3-38, on 12th May 1938</td>
<td></td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>The C. P. and Berar Temporary Postponement of Execution of Decrees Act, XVI of 1938</td>
<td>A. 31-3-38, on 20th May 1938</td>
<td></td>
<td></td>
</tr>
<tr>
<td>21</td>
<td>The C. P. Revision of Land Revenue of Estates Act, I of 1939</td>
<td>A. 30-3-38, on 27th May 1938</td>
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<td></td>
</tr>
</tbody>
</table>

**MADRAS.**

<table>
<thead>
<tr>
<th>No.</th>
<th>Title</th>
<th>Assent/Reserved Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The Madras Payment of Salaries and Removal of Disqualifications Act, IX of 1937</td>
<td>A. 27-9-37, on 20th May 1937</td>
</tr>
</tbody>
</table>

**Assent given by the Governor:**

- on 17th April 1938.
- on 21st April 1938.
- on 6th May 1938.
- on 14th May 1938.
- on 12th May 1938.
- on 20th May 1938.
- on 27th May 1938.

**Reserved by the Governor-General:**

- on 27th May 1938 for the consideration of the Governor-General, who gave his assent under section 76 on 5th July 1938.

**Assent given by the Governor-General:**

- on 27th May 1938 for the consideration of the Governor-General, who gave his assent under section 76 on 5th July 1938.

**Assent given by the Governor on 1st October 1937:**

- Rs. 75 per mensem salary.
- Rs. 100 per mensem house allowance.
- Rs. 150 per mensem conveyance allowance.

**Assent given by the Governor on 16th December 1938:**

- Rs. 100 per mensem house allowance.
- Rs. 150 per mensem conveyance allowance.
- Rs. 150 per mensem consolidated allowance.

**Permits Parliamentary Secretaries to be members of the Legislative Council or Assembly, although they hold offices of profit under the Crown.**

**Frees the salaries and allowances of the following offices at the rates shown:**

- Ministers and the Speaker of the Legislative Assembly: Rs. 500 per mensem salary.
- Deputy Speaker of the Assembly: Rs. 250 per mensem salary.
- President of the Legislative Council: Rs. 250 per mensem salary.
- Deputy President of the Council: Rs. 150 per mensem salary.
- Parliamentary Secretaries: Rs. 250 per mensem salary.

**Travelling and daily allowance to all the above at rates and on conditions to be determined:**

- For members of the Legislative Council and Assembly.
- For the supply to Ministers and the Speaker of suitable conveyances at Government expense.

**Declares the meaning of certain provisions of the Act of 1936.**

- Enhances the land revenue payable to Government under the current settlement on the estates of certain zamindars and jagirdars, which hitherto have been assessed at concessional rates.

**Legalisches premature possession of holdings allotted under a consolidation scheme, in order to allow holders to prepare the land for sowing, etc.**

- Levies a tax at the rate of 5 per cent. on retail sales of motor spirit and lubricants, to be collected from retail dealers.

**Enables the Provincial Government to extend the term of a settlement of agricultural land from 35 to 40 years.**

- Provides for the stay of execution of money decrees or decrees for foreclosure or sale in mortgage suits, on certain conditions; for the release of all agricultural judgment-debtors imprisoned in execution of a money decree; and for the abolition of arrest and imprisonment in execution of such decrees.

**Permits Parliamentary Secretaries to be members of the Legislative Council or Assembly, although they hold offices of profit under the Crown.**

**Travelling and daily allowance to all the above at rates and on conditions to be determined:**

- For members of the Legislative Council and Assembly.
- For the supply to Ministers and the Speaker of suitable conveyances at Government expense.
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<td></td>
<td></td>
<td></td>
<td></td>
<td>(i) Penalises (a) the import, export, transport, possession, manufacture, sale, purchase, consumption or bottling, of intoxicating liquor or drugs; cultivation of the hemp plant; tapping of toddy trees; the construction of a brewery or distillery; the treatment of denatured spirit to render it fit for human consumption; with punishment of imprisonment up to six months or fine up to Rs. 1,000 or both.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(b) the advertisement in newspapers, etc., of liquor or drugs other than those specially approved as of medicinal value, with punishment of fine up to Rs. 1,000 (see Act X of 1937—item 17 below.) This section is in force throughout the Province.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(ii) Exempts from the provisions of the Act liquor for bona fide travellers passing through the area, and liquor carried by railway administrations.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(iii) Provides for the issue of licences for possession, etc., of liquor required for bona fide medicinal, scientific, or industrial purposes; licences for tapping toddy trees; permits for personal consumption, for use for religious purposes, to institutions for issue to licensed members, and for use on railway restaurant cars.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(iv) Provides for the appointment of a Prohibition Commissioner, officers paid or honorary, and committees; and lays down procedure for enforcing the Act.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(v) Cancels the nominations made to certain district local boards which had been bifurcated by the previous administration, and provides for co-option by the elected members of representatives of women and minority communities. Empowers the Provincial Government to amalgamate the boards so bifurcated.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(vi) Provides that every dealer in cloth must take out a licence, which will be given free to those who deal only in cloth woven on hand-looms, and will be supplied to others on payment of a fee of Rs. 2 per annum for those whose monthly turnover is less than Rs. 3,000 and Rs. 5 if it is more.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(vii) Provides for the adoption of the relevant portions of the Legislative Assembly electoral rolls as the electoral rolls for local bodies, thus extending the franchise for such bodies.</td>
</tr>
<tr>
<td>5</td>
<td>The Madras Revenue Recovery and City Land Revenue (Amendment) Act, XIV of 1937.</td>
<td>A. 25-9-37. C. 27-9-37.</td>
<td>Assent given by the Governor on 7th October 1937.</td>
<td>Empowers Government to extend up to 31st March 1938 the term of office of members of these local bodies. Enacted in order to permit of the new elections being held on the basis of a wider franchise which was in view (see Act II of 1938—item 9 below.)</td>
</tr>
<tr>
<td>6</td>
<td>The Madras City Municipal, District Municipalities, and Local Boards (Amendment) Act, XY of 1937.</td>
<td>A. 30-9-37. C. 30-9-37.</td>
<td>Assent given by the Governor on 7th October 1937.</td>
<td>Abolishes the minimum salaries fixed for certain officers of the Madras Corporation, and empowers the Corporation to fix their salaries, subject to the sanction of Government.</td>
</tr>
<tr>
<td>7</td>
<td>The Madras City Municipal, District Municipalities, and Local Boards (Amendment) Act, I of 1938.</td>
<td>A. 1-2-38. C. 2-2-38.</td>
<td>Assent given by the Governor on 15th February 1938.</td>
<td>Provides for the adoption of the relevant portions of the Legislative Assembly electoral rolls as the electoral rolls for local bodies, thus extending the franchise for such bodies.</td>
</tr>
</tbody>
</table>
The Madras Agriculturists' Relief Act, IV of 1938.


The Madras Local Boards (Amendment) Act, VII of 1938.

The Madras Tolls and Motor Vehicles Taxation (Amendment) Act, VI of 1938.

The Madras Tolls and Motor Vehicles Taxation (Amendment) Act, V of 1938.

The Madras Traffic Control Act, V of 1938.

The Madras Famine Relief Fund (Amendment) Act, IX of 1938.

The Madras Prohibition Act, VIII of 1938.

The Madras Immigration (Amendment) Act, X of 1938.

The Madras Borstal Schools (Amendment) Act, XI of 1938.

The Madras Suppression of Immoral Traffic (Amendment) Act, IX of 1938.


The Madras Agriculturalists' Relief Act, IV of 1938.

The Madras Famine Relief Fund (Amendment) Act, VIII of 1938.

The Madras Prohibition Act, VII of 1938.

Provides that payments due under the Act to local bodies, in compensation for income derived by them before the Act of 1931 from tolls and taxes on motor vehicles, shall be charged on Provincial revenues.

(i) Provides that all debts (as distinct from arrears of rent as defined below) payable by an agriculturist shall be reduced according to the scale described below, and that no sum in excess of the amount so reduced shall be recoverable from him in any way.

(a) Debts incurred before 1st October 1932. All interest outstanding on 1st October 1932 shall be deemed to be discharged and only the principal or outstanding portion thereof shall be repayable. If the amount of the principal has already been repaid, the debt shall be deemed to be wholly discharged. If the principal has not been repaid, only the difference shall be repayable, or the outstanding portion of the principal, whichever is less.

(b) Debts incurred after 1st October 1932. Interest shall be calculated at the rate of not more than 5 per cent. per annum, and credit shall be given for all sums paid towards interest; only the sums found outstanding for interest so calculated shall be repayable, plus the principal.

(c) If a debt includes decreed costs or sums spent by a mortgagee or preservation of the property, that amount shall also be recoverable.

(d) All debts so reduced, and all debts incurred hereafter, shall carry simple interest at a rate not exceeding 6 per cent. per annum.

(6) Provides for reduction of arrears of rent. All rent payable by an agriculturist under the Madras Estates Land Act (i.e. in permanently settled estates) or in the district of Malabar (under the Malabar Tenancy Act) which accrued before or for the year 1930-36, and which is still outstanding, shall be deemed to be wholly discharged, providing that the arrears of 1937-38 are paid by 30th September 1938, and all arrears for 1936-1937 and 1937-1938 are paid by 30th September 1939. If only part of the rent due for these two years is paid in time, then only an equivalent proportion of the rent due up to 1935-1936 shall be deemed to be discharged. Landholders in permanently settled estates and in Malabar shall be entitled to recover also the land cess and land revenue and water cess payable by a tenant, and the costs awarded in any decree for rent.

10. A. 1-3-38.

A. 31-1-38.

A. 2-3-38.

A. 1-2-38.

A. 16-8-38.

A. 18-8-38.

A. 16-8-38.

A. 1-2-38.

A. 1-3-38.

A. 31-1-38.

A. 29-3-38.

A. 1-3-38.

A. 16-8-38.

A. 1-2-38.

A. 11-3-38.

A. 31-1-38.

A. 29-3-38.

A. 31-3-38.

A. 18-8-38.

A. 16-8-38.

A. 1-2-38.

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<tbody>
<tr>
<td>21</td>
<td>The Prisons and Indian Lunacy (Madras Amendment) Act, XIV of 1938.</td>
<td>A. 15-8-38; C. 18-8-38.</td>
<td>Reserved on 2nd September 1938 for the consideration of the Governor-General, who gave his assent under section 76 on 3rd October 1938.</td>
<td>Provides for a prisoner being sent to a hospital outside the prison or to an asylum for treatment, and that the period of treatment there shall be counted towards his sentence.</td>
</tr>
<tr>
<td>22</td>
<td>The Indian Lunacy (Madras Amendment) Act, XV of 1938.</td>
<td>A. 15-8-38; C. 18-8-38.</td>
<td>Reserved on 2nd September 1938 for the consideration of the Governor-General, who gave his assent under section 76 on 3rd October 1938.</td>
<td>Empowers the superintendent of an asylum to discharge a lunatic temporarily, if it is necessary in the interest of his health, subject to conditions to be specified. Other provisions concern the recovery of a lunatic's maintenance.</td>
</tr>
<tr>
<td>23</td>
<td>The Madras Medical Registration (Amendment) Act, XVI of 1938.</td>
<td>A. 15-8-38; C. 18-8-38.</td>
<td>Reserved on 2nd September 1938 for the consideration of the Governor-General, who gave his assent under section 76 on 3rd October 1938.</td>
<td>Makes the Madras Medical Council a predominantly elective body by increasing the number of elected members from 5 to 12 out of 15. Provides that the President, after four years, shall be elected by the council; till then he will continue to be nominated by Government. Abolishes the distinction between classes of registered practitioners.</td>
</tr>
<tr>
<td>24</td>
<td>The Madras Prohibition (Second Amendment) Act, XVII of 1938.</td>
<td>A. 29-11-38; C. 12-12-38.</td>
<td>Assent given by the Governor on 20th December 1938.</td>
<td>Amends Act X of 1937 (Item 2 above) so as to empower the Provincial Government to issue &quot;authorities&quot; to persons and institutions for the possession and use of liquor for any religious purpose in accordance with ancient custom.</td>
</tr>
<tr>
<td>25</td>
<td>The Madras District Municipalities and Local Boards (Amendment) Act, XVIII of 1938.</td>
<td>A. 29-11-38; C. 12-12-38.</td>
<td>Assent given by the Governor on 20th December 1938.</td>
<td>Defines the method of control to be exercised over electrical undertakings administered by municipalities and local boards, and provides for the appointment of electrical engineers on the staff of those bodies.</td>
</tr>
<tr>
<td>北印度西端前哨省</td>
<td>The N. W. F. P. Ministers' Salaries Act, VII of 1937.</td>
<td>A. 22-6-37.</td>
<td>Assent given by the Governor on 4th October 1937.</td>
<td>Fixes the salaries and allowances of Ministers at the following rates:—</td>
</tr>
<tr>
<td></td>
<td>Salary: Rs. 500 per mensem.</td>
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<td></td>
<td>Motor-car allowance: Rs. 100 per mensem.</td>
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</tr>
<tr>
<td>No.</td>
<td>Act Title</td>
<td>Assent Date</td>
<td>Statute</td>
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<tr>
<td>2</td>
<td>The N. W. F. P. Legislative Assembly (Removal of Disqualifications) Act, VIII of 1937</td>
<td>A. 22-9-37</td>
<td>1937-09-22</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>The N. W. F. P. Legislative Assembly Speaker’s and Deputy Speaker’s Salaries Act, IX of 1937</td>
<td>A. 22-9-37</td>
<td>1937-09-22</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>The Criminal Procedure (Election Offences) (N. W. F. P. Amendment) Act, X of 1937</td>
<td>A. 22-9-37</td>
<td>1937-09-22</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>The N. W. F. P. Entertainments Duty Act, XI of 1937</td>
<td>A. 3-3-38</td>
<td>1938-03-03</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>The Punjab Municipal (N. W. F. P. Amendment) Act, 1938</td>
<td>A. 2-3-38</td>
<td>1938-03-01</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>The N. W. F. P. Tobacco Vend Fees Act, 1938</td>
<td>A. 2-3-38</td>
<td>1938-03-01</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>The Northern India Canal and Drainage (N. W. F. P. Amendment) Act, 1938</td>
<td>A. 3-3-38</td>
<td>1938-03-01</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>The N. W. F. P. Contempt of Court Act, 1938</td>
<td>A. 2-3-38</td>
<td>1938-03-01</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>The N. W. F. P. Public Utility Services Act, 1938</td>
<td>A. 2-3-38</td>
<td>1938-03-01</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>The Punjab District Boards (N. W. F. P. Amendment) Act, 1938</td>
<td>A. 3-3-38</td>
<td>1938-03-01</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>The Punjab Municipal (N. W. F. P. Amendment) Act, 1938</td>
<td>A. 2-3-38</td>
<td>1938-03-01</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>The N. W. F. P. Repealing and Amending Bill, 1938</td>
<td>A. 3-3-38</td>
<td>1938-03-01</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>The Criminal Procedure (Election Offences) (N. W. F. P. Amendment) Act, 1938</td>
<td>A. 18-7-38</td>
<td>1938-07-18</td>
<td></td>
</tr>
</tbody>
</table>

**Assent given by the Governor on 5th October 1937.**

**Assent given by the Governor on 30th March 1938.**

**Assent given by the Governor on 21st March 1938.**

**Reserved on 25th April 1938 for the consideration of the Governor-General, who gave his assent under section 76 on 25th April 1938.**

**Assent given by the Governor on 20th April 1938.**

**Reserved on 25th April 1938 for the consideration of the Governor-General, who gave his assent under section 76 on 25th April 1938.**

**Assent withheld by the Governor.**

**Reserved on 28th June 1938 for the consideration of the Governor-General, who gave his assent under section 76 on 28th June 1938.**

**Permits Parliamentary Secretaries and certain minor revenue officials to be members of the Legislative Assembly, although they hold offices of profit under the Crown.**

**Fixes the salaries and allowances of the following offices at the rates shown:—**

- **Speaker of the Assembly**: Rs. 500 per mensem salary.
- **Deputy Speaker**: Rs. 500 per mensem salary.

**Provided that the offence of personation at elections should be cognizable.**

Later on it was found that the Act was ultra vires of the Provincial Legislature, because the assent of the Governor-General has not been obtained under section 107 of the Government of India Act, 1935. Another Act was therefore passed in its place; see item 14 below.

**Provides for the levy of a duty on all payments for admission to entertainments; the duty is to be paid also on complimentary tickets issued in excess of 5 per cent. of the number of each class. Exempted payments for admission to entertainments where the whole proceeds are devoted to charitable, educational or scientific purposes.**

**Enables municipalities to recover rent due to them in a more expeditious and less expensive manner.**

**Provides that every dealer in tobacco carrying on business in municipal, or notified areas, cantonments or railway stations, shall take out a licence, to be granted on payment of fee to be prescribed.**

**Enacted on the suggestion of the Central Government, to comply with a resolution of the League of Nations. Repeals a section of the Act of 1878 permitting forced labour, which had in fact never been used.**

**Empowers the court of the Judicial Commissioner to deal with cases of contempt of itself and of courts subordinate to it, and to award punishment of imprisonment up to six months or fine up to Rs. 2,000 or both.**

**Empowers the Provincial Government to assume control of public utility services when it is necessary for the public advantage to secure their continuance.**

**Abolishes nominated seats on district and local boards, and the oath of allegiance for members. Provides that the Chairman shall be elected and shall hold office for one year only.**

**Abolishes nominated seats on municipalities, and the oath of allegiance for members. Provides that the President shall be elected and shall hold office for one year (instead of three, as previously).**

**Sought to amend Section 144 of the Code of Criminal Procedure; and to repeal clause (a) of Section 108 of the same Code, Section 194 A of the Indian Penal Code, the whole of the Indian Press (Emergency Powers) Act, 1931, and of the Criminal Law Amendment Act, 1935, and all except four sections of the Frontier Crimes Regulation, 1901.**

**Enacted in place of Act X of 1937 (item 4 above). Provides that the offences of personation at elections shall be cognizable.**
### Summary of Legislation passed, Ordinances promulgated, and Regulations made, in Governors' Provinces, between the 1st April, 1937, and the 31st December, 1938—contd.

<table>
<thead>
<tr>
<th>Serial No.</th>
<th>Title of the Act</th>
<th>Date when passed</th>
<th>Action taken by the Governor</th>
<th>Summary of Provisions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NORTH-WEST FRONTIER PROVINCE—contd.</strong></td>
<td></td>
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<tr>
<td>15</td>
<td>The N. W. F. P. Prohibition Act, 1938.</td>
<td>A. 2-3-38 and 3-11-38</td>
<td>Reserved on 29th March 1938 for the consideration of the Governor-General, who under section 76, directed it to be returned to the Provincial Legislature, on 3rd May 1938. After the Bill was passed in accordance with the Governor's recommendation, it was again presented, on 16th November 1938, to the Governor-General, who gave his assent on 12th December 1938.</td>
<td>Enforced in the first place in the district of Dera Ismail Khan only.</td>
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<td></td>
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<td></td>
<td>(i) Penalizes the import, export, transport, bottling, manufacture, sale, purchase, and possession of liquor or intoxicating drugs; the cultivation of the hemp plant; the construction or working of a distillery or brewery; the treatment of denatured spirit to render it fit for human consumption; with punishment of imprisonment up to six months or fine up to Rs. 1,000 or both;</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(ii) the advertisement in any newspaper, book, etc., or otherwise, of liquor or intoxicating drugs, except those specially exempted or specially approved as of medicinal value, with punishment of fine up to Rs. 1,000. This section is in force throughout the Province. It does not apply to advertisements in catalogues, etc., approved by the Prohibition Commissioner.</td>
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<td></td>
<td>(iii) Exempts liquor in the possession of bona fide travellers passing through the area; and consignments of liquor or drugs carried by a railway administration.</td>
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<td></td>
<td>(iv) Empowers the Provincial Government to exempt specified liquor or drugs required for medicinal, scientific or industrial purposes.</td>
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<td></td>
<td>(v) Provides for the issue of licenses or permits for the use of liquor or drugs for medicinal, scientific or industrial purposes; for personal consumption; for use for religious purposes; to institutions for issue to licensed members; and for use on railway restaurant cars.</td>
</tr>
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<td></td>
<td></td>
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<td></td>
<td>(vi) Provides for the appointment of a Prohibition Commissioner, officers paid or honorary, and committees; and lays down procedure for enforcing the Act.</td>
</tr>
<tr>
<td>16</td>
<td>The N. W. F. P. Legislative Assembly (Members' Allowances) Act, 1938.</td>
<td>A. 5-11-38</td>
<td>Assent given by the Governor on 21st November 1938.</td>
<td>Fixes the allowances of members of the Legislative Assembly at the following rates:</td>
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<tr>
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<td></td>
<td>For members permanently resident at the place where the Assembly or a committee meets. Rs. 10 per day for each day of attendance.</td>
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<td></td>
<td>For members not so resident. Rs. 10 per day in the plains and Rs. 12:8 in the hills, for each day of residence at the place of meeting.</td>
</tr>
<tr>
<td>17</td>
<td>The N. W. F. P. Famine Relief Fund Act, 1938.</td>
<td>A. 5-11-38</td>
<td>Assent given by the Governor on 14th December 1938.</td>
<td>Creates a Provincial fund for the relief of famine and distress caused by natural calamities, to which the Provincial Government shall subscribe Rs. 10,000 per annum, to be charged on Provincial revenues, until the fund amounts to Rs. 150,000. The capital is to be invested in securities of the Central or Provincial Government.</td>
</tr>
<tr>
<td>18</td>
<td>The Teri Dues Regulation (Amendment) Act, 1938.</td>
<td>A. 3-3-38 and 8-11-38</td>
<td>Returned by the Governor to the Legislature under the proviso to section 76, on 14th October 1938. After the Bill was passed in accordance with the Governor's recommendation, his assent was given on 28th September 1938.</td>
<td>Amends the Regulation of 1902 by withdrawing from the Khan of Teri the right to recover certain dues payable in the estates held by him on istimrari tenure.</td>
</tr>
<tr>
<td><strong>ORISSA.</strong></td>
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<tr>
<td>1</td>
<td>The Orissa General Clauses Act, 1 of 1937.</td>
<td>A. 31-8-37</td>
<td>Assent given by the Governor on 28th September 1937.</td>
<td>Defines terms used in Orissa Acts, and makes technical rules of construction, etc.</td>
</tr>
</tbody>
</table>
The Madras Estates Land (Orissa Amendment) Act, II of 1937.

The Orissa Ministers' Salaries Act, III of 1937.

The Orissa Legislative Assembly Speaker's and Deputy Speaker's Salaries Act, IV of 1937.

The Orissa Offices of Profit (Removal of Disqualifications) Act, V of 1937.

The Agriculturists' Loans (Orissa Amendment) Act, VI of 1937.

The Bihar and Orissa Public Safety (Orissa Amendment) Act, I of 1938.

The Orissa Legislative Assembly Members' Salaries and Allowances Act, VII of 1938.

The Orissa Co-operative Land Mortgage Bank Act, III of 1938.

The Madras Estates Land (Amendment) Act, IV of 1938.

The Orissa Small Holders' Relief Act, V of 1938.

The Legal Practitioners (Orissa Amendment) Act, VI of 1938.

The Orissa Nurses and Midwives Registration Act, VII of 1938.

A temporary measure in force up to 1st April 1938, pending further legislation, to extend the provisions of section 12 of the Madras Estates Land (Amendment) Act of 1934, prohibiting the eviction of tenants in certain whole Inam villages and providing for stay of proceedings for the ejectment of tenants.

Fixes the salary of each Minister at Rs. 600 per mensem.

Fixes the salary of the Speaker of the Legislative Assembly at Rs. 500 per month and of the Deputy Speaker at Rs. 150 per mensem.

Fixes the salary of each Minister at Rs. 600 per mensem.

Fixes the salary of the Speaker of the Legislative Assembly at Rs. 500 per month and of the Deputy Speaker at Rs. 150 per mensem.

Empowers the Provincial Government to give loans to agriculturists for relief of indebtedness as well as for relief of distress.

Repeals the Bihar and Orissa Public Safety Act, 1933, in its application to Orissa.

Fixes the salaries and allowances of members of the Legislative Assembly at the following rates:

- Salary: Rs. 75 per mensem.
- Travelling allowance: Twice inter-class rail fare.
- Daily allowance: Rs. 2-8 per day of actual residence at the place where the Assembly or a committee thereof meets.

Facilitates the establishment of a Provincial Co-operative Land Mortgage Bank and regulates its activities, in order to supply the need for long-term loans to relieve rural indebtedness.

Further extends the moratorium granted by Act II of 1937 (item 2 above), for a period of one year. Enacted because the contemplated legislation was not ready.

A temporary measure in force up to 30th June 1939, pending further legislation—

(i) Provides that all proceedings for the sale of land belonging to a small holder for the recovery of a debt under a decree shall on his application be stayed, unless it is found that such stay will cause the decree-holder substantial loss or will prejudice his rights to the land or the proceeds of the sale thereof.

(ii) Provides that all proceedings in execution of a decree for recovery of a debt, for the sale or attachment of a small holder's movable property, one dwelling-house, or his standing crop, shall be stayed on his application.

(iii) Provides that no private transfer of any land, etc., the proceedings for the sale of which have been stayed under this Act, shall be valid without the sanction of the court which stayed the proceedings.

Enables mulhars to practise in the parts of Orissa taken from Madras and the Central Provinces on the same conditions as mutihars in the old Orissa division.

Controls the activities of untrained and unqualified nurses, midwives and health visitors; provides for the registration of trained persons and establishes a council of control.
<table>
<thead>
<tr>
<th>Serial No.</th>
<th>Title of the Act</th>
<th>Date when passed.</th>
<th>Action taken by the Governor under section 75 of the Government of India Act; if reserved, action taken by the Governor General under section 76.</th>
<th>Summary of Provisions</th>
</tr>
</thead>
<tbody>
<tr>
<td>14</td>
<td>The Orissa Tenancy (Amendment) Act, VIII of 1938.</td>
<td>A. 3-5-38 . Assent given by the Governor on 31st August 1938.</td>
<td>In force in the districts of Cuttack, Puri and Balasore. Amends the Act of 1913— (i) Gives an occupancy-raiyat full rights in trees on his land—except where the landlord's rights have been mentioned in the record-of-rights; the raiyat may in that case acquire the landlord's rights on payment of compensation. (ii) Provides that an occupancy holding may be transferred without the landlord's consent and without payment of landlord's fee. The holding may also be sub-let or mortgaged without the landlord's consent. (iii) Reduces the interest payable on arrears of rent from 12½ per cent to 6 per cent. (iv) Provides that any sort of imposition by a landlord on a tenant in excess of lawful rent shall be illegal; and empowers the Collector, either suo motu or on a tenant's application, or on information received from a court, to impose a penalty of up to Rs. 500 or simple imprisonment up to six months, on a landlord for an illegal imposition.</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>The Orissa Famine Relief Fund (Amendment) Act, IX of 1938.</td>
<td>A. 1-9-38 . Assent given by the Governor on 15th November 1938.</td>
<td>Amends the Regulation of 1937 so as to permit any excess balance in the fund over 10 lakhs of rupees to be spent on protective irrigation and other works if required for the prevention of famine; and to provide that the contribution to be paid by the provincial Government, if the balance is below 10 lakhs, shall, together with the sums spent on the previous year on relief of famine, relief of distress, and protective works after serious floods, be not less than 1½ lakhs and not more than 2½ lakhs of rupees; and to repeal the section which required a decision of the Governor in his individual judgment in cases of doubt whether the purpose for which it is proposed to spend any amount is one of the specified purposes.</td>
<td>Penalises the sale of food below the standard quality; the sale of bad or adulterated food; adulteration of food in order fraudulently to increase its bulk or conceal its nature; and wilful false description of any food. Empowers local authorities to inspect premises and seize adulterated food or manufacturing utensils. Provides for analysis of food by a public analyst.</td>
</tr>
<tr>
<td>16</td>
<td>The Orissa Prevention of Adulteration and Control of Sale of Food Act, X of 1938.</td>
<td>A. 7-9-38 . Assent given by the Governor on 15th November 1938.</td>
<td>Fines the salary of the Premier at Rs. 3,500 per mensem, and of other Ministers at Rs. 3,000 per mensem. Provides for a free furnished house to be supplied by Government to Ministers, or in lieu thereof an allowance of Rs. 600 per mensem to the Premier, and Rs. 300 per mensem to other Ministers.</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>The Punjab Ministers' Salaries Act, I of 1937.</td>
<td>A. 8-4-37 . Assent given by the Governor on 15th April 1937.</td>
<td>Permits certain persons holding offices of profit under the Crown to be members of the Legislative Assembly, e.g., Parliamentary Secretaries, certain minor revenue officials.</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>The Punjab Legislative Assembly (Removal of Disqualifications) Act, II of 1937.</td>
<td>A. 12-4-37 . Assent given by the Governor on 15th April 1937.</td>
<td>Fines the salary of the Speaker of the Legislative Assembly at Rs. 3,300 per mensem, and of the Deputy Speaker at Rs. 400 per mensem.</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>The Punjab Legislative Assembly Speaker's and Deputy Speaker's Salaries Act, III of 1937.</td>
<td>A. 12-4-37 . Assent given by the Governor on 23rd April 1937.</td>
<td>Fines the allowances of members of the Legislative Assembly at the following rates:—</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>The Punjab Legislative Assembly (Allowances of Members) Act, IV of 1937.</td>
<td>A. 15-7-37 . Assent given by the Governor on 23rd July 1937.</td>
<td>Residence allowance . Rs. 20 per day for each day of a session. Conveyance allowance . Rs. 2-8 per day for each day of a session.</td>
<td></td>
</tr>
<tr>
<td>No.</td>
<td>Act Description</td>
<td>Enactment Date</td>
<td>Assent Date</td>
<td>Remarks</td>
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<tr>
<td>5</td>
<td>The Suits Valuation (Punjab Amendment) Act, I of 1938.</td>
<td>A. 10-3-38</td>
<td>Reserved on 3rd April 1938 for the consideration of the Governor-General, who gave his assent under Section 76 on 30th April 1938.</td>
<td>Removes a technical defect in the Act of 1887.</td>
</tr>
<tr>
<td>6</td>
<td>The Punjab Alienation of Land (Amendment) Act, II of 1938.</td>
<td>A. 11-4-38</td>
<td>Reserved on 9th May 1938 for the consideration of the Governor-General, who gave his assent under Section 76 on 20th May 1938.</td>
<td>(i) Provides that when a member of an agricultural tribe has mortgaged his land to a person who is not a member of the same tribe or group of tribes, the mortgagee shall not without the permission of the owner put the land to any use which destroys or permanently detracts from the value of the land for the purposes of agriculture. (ii) Prevents a court from alienating land belonging to a member of an agricultural tribe by mortgage, etc., so that the total period of alienation shall in any circumstances exceed 20 years.</td>
</tr>
<tr>
<td>7</td>
<td>The Punjab Alienation of Land (Third Amendment) Act, V of 1938.</td>
<td>A. 16-7-38</td>
<td>Assent given by the Governor on 31st August 1938.</td>
<td>Provides that a moneylender's suit for recovery of a loan shall be dismissed unless he is registered and holds a valid license, or has applied for it. Registration and licenses will be granted on payment of fees; a license may be cancelled if the moneylender is guilty of fraudulent practices.</td>
</tr>
<tr>
<td>8</td>
<td>The Punjab Registration of Moneylenders Act, III of 1938.</td>
<td>A. 21-7-38</td>
<td>Assent given by the Governor on 1st September 1938.</td>
<td>Provides that a moneylender's suit for recovery of a loan shall be dismissed unless he is registered and holds a valid license, or has applied for it. Registration and licenses will be granted on payment of fees; a license may be cancelled if the moneylender is guilty of fraudulent practices.</td>
</tr>
<tr>
<td>9</td>
<td>The Punjab Alienation of Land (Fourth Amendment) Act, VIII of 1938.</td>
<td>A. 22-7-38</td>
<td>Assent given by the Governor on 1st September 1938.</td>
<td>Provides that a moneylender's suit for recovery of a loan shall be dismissed unless he is registered and holds a valid license, or has applied for it. Registration and licenses will be granted on payment of fees; a license may be cancelled if the moneylender is guilty of fraudulent practices.</td>
</tr>
<tr>
<td>10</td>
<td>The Punjab State Aid to Industries (Amendment) Act, VI of 1938.</td>
<td>A. 12-11-38</td>
<td>Assent given by the Governor on 23rd November 1938.</td>
<td>Amends the provision inserted by Act V of 1938 (item 9 above), by laying down that a member of an agricultural tribe shall alienate his land neither permanently nor in any other way than by a form of mortgage specifically laid down by the Act.</td>
</tr>
<tr>
<td>11</td>
<td>The Sikh Gurdwaras (Amendment) Act, VII of 1938.</td>
<td>A. 14-11-38</td>
<td>Assent given by the Governor on 25th November 1938.</td>
<td>Amends the provision inserted by Act V of 1938 (item 9 above), by laying down that a member of an agricultural tribe shall alienate his land neither permanently nor in any other way than by a form of mortgage specifically laid down by the Act.</td>
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<td>12</td>
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<td>A. 22-11-38</td>
<td>Assent given by the Governor on 1st December 1938.</td>
<td>Provides that a member of an agricultural tribe shall alienate his land neither permanently nor in any other way than by a form of mortgage specifically laid down by the Act.</td>
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<td>13</td>
<td>The Punjab Debtor's Protection (Amendment) Act, IX of 1938.</td>
<td>A. 21-6-38</td>
<td>Reserved on 4th July 1938 for the consideration of the Governor-General, who directed it, under Section 76, to be returned to the Legislature. When the Bill had been passed in accordance with the Governor's recommendation, it was again presented, on 1st December 1938 to the Governor-General, who gave his assent on 24th December 1938.</td>
<td>Provides that a member of an agricultural tribe shall alienate his land neither permanently nor in any other way than by a form of mortgage specifically laid down by the Act.</td>
</tr>
<tr>
<td>No.</td>
<td>Act Title</td>
<td>Assent Given</td>
<td>Notes</td>
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<tr>
<td>5</td>
<td>The Suits Valuation (Punjab Amendment) Act, I of 1938.</td>
<td>A. 16-3-38</td>
<td>Reserved on 2nd April 1938 for the consideration of the Governor-General, who gave his assent under Section 76 on 30th April 1938.</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>The Punjab Alienation of Land (Amendment) Act, II of 1938.</td>
<td>A. 11-4-38</td>
<td>Reserved on 5th May 1938 for the consideration of the Governor-General, who gave his assent under Section 76 on 30th May 1938.</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>The Punjab Registration of Moneylenders Act, III of 1938.</td>
<td>A. 14-7-38</td>
<td>Assent given by the Governor on 31st August 1938.</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>The Punjab Alienation of Land (Third Amendment) Act, V of 1938.</td>
<td>A. 22-7-38</td>
<td>Assent given by the Governor on 15th September 1938.</td>
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</tr>
</tbody>
</table>

**Travelling allowance**

At rates to be prescribed, and meanwhile at the rates formerly payable to members of the Legislative Council.

Removes a technical defect in the Act of 1887.

(i) Provides that when a member of an agricultural tribe has mortgaged his land to a person who is not a member of the same tribe or group of tribes, the mortgagee shall not without the permission of the owner put the land to any use which destroys or permanently detracts from the value of the land for the purposes of agriculture.

(ii) Prevents a court from alienating land belonging to a member of an agricultural tribe by mortgage, etc., so that the total period of alienation shall in any circumstances exceed 20 years.

Provides that a moneylender's suit for recovery of a loan shall be dismissed unless he is registered and holds a valid licence, or has applied for it. Registration and licences will be granted on payment of fees; a licence may be cancelled if the moneylender is guilty of fraudulent practices.

Intended to check the rapacity of the agricultural moneylender. Provides that no member of an agricultural tribe shall alienate his land permanently to a member of the same tribe or tribe in the same group, who, being a creditor, i.e., moneylender, has advanced him a loan, until three years after full settlement of such loan. Also, that a Collector who finds that such an alienation has been made in favour of a person other than the real creditor in such a way that the creditor actually gets the benefit, in evasion of the provisions of this Act, shall eject the alienor in possession.

Extends the term of a member of the Board of Industries from 3 to 5 years, and makes it co-terminous with the life of the Legislative Assembly.

Makes a technical amendment in the Act of 1925.

Amends the provision inserted by Act V of 1938 (item 9 above), by laying down that a member of an agricultural tribe shall alienate his land neither permanently nor in any other way than by a form of mortgage specifically laid down by the Act.

Amends the Act of 1935, by providing that no decree for the payment of money shall be executed by the sale without attachment, or by the appointment of a receiver of land or the produce of land or an interest in land which under any law is exempt from attachment or sale.
<table>
<thead>
<tr>
<th>Serial No.</th>
<th>Title of the Act</th>
<th>Date when passed</th>
<th>Action taken by the Governor under section 76 of the Government of India Act; if reserved, action taken by the Governor-General under section 76.</th>
<th>Summary of Provisions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The Sind Min...</td>
<td>A. 29-4-37</td>
<td>Assent given by the Governor on 10th June 1937. Fixes the salary of each Minister at Rs. 1,500 per mensem.</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>The Sind Legis...</td>
<td>A. 29-4-37</td>
<td>Assent given by the Governor on 10th June 1937. Fixes the salary of the Speaker of the Legislative Assembly at Rs. 800 per mensem and of the Deputy Speaker, while engaged on Assembly business, at Rs. 300 per mensem. Prohibits the Speaker from practising a profession or trade or undertaking any paid employment during his tenure of office.</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>The Sind Legis...</td>
<td>A. 30-4-37</td>
<td>Assent given by the Governor on 10th June 1937.</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>The Sind Famine Relief Fund Act, IV of 1937.</td>
<td>A. 1-9-37</td>
<td>Assent given by the Governor on 10th September 1937. Creates a fund for the relief of famine and distress caused by natural calamities, with a capital of up to 12 lakhs of rupees, to be invested in securities of the Central Government.</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>The Bombay Finance (Sind) Act, I of 1938.</td>
<td>A. 3-3-38</td>
<td>Assent given by the Governor on 22nd March 1938. Extends sine die the validity of certain provisions of Acts imposing a duty on the consumption of electricity, and enhanced court fees and stamp fees, which would have expired in March, 1938.</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>The City of Karachi Municipal (Amendment) Act, II of 1938.</td>
<td>A. 1-9-37</td>
<td>Assent given by the Governor on 10th September 1937. Extends the term of the Karachi Corporation from 3 to 5 years.</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>The Bombay (District) Tobacco (Sind Amendment) Act, III of 1938.</td>
<td>A. 4-3-38</td>
<td>Assent given by the Governor on 30th March 1938. Extends sine die the validity of the Act of 1933 which was due to expire in March, 1938, but substitutes a flat rate of license fees for the existing fee on the value of annual sales, and provides for different rates for urban and rural areas.</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>The Sind Min...</td>
<td>A. 27-5-38</td>
<td>Assent given by the Governor on 30th May 1938. Enacted when a new Ministry came into office. Enacts the salaries and fixes the allowances of Ministers at the following rates:—</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>The Sind Legis...</td>
<td>A. 27-5-38</td>
<td>Assent given by the Governor on 30th May 1938.</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>The Sind Legis...</td>
<td>A. 28-5-38</td>
<td>Assent given by the Governor on 30th May 1938.</td>
<td></td>
</tr>
</tbody>
</table>

Provides for the supply to Ministers of suitable conveyances at Government expense. Provides that a deduction of Rs. 6 shall be made from salary for every day of absence from a session, unless such absence is due to illness. Permits employees of State railways to be members of the Legislative Assembly although they hold offices of profit under the Crown. |
<table>
<thead>
<tr>
<th>Bill</th>
<th>Assent Apron</th>
<th>Assent Date</th>
<th>Provisions</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Bombay District Municipal, Local Boards and Municipal Boroughs</td>
<td>Act VII of 1938</td>
<td>30th May 1938</td>
<td>Abolishes nominated seats on local bodies, and provides for the election of a depressed class representative where numbers justify it.</td>
</tr>
<tr>
<td>(Sind Amendment)</td>
<td>Act VIII of 1938</td>
<td>30th May 1938</td>
<td>Amends Section 136 of the Act of 1933 so as to except a prosecution instituted by or under the order of the Provincial Government against a member, officer or servant of a local board or any person acting under the orders of a local board, from the period of limitation (three months).</td>
</tr>
<tr>
<td>Act IX of 1938.</td>
<td>Act X of 1938</td>
<td>6th June 1938</td>
<td>Contains minor provisions concerning the levy of fees by local bodies under the Act of 1922. Empowers the Government to prescribe the amount of error which may be tolerated in selling articles by weight or measure.</td>
</tr>
<tr>
<td>Act XI of 1938.</td>
<td>Act XII of 1938</td>
<td>6th June 1938</td>
<td>Empowers a Registrar to set aside an award made under the provisions of the Act of 1925, and to refer the dispute to fresh arbitration.</td>
</tr>
<tr>
<td>Act XIV of 1938.</td>
<td>Act XV of 1938</td>
<td>22nd June 1938</td>
<td>Extends the levy of entertainment duty to free passes and complimentary tickets.</td>
</tr>
<tr>
<td>The Indian Stamp (Sind Amendment) Act, 1899.</td>
<td>Act XIV of 1938</td>
<td>30th September 1938</td>
<td>Amends article 57 in Schedule I of the Indian Stamp Act, 1899, so as to bring within that article a security bond or mortgage deed executed in favour of a court for the discharge of a contingent liability.</td>
</tr>
<tr>
<td>Act XV of 1938.</td>
<td></td>
<td></td>
<td>Abolishes the system of nominations to the Karachi Corporation. Provides for nomination only when a casual vacancy is not filled by election.</td>
</tr>
<tr>
<td>The City of Karachi Municipal (Second Amendment) Act, XIV of 1938.</td>
<td></td>
<td></td>
<td>Abolishes the nominated seats on school boards set up under the Act of 1923.</td>
</tr>
<tr>
<td>The Bombay Primary Education (Sind Amendment) Act, XIV of 1938.</td>
<td></td>
<td></td>
<td>Applied in the first place in the city of Karachi only—(i) Levies a tax at a rate not exceeding 4 per cent, to be notified by Government, on all money paid into totalisators. (ii) Levies a tax at a rate not exceeding 5 per cent, to be notified by Government, on all money paid as a bet to a licensed bookmaker.</td>
</tr>
<tr>
<td>The Bombay Entertainments Duty (Sind Amendment) Act, XI of 1938.</td>
<td></td>
<td></td>
<td>Fixes the salary of each Minister at Rs. 500, with a free furnished house at Government expense.</td>
</tr>
<tr>
<td>The Sindh Betting Tax Act, XV of 1938.</td>
<td></td>
<td></td>
<td>Permits Parliamentary Secretaries to be members of the Legislative Council or Assembly, although they hold offices of profit under the Crown.</td>
</tr>
<tr>
<td>The Bombay Weights and Measures (Sind Amendment) Act, IX of 1938.</td>
<td></td>
<td></td>
<td>Postpones the elections of two municipalities, due in September, 1937, until the revision of the Act of 1916 and the widening of the franchise are considered.</td>
</tr>
<tr>
<td>The Bombay Co-operative Societies (Sind Amendment) Act, X of 1938.</td>
<td></td>
<td></td>
<td>A temporary measure, in force for a period of six months only, which may be extended to one year, pending further legislation.</td>
</tr>
<tr>
<td>The U. P. Ministers' Salaries Act, 1 of 1927.</td>
<td>Act of 1927</td>
<td>24th August 1927</td>
<td>(i) Stays all proceedings in specified classes of suits and applications for arrears of rent and ejection of tenants, and all sales of immovable property in connection therewith; (ii) Provides that all attachments of movables property made in connection with such suits and applications shall be withdrawn; and that all judgments debts decrees in execution of such orders and orders passed in such suits and applications shall be rescinded; (iii) Exempts from these rules all suits and applications in respect solely of the rent for the harvest of 1936-37 and subsequent instants; (iv) Provides that the period during which the Act is in force shall not be included in the period of limitation for filing such suits and applications.</td>
</tr>
<tr>
<td>The U. P. Municipalities (Amendment) Act, III of 1917.</td>
<td>Act of 1917</td>
<td>23rd September 1917</td>
<td></td>
</tr>
</tbody>
</table>
Summary of legislation passed, ordinances promulgated, and regulations made, in governors' provinces, between the 1st April, 1937, and the 31st December, 1938—contd.

<table>
<thead>
<tr>
<th>Serial No.</th>
<th>Title of the Act</th>
<th>Date when passed</th>
<th>Action taken by the Governor under section 75 of the Government of India Act; if reserved, action taken by the Governor-General under section 76</th>
<th>Summary of Provisions</th>
</tr>
</thead>
</table>
| 5          | The U.P. Legislature (Officers' Salaries) Act, V of 1937. | A. 2-8-37 C. 3-8-37 | Assent given by the Governor on 22nd October 1937. | Fixes the salaries and allowances of the following offices at the rates shown:  
President of the Legislative Council: Rs. 6,000 per annum salary.  
Speaker of the Legislative Assembly: Rs. 400 per annum salary, with a free furnished house at Government expense.  
Deputy President: Rs. 1,000 per annum salary.  
Deputy Speaker: Rs. 2,000 per annum salary. |
| 7          | The Agra Tenancy (Amendment) Act, VII of 1937. | A. 29-9-37 C. 2-10-37 | Assent given by the Governor on 22nd October 1937. (i) Amends the Act of 1926 so as to enable tenants in permanently settled areas to sue for abatement or commutation of rent during the whole of the current revenue year. |
| 8          | The U.P. Entertainments and Betting Tax Act, VIII of 1937. | A. 29-9-37 C. 2-10-37 | Assent given by the Governor on 22nd October 1937. (ii) In force in the first place only in municipal, cantonment, notified and town areas—  
(i) Levies a tax on all payments for admission to entertainments, also on free passes and concessional tickets.  
(ii) Exempts payments for admission to entertainments where all the takings are devoted to charitable and religious purposes, educational entertainments, and industrial or agricultural exhibitions.  
(iii) Levies a tax at the rate of 5 per cent on money paid into totalisators or paid as a bet to a licensed bookmaker. |
| 9          | The U.P. Agriculturists' Relief (Amendment) Act, IX of 1937. | A. 29-9-37 C. 2-10-37 | Assent given by the Governor on 10th February 1938. | Amends the Act of 1936 so as to enable tenants in permanently settled areas to sue for abatement or commutation of rent during the whole of the current revenue year. |
| 10         | The Temporary Postponement of Execution of Decrees Act, X of 1937. | A. 29-9-37 C. 2-10-37 | Assent given by the Governor on 10th February 1938. | In force for a period of six months, which may be extended to one year, pending further legislation for relief of indebtedness of agriculturists—  
(i) Provides for stay of execution of decrees for money or foreclosure or sale on a mortgage, where any of the judgment-debtors is an agriculturist paying not more than a specified sum as land revenue, rent or local rate, e.g., Rs. 250 per annum as land revenue; and for stay of execution of decrees against other agriculturists if they pay a specified portion of the decretal amount. (The term 'agriculturist' means a person paying not more than a certain sum as land revenue, rent or rate, e.g., Rs. 1,000 as land revenue; and agricultural and other labourers and village servants.  
(ii) When proceedings have thus been stayed, all attachments of growing crops, produce, livestock and perishable goods, shall be withdrawn.  
(iii) Provides for the release of agriculturist judgment-debtors detained in prison, in execution of a decree for money; and prohibits arrest and detention in execution of a decree of the description in (i) above. |
| 11         | The U.P. Muslin Waqf (Amendment) Act, XI of 1937. | A. 29-9-37 C. 2-10-37 | Assent given by the Governor on 24th November 1937. | Legalises the appointment of the Provincial Commissioners of Waqfs and entrusts to them the same duties and powers as those of the (district) Commissioners of Waqfs. |
Enacted in agreement with the Government of Bihar, and contains provisions similar to those of Bihar Act VII of 1937.  
Provides for the licensing of sugar factories, the establishment of a Sugar Control Board and advisory committees, the regulation of the purchase of sugar-cane by factory owners, the fixing of a minimum price for sugar-cane, and a tax on the sale of sugar-cane intended for use in factories. |
The TJ. P. First Offenders' Probation Act, VI of 1938. Reserved on 3rd October 1938.

A. 21-4-38

Amend given by the Governor on 20th March 1938.

C. 3-3-38.

Provides that Government auditors only shall audit the accounts of estates under the Court of Wards.

(i) Provides that a Settlement Officer may fix rents, and shall on the application of a landlord or ex-proprietor or occupancy or statutory tenant or heir of a statutory tenant, determine the rent of such tenant or heir, by abatement or enhancement;

(ii) Empowers a Settlement Officer, on the application of a landlord or such tenant or heir, to commute to a fixed money rent a rent paid in kind or on the estimated value of the crop;

(iii) Provides that the rent of such a tenant or heir shall not be enhanced by more than $ of the existing rent in Agra, or 1/3 in Oudh; and lays down other principles for the Settlement Officer to follow in determining rent.

Forbids the employment of women in factories for four weeks after delivery or two weeks after miscarriage; requires the payment of maternity benefit for the period of absence up to four weeks before confinement and for four weeks after confinement; provides for the extension of the prohibitions during absence, or for absence up to four months in case of consequent illness; provides for compensation for dismissal to avoid maintaining creches and to employ trained women as health visitors. Provides that all disputes shall be settled by the Chief Inspector of Factories, subject to revision by the Labour Commissioner, and that their decision shall not be questioned in any civil court.

Provides that Government shall make rules to prescribe the amount and duration of daily allowance, and the conditions under which travelling allowance may be drawn.

(ii) A court may release after admonition a first offender found guilty of theft, misappropriation or cheating, or of any offence punishable with imprisonment of not more than two years.

(iii) A court may in certain circumstances release on a bond for good behaviour a first offender found guilty of any offence not punishable with death or transportation for life; a court shall so release a person under the age of 21 who is convicted of any offence punishable with imprisonment of not more than three years, unless it considers it improper to do so.

(iii) If the person to be released under (ii) above is under 24 years of age, the court may place him under the supervision of a probation officer for any period until he reaches the age of 23.

Provides for procedure in case an offender fails to observe the conditions of release; and for the appointment and duties of probation officers.

Provides that the rent of such a tenant or heir shall not be enhanced by more than $ of the existing rent in Agra, or 1/3 in Oudh; and lays down other principles for the Settlement Officer to follow in determining rent.

(i) Provides for the establishment of institutions where persons convicted of offences (with certain exceptions) may be detained and given such industrial training and other instruction, as will conduce to their reformation;

(ii) Provides for the appointment of a Director of Borstal institutions and visiting committees.

(iii) Empowers an appellate court to alter a sentence of imprisonment to an order for detention in an institution, or vice versa.

(iv) Provides for the supervision of a prison by a Borstal institution, and for the appointment of a Director of Borstal institutions and visiting committees.

(v) Provides for the establishment of institutions where persons convicted of offences (with certain exceptions) may be detained and given such industrial training and other instruction, as will conduce to their reformation;

(vi) Provides for the appointment of a Director of Borstal institutions and visiting committees.

(vii) Empowers a court of session or a magistrate of the 1st class to pass an order of detention in an institution on a male person between the ages of 15 and 21, who has been convicted or has failed to give security for good behaviour, who ought to be detained by reason of his criminal habits or association with bad characters.

(viii) Empowers a visiting committee, with the sanction of the Director, to permit an inmate to be discharged on a licence at any time after six months from the commencement of his detention, on condition that he be placed under the supervision or authority of a servant of the Crown, or a person or aeccentric institution or religious society belonging to the same religion as the inmate.

(ix) Provides the Provincial Government to transfer an incorrigible inmate from an institution on a condition that he be placed under the supervision or authority of a servant of the Crown, or a person or aeccentric institution or religious society belonging to the same religion as the inmate.

(x) Provides the Provincial Government to transfer an incorrigible inmate from an institution on a condition that he be placed under the supervision or authority of a servant of the Crown, or a person or aeccentric institution or religious society belonging to the same religion as the inmate.
<table>
<thead>
<tr>
<th>Serial No.</th>
<th>Title of the Act</th>
<th>Date when passed</th>
<th>Action taken by the Governor</th>
<th>Summary of Provisions</th>
</tr>
</thead>
<tbody>
<tr>
<td>19</td>
<td>The U. P. Prisoners' Release on Probation Act, VIII of 1938.</td>
<td>A. 20-4-38 . C. 11-5-38 .</td>
<td>Assent given by the Governor on 24th September 1938.</td>
<td>(i) Empowers the Provincial Government to release on a licence any prisoner who, from his antecedents and conduct in prison, appears likely to abstain from crime and live a peaceable life, on condition that he be placed under the supervision or authority of a Government officer or a person or institution or society belonging to the same religion.</td>
</tr>
<tr>
<td>20</td>
<td>The U. P. Stay of Proceedings (Revenue Courts) (Amendment) Act, IX of 1938.</td>
<td>A. 10-4-38 . C. 5-9-38.</td>
<td>Assent given by the Governor on 13th September 1938.</td>
<td>(ii) Provides that the period during which a prisoner is at large on licence shall be reckoned as part of his sentence.</td>
</tr>
<tr>
<td>21</td>
<td>The U. P. Public Gambling (Amendment) Act, X of 1938.</td>
<td>A. 2-8-38 . C. 2-9-38.</td>
<td>Assent given by the Governor on 3rd October 1938.</td>
<td>(iii) Empowers the Provincial Government to remit the whole or part of a sentence of imprisonment, if the prisoner gives a bond to be of good behaviour.</td>
</tr>
<tr>
<td>22</td>
<td>The Almora Honorary Assistant Collector's Decrees and Orders Validating Act, XI of 1938.</td>
<td>A. 2-8-38 . C. 2-9-38.</td>
<td>Assent given by the Governor on 16th September 1938.</td>
<td>Enables the extension of the life of the Act V of 1937 (item 4 above) up to as much as 2 years at a time, and removes certain defects in the Act.</td>
</tr>
<tr>
<td>23</td>
<td>The Bengal Regulation Repealing Act, XII of 1938.</td>
<td>A. 2-8-38 . C. 2-9-38.</td>
<td>Assent given by the Governor on 16th September 1938.</td>
<td>Amends the Act of 1877 as to bring within the Act all games whether of skill or chance when they are played in a common gaming-house.</td>
</tr>
<tr>
<td>24</td>
<td>The U. P. Abatement of Rent Suits Act, XIII of 1938.</td>
<td>A. 10-4-38 . C. 5-9-38.</td>
<td>Assent given by the Governor on 16th September 1938.</td>
<td>Applies to the permanently settled mahals of Benares division and Amanatarh district. Enables a specified type of tenant to institute a suit for abatement of rent at any time before 1st July 1938 irrespective of the period that may have elapsed since the date on which such rent was last fixed or varied; but only on the ground that there has been a fall in average prices of crops.</td>
</tr>
<tr>
<td>25</td>
<td>The U. P. Regularisation of Reversions Act, XIV of 1938.</td>
<td>A. 10-4-38 . C. 5-9-38.</td>
<td>Assent given by the Governor on 3rd October 1938.</td>
<td>Provides that orders for remission of rent, passed before this Act on account of a fall in the prices of agricultural produce, shall not be called in question in any civil or revenue court.</td>
</tr>
<tr>
<td>26</td>
<td>The U. P. Temporary Postponement of Execution of Decrees Act, XV of 1938.</td>
<td>A. 19-11-38 . C. 30-11-38.</td>
<td>Resolved on 5th December 1938 for the consideration of the Governor-General, who gave his assent under section 76 on 17th December 1938.</td>
<td>Enables the extension of the life of the Act X of 1937 (item 10 above) up to as much as 2 years.</td>
</tr>
<tr>
<td>27</td>
<td>The U. P. Rent and Revenue Relief Act, XVII of 1938.</td>
<td>A. 29-11-38 . C. 9-12-38.</td>
<td>Assent given by the Governor on 17th December 1938.</td>
<td>Provides that the law for relief to be given in rent and revenue in cases of agricultural calamities shall be the same in Oudh as it is in Agra, by repealing the relevant sections in the Agra Tenantry Act, 1929, and the Oudh Rent Act, 1846, and substituting provisions for the proportionate suspension or remission of rent and revenues according to a prescribed scale.</td>
</tr>
</tbody>
</table>

*The Bill which is described as "Act XVI of 1938" had not been presented for the Governor's assent by the end of 1938.*
### Ordinances Promulgated Under Section 88 or 89 of the Government of India Act, 1935

<table>
<thead>
<tr>
<th>Serial No.</th>
<th>Title of the ordinance.</th>
<th>Section under which promulgated.</th>
<th>Date when promulgated.</th>
<th>Summary of Provisions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The Bengal Tenancy Ordinance, I of 1938</td>
<td>Sec. 88</td>
<td>1st June 1938</td>
<td>Extended the time within which deeds of transfer of land were required to be presented for registration. A clause had been inserted in the Tenancy (Amendment) Bill, to the effect that the Bill should come into force on 31st May 1938, but assent could not be given by that date. The Bill abolishes the fee on registered instruments of transfer; the purpose of the Ordinance was to give purchasers the option of completing transactions under the old law or waiting for the provisions of the new Bill.</td>
</tr>
<tr>
<td>2</td>
<td>The Bengal Jute Ordinance, II of 1938</td>
<td>Sec. 88</td>
<td>9th September 1938</td>
<td>Empowers the Provincial Government to fix the times during which every jute mill may be worked and to fix different times for different mills if it is desirable; makes it compulsory for the occupier of each mill to give information as to the number of looms existing in the mill; and prohibits him from increasing the number of looms or replacing any existing loom.</td>
</tr>
<tr>
<td></td>
<td>The N.-W. F. P. Prohibition Ordinance, I of 1938</td>
<td>Sec. 88</td>
<td>28th June 1938</td>
<td>Gave immediate effect to the substance of the N.-W. F. P. Prohibition Bill. This Bill was passed in March, 1938, but was returned to the Legislature by direction of the Governor General, for reconsideration with a view to removing certain technical defects. It was considered necessary to implement the policy of the Provincial Government in this respect without delay, and to prevent the dislocation of financial estimates; the Ordinance was promulgated because the Legislature was not in session. The provisions of the Ordinance are the same as those of the N.-W. F. P. Prohibition Act.—(q. v.).</td>
</tr>
</tbody>
</table>

### Regulations Made Under Section 92(2) of the Government of India Act, 1935

<table>
<thead>
<tr>
<th>Serial No.</th>
<th>Title of Regulation.</th>
<th>Date when made.</th>
<th>Summary of Provisions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The Lushai Hills (Arms) Regulation, I of 1938</td>
<td>5-3-38</td>
<td>Amends the Indian Arms Act, 1878, as applied to the Lushai Hills District, so as to enable the Governor to make rules under section 17, the previous rules made by the Assam Government having become void owing to the adaptation made in that section by the Government of India (Adaptation of Indian Laws) Order, 1937.</td>
</tr>
<tr>
<td>2</td>
<td>The Naga Hills (Arms) Regulation, II of 1938</td>
<td>5-3-38</td>
<td>Amends the Indian Arms Act, 1878, as applied to the Naga Hills District, so as to enable the Governor to make rules under Section 17, the previous rules made by the Assam Government having become void owing to the adaptation made in that section by the Government of India (Adaptation of Indian Laws) Order, 1937.</td>
</tr>
</tbody>
</table>
Summary of Legislation passed, Ordinances promulgated, and Regulations made, in Governors' Provinces, between the 1st April, 1937, and the 31st December 1938—\textit{concl.}

\textbf{C.—Regulations made under Section 92(2) of the Government of India Act, 1905—concl.}

<table>
<thead>
<tr>
<th>Serial No.</th>
<th>Title of Regulation</th>
<th>Date when made</th>
<th>Summary of Provisions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>BENGAL.</strong></td>
<td><a href="#">Title of Regulation</a></td>
<td><a href="#">Date when made</a></td>
<td><a href="#">Applicable to the Chittagong Hill-tracts only—</a></td>
</tr>
<tr>
<td>1</td>
<td>The Chittagong Hill-tracts (Amendment) Regulation, I of 1937.</td>
<td>2-9-37</td>
<td>(i) Increases the maximum punishment for traffic in or possession of opium, ganja or charas, from six months to two years imprisonment for a first offender, and five years for a previous offender, or fine or both; and provides that the offence may be punished with whipping in lieu of or in addition to the above.</td>
</tr>
<tr>
<td>2</td>
<td>The Chittagong Hill-tracts Laws (No. II) Regulation, III of 1937.</td>
<td>16-12-37</td>
<td>Provides that the Indian Income-tax Act, 1922, shall apply to all persons in the Chittagong Hill-tracts, except indigenous hillmen.</td>
</tr>
<tr>
<td><strong>MADRAS.</strong></td>
<td><a href="#">Title of Regulation</a></td>
<td><a href="#">Date when made</a></td>
<td><a href="#">Adapts the rules made under the Scheduled Districts Act, 1874, for the administration of the Agency tracts in the Province of Madras, in order to bring them into conformity with the Government of India Act, 1935.</a></td>
</tr>
<tr>
<td>1</td>
<td>The Madras Agency Rules (Amendment) Regulation, I of 1937.</td>
<td>10-12-37</td>
<td>Applies to the district of Sambalpur, and the Agency tracts of the districts of Ganjam and Koraput, which are specified in Part II of the Schedule to the Government of India (Excluded and Partially Excluded Areas) Order, 1936. Enables the Governor, exercising his individual judgment, to withdraw the operation of any provision of the Elephants' Preservation Act, 1872, or the Madras Wild Elephants' Preservation Act, 1873, from any area to which the Regulation applies.</td>
</tr>
<tr>
<td><strong>ORISSA.</strong></td>
<td><a href="#">Title of Regulation</a></td>
<td><a href="#">Date when made</a></td>
<td><a href="#">Applicable to the Chittagong Hill-tracts only—</a></td>
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<td>1</td>
<td>The Elephants' Preservation (Amendment) Regulation, I of 1938.</td>
<td>25-3-38</td>
<td>(i) Increases the maximum punishment for traffic in or possession of opium, ganja or charas, from six months to two years imprisonment for a first offender, and five years for a previous offender, or fine or both; and provides that the offence may be punished with whipping in lieu of or in addition to the above.</td>
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GIPD—405(C) SecytoGGPublis—S2—21-3-39—85.
Appreciation of the Political Situation, by the Government of India, dated 17th February, 1939.

Circulated for the information of the Cabinet by the Secretary of State for India.
Confidential appreciation of the Political situation in India, dated the 17th February, 1939, issued on the authority of the Secretary of State for India.

Congress - The Congress world has been thrown into confusion by the re-election of Subhas Chandra Bose as President. It has been the accepted practice in recent years for Gandhi's choice to become President without a contest. On this occasion three candidates were nominated by the electors. Abul Kalam Azad, a Bengali Muslim, was regarded as the "official" candidate. He after some vacillation withdrew, a few days before the poll, in favour of Pattabhi Sitaramayya, a Madras Telugu. Subhas Bose, who might not have stood against the Bengali Muslim, refused to leave the field to Sitaramayya, in spite of a personal appeal from Gandhi and statements issued by Jawaharlal Nehru and seven other members of the Working Committee, which were strongly opposed to Bose's re-election though vague as to the reasons for his ineligibility. Bose stood his ground, and was elected by a majority of about 200 in a poll of about 3000. The result has caused general astonishment, jubilation but also bewilderment in the Left wing, and scarcely disguised anger among the High Command. Bose's majority in his own Province (Bengal) was alone enough to win him the election, but his majority was large in the United Provinces, the Punjab and some other areas. Sitaramayya polled nearly all the votes in his own area (Andhra) but was in a minority in the other three linguistic areas which comprise the Madras Presidency. Though the result represents some swing to the Left, this is not as strong as the figures would suggest; and it seems to be now certain that the Right wing will be in a majority in the All-India Congress Committee.
session to be held next month. Bose was personally much the stronger candidate; and the main contributory causes of his success appear to be disgust with the dictatorial methods practised by the Working Committee and its Parliamentary Sub-Committee, and Bose's effective propaganda imputing to his colleagues in the High Command a design to accept the Federal scheme. The protagonists on both sides have been so much taken by surprise that it is impossible yet to calculate their probable courses of conduct. Gandhi has placed Bose in a dilemma, by professing to accept Bose's victory as a defeat for himself, and by indicating that his own followers in the Working Committee, the Provincial Ministries, and the Congress party would be willing to come out and leave the field to the successful leader and his faction. Bose can do little without Gandhi's support and is conscious of the weakness of the position in which he finds himself; while the Left wing now looks to him to implement his threat to force the British Government to throw over the new constitution and parley with Congress for something more nearly approaching independence. Both sections of Congress, being thus at a standstill, will probably welcome a battle-cry which will unite them in a common cause. This may be found in the quarrel over the States which combines the advantages of Gandhi's leadership and an urgent challenge to constitutional authority.

2. Indian States - There have been rapid and important developments since the last Appreciation was written. The settlement in Hajkot State has broken down; civil disobedience has been resumed; and Gandhi's wife and Vallabhai Patel's daughter, who entered the State and courted arrest, are undergoing a polite form of confinement. In Jaipur Jamnalal Bajaj, a member of the Congress Working Committee, has defied a ban on his entry into the State, and on his third invasion
has been similarly interned. Trouble continues in small States bordering on the Central Provinces and Orissa, and is being fomented from those Provinces. Gandhi's utterances have imputed unscrupulous repression to the Rulers, and acquiescence or abetment therein to the British officers connected with the States. He and Jawaharlal Nehru and Vallabhai Patel, with increasing violence since Subhas Bose's election, threaten the overthrow of the States' administrations, and show a determination to involve in the struggle the Congress Ministries, particularly those of Provinces contiguous to the States affected. The usefulness of the agitation as a cloak to discord in the Congress party can be deduced from Nehru's statement that "everything else is secondary to this major struggle, for in its sweep it will comprise Federation, provincial autonomy, and other impediments to our freedom." Thus the original motive for a conflict, namely a desire to cause such embarrassment to the Rulers as would induce them to accept election as the means of appointing States' representatives to the future Federal Assembly and so make Federation safe for Congress, is now reinforced by the need for diverting attention from the dissensions within the party.

3. Meanwhile communal trouble is serious in many parts of India. The attempt to celebrate "Hyderabad Day" on January 22nd in protest against alleged ill-treatment of Hindus in that State caused riots in several places in British India: in Delhi 70 persons were injured, and at Bareilly 4 persons were killed and many injured. Though the festival of Bakrid on February 1st passed off without as much disturbance as was feared, this was secured only by elaborate precautions in many cities. In a village in Bihar two persons were killed in a riot over the vexed question of cow-sacrifice, and some persons wounded when the police opened fire on an immense mob. In Dera Ismail Khan (Frontier
Province) the casualties in a fight between Hindus and Muslims over the same controversy were 11 deaths and many persons injured; much property was destroyed by arson. The worst disturbance however has been in Cawnpore, where a quarrel over the playing of music outside a mosque by a Hindu marriage party led to sporadic disorder in the course of which between February 11th and 13th over 40 persons are said to have been killed and a great number injured; the city was in a panic: the police had to fire on several occasions, and British troops were posted at strategic points in the city. In Allahabad (United Provinces) students of the Muslim University followed up an altercation with the police by an attack in overwhelming force on a police camp: about 40 policemen were injured and the camp set on fire.

4. Some Provincial Ministries have now presented their budgets for the coming financial year; these, and probably the budgets under preparation in other Provinces, contain proposals for fresh taxation which will scarcely be welcomed. Bengal hope to get Rs.12 lakhs by new taxes on betting and on professions, and propose to raise a loan of one crore of rupees. The Bombay Ministry have to find new revenue of Rs.220 lakhs, mainly to cover the loss to be incurred by an extension of prohibition: among the areas where prohibition will be enforced is Bombay city and its suburbs: the chief item of new taxation is a 10% impost on the rateable value of urban property, which will bring home to the people of Bombay the fact that prohibition is a luxury which has to be paid for. The Bombay Finance Minister announced that in order to finance the full prohibition programme, to be completed next year, the Government intend to ask the Central Government to anticipate the payment to the Province of a larger share of income tax, and to ask the authorities concerned to agree to a reduction in salaries of all the
Services, including those under the control of the Secretary of State.

5. The Ministries in two (Bengal and Sind) of the non-Congress Provinces are still changing: in the former one of the two Muslim Ministers added in November last has resigned; in Sind two new Ministers have just been appointed, bringing the total up to five.

6. Other events in the Provinces may be briefly mentioned. In Bengal, as a result of the examination (still proceeding) of individual cases of terrorist convicts by the advisory committee appointed by the Government, 40 persons have been released. The committee appointed by the Bombay Government to enquire into the causes and handling of the labour riots of November 7th has recently reported: it places the responsibility for the riots on the "Council of Action" which incited violent methods, and finds that the police acted entirely in self-defence in resorting to firing. In Madras the anti-Hindi agitation shows no signs of abatement: nearly 700 persons have now been convicted. Both Chambers of the Legislature debated the report of an Estates Land Act Committee relating to tenancy conditions in the permanently settled areas of the Province: though some of the committee's recommendations are regarded as making unparalleled inroads into the rights of zamindars, the Ministry gave the report its blessing and a motion was adopted in both Houses that legislation should be framed on the basis of it. In the United Provinces the Tenancy Bill is still under discussion in the Assembly. Labour has been restive in some of the cities, and in Lucknow the threat of a strike in the public utility services at the end of January was averted only at the last moment.

7. Both Chambers of the Central Legislature have been sitting. The Income-Tax Bill has passed through the Legislature. The Congress and Muslim League in the Assembly
united to reject a Bill to create naval reserve forces and
to provide for their discipline, as a protest against the
inadequate regard paid to political opinion in defence
matters. The Railway Budget has been presented: it
estimates for the current year a surplus of Rs.2.05 crores
and for the coming year a surplus of Rs.2.13 crores. On
non-official initiative the Government have been censured
in the Assembly for failing to secure the safety of life and
property of Indians in Burma. A recommendation was
carried that India should withdraw from the League of
Nations: Muslim League support was given to this on the
ground of dissatisfaction with British policy in Palestine.
Such a resolution is of course not binding on the Government
of India. The Assembly also recommended a cut in the salary
of all servants of the Government of India earning Rs.200
a month or more: the Government party abstained from the
discussion and vote on the motion, in order to avoid any
indication of what might be contained in the budget proposals.

WAZIRISTAN.

8. There has been little change in the Waziristan
situation. The Faqir of Ipi has continued to move about
in the vicinity of the Durand Line in North Waziristan and
further air action has been taken against villages harbouring
him. A column of troops has been operating in the Khaisora
valley in order to increase the pressure on the hostile Tori
Khel Wazir sections who are under blockade. There has been
some slight sniping but no real opposition has been encountered.
The hostile sections however as yet show no signs of
submitting. South Waziristan has been quiet. There has been
an increase of raiding in the Bannu and Dera Ismail Khan
Districts, and a number of Hindus have been kidnapped. On
two occasions action by troops effected the release of
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Cabinet.

State of Trade - January 1939.

Note by the President of the Board of Trade.

I circulate to my colleagues a summary of the reports submitted to the Board of Trade Advisory Council on the state of trade in January, 1939.

O.F.G.S.

Board of Trade,

10th March, 1939.
BOARD OF TRADE ADVISORY COUNCIL.
STATE OF TRADE AT JANUARY, 1939.

Summary of Reports submitted by the members of the Board of Trade Advisory Council (supplemented in some cases with statistical information from other sources.

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OVERSEAS TRADE. Imports in January (£75.6 million) showed a decline of £9.3 million as compared with January, 1938. Imports of raw materials and articles mainly unmanufactured were £4.3 million less and imports of food, drink and tobacco £1.1 million less. Exports of United Kingdom products (£39.5 million) were £1.7 million less than in January, 1938.

RAILWAY TRAFFIC. In the 4 weeks ended 29th January 1939 railway traffic receipts decreased by £957,000 or 83.2% as compared with corresponding period in 1938.

EMPLOYMENT. Employment showed a decline between the 12th December and the 16th January. A marked reduction in employment normally occurs in January in many industries owing to a temporary slackening in activity after Christmas. The effects of this seasonal decline were accentuated at the 16th January by the severe weather which restricted outdoor employment at that date.

It is provisionally estimated that at the 16th January the number of insured persons, aged 16 to 64, in employment in Great Britain (inclusive of persons insured under the Agricultural Scheme and in the classes of domestic employment which became insurable on the 4th April, 1938) was 18,079,000. This was 184,000 less than at the 12th December and approximately 50,000 less than at the 17th January, 1938.
SHIPPING. The principal freight markets showed little material change, apart from some activity in the River Plate Section. The Chamber of Shipping index number of freights was 120.6 in January as compared with 124.1 in December, and 138.2 in January, 1938. Laid up tonnage in United Kingdom and Eire ports amounted to 452,366 net tons on January 1st as compared with 455,667 tons on October 1st and 174,633 tons on January 1st 1938. The corresponding figures for British vessels only were 342,485, 363,282 and 96,377 respectively.

SHIPBUILDING. Orders for Merchant Shipbuilding are practically non-existent. Naval work continues to provide the bulk of employment in shipyards.

BANKING. Provincial clearings in January amounted to £115,651,000, a decline of 6 per cent. as compared with January 1938. This decline is smaller than the corresponding decline in any month within the last year. The bill rate has remained at 17 per cent. since mid-January.

FINANCIAL CONDITIONS ABROAD.

France. The improvement in French monetary conditions was marked by a further reduction in the French bank rate to 2% on January 3rd and by a reduction in the rate of Treasury bills to 1½%. The resumption of bond issues for industrial borrowers is another encouraging sign, the amount placed in the course of the month amounting to nearly as much as in the whole year 1936, when about £3,500,000 was subscribed. Industrial production is improving; the production index is said to have risen by six points in the last two months.

Germany. The financial and economic situation appears to have reached a critical point. In the last six years the issue of Government long term loans has exceeded
£1,000 millions, and a very large volume of short term financing is also outstanding. Either a slowing-down of rearmament and the drive towards self-sufficiency or inflation appears to be inevitable. The note circulation has increased during the past 12 months by over £200,000,000 of which sum £80,000,000 can be attributed to the absorption of Austria and the Sudeten territories in the Reich. The favourable visible balance of trade of £36 millions for the 2nd Reich in 1937 became an unfavourable balance of £16 millions in 1938; for Greater Germany the adverse balance in 1938 was £36 millions.

United States of America. Business has not improved owing to nervousness about political developments at home and abroad. A return of confidence would release the latent demand for goods - particularly capital goods.

Non-ferrous Metals. Buying of non-ferrous metals for re-armament purposes has diminished; the pause in the recovery of business in the United States has also reduced the demand for metals. Prices declined slightly in the course of January.

Engineering. The proportion of unemployment for January in the engineering industry was 8.5% as compared with 7.9% in December, and 8.2% in November.

Not enough new business is at present being placed to guarantee a recovery in the industry. The recent reductions in iron and steel prices may not yet have had time, it is thought, to bring about the expected revival of enterprise.

The aggregate tonnage of machinery exported during 1938, 459,990 tons is the largest for any year since 1930; the value of exports was greater in 1938 than in 1930.
ELECTRICAL INDUSTRY. Enquiries covering a wide range of plant were again plentiful. There was no change in the general level of prices during January but several orders for plant for purchasers in the Empire were lost to Continental competitors, who quoted abnormally low prices.

Exports of products of the electrical industry in January 1939 were valued at £1,903,000 as compared with £1,317,000 in December and £1,344,000 in January 1933.

2,704 million units of electricity were generated by authorised undertakings in Great Britain in January 1939, an increase of 13.5 per cent. as compared with January 1933.

MOTOR INDUSTRY. New registrations in December were 35,131, a decline of 114 as compared with December 1937. Cars taxed on horse power increased by 223, but goods vehicles declined by 730. Figures for the first quarter of the present trading year (October - December) show no deterioration from last year.

Exports of private cars and private car chassis in January 1939 were 3,317 and 1,172 as compared with 4,410 and 2,002 respectively in January 1938.

COAL. The downward trend of business continued in January. In the first three weeks of 1939 there was a further increase in stocks and output declined by about 6 per cent. as compared with the corresponding period of 1933. Industrial demand is stagnant and there has been a decline in exports as compared with a year earlier.

CHEMICALS. Exports of chemicals in 1933 were valued at £22.0 millions as compared with £24.7 millions in 1937 and £21.1 millions in 1936. The decline compared with 1937 was due almost entirely to reduced exports to the U.S.A., China and Japan.
Deliveries of alkali and chlorine products increased both in the home and foreign markets in January 1939 compared with January 1933, but the demand for mineral acids has declined. The demand for dyestuffs has fallen heavily.

**POTTERY.** Unemployment in the pottery industry increased in December; the percentage unemployed was 23.0, as compared with 13.5 in December 1937. The only branches of the pottery industry in which trade was satisfactory during December were the manufacture of sanitary ware of fire-clay, and the manufacture of electrical fittings.

**COTTON.** There was a small increase in the volume of new orders towards the end of January. The index of cotton yarn output per working day in January was 90 as compared with 90 in December, and 111 in January 1933 (1935 = 100). Cotton prices fell slightly during the month. Exports of cotton yarns were 12.9 million lbs. compared with 9.8 million lbs. in December, and 10.3 million lbs. in January 1933; exports of cotton piece goods were 181.0 million square yards compared with 103.1 million square yards in December, and 183.2 million square yards in January 1933.

**WOOL.** There was a considerable recession in the woollen and worsted industry in January as compared with December.

Exports of tops, yarns and tissues showed an improvement in January on the low levels of December. In the industry generally, there is reported to be a scarcity of orders, particularly in the export market.

**TIMBER.** There is an upward tendency in prices of European softwoods, though the United Kingdom market for them has been reduced by the recession in house-building.

Consumption of beech wood in the United Kingdom has been satisfactory owing to armaments work.
RETAIL TRADE. The money value of daily retail sales in December 1933 was 1.9 per cent. higher than in December 1937 and 10.4 per cent. higher than in December 1936. Average daily sales of food and perishables increased in value by 1.8 per cent. in December as compared with December 1937; Central London was the only area in which they did not increase. The money value of daily sales of non-food merchandise was 1.9 per cent. higher in December than in December 1937; there was a decline of 0.3 per cent. in the period February to December 1933 as compared with the period February to December 1937.

The cost value of stocks at the end of December was 2.9 per cent. lower than at the end of December 1937.

AUSTRALIAN TRADE. Bales of wool received into store during the second half of 1933 amounted to 2,301,514 of which 1,251,793 bales were disposed of by sale and shipment. The figures for the corresponding period of the previous year were 2,433,251 and 1,175,978. The average price for greasy wool in January 1939 was about 5/- per bale (Australian currency) above the average for the six preceding months.

Exports of wheat and flour in the first six weeks of the current season were equivalent to 9 million bushels of wheat, compared with 19 million bushels in the first 3 weeks last season. This season's butter exports are up by nearly 20%. The production of canned fruits in the 1937/38 season was a record.

CANADIAN TRADE. The Index of the physical volume of business for December was 116.6 compared with 123.4 in November.

There was a decline of 4 per cent. in the value of mineral production in 1933 as compared with 1937, due mainly
to the fall in the prices of base metals. Gold production at 164.6 million dollars showed an increase of 14 per cent, over the previous year. The prosperity of the Canadian mining industry as a whole gave stability to general economic conditions in Canada during 1933. There was, however, a decline of 14 per cent. in the value of Canadian exports during the year.

**Irish Trade.** Exports to the United Kingdom in December showed a large increase in value as compared with the corresponding months of 1937, owing partly to the better prices obtained for exports of cattle and agricultural produce. There was also an increase in the value of imports into Eire from the United Kingdom whereas imports from other countries declined.

**South African Trade.** Exports from the Union of South Africa decreased in value from £125.2 millions in 1937 to £33.2 millions in 1933; the latter figure, however, excludes £20.7 millions worth of gold sold to overseas purchasers but earmarked and retained in the South African Reserve Bank. Exports of merchandise (including diamonds) in December 1933 showed an increase of over 5 per cent. as compared with December 1937.

Imports fell from £103.2 millions in 1937 to £95.9 millions in 1933.

**South American Trade.**

**Argentina.** In 1933 Argentina had an adverse trade balance of 50,600,000 pesetas as compared with a favourable balance of 753,000,000 pesetas in 1937. This change has been due chiefly to the comparative failure of the 1937-8 grain harvest. During the first 11 months of 1933, Argentina had an unfavourable balance of 134,000,000 pesetas with the United States and exchange permits for United States imports.
are reported now to be virtually suspended. This will probably be to the advantage of United Kingdom exports to Argentina which declined in 1933 only by 3.5 per cent. as compared with 1937, despite the decrease in Argentine purchasing power. Prospects for the future depend largely upon the success with which the present bumper wheat crop is disposed of.

**Brazil.** A programme of public works and defence expenditure has been inaugurated by a recent decree. The whole plan is expected to cost 3,000,000 contos of reis or £37,500,000 at the current rate of exchange.

**Chile.** A public works programme involving an expenditure of 500,000,000 pesetas was announced by the Government on January 12th.

**Ecuador.** Owing to low world prices for the principal exports of Ecuador and to reduced crops, economic conditions in 1933 were unsatisfactory; exports of cacao from Guayaquil for the 11 months of 1933 were 17,500,000 kilogrammes valued at 2,800,000 dollars compared with 19,500,000 kilogrammes valued at 4,500,000 dollars in the corresponding period of 1937. Prospects for 1939 seem better as the cotton crop is good and the import control system has been reformed.

**Peru.** Prospects for the cotton crop are satisfactory. Exports from Peru for the first 10 months of 1933 were valued at 272,300,000 soles as compared with 303,000,000 soles in the corresponding period of 1937.

**Uruguay.** 1933 was less prosperous than 1937 largely owing to a reduction in exports of wool by 24 per cent.
C.P. 66 (39)

THE CABINET

PROPOSAL TO PUBLISH THE REPORT OF THE COURTS-MARTIAL COMMITTEE

MEMORANDUM BY THE SECRETARY OF STATE FOR WAR AND THE SECRETARY OF STATE FOR AIR

In the course of the debate on the Army and Air Force (Annual) Bill in 1937 the then Secretary of State for War promised to look into the question whether there ought not to be a right of appeal against Court-Martial convictions for civil offences. Thereafter there were repeated requests to institute this enquiry, and in March, 1938, the formation of a strong Committee on Court-Martial procedure was announced under the Chairmanship of Mr. Roland Oliver, K.C. (now Mr. Justice Oliver). Mr. J. J. Lawson, M.P., was one of the members of the Committee. Last July the Committee made its Report, of which a copy is attached as an Annexure. The publication of the Report (which was prepared with a view to its publication) has been awaiting decisions as to the action to be taken on the recommendations. Some of the recommendations relate to administrative matters of a non-contentious kind, and these are being dealt with as a Service matter between our two Departments. The main recommendations relate to the appointment, constitution and functions of the Judge Advocate General, and in connexion with these we understand that the First Lord of the Admiralty has serious misgivings. The differences between us have now been referred by agreement to the Lord Chancellor and Sir Thomas Inskip and we await their views in due course.

2. Meanwhile, we are being subjected to increasing pressure to publish the Report of the Oliver Committee and the time has come when we feel that we must do so without waiting for decisions on its recommendations. Last October, Sir William Allen, M.P., was given to understand that the Report would be published shortly, and he raised the question again in the debate on Army Estimates on 8th March. It is very desirable that the Report should be in the hands of Members by the date of the Committee Stage of the Army and Air Force (Annual) Bill at the end of this month.

3. We accordingly seek the agreement of our colleagues to the immediate publication of the Report as a Command Paper.

L. H.-B.
K. W.

10th March, 1939
ANNEXURE


[Com. Rpt. 84]
(2663)
REPORT

The Committee was constituted by the Secretaries of State for War and Air under War Office letter dated 18th March, 1938, "To examine the existing system of trial by Court-Martial under the Army and Air Force Acts and matters incidental thereto, and in particular to consider whether it is desirable and practicable that a person convicted by Court-Martial should have the right of appeal to a civil judicial tribunal against his conviction and to make recommendations".

The members of the Committee were:
- Mr. Roland Oliver, M.C., K.C. (Chairman).
- Mr. Tristram Beresford, K.C.
- The Rt. Hon. Sir Felix Cassel, Bt., K.C.
- Mr. J. J. Lawson, M.P.
- Air Vice-Marshal Sir C. A. H. Longcroft, K.C.B., C.M.G., D.S.O., A.F.C., and

Secretary.
Major W. R. F. Osmond (War Office).

Assistant Secretary.
Mr. H. H. Hobbs (War Office).

The Committee sat on 29th March, 1938, and on 19 later dates.

1. For the reason that the great majority of the witnesses would in the nature of things be in His Majesty's service it was suggested that the meetings of the Committee should be held in private. The Committee after consideration decided that this course would tend to ensure that the evidence, particularly from witnesses of junior ranks, would be placed before us without reserve and it was therefore adopted.

2. In addition to evidence from the Judge Advocate-General's Department and from Officers with special knowledge of disciplinary matters the Committee invited evidence from a certain number of Barristers, Solicitors and others having special legal knowledge in connection with Courts-Martial.
3. Persons desirous of placing their views before the Committee were invited to submit written memoranda setting out the substance of their criticisms and suggestions. After considering these memoranda we invited a selection of those who had written them to attend personally before us, and further develop such matters as they wished, and answer questions put by Members of the Committee. In all, 282 memoranda were submitted and 51 witnesses were examined. All persons submitting memoranda and/or giving evidence orally were informed that their identity and views would not be published, but that their memoranda and a transcript of their oral evidence (if any) would be annexed to and form part of our proceedings. Such persons included officers and men of all ranks of both services.

4. Broadly speaking the function of the Committee was to investigate whether upon the whole the existing system of Court-Martial worked out satisfactorily and did substantial justice, and further to consider if there were any ways in which it might be improved, and particularly whether any, and if so what system of appeal (as understood in Civil Courts) was desirable or practicable.

5. On the 15th March, 1938, the names of the Members of the Committee and the terms of reference were announced in Parliament and this announcement was very widely advertised in the Press.

6. The very meagre response to this publicity made it early apparent that there was no wide public interest in the Committee's deliberations, from which it seemed to follow there was no widespread discontent with the existing system. The Committee thereupon decided that if they were to obtain information on a broader scale they would have to seek it for themselves, and on 7th April the Committee decided to request the authorities to circulate a letter throughout the Army and Royal Air Force serving at home respectively inviting suggestions and complaints with regard to the Court-Martial system from all ranks of officers and men. The forms of letter actually circulated throughout the Army and Royal Air Force are annexed to this Report (Appendix II). It was only after the circulation of these letters to all Commands of both Services at home that memoranda began to come in on a large scale.

7. In the circumstances it would not be expected that we should receive many memoranda from persons who had nothing but praise for the existing system, or did not want it altered. We nevertheless did receive quite a number. Moreover, a very
large proportion of persons who submitted memoranda and/or gave evidence prefaced such criticisms as they had with the opinion that no fairer tribunal than a Court-Martial was known to them.

8. Inasmuch as the object of the Committee was to discover if possible where the system had failed, in every case where complaint was made of injustice resulting from any trial by Court-Martial, no matter how long ago, we invited the complainant to attend personally before us with a view to testing the nature and substance of his complaint, at the same time informing him that we could not act as a Court of Appeal. The total of such cases was 17, ranging in date from the year 1917 to the present time, an average of less than one a year. In every such case the transcripts and records of the Proceedings were before the Committee. The Chairman personally studied the whole of these Proceedings and was satisfied, as were the Committee, that not one of them disclosed any miscarriage of justice.* In making this statement it must be understood that the Committee is not expressing any opinion as to the truthfulness of the evidence in any case. That was, of course, a matter for the Tribunal in each case. We concerned ourselves only to see that there was in every case proper evidence on which the Court-Martial, properly directed, could and did act. Our investigations satisfied us that when in matters of substance the tribunal had erred in law the operation of the Judge Advocate-General’s Department had set the matter right, and where in a few cases there had been errors in matters of procedure, these were of a character falling within Rule of Procedure 56, which provides that, where guilt has been established by proper evidence the findings and sentence of Courts-Martial shall be confirmed, notwithstanding any defect or objection, technical or other, unless it appears that any injustice has been done to the offender. (It should further be borne in mind that if any irregularity goes to the jurisdiction of a Court-Martial, such a defect at the instance of the aggrieved party can be dealt with under the existing law in a Civil Court.)

9. The Committee consider that the facts stated in the last paragraph constitute the best answer to the critics of the present Court-Martial system, and furnish a very great tribute not only to the system as a whole but to the ability and care exercised in the Office of the Judge Advocate-General. We cannot sufficiently emphasize the importance of the result that our studied search for cases of injustice covering a period of 20 years, and from all over the world, has discovered not a single one.

* This statement does not apply to one case known to the Chairman relating to a sentence which was sub judice at the time and was not before the Committee.
10. The general good health of the system is, in our opinion, further evidenced by the fact that convictions by Court-Martial during the last 30 years (omitting for obvious reasons the War years) show a steady decline. In 1900 in the Army there were 10,761; by 1913 they had fallen to 7,052; in 1923 there were 6,183, and thereafter the figures have steadily declined until in 1937 there were only 2,158 (see the General Annual Reports on the British Army for the appropriate years).

11. For the better understanding of this Report we think it is desirable that it should next be made clear what is the general scheme of procedure leading up to, at, and after a Court-Martial.

(i) The Accused is put under arrest and taken before his Commanding Officer who hears oral evidence, and if he considers the matter should go further directs-

(ii) A Summary of Evidence to be taken in the Accused's presence in writing.

(iii) Upon his consideration of this Summary the Commanding Officer decides once more whether the matter should proceed, and if he so decides

(iv) A Charge Sheet is prepared and the papers are forwarded to the Convening Officer whose duty it is, if he thinks right, to convene a Court-Martial.

(v) If the Convening Officer considers it a proper case for Court-Martial he orders a Court to be convened consisting of Officers whose number and rank depends upon the nature of the Court-Martial ordered whether General or District and the rank of the Accused. In all cases it is open to the Convening Officer to consult a Department in the Judge Advocate-General's Office (of which more later) in connection with the framing of the Charges and the preparation of the case for the prosecution.

(vi) At all General Courts-Martial and in serious cases at District Courts-Martial a Judge Advocate attends for the purpose of advising the Court on matters of law, asking questions to clear up doubtful points in the evidence, and summing-up.

(vii) If the Court-Martial convicts and sentence is passed on the Accused neither conviction nor sentence is operative unless and until confirmed by the confirming authority, who is usually, but not always, the Convening Officer. Thereafter the matter passes to various other reviewing authorities culminating with the Army or Air Councils or H.M. the King advised by the Judge Advocate-General.
(viii) Every single conviction by Court-Martial, no matter where it occurs, is automatically reviewed in the Office of the Judge Advocate-General where the proceedings are critically examined by a professional staff of legal experts for the purpose of ascertaining whether there is any defect in point of law invalidating the proceedings or any part thereof. The discovery of any such defect results in the prompt quashing of any conviction which cannot legally be supported. It is unnecessary for the purpose of this Report to detail the numerous successive authorities which have power to consider and in proper cases mitigate, commute or remit the sentence. Thereafter the Accused has the right to petition any of the reviewing authorities and the Army or Air Councils as the case may be and finally His Majesty the King. Any such petition which raises a question of law must in the United Kingdom be referred to the Judge Advocate-General for advice. At present there is no limit to the number of such petitions.

12. The scheme of procedure above outlined has satisfied us, as it did the Darling Committee in 1919, that in the case of persons convicted by Court-Martial there exists a series of safeguards against injustice at least equal to those which apply to the case of civilians convicted of crime in the Civil Courts.

13. The constitution and functions of the Judge Advocate-General's Office must next be considered. It is a widespread belief, and we had it repeated before us again and again in memoranda and in evidence, that the persons who prepare cases for Prosecution and act as Prosecutors before Courts-Martial are often the agents of the Judge Advocate-General, who takes the place of a Court of Appeal in that he advises the Secretary of State and the Army Council upon matters of law. The argument proceeds: what is the use of a Court of Appeal which itself prepared and/or conducted the Prosecution? In fact, this idea is totally fallacious, though it has undoubtedly been fostered by misleading expressions in the King's Regulations, and the fact that in cases where legally qualified persons take part in prosecution prior to and at Courts-Martial, they usually belong to a Department which is part of the Judge Advocate-General's establishment.

14. The present constitution of the Judge Advocate-General's Office provides for two entirely separate Departments.
The Military and Air Force Department, consisting of serving Officers with legal qualifications, whose duties consist, so far as Courts-Martial are concerned, with the preparation of cases before trial, and the supplying where necessary of Officers to conduct Prosecutions.

The Judge Advocate-General's Office proper, the staff of which consists of Civil Servants who are drawn from the ranks of practising members of the Bar and whose functions in relation to Courts-Martial are confined to reviewing proceedings after trial and supplying Judge Advocates to act at the trial. It is an absolute rule that no one who has acted as Judge Advocate in any case takes part in its review. The present establishment provides the Judge Advocate-General, one Deputy Judge Advocate-General, two Deputy Judge Advocates and a Legal Assistant and Registrar. In practice any case under review which presents any real difficulty is reviewed ultimately by the Judge Advocate-General himself.

It is obvious from the above that the responsibilities of the Judge Advocate-General are very heavy, and in our opinion it is of the utmost importance, not only that his position should in fact be one of absolute independence, as in practice we are satisfied it always has been, but also that the public should not be under the apprehension that the Judge Advocate-General is in any real sense a subordinate official of the War Office or Air Ministry. The great importance of avoiding public misunderstanding in this matter has also led us to recommend the complete separation of the Military and Air Force Department from even the nominal control of the Judge Advocate-General. These considerations have led your Committee to make the following recommendations:—

(i) That the Judge Advocate-General should be appointed on the recommendation of, and be responsible to, some Minister other than the Secretary of State for War or Air.

(ii) (a) That the functions exercised by the Military and Air Force Department of the Judge Advocate-General's Office in connection with the conduct of prosecutions or any advice relating thereto, or any matter preliminary to trial, should be transferred to an independent Directorate with a separate head (who might be termed Director of Military and Air Force Legal Services) who should have an adequate staff and a separate office, and would be responsible
to the Adjutant-General and Air Member for Personnel respectively. It would be a matter for the consideration of the Army Council and Air Council whether there should be a combined Directorate or a separate Directorate for War and Air.

(b) That as and when practicable a similar separation of functions should be effected in the office of the Judge Advocate-General in India so far as the British Establishment in India is concerned.

If the recommendations (ii) (a) and (b) are adopted we think that the fact of this separation cannot be made too widely known in the Services concerned and elsewhere.

16. Inasmuch as the reviewing of cases in the Judge Advocate-General's Office takes (if the present system is to continue) the place of all final appeals on questions of law and procedure, we think that the whole status of the Judge Advocate-General and his staff should be raised. It is not in the public nor any sound interest that it should be possible to refer to him as a mere official, a servant of the authority he advises, liable (in theory at least) to be ignored or even summarily dismissed. In our view he should be in a position more in keeping with the responsibilities of his office.

If there be a weak spot in the whole system in our opinion it is that so much depends upon the individual reliability of the Judge Advocate-General's staff. His subordinates should be selected with the greatest care, and this means, inter alia, that their remuneration should be sufficient to attract really promising young men who will be capable in the future of taking their places as thoroughly competent Judge Advocates.

17. If our recommendation to separate the duties of the Judge Advocate-General's Office be accepted and the new Directorate of Legal Services established, it follows that some increase of staff and some considerable alteration of duties will be needed in the office of the Judge Advocate-General. It is apparent—

(1) that it is desirable that Judge Advocates should always sit with Courts-Martial in serious cases,

(2) that the existing staff of Judge Advocates is barely sufficient to cope with the present demands, and

(3) that having regard to the rapid expansion of the Royal Air Force the time has arrived when an increase should be made. We therefore recommend that one more Deputy Judge Advocate should be appointed.

(663)
In order that there may be complete liaison between the Judge Advocate-General's Office and the new Directorate of Legal Services, it will, we think, be desirable that two senior officers from the Directorate of Legal Services selected by the Judge Advocate-General should be seconded to the office of the Judge Advocate-General for a period of two or three years, and that other officers from this service should be attached for a period of six months' instruction before proceeding to take up appointments abroad.

We attach the greatest importance to the adequate staffing of all departments which are entrusted with the administration of Justice in the Services affected.

18. With regard to India, it has been, unfortunately, impossible, owing to the distance separating that country from this, to obtain any direct assistance from the India Office. At the request of the Committee the War Office wrote to the India Office on the 21st April, 1938, asking for certain information and their views upon matters within the Committee's terms of reference. On the 26th May, 1938, a reply was received stating that the matter was receiving the urgent attention of the Government of India. There it has rested.

We did not think it worth while delaying this Report further.

India has a separate Judge Advocate-General, who is not at present a Deputy of the Judge Advocate-General at home, although in fact the whole of his reviewing work so far as concerns white troops serving in India is in the end further reviewed by the Judge Advocate-General in England. The Committee thinks that the Judge Advocate-General in India, should in relation to his duties connected with Courts-Martial on persons subject to the Army and Air Force Acts be a Deputy of the Judge Advocate-General at home, while remaining Judge Advocate-General in India so far as native troops are concerned.

19. In considering the judicial machinery best suited to the armed forces of the Crown several things must be realised at the outset.

(i) A citizen when he joins such a force voluntarily submits himself to a régime which is based upon discipline.

(ii) In the vital interests of discipline many things may be forbidden to the soldier or airman which are permitted to the civilian.

(iii) The exigencies of his service demand that he has to be prepared to serve all over the world.

(iv) The machinery for dealing with offences which affect discipline must be prompt and, if necessary, severe in its operation.
The present Court-Martial system, provided always that it secures justice in fact, has many obvious advantages from the point of view indicated above. It provides a uniform machine which deals in the end with all cases of every degree of seriousness and affords the same standard of justice for everyone. It deals equally with offences committed in distant countries and at home. It works alike in peace and war. Very little reflection would bring home to the mind the sort of difficulties which must arise in the actual oral hearing of appeals in cases from distant countries, or from the front in war-time, or where the Accused and the witnesses belong to a Unit which is under orders to go abroad.

20. The Committee considers, however, that there are several directions in which improvements can be made. The most important of these is concerned with the commission of offences against the ordinary criminal law of the land. Section 41 of the Army and Air Force Acts provides that with certain exception such offences are triable by Court-Martial when committed by persons subject to Military and Air Force law. Such offences may be charged alternatively as Service offences under various sections of the Army and Air Force Acts. We most anxiously considered whether all such charges, at any rate when sufficiently serious to necessitate trial by jury on indictment in the case of civilians, would not be better so tried in the case of persons subject to Military or Air Force law. We also carefully explored the suggestion that a right to elect whether he would be tried by Court-Martial or by Civil tribunal might at some stage be granted to the person charged with such offences. We concluded unanimously that either course in addition to raising a host of minor difficulties would tend to operate unfavourably upon discipline and was therefore not to be recommended.

21. We did, however, arrive at the conclusion that all civil offences when committed against the person or property of civilians should be tried by the Civil Courts, unless the Convening Officer certifies on the Proceedings that for disciplinary or other good military reason to be stated in writing, it is desirable that they should be tried by Court-Martial. A substantial number of the cases in which complaints were made to us, as recorded in paragraph 8 of this Report, were cases which would have been tried in the Civil Courts if the rule we are recommending had been in force, and it follows that these complaints could never have been made. It must in our view be seldom, at any rate in peace-time, that the Convening Officer would feel it necessary to certify for a Court-Martial in such cases as the above.
22. It is the considered opinion of the Committee that if the code of procedure at Courts-Martial were better and more widely understood there would be a great reduction in the volume of criticism, particularly on the part of those who consider that there should be given to persons tried by Court-Martial a right of appeal comparable with that provided in the Civil Courts.

Broadly speaking appeals by civilians fall under two main heads:

(i) Appeals from convictions by Courts of Summary Jurisdiction which are heard at Quarter Sessions and are in the form of rehearings at which the evidence is given over again, and

(ii) Appeals from convictions on indictment to the Court of Criminal Appeal. These take the form of arguments on law arising on evidence already given, although the Court has power (rarely exercised) to hear fresh evidence.

The present system of review of proceedings of Courts-Martial has the advantage at any rate that it provides a uniform code of procedure applicable to all convictions by Courts-Martial from the most trifling to the most serious. Advocates of the giving of a right of appeal in all cases to the Court of Criminal Appeal cannot seriously have contemplated giving it in comparatively trifling cases which, of course, are far the most common. Two different systems of appeal therefore would have to be envisaged. In the next place, the essence of the great majority of military offences is that they are offences against discipline. They must be punished from the point of view of discipline; and they certainly would seem to be better handled at every stage by persons who are familiar with service discipline and the general situation and surroundings of officers and men. Indeed, the Committee at a fairly early stage were much impressed by the difficulty of giving a right of appeal from a Court-Martial to the Civil Courts at all. It would seem to follow that new and untried tribunals would have to be created.

We have unanimously come to the conclusion that in the light of all the facts no such experiment is necessary, desirable or practicable, and that the present system, as a system, has fully justified itself. If the Committee's recommendation in para. 21 is adopted, civil trial (with its attendant right of appeal) will be provided for in all cases where discipline is unlikely to be thereby prejudiced. This will be going as far along the road of civil appeals as the Committee think it wise to proceed directly, though our recommendations in paras. 23, 24 and 25 should, if adopted, furnish additional safeguards.
23. We think that a sense of grievance is often fostered by the present system of dealing with petitions based on legal or other grounds. After such petitions have been considered in the Judge Advocate-General's Office it has been the invariable practice if the petition is not acceded to that a letter is written to the petitioner simply announcing that the authority petitioned sees no grounds for interfering.

The Committee considers that just as a Court of Appeal gives reasons for its decisions, so at all events in the case of petitions raising questions of law and referred to the Judge Advocate-General for his opinion, his reasons for advising the authority petitioned should be given to the petitioner in writing. To counter-balance this recommendation we consider that the present right to continue to petition ad lib should be curtailed. An immense amount of public time is at present consumed in dealing with whole series of petitions by the same petitioner on the same, or substantially the same grounds. These in some cases continue for years, and apparently are likely to do so indefinitely. We think that once a petition has been dealt with and dismissed for reasons stated in writing there should be an end, except upon some entirely fresh ground which was not open to the petitioner in the first instance, e.g. the discovery of some fresh evidence.

24. We recommend that where the Judge Advocate-General considers that a question arises about which he would like to hear argument he should be empowered to invite representatives of the convicted person and the Prosecution to attend before him and argue the matter.

25. We further recommend that when the Judge Advocate-General is faced with a point of law of novelty or exceptional difficulty means should be provided whereby the opinion of the Court of Criminal Appeal upon the question can be obtained. This could be effected by means of a slight modification of Section 19 of the Criminal Appeal Act 1907.

26. Another grievance of substance concerns the fact that where there is a Judge Advocate at a Court-Martial he remains with the Court when it is closed for considering whether the Charges are proved. The function of the Judge Advocate is to keep the tribunal informed as to the law; he has nothing to do with its decision on the facts, although he may, and often does, ask questions of witnesses for the purpose of elucidating the evidence. His summing-up takes place in open Court and is recorded. There seems therefore no logical reason why he should remain with the Court during its deliberations. If he is to give further directions in law the Accused and his advocate
should certainly be in a position to hear them. Under the existing system such directions if given are not even recorded. Our investigations have satisfied us that in practice the Judge Advocate in closed Court acts with complete fairness and propriety. Moreover he would hardly be likely to commit an obvious breach of duty in the presence not only of the Members of the Court itself but of any young Officers who happen to be attending the Court under instruction and are present throughout the Proceedings. Nevertheless and especially in cases in which the Judge Advocate has felt it his duty to elicit facts in evidence unfavourable to the Accused, it can easily be understood that the Accused and his advisers may well regard with anxiety the retirement of the Judge Advocate with the tribunal. If after the Court has been closed for deliberation its Members feel that they are not sufficiently instructed as to the law the Court could be reopened and the Judge Advocate invited to further direct them in the presence of the Accused and his advisers. We have felt some anxiety in thus interfering with a machinery which has worked so smoothly. We make the recommendation below in the view that the appearance of justice may be next in importance to the fact. The above observations have no reference to the retirement of the Judge Advocate with the Court when it is closed for consideration of the sentence, which is an entirely separate proceeding. We are satisfied that the technical questions which may arise in cases where sentence is being considered make it essential that the special skill and knowledge of the Judge Advocate should be at the service of the tribunal.

We therefore recommend that the Judge Advocate no longer retires with the Tribunal when the Court is closed for any purpose other than the consideration of sentence.

27. The Committee has been impressed by evidence given by Service witnesses to the effect that the administration of the Military Code is not always as efficient as it should be, owing to a lack of knowledge on the part of those who have to administer it. This was illustrated in the Darling Committee's Report (para. 8) by a statement attributed to Field Marshal Lord Cavan.

"...that the remedy for most of the hard cases complained of is to be found not so much in any great alteration of the existing law as to the more effective instruction of the proper tribunals for administering that law."

The Committee desires strongly to emphasise the necessity for the improvement by all possible means of the legal education of Officers of all ranks with a view to ensuring as far as possible that the various Officers who function at Courts-Martial should
be fitted to play their respective parts. The comparative inefficiency of Defending Officers was particularly stressed before us. Also the complaint, which we felt was not without substance, that when an Accused asks for a particular Officer to defend him he is too often told that the services of that Officer are not available. We think that the strongest efforts should always be made to see that such Officer is available.

28. The following points are suggested for consideration:

(a) In the first place it appears advisable that a handbook for each Service should be prepared setting out in a manner most convenient and helpful to members of Courts-Martial and those appearing before them only those portions of the Army or Air Force Acts, Rules of Procedure, King's Regulations, Notes and other portions of the Manuals of Military or Air Force law that are relevant and can be of any assistance to them.

(b) The legal education of the Officers of the Army and Royal Air Force is a matter which requires grave consideration by the Army and Air Councils, and we suggest that there should be an Officer of the Directorate of Legal Services, referred to elsewhere in the Report, in each Military and Air Force Command, who would act under the supervision of the Director of Legal Services not only as Legal Adviser in all pre-trial questions, but more especially be available for legal instruction throughout the Command. We further think that in matters of principle affecting legal education the Judge Advocate-General should be consulted.

29. There is in the opinion of the Committee a real demand for skilled professional assistance for accused persons in cases of difficulty, where they are not in a position by reason of lack of means to provide this for themselves. We recommend that in proper cases legal aid should be provided on lines similar to and with safeguards comparable with the cases in which such legal aid is now provided for civilians who are prosecuted. It may be possible to defray the cost out of funds provided by fines if our recommendation in that direction is adopted; if not, it should be borne by the public purse.

30. We further recommend that if an accused is found guilty on any charge or charges at the conclusion of the trial the president should cause the finding or findings and sentence to be communicated to the accused under sealed cover together
with an intimation that the finding or findings and sentence are not valid until confirmed and that the accused has the right to submit a petition to the confirming or any higher authority.

A good deal of anxiety and suspense will be saved if the private communication recommended be promptly made.

31. It is contemplated by the authorities that in the future some warrant officers will command platoons and exercise many of the functions of junior commissioned officers. We considered suggestions that such warrant officers should be qualified to sit as members of Court-Martial. Inasmuch as no such warrant officers are yet functioning, and there is a complete lack of experience as to how the system will turn out, the Committee does not recommend at present any change in this respect. We think that the matter can safely be left for further consideration hereafter.

32. We think it is of great importance that in all, or at any rate all but the simplest cases, a shorthand record of the proceedings should be taken and transcribed. We had a number of complaints to the effect that the record in longhand by the Judge Advocate or the President is not always accurate. None of these complaints in our opinion affected the justice of the particular cases, but it is obviously most desirable that an accurate record of all Judicial Proceedings should exist. Particularly does this apply to a system of confirmation and review which is and must be based entirely upon the record of the Proceedings and which is not assisted by argument or the re-hearing of evidence.

33. The Committee is further of opinion that a system of fines in lieu of or in addition to existing forms of punishment in appropriate cases under Army and Air Force Acts should be established. Care would have to be taken, e.g. by means of instalment payments, not to reduce the delinquent’s daily pay below a subsistence minimum. At the present time fines can be awarded only for drunkenness. Our recommendation in this matter is that in the case of other ranks the fine should be at the option of the party charged, but that in the case of officers there being for them no punishment between dismissal and forfeiture of seniority of rank, such option should not be given.

34. We recommend that in cases where a Summary of Evidence is taken (an officer can waive his right to a summary and be content with an Abstract) it should be taken on oath.

35. We further recommend that the Members as well as the President of a Court-Martial should be supplied confidentially, in advance, with a copy of the charge sheet. This will enable them to familiarize themselves with the nature of the charges they have to try and the issues which will arise for their decision.
36. It has come to our notice that persons subject to the Army or Air Force Acts charged with offences thereunder are not always familiar with the rights which those Acts and the Rules of Procedure give them. We think that steps should be taken to ensure that effect is given to the recommendation in paragraph 45 of the Report of the Darling Committee that there should be on the wall of every guard room and cell a printed card explaining in simple language the rights of a soldier when brought up on a charge and when remanded for trial by Court-Martial.

37. The Committee desire to place on record their acknowledgment of the valuable assistance rendered them by their Secretary, Major W. R. F. Osmond, and their Assistant Secretary, Mr. H. H. Hobbs, and to express their thanks to them for their constant attention.

(Sgd.) ROLAND OLIVER.
     TRISTRAM BERESFORD.
     FELIX CASSEL.
     J. J. LAWSON.
     C. LONGCROFT.
     FELIX F. READY.

(Sgd.) W. R. F. OSMOND, Major.
     Secretary,

     H. H. Hobbs,
     Assistant Secretary,

28th July, 1938.
APPENDIX I

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APPENDIX II

THE WAR OFFICE,

LONDON, S.W.1.

110/C.M./499 (A.G. 3).

10th April, 1938.

Sir,

I am commanded by the Army Council to inform you that a Committee under the Chairmanship of Mr. Roland Oliver, M.C. K.C., has been constituted to examine the existing system of trial by Courts Martial under the Army and Air Force Acts and matters incidental thereto and in particular to consider whether it is desirable and practicable that a person convicted by Court Martial should have a right of appeal to a civil judicial tribunal against his conviction and to make recommendations.

I am to state that the Committee are anxious to obtain all shades of opinion and would welcome, in particular, any constructive proposals by individuals for the improvement of the Court Martial system. They particularly desire to ascertain the views of Warrant Officers and of officers promoted from the ranks. It should be realised, however, that the Committee have no power to review individual cases.
I am, therefore, to ask that officers and soldiers of the Regular Army may be made aware of the fact that they are at liberty to submit, in writing, through their Commanding Officer, any suggestions they may have to offer within the terms of reference set out in the first paragraph of this letter. The Commanding Officer should forward any such suggestions direct to the Secretary of the Committee:

Major W. R. F. Osmond,
Room 259, War Office,
London, S.W.1.

stating at the same time whether the author of the suggestions would be prepared to appear before the Committee if so required.

I am, Sir,
Your obedient Servant,
E. J. R. EDWARDS,
for Permanent Under-Secretary of State.

The General Officers Commanding-in-Chief,
The General Officers Commanding,
All Commands and Districts at Home.

AIR MINISTRY,
LONDON, W.C.2.
21st April, 1938.

IMPORTANT

S. 43813/S. 7 (f).

Sir,

I am commanded by the Air Council to inform you that an invitation for R.A.F. personnel to give evidence has been received from the Committee which is investigating Court Martial procedure. The constitution of the Committee is as follows:

Chairman—
Mr. Roland Oliver, K.C.

Members—
The Rt. Hon. Sir F. Cassel, Bart., K.C.
J. J. Lawson, Esq., M.F.
T. de la Poer Beresford, Esq., K.C.

and its terms of reference are:

"To examine the existing system of trial by Court Martial under the Army and Air Force Acts and matters incidental thereto, and in particular to consider whether it is desirable and practicable that a person convicted by Court Martial should have a right of appeal to a civil judicial tribunal against his conviction, and to make recommendations."

(2003)

D.
2. I am therefore to request that you will ascertain whether any personnel under your command are aware of cases of hardship which have been caused by the present Court Martial system and wish to take advantage of this opportunity, and that you will communicate their names and units at the earliest possible date direct to Major Osmond, Room 259, War Office, who will arrange the necessary details. It should be clearly understood that there is no intention that the Committee shall act in any way as an appeal court to review individual cases.

I am,

Sir,

Your obedient Servant,

L. T. SCHOOLING.

The Air Officer Commanding-in-Chief, Bomber Command.
The Air Officer Commanding-in-Chief, Training Command.
The Air Officer Commanding-in-Chief, Fighter Command.
The Air Officer Commanding-in-Chief, Coastal Command.
The Air Officer Commanding:

2 [B]...
3 [B]...
4 [B]...
5 [B]...
6 [Aux.],...
11 [F]...
12 [F]...
16 [R]...
17 [T]...
22 [AC]...
23 [T]...
24 [T]...
(1) The Cabinet on the 18th January last considered my memorandum G.P. 6(39) on the request of the shipping industry for assistance and decided to set up a Cabinet Committee composed as under:—

The Lord Chancellor.
The Chancellor of the Exchequer.
The Lord President of the Council.
The President of the Board of Trade.
The Secretary of State for Dominion Affairs.
The First Lord of the Admiralty.
The Secretary of State for Scotland.
The Minister of Transport,

to consider—

(a) requests for financial assistance made by the shipping industry;

(b) proposals for assistance to the shipbuilding industry,

and to report to the Cabinet.

(2) I submitted a memorandum to the Committee at their first meeting on 31st January. I asked for no immediate decisions at that meeting as much work remained to be done before I could submit any final schemes. The Committee were, however, in general agreement with my tentative conclusions, namely—

(a) that the question of a tramp shipping subsidy deserved further consideration both from the point of view of the shipping industry and of its effect on shipbuilding;

(b) that the proposal of the shipping industry for a defence fund for the assistance of liners, though unacceptable in many of its details, required further examination in principle;

(c) that the proposal for a subsidy for coastwise
shipping did not merit further investigation, and that no action in respect of tankers was necessary;

(d) that, in view of the urgent needs of national security, consideration should be given to a scheme designed to stimulate the immediate building of ships, and the possibility of linking this with the formation of a shipping reserve should be explored;

and I was authorised to proceed on this basis, keeping in close touch with the Treasury.

(3) At their second meeting on the 14th March, the Committee considered another memorandum by me - see Paper S.T. 39 (g) (Annex A) - in which I submitted proposals on the following subjects :-

(a) Tramp shipping
(b) Shipbuilding
(c) Reserve of tonnage
(d) Liner shipping

(4) It will be seen from annex B that, subject to further discussion for the purpose of drawing up detailed schemes, the Committee agreed with proposals for -

(i) the grant of a subsidy for tramp shipping;
(ii) the offer of loans on favourable terms for the building of tramps and cargo liners;
(iii) the formation of a reserve of tonnage.
(5) As regards my proposal for the appointment of a Committee with the title Liner Defence Committee to examine applications of individual Liner Companies for financial assistance in meeting State-aided foreign competition, the Committee agreed that the necessary financial provision should be made to enable such assistance to be rendered in cases approved by the Board of Trade and Treasury. The Chancellor of the Exchequer raised certain questions regarding the functions of the Committee, and the Committee decided to leave this matter over for further discussion between the Chancellor and myself.

(6) The Committee also considered the proposal explained in my memorandum for offering a special inducement to shipowners to order ships in the next twelve months in order to maintain the activity of the shipping industry. The Chancellor of the Exchequer found himself unable to agree to this without further consideration, and the Committee decided in this case also to leave the matter for further discussion between the Chancellor and myself.

(7) Since then, I have discussed these outstanding points with the Chancellor of the Exchequer, with the following results.

(8) Liner Defence Committee - The Chancellor of the Exchequer thought it essential to be satisfied that the Committee would not have the independence or the wide terms of reference proposed by the shipping industry, and that it should be made clear to the industry that the Government could not accept their proposal that the recommendations of the Committee would necessarily be followed. He considered it very important that applications by liner companies should receive close and impartial scrutiny and should not be accepted unless assistance was clearly justified.
(9) I fully realise the importance of these considerations, and I have informed the Chancellor that I shall do my best to select as members of the Committee men who will apply a strong and independent judgment to shipowners' applications, and that the terms of reference suggested by the shipping industry will be reduced to narrower and more satisfactory limits. I shall be quite prepared accordingly to make it clear to the industry that the Committee which the Government propose to set up does not fulfil all the conditions proposed by the industry, and, in particular, that the Government do not accept the industry's proposal that the recommendations of the Committee should necessarily be accepted by the Government. On this basis, the Chancellor agrees to the proposal that the Committee should be appointed.

(10) Shipbuilding. The Chancellor agrees that some inducement, besides those afforded by the measures referred to in paragraph (4) should be offered to ensure the early placing of shipbuilding orders in order to maintain the productive capacity of the shipbuilding industry. I have agreed to do my best to meet the needs of the tramp shipping industry for subsidy within the limits of a total annual subsidy of £3½ millions instead of a total of £3 millions as requested by the industry and proposed by me to the Cabinet Committee, and the Chancellor has agreed that the balance of £½ million per annum for five years may be expended in the form of some special inducement to shipowners to place orders for tramp ships within a period not exceeding the next twelve months, and that a further sum of £½ million per annum for five years may be expended to achieve a similar result in the case of plain cargo liners. The nature of the schemes to be adopted for this purpose will be further discussed between the Treasury and the Board of Trade, who will also take the tramp and cargo liner sections of the shipping industry into consultation.
Conclusions.

(11) As a result of the deliberations of the Cabinet Committee and the subsequent discussions between the Chancellor of the Exchequer and myself, the following are the positive measures which are recommended to the Cabinet for adoption:

(i) That a tramp shipping subsidy of £2½ millions per annum should be made available for a period of five years subject to an arrangement for determining, by reference to the index number of shipping freights, whether in any given year subsidy should be paid in full, or paid at a reduced rate, or not paid.

Conditions would be attached to the subsidy, similar to those attaching to the previous subsidy, regarding employment of British crews, compliance with National Maritime Board Agreements where applicable and maintenance of freight co-operation. Shipowners would also be required to do their utmost to promote the formation of an international laying-up scheme which would help to safeguard the level of freight rates.

The industry would also be required to organise itself so as to satisfy the Government that at the end of the subsidy period it will be in a better position than it now is to maintain itself without Government assistance.

(ii) That £10 millions should be made available for lending to shipowners over a period of two years at favourable rates of interest for the purpose of building tramps and plain cargo liners.

The loans would be made on financial terms similar to those in the Scrap and Build Scheme under the British Shipping (Assistance) Act, 1935, i.e. repayment over twelve years and interest at favourable rates.

(iii) That for the purpose of forming a reserve of tonnage by the purchase of useful cargo vessels which would otherwise be sold to foreign owners or sold for breaking up, a sum not exceeding £2 millions, together with the sum required for the maintenance of the vessels, should be provided.
(iv) That as regards the defence of liner shipping from State-aided foreign competition, financial provision should be made to enable assistance to be rendered to individual liner companies requiring such assistance, and that an Advisory Committee should be appointed to examine and report on applications for such assistance.

The industry asked for £5 millions for five years, though without expecting anything like this sum to be spent. It is not considered necessary to indicate a sum. If one is called for by legislative practice then £10 millions for two years might be stated.

As a condition of setting up the Committee the liner section of the industry should be required to work out a plan for the maintenance of a defence fund, if such a fund is necessary, out of the resources of the industry after Government assistance comes to an end.

(v) That expenditure should be authorised of a sum not exceeding £½ million per annum for five years (£½ million for tramps and £¾ million for cargo liners) to provide a special inducement for the placing of orders for new ships in the next twelve months.

I propose to meet the shipbuilding industry, and the industries supplying shipbuilding requirements, with a view to getting such guarantees in respect of prices as may be practicable.

(12) These proposals, if adopted, would, of course, require legislation and the details of this would need a considerable amount of working out involving discussions with the shipping industry. If and when my proposals are authorised by the Cabinet, I should wish to make an immediate statement on general lines in order that there might be no avoidable delay in the placing of orders for new ships.
(13) To secure this it will be necessary to say that, when legislation is introduced, the House of Commons will be asked, so far as assistance for shipbuilding is concerned, to agree that orders placed after my announcement, but before the passing of the Act, will not be excluded from consideration for this assistance.

O.F.G.S.

BOARD OF TRADE,
17th March, 1939.
CABINET.

COMMITTEE ON SHIPPING AND SHIPBUILDING.

PROPOSALS REGARDING TRAMP SHIPPING; SHIPBUILDING; RESERVE OF TONNAGE; AND LINERS.

Memorandum by the President of the Board of Trade.

1. Since the last meeting of the Cabinet Committee, I have considered the needs of the shipping and shipbuilding industries and discussions on the subject have taken place between the Board of Trade and the Treasury. I desire to submit proposals on the following subjects:
   (a) Tramp shipping.
   (b) Shipbuilding.
   (c) Reserve of tonnage.
   (d) Liner shipping.

2. I approached the matter primarily from the point of view of wartime needs, but I am satisfied that the proposals I am making are consistent with the welfare of the shipping and shipbuilding industries on a long-term basis.

3. As regards wartime needs, it is essential (a) to maintain and, if possible, to increase the mercantile marine; and (b) to maintain the productive capacity of the shipbuilding industry. The prospect of being able to avail ourselves of neutral shipping in wartime is not such, in my view, as to relieve us of the necessity of taking measures to secure these objectives.

TRAMP SHIPPING.

4. Wartime requirements make it essential to conserve British tramp shipping, which represents about 40 per cent.
of our cargo tonnage and includes a large proportion of the medium sized ships most valuable for maintaining supplies in time of war. The danger of serious decline is particularly great in the case of tramp shipping, since tramp trade is immediately affected by market conditions and the owners of a large proportion of the British tramp fleet are small men without the financial resources to resist prolonged depression.

5. Depression has again fallen on the industry and has destroyed confidence in the future. It is essential, in the present international situation, to ensure the industry's preservation and only the renewal of the tramp shipping subsidy for a period of years would, in my view, achieve this object.

6. My proposal is that we should make available a tramp shipping subsidy of £3 million per annum for a period of five years, with an arrangement similar to that in operation under the previous subsidy to ensure that the subsidy is reduced as the freight index rises above a certain point until the subsidy is extinguished. There should also be an arrangement permitting adjustment of subsidy in the event of a very prosperous year during the subsidy period.

7. The details of the arrangements for reducing subsidy by reference to the freight index will require further discussion, but the proposal put forward by the shipowners, which has in my opinion much to commend it, is that in order to meet increased expenses and assist them against intensified foreign competition the maximum amount of subsidy (£3 million) should be payable in each year when the average index figure is 100% of the 1929 average instead of 92% as in the previous subsidy; and should be less if the index figure is above 100% until it is extinguished at 110% of 1929.
8. I suggest that conditions should be attached to the subsidy similar to those attaching to the previous subsidy regarding employment of British crews, compliance with National Maritime Board Agreements where applicable and maintenance of freight co-operation. I would also propose to require shipowners to do their utmost to promote the formation of an international laying-up scheme which would help to safeguard the level of freight rates.

9. A further condition to which I attach importance is that the industry should organise itself so as to satisfy the Government that at the end of the subsidy period it will be in a better position than it now is to maintain itself without Government assistance.

10. My hope is that the subsidy could be brought into operation as from the 1st July next. The expenditure required in the current financial year would not exceed £1½ million.

SHIPBUILDING.

11. In the memorandum on the British Mercantile Marine circulated to the Committee of Imperial Defence on my behalf on 8th November, 1938 (C.I.D. 1481-B), it is shown that the merchant fleet at its present level is sufficient to meet our estimated war-time needs, but barely so. The conclusion involves the assumption that our shipyards would be able, allowing for warship production, to produce in the first year of war about a million gross tons of merchant shipping, excluding tankers. Production of one million tons in the first year of war could not be attained unless the yards were working to about that capacity before war broke out.

12. Owing to the heavy decline in merchant shipbuilding orders, the rate of building at present has fallen substantially below that level and will fall further unless something is done to check and reverse the process, and especially to retain the supply of shipyard labour.
13. The decision to grant a tramp shipping subsidy for a period of years would probably lead to the early placing of some orders, but not sufficient to restore building in the next few months to the level necessary to provide against war-time requirements. Two factors militate against early resumption of building on a substantial scale: (1) the present high price of new ships; and (2) many Companies are without the liquid resources necessary for building.

14. I have two proposals to make to meet this situation; (1) an inducement to shipowners to place orders for tramps and plain cargo liners in the next twelve months; and (2) loans for building tramps and cargo liners during the next two years.

(1) Inducement for ordering ships in the next twelve months.

15. We must, as a temporary arrangement, do something to encourage shipowners to surmount the price difficulty. Tramp ships - Bonus under the tramp shipping subsidy scheme.

16. My suggestion is that vessels ordered during the twelve months after the announcement of the scheme, which subsequently became eligible for tramp subsidy, would receive in each year up to the termination of the subsidy a special allowance over and above the amount received by them in respect of the ordinary subsidy. This special allowance would be fixed at such an amount as would, over the whole period, yield to the shipowner enough to overcome the obstacle of the present high prices of ships.

17. The amount of special allowance to be given per ship would need to be worked out in discussion with the shipowners, but would probably be about £1 per gross ton over and above the amount of tramp shipping subsidy.
16. As regards the total cost of the scheme, I should consider a successful response to it about 50 new ships ordered during the next year. On this basis, the amount required when all the vessels were completed would probably not exceed £250,000 per annum or £1½ millions over the whole period. The sum needed in the financial year 1939/40 would be very small, even if the tramp shipping subsidy came into operation on 1st July, 1939.

Cargo liners.

19. It is more difficult to suggest the form in which some equivalent assistance could be given to shipowners for building new cargo liners. I should prefer to do it in connection with the scheme of loans for shipbuilding which is discussed in the next section of this memorandum - perhaps by an arrangement under which, in the case of loans for the building of cargo liners ordered in the next twelve months, the interest on the loans was remitted in any year (during the five years of the tramp subsidy) in which, owing to the low level of freight rates, tramp shipping subsidy was paid. Whether an arrangement on these lines would be sufficient to secure the orders we desire, or whether some other scheme would be preferable, would be a matter for discussion with representatives of the cargo liner owners; and it might be found necessary to provide for them an inducement equivalent to that suggested above for tramp owners, namely, the payment of a definite amount for each of a definite number of years.

20. I suggest that I should be authorised to work out with the cargo liner owners a suitable scheme for the purpose, to cost not more in total than, say, £1½ millions. The amount required in the financial year 1939/40 would not be large.
21. In connection with the above proposals for encouraging the building of tramps and cargo liners, I should propose to discuss with the shipbuilders the possibility of their making some reduction in price and certainly press them for an assurance that they will not increase it.

(2) Loans for shipbuilding.

22. In order to meet the case of shipowners willing to build but without the liquid resources necessary, my proposal is that we should provide £10 million to be lent to shipowners over a period of two years for the purpose of building, on financial terms similar to those in the Scrap and Build Scheme under the British Shipping (Assistance) Act, 1935, i.e. repayment over twelve years and interest at favourable rates.

23. The scheme should apply to tramps and plain cargo liners ordered after the date of its announcement. I would propose to set up a Committee to consider applications.

24. Vessels receiving assistance under the schemes dealt with under (1) above - paragraphs 15 to 21 - would be eligible for loans equally with other vessels. The £10 million suggested should be sufficient to build about eighty ships averaging 5,000 tons gross each. The amount to be provided in 1939-40 would not be likely to exceed £2 million.

RESERVE OF TONNAGE.

25. The measures I have proposed regarding assistance for shipbuilding should meet the immediate needs of an emergency situation as far as the shipbuilding industry is concerned. The tramp shipping subsidy should also help to conserve an important part of our cargo shipping.
26. These measures will not, however, necessarily increase at any rate in the immediate future, the total tonnage under the British flag, as it would normally be expected under present conditions, that for every new ship added the equivalent would be sold either to a foreign owner or for scrapping. I am convinced that our margin of safety is at present so small that some steps should be taken to increase it.

27. I consider that we should retain as a Government reserve for use in time of war as many as possible of the vessels which would otherwise be lost to foreigners in the immediate future or sold for breaking up, provided that they are fit for further service in wartime. The number of suitable vessels normally disposed of in a year is about fifty of, say, 250,000 gross tons.

28. The most direct way of achieving this object would be for the Government to buy vessels and to place them in reserve during the present period of international instability. The vessels would not be brought out for trading except in an emergency but would be maintained in condition so that they could be brought out for use in war when required. The vessels could be sold for breaking up when the need for retaining them was at an end.

29. I propose that the Government should immediately begin the formation of such a reserve.

30. The cost of acquiring the vessels would be about £2 million. Some part of this would be recovered when the vessels were eventually sold for scrapping. The initial cost of purchase would fall mainly in the financial year 1939-40, but provision would have to be made in subsequent years for the maintenance of the vessels. The amount required for this purpose would be about £100,000 a year.

31. The details of the scheme, particularly regarding arrangements for purchase and sale of the vessels and for their maintenance would require discussion with shipowner.
32. It might be made a condition of the grant of assistance to any section of the shipping industry that shipowners belonging to that section who wish to dispose of any of their ships either to foreign owners or for breaking up should first offer them to the Government for inclusion in the reserve, if considered suitable.

LINER DEFENCE FUND.

33. An undertaking was given by the Government in 1934 to consider and if necessary give assistance to Liner Companies suffering from subsidies and other special forms of competition. There are a number of cases of this kind which must arise for investigation and there is a good case for establishing machinery to enable us to carry out the undertaking of 1934.

34. My proposal is that we should establish an Advisory Committee to receive requests for assistance from Liner Companies and to advise the Government as to the measures to be taken in response to the request. The decision on such recommendations would rest with the Government.

35. In order to make decisions effective without loss of time Parliament should be asked to grant authority to the Board of Trade to make payments (loans or grants) out of the money provided to that Department by Parliament, in cases where payment was recommended by the Committee and approved by the Board of Trade and the Treasury.

36. I should much prefer not to fix in the legislation a total amount for such payments, but if a sum must be stated I suggest that the limit to be fixed should be a figure of £10 millions to cover two years. I frankly do not think that such an expenditure could be justified or would be incurred. The number of instances in which a case could be made out for assistance will not be large, and the existence of the Committee should tend to reduce the number of cases in which assistance would need to be sought.
Actually I should estimate that the amount required in the financial year 1939/40 would not be likely to exceed £500,000. But if a sum has to be mentioned at all it must be a large sum or the deterrent effect on foreign competitors will be reduced, and the actual claims on the fund may be increased.

37. A period of two years would be sufficient to see whether the scheme worked satisfactorily.

38. The Committee would be empowered to consider applications where the British service is threatened with competition which derives its strength from foreign Government financial aid or some other element with which it would not be economically practical for the shipowner to contend. There might also be power for the Board of Trade to ask the Committee to consider cases falling outside these limits.

39. As a condition of setting up the Committee the liner section of the industry should be required to work out a plan for the maintenance of a defence fund, if such a fund is necessary, out of resources of the industry after Government assistance comes to an end.

SUMMARY OF PROPOSAL AND PROCEDURE.

40. The proposals I have put forward are briefly as follows:-

(1) The grant of a subsidy to tramp shipping amounting to a maximum of £3 million per annum for a period of five years (paras. 6-10).

The cost of this scheme in the financial year 1939/40, if instituted from 1st July next, would not exceed £1½ million.

(2) A special inducement for cargo ships - tramps and plain cargo liners - built in the next twelve months. The details of the schemes remain to be worked out with the shipowners, but authority is required to spend about £2½ million over the next five years (paras. 16-21). The cost of this scheme in the financial year 1939/40 would be small.
(3) The provision of £10 millions over a period of two years for loans for the building of cargo ships (paragraphs 23-24).

The amount required in the financial year 1939-40 would not be likely to exceed £2 millions by way of loan.

(4) The creation of a reserve of cargo ships for use in war, with authority to spend up to £2 millions in the year 1939/40 for the purpose (paragraphs 25-32). This sum, I submit, could justifiably be raised as a loan.

(5) The appointment for two years of an Advisory Committee to examine applications from liner companies for financial assistance, and the provision of money to enable such assistance to be given if recommended by the Committee and approved by the Board of Trade and the Treasury (paragraphs 34-39).

The legislation should provide £10 millions for the purpose to cover two years. The cost in the financial year 1939/40 would not exceed £500,000, part of which might, nominally at any rate, be by way of loans to the shipping companies.

41. These proposals, if adopted, would of course, require legislation and the details of this would need a considerable amount of working out involving discussions with the shipping industry. If and when my proposals are authorised by the Cabinet, I should wish to make an immediate statement on general lines in order that there might be no avoidable delay in the placing of orders for new ships.

C.F.G.S.

Board of Trade,
10th March, 1939.
ANNEX B.

COMMITTEE'S CONCLUSIONS REGARDING:-

(1) Tramp Shipping Subsidy
(2) Loans for Shipbuilding
(3) Reserve of Tonnage.

(1) Tramp Shipping Subsidy.

The Committee agreed with the proposal that a subsidy of £3 millions per annum should be made available for tramp shipping over a period of five years on the understanding that the scale of freight index numbers which will determine whether in any given year the subsidy should be paid in full or paid at a reduced rate or not paid should be subject to further discussion between the Chancellor of the Exchequer and the President of the Board of Trade (who would also have to discuss it with the Tramp Shipping Industry) with a view to fixing the point at which full subsidy should be paid below the point (namely the average freight level of 1929) which had been suggested by the industry.

(2) Loans for Shipbuilding.

The Committee agreed with the proposal that £10 million should be made available for loans to shipowners over a period of two years at favourable rates of interest for the purpose of building tramps and plain cargo liners.

(3) Reserve of Tonnage.

The Committee agreed with the proposal that authority should be given to the Board of Trade to spend a sum not exceeding £2 millions in purchasing useful cargo vessels which would otherwise be sold to foreigners or for breaking-up, with a view to their being kept laid up during the present state of international instability and maintained in condition to be brought out for use should war break out. The arrangements for acquiring and maintaining the vessels would be the subject of discussion between the Chancellor and the President.
CABINET.

THE BUILDING SOCIETIES BILL.

Memorandum by the Lord Chancellor.

1. I attach a draft of the Building Societies Bill, which the Committee on Building Societies recommend the Cabinet to approve for introduction at a very early date.

2. The Bill has been considered at different stages both by the Home Affairs Committee and by the Committee on Building Societies, as well as by an Official Committee which has discussed the major points with representatives of the Building Societies. While these representatives have not seen any actual draft of the Bill, they are in general agreement with its provisions.

3. When on 1st February, 1939 (Cabinet 4 (39) Conclusion 3) the Cabinet last considered the question, judgment had not been given in the Borders case. This judgment, which was given on 13th February, assumed a form so different from that which had been anticipated that considerable changes have had to be made in the draft Bill. Certain changes have also been made in order to meet points of criticism of existing practice dealt with (but in an unsatisfactory way) in Miss Ellen Wilkinson's Bill.
The main changes in the Government Bill are:

(i) **Clause 4.** Provisions designed to prevent the borrower from assuming unjustifiably that the making of an advance to him by the Society is evidence that the estate is sufficient security for that advance.

(ii) **Clause 5.** Provision to ensure that, when a borrower falls into arrears and the Building Society decides to sell the property in the exercise of its powers as mortgagee thereof, it must do so for the best price that can reasonably be obtained in the circumstances, notwithstanding any agreement with the borrower to the contrary.

(iii) **Clause 6.** Provision to restrict payment of commissions, etc. by a Building Society to builders and other persons having an interest in the sale of property for the purpose of inducing them to introduce business to the Society.

(Intld.) M.

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House of Lords, S.W.1.

17th March, 1939.
SECRET.

Building Societies Bill.

ARRANGEMENT OF CLAUSES.

Clause.

1. Additional security in respect of advances made before commencement of Act.
2. Additional security in respect of advances made after commencement of Act.
3. Notice to be given where security is taken from third parties.
4. Provisions as to warranties by societies.
5. Duty of society exercising power of sale.
6. Restriction on payment of commissions, &c.
7. Valuation of security for advances.
9. Interpretation.
10. Transitory provisions.
11. Short title, citation, construction and extent.

SCHEDULE:

Part I.—Authorised classes of additional security.

Part II.—Requirements applicable to certain continuing arrangements.
DRAFT
OF A
BILL

To Declare and amend the law as to the taking of security in connection with advances heretofore made and hereafter to be made by building societies; as to the duties of such societies in relation to advances made to members and the security taken therefor; as to the relations between such societies, persons concerned in the disposition of property, and persons concerned in the acquisition thereof; and as to the liability of directors of such societies.

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,

1. In determining the amount of any advance made to a member before the commencement of this Act upon the security of freehold, copyhold, or leasehold estate, a society shall be deemed always to have had power to take into account, besides the freehold, copyhold, or leasehold estate, the value of any other security for the advance.

2.—(1) In determining the amount of any advance to be made to a member after the commencement of this Act upon the security of freehold or leasehold estate, a society shall not have power to take into account the value of any other security in respect of advances made before commencement of this Act.
A.D. 1939. of any additional security taken by the society for the advance except additional security of an authorised class, that is to say, any class specified in Part I of the Schedule to this Act.

(2) Where a charge upon a policy of life assurance is taken as additional security for an advance, the value of the policy shall be assessed at an amount not exceeding the surrender value thereof at the time when the advance is made.

(3) Where a guarantee given in pursuance of a continuing arrangement, not being such a guarantee as is mentioned in paragraph 3 of Part I of the Schedule to this Act, is taken as additional security for an advance, the advance shall not exceed ninety-five per cent. of the amount of the purchase price for the defraying of which the advance is made, the basic advance shall not exceed seventy-five per cent. of that amount, and the excess advance shall not exceed twenty per cent. of that amount:

Provided that where a society adds to any advance to which this subsection applies such sum as may be necessary to enable the member to pay a single premium payable under a policy of life assurance providing for payment in the event of the death of the member before the advance has been repaid of a sum sufficient to defray any sums payable to the society in respect of the advance, any sum so added to the advance shall be excluded in calculating the amount of the advance or of the excess advance for the purposes of this subsection.

3.—(1) Where a society makes to a member an advance for the purpose of its being used in defraying the purchase price of freehold or leasehold estate and takes any security for the advance from another person, then, unless before any contract requiring the member to repay the advance is entered into, the society gives to the member a notice in writing, in the prescribed form, stating whether the advance includes an excess advance and if so the amount thereof, no sums shall be recoverable, either by the society or any other person, in respect of the advance or of any security given therefor (whether by the member or otherwise), nor shall any rights be exercisable by virtue of any such security, except by leave of the court.
(2) Where a society makes such an advance and takes such security as aforesaid without giving notice to the member in accordance with the foregoing provisions of this section, the court may, either upon an application for such leave as aforesaid, or upon an application made by the member, re-open the transaction, and may make such orders as to the sums which may be recovered in respect of the advance and of any security given therefor, as to the exercise of any rights conferred by any such security, and otherwise, as the court considers just.

(3) In this section the expression "court" means, in relation to a transaction in which the principal of the sum advanced does not exceed five hundred pounds, the county court, and, in relation to any other transaction, the High Court:

Provided that His Majesty may by Order in Council direct that this subsection shall have effect as if for the words "five hundred pounds" there were substituted such higher sum as may be specified in the Order: and any such Order may be revoked or varied by a subsequent Order made in like manner.

4.—(1) Where a society makes to a member an advance for the purpose of its being used in defraying the purchase price of freehold or leasehold estate, the society shall be deemed to warrant to the member that the purchase price is reasonable unless before any contract requiring the member to repay the advance is entered into the society gives to the member a notice in writing stating that the making of the advance implies no such warranty.

(2) Any person having a financial interest in the sale or letting of any freehold or leasehold estate or in the erection of any building thereon, or any servant or agent of such a person, who makes any representation calculated to induce a belief that the making of an advance by a society upon the security of that estate imports or implies any assurance to the person to whom the advance is made that the estate is sufficient security for the amount of the advance, shall, without prejudice to any other remedy in respect of the representation, be guilty of an offence and liable on summary conviction thereof to a fine not exceeding one hundred pounds or to...
Duty of society exercising power of sale.

5. Where a society has made an advance to a member upon the security of freehold or leasehold estate, it shall be the duty of the society, in exercising any power to sell the estate as mortgagee thereof, to take reasonable care to ensure that the price at which the estate is sold is the best price which can reasonably be obtained; and any agreement, if and in so far as it relieves, or may have the effect of relieving, a society from the obligation imposed upon it by this section, shall be void.

Restriction on payment of commissions, &c.

6. It shall not be lawful for a society or any officer, servant, or agent, of a society to offer or give to any person having a financial interest in the sale or letting of any freehold or leasehold estate or the erection of any building thereon, or to any servant or agent of such a person, any commission, gift, or favour, for the purpose of inducing him to introduce business to the society in connection with such sale, letting, or erection as aforesaid; and in the event of a contravention of the provisions of this section the society, and the officer, servant, or agent by whom the commission, gift, or favour was offered or given, shall each be guilty of an offence and liable on summary conviction thereof in the case of the society to a fine not exceeding five hundred pounds, and in the case of the officer, servant or agent to a fine not exceeding one hundred pounds or to imprisonment for a term not exceeding three months or to both such fine and imprisonment.

Valuation of security for advances.

7.—(1) The duties of every director or member of the committee of management of a society shall include the duty of satisfying himself that the arrangements made for assessing the adequacy of the security to be taken in respect of advances to be made by the society are such as may reasonably be expected to ensure that the adequacy of any security to be so taken will be assessed by a competent and prudent person, experienced in the matters relevant to the determination of the value of that security.
(2) Nothing in this section shall be construed as
precluding a director or member of the committee of
management of a society from approving such arrange­
ments as aforesaid by reason only that the arrangements
provide for the assessment of the adequacy of such
security by himself or any other director or member of
the committee of management of the society.

(3) Every society shall cause to be kept records
showing with respect to every advance made by the
society to a member—

(a) the amount at which the freehold or leasehold
estate on the security of which the advance
was made was assessed in accordance with the
arrangements mentioned in subsection (1) of
this section and the name of the person by
whom the assessment was made, and

(b) particulars of any additional security taken
by the society,

and such records shall be open to inspection by the
auditor, and by any accountant or actuary appointed
under section four of the Building Societies Act, 1894.

8.—(1) Any provision, whether contained in the rules
of a society or in any contract with a society or other­
wise, for exempting any director, member of the
committee of management, manager or officer of a
society, or any person (whether an officer of the society
or not) employed by the society as auditor, from, or
indemnifying him against, any liability which by virtue
of any rule of law would otherwise attach to him in
respect of any negligence, default, breach of duty or
breach of trust of which he may be guilty in relation to
the society, shall be void:

Provided that —

(a) in relation to any such provision which is in
force at the date of the commencement of
this Act, this subsection shall have effect
only on the expiration of a period of six
months from that date;

(b) nothing in this subsection shall operate to
deprive any person of any exemption or right
to be indemnified in respect of anything done
or omitted to be done by him while any such
provision was in force; and
(e) notwithstanding anything in this subsection, a society may, in pursuance of any such provision as aforesaid, indemnify any such director, member of the committee of management, manager, officer or auditor against any liability incurred by him in defending any proceedings, whether civil or criminal, in which judgment is given in his favour or in which he is acquitted.

(2) Section three hundred and seventy-two of the 19 & 20 Geo. 5. c. 23. Companies Act, 1929 (which empowers the court to grant relief in certain cases of negligence, default, breach of duty, or breach of trust) shall apply to directors, members of the committee of management, managers, and officers, of a society, and to persons employed by a society as auditors, whether they are or are not officers of the society, in like manner as that section applies to the persons specified in subsection (4) thereof.

Interpretation.

9.—(1) For the purposes of this Act the following expressions shall, except where the context otherwise requires, have the meanings hereby respectively assigned to them, that is to say:

"Assurance company" means an assurance company within the meaning of the Assurance Companies Act, 1909; and "policy of life assurance" means a policy issued by such a company;

"Basic advance," in relation to any advance made or to be made for the purpose of its being used in defraying the purchase price of freehold or leasehold estate, means the maximum amount which the society would consider proper to advance upon the security of that estate if no other security were taken by the society:

"Continuing arrangement" means any arrangement made between a society and another person whereby, in contemplation of a series of advances comprising excess advances being made by the society to members for the purpose of their being used in defraying the purchase prices of freehold or leasehold estates, that person undertakes to give to the society a series of guarantees, each of which is to secure sums payable to the society in respect of such an advance:
"Excess advance" means, in relation to any advance, the amount by which the advance exceeds the basic advance:

"Prescribed" means prescribed by rules made under this Act by the Chief Registrar of Friendly Societies:

"Purchase price" means, in relation to a leasehold estate, any premium payable as the consideration, or as part of the consideration, for the grant or assignment of the lease:

"Society" means a society incorporated under the Building Societies Acts, 1874 to 1894, and any such unincorporated society as is mentioned in section seven of the Building Societies Act, 1874, but does not, except for the purposes of sections three, four, five and six of this Act, include a society which is, or, for the purposes of the Building Societies Acts, 1874 to 1894, is deemed to be, registered in Northern Ireland, or any such unincorporated society as aforesaid whose chief office or principal place of business is in Northern Ireland.

(2) For the purposes of this Act an advance made after the commencement thereof by a society to a member in pursuance of a contract made before the commencement of this Act, shall be deemed to be an advance made before the commencement of this Act.

(3) In the application of this Act to Scotland, there shall be substituted for references to the High Court and the county court respectively references to the Court of Session and the sheriff court.

10.—(1) Nothing in this Act shall deprive a party to any proceedings which were instituted in any court before the twenty-first day of February, nineteen hundred and thirty-nine, of any relief to which that party would have been entitled in those proceedings if this Act had not been passed.

(2) Where a continuing arrangement has been made by a society before the commencement of this Act, then, in relation to advances made by the society in pursuance of a contract entered into within three months after the commencement of this Act, any guarantee given and
A.D. 1939.
supported by deposits of money in pursuance of the arrangement shall be deemed for the purposes of section two of this Act to be additional security of an authorised class.

11.—(1) This Act may be cited as the Building Societies Act, 1939.

(2) This Act shall be construed as one with the Building Societies Acts, 1874 to 1894, and those Acts and this Act may be cited together as the Building Societies Acts, 1874 to 1939.

(3) This Act shall not extend to Northern Ireland.
SCHEDULE.

A.D. 1939.

PART I.

AUTHORISED CLASSES OF ADDITIONAL SECURITY.  Section 2.

1. A charge upon a policy of life assurance.

2. A guarantee given by an assurance company.

3. A guarantee given by a local authority or a county council under paragraph (b) of subsection (1) of section ninety-one of the Housing Act, 1936, or paragraph (b) of subsection (1) of section seventy-five of the Housing (Scotland) Act, 1925.

4. A charge given by the member upon money deposited with the society or upon any stocks, funds or shares in which trustees are for the time being authorised by any enactment in force in England or Scotland to invest trust money.

5. A guarantee, not being a guarantee given in pursuance of a continuing arrangement, accepted by the society with the written consent of the member, and supported by a charge upon money deposited with the society or upon any such stocks, funds or shares as aforesaid.

6. A guarantee given in pursuance of a continuing arrangement which conforms to the requirements of Part II of this Schedule, being, except as otherwise provided in that Part, a guarantee supported by deposits of money made in pursuance of such an arrangement.

PART II.

REQUIREMENTS APPLICABLE TO CERTAIN CONTINUING ARRANGEMENTS.

In order to conform to the requirements of this Part of this Schedule a continuing arrangement must provide:

(a) that each guarantee given in pursuance of the arrangement by the person (hereinafter referred to as “the guarantor”) with whom the society made the arrangement will secure all sums which may, at any time before the guarantor is released from his liability in respect of that guarantee, become due to the society in respect of the advance to which the guarantee relates;

(b) that the guarantor will not be released from his liability in respect of any such guarantee until the sum repayable to the society in respect of the principal of the advance...
(c) that the guarantor will deposit with the society, as security for his liability in respect of each guarantee, a sum of money, which in the case of the first five guarantees shall be at least equal to the amount of the excess advance, and in the case of each subsequent guarantee shall be at least equal to one-third of that amount;

(d) that, subject to any right of withdrawal which may be given by the arrangement in conformity with the next following paragraph, each sum deposited as aforesaid will be held by the society, not only as security for the liability of the guarantor in respect of the guarantee in connection with which it was deposited, but also as security for such sums as may become due to the society in respect of at least all such advances made (whether before or after the deposit) in pursuance of the arrangement as are, for the time being, advances of which the sums repayable in respect of principal have not been reduced to the amount mentioned in paragraph (b) of this Part of this Schedule;

(e) that no withdrawal of or from the sums deposited with the society as aforesaid may be made by the guarantor unless the sums held by the society in accordance with the last foregoing paragraph as security in respect of the advances therein mentioned will, after the withdrawal, be of an amount at least equal to the sum of:

(i) the amount by which the aggregate of the sums then repayable to the society in respect of the principal of such of the said advances as were included in the first five advances made by the society in pursuance of the arrangement exceeds two-thirds of the aggregate of the purchase prices for the defraying of which such of the said advances as were so included were made, and

(ii) one-third of the amount by which the aggregate of the sums then repayable to the society in respect of the principal of such of the said advances as were not included in the first five advances made by the society in pursuance of the arrangement exceeds an amount equal to two-thirds of the aggregate of the purchase prices for the defraying of which such of the said advances as were not so included were made.

Provided that where a society proposes to make any such arrangement with a government department, a public utility undertaking, or any recognised housing society, the Chief Registrar
of Friendly Societies, if upon the application of the society he A.D. 1939.
is satisfied that compliance with the foregoing requirements
relating to the deposit of money by the guarantor is wholly or
partly unnecessary, may, with the approval of the Treasury,
direct that all or any of those requirements shall be dispensed
with, and where any such direction is so given the foregoing
provisions of this Part of this Schedule shall in relation to any
such arrangement have effect subject to the direction.

In this Part of this Schedule—

10 The expression "public utility undertaking" means any
company or other body or person authorised by or
under any Act, or under any order having the force
of an Act, to construct, work, or carry on a railway,
canal, inland navigation, dock, harbour, tramway,
gas, electricity, water, or other public undertaking;
and

15 The expression "recognised housing society" means any
body of persons, whether incorporated or not, which,
in the opinion of the Chief Registrar of Friendly
Societies, was, at the commencement of this Act,
carrying on business mainly for the purpose of facili-
tating the acquisition of houses by persons engaged
or employed in any particular occupation or employ-
ment, or, in the case of a body formed after the
commencement of this Act, is a body which has
succeeded to the business carried on at the com-
menacement of this Act by such a body as aforesaid.
SECRET.

Building Societies.

DRAFT

OF A

BILL

To declare and amend the law as to the taking of security in connection with advances heretofore made and hereafter to be made by building societies; as to the duties of such societies in relation to advances made to members and the security taken therefor; as to the relations between such societies, persons concerned in the disposition of property, and persons concerned in the acquisition thereof; and as to the liability of directors of such societies.

CCCXLV.—B. (21.)

17th March 1939.

13—13
MEMORANDUM BY THE MINISTER OF TRANSPORT.

RESTRICTION OF RIBBON DEVELOPMENT ACT, 1935.

AMENDING BILL.

At the end of 1934 there was an urgent demand for legislation, even if of an emergency and provisional character, to restrict ribbon development; and the Restriction of Ribbon Development Act of 1935, notwithstanding consultations with representatives of local authorities, landed interests and preservation societies, was bound to be somewhat experimental.

2. Valuable as it has proved, I recognise the force of the representations made to me by the highway authority associations, that the objects of the Act - the prevention of damage to the traffic value and amenity value of our roads - are not being as fully achieved as was hoped. The inability or unwillingness of many authorities to make full use of their powers has been due largely to the financial provisions of the Act.

3. When the Bill was being framed, emphasis was laid on the importance of inducing highway authorities to take long views as to possible future road requirements, and to this end to lay down standard widths on all the more important roads in the exercise of their powers under Section 1. As an incentive, the Act provides in Section 19(2) that the Minister may make grants towards expenditure (including compensation) incurred by reason of the coming into force of restrictions under Section 1, that is after a standard width has been laid down. The Act contains no provision for grants to compensation which an authority may have to pay as a result of effective exercise of their powers under Section 2 to control building within 220 feet from the middle of the road and access to the road.
4. In practice it has been found quite impossible to make as speedy progress as was hoped with the adoption of standard widths. The accurate surveys required for this purpose take a considerable time to complete; and many authorities have experienced difficulty in securing adequate trained staffs for the work. Approximately 72,000 miles of road are subject to Section 2 restrictions; but for only 1,130 miles have standard widths been adopted to date. In consequence, whilst Section 2 was primarily intended to be used for the preservation of amenities, authorities are being forced to rely upon it for the protection of roads, particularly in the matter of access. In these circumstances, it is urged by the Associations of highway authorities that compensation paid for restrictions under Section 2 pending the adoption of standard widths should rank for Road Fund grant.

5. I do not agree that grants should be made to expenditure arising from restrictions on building under Section 2; but to give grants for the purpose of meeting expenditure arising from restrictions on access under that Section would be merely an extension of the principle already agreed by Parliament that, where a road is subject to restrictions under Section 1 of the Act, all restrictions on access should be regarded as restrictions under that Section (Subsection (4) of Section 2) and thus eligible for grant under Section 19(2).

6. I propose accordingly to ask for power to make grants towards the compensation which a highway authority may have to pay for injurious affection arising from restrictions on access in the case of a road controlled by virtue of section 2, just as I can already give a grant if the control be by virtue of Section 1. (In the Trunk Roads Act, 1936, Parliament has in fact given me this power over any trunk road which is controlled only by virtue of Section 3, no standard width having yet been determined). It is not expected that the effect of the amendment will be to impose any substantial charge on the Road Fund, since under the Act
compensation is payable only when it can be proved that the restrictions do in fact prejudicially affect proposals for development.

7. The original conception of standard widths ranging from 60 feet by 20 feet units to the maximum of 160 feet was a sound one, but serious practical difficulties arise in particular instances, of which two examples may be given:

(1) For a certain length of road in open country it is accepted that the proper standard width is 100 feet; but at one point it is proposed to retain an existing line of trees by splaying out the up and down carriageways some 4 feet on either side thus bringing the total width to 108 feet. Under the Act as it stands, the Authority must at this point adopt a standard width of 120 feet, involving the imposition of unnecessary restrictions on strips on either side.

(2) In a certain road which is already partly built up all that is effectively possible is a road width of 85 feet. To prescribe the next highest unit width (of 100 feet) would mean that every person building between the 85 feet and the 100 feet lines would be put to the trouble of seeking consent, which the highway authority would in fact give automatically.

8. The imposition of restrictions on a greater area of land than is actually required for the improvement invites opposition, which might not arise if the restrictions were confined to the exact width of construction contemplated. A procedure which necessitates the application of restrictions to a greater area than is required is unsound in principle.

9. To overcome this difficulty, I propose that Section 1 should be amended to provide that a highway authority may by resolution requiring my approval, adopt, instead of a standard width as at present, an improvement plan or a plan for the construction of a new road, as the case may be; and that advertisement of the approval (as under the existing procedure) will bring into force the restrictions of Section 1 on access to and building, etc., on, the land shown on the plan as required for the road improvement or new road. In order to preserve as far as possible the principle of standard widths, the new Clause should include a direction to the Minister and to the highway authority...
that, when considering a plan for the improvement or construction of a road, they should have regard to the need for securing uniform widths for roads. The provisions for advertisement, for notice to owners on the register and for deposit of particulars, will remain as at present.

10. I do not think I need trouble my colleagues with the details of some minor amendments of the 1935 Act which I propose, with a view to removing doubts as to interpretation or simplifying the machinery. These proposed amendments have been agreed with the other Government Departments concerned.

11. The object of the proposed Bill is to ease the financial and administrative obligations on the highway authority, but none of the amendments can fairly be represented as prejudicially affecting the position of landowners. I do not therefore expect the Bill to prove controversial. In the course of my dealings with highway authorities in the current administration of the 1936 Act it will be of great assistance to me if I can assure them of the intention of the Government to introduce the amending legislation set out in paragraphs 6 and 9 of this memorandum.

12. I therefore seek the authority of the Cabinet:-

(a) to inform highway authorities, as occasion may arise, that the Government intend, when possible, to amend the 1935 Act:-

(i) so as to enable Road Fund grants to be given in connection with compensation payable for injurious affection arising from access control under Section 2 (paragraph 6 above);

(ii) so as to substitute an "approved plan" for the "approved standard width" as the means by which Section 1 control will be brought into force (paragraph 9 above); and
(b) to instruct Parliamentary Counsel to draft a Bill, with a view to its submission to the Home Affairs Committee and subsequent introduction into Parliament, to give effect to these proposals and to include minor amendments by way of removing doubts as to interpretation or simplifying the machinery.

E. L. B.

Ministry of Transport.

17th March, 1939.
At their 351st Meeting on 16th March, 1939, the Committee of Imperial Defence had under consideration the Report of a Sub-Committee appointed to investigate the possibility and implications of developing a system of wire broadcasting to such an extent in peace-time as would justify complete reliance upon it in war for passive defence purposes.

2. The Sub-Committee came to the conclusion that they could not recommend any arrangements which would result in the development in the near future of a wire broadcasting system on such a scale as to dispense entirely with the necessity for a wireless system in time of war. The arrangements already approved by the Cabinet for the short-term policy of broadcasting in war-time must, therefore, continue to hold good and must also be regarded as the intermediate-term policy. But since, for the reasons set out in the report, broadcasting by wire has immense advantages over the wireless system in war-time and would be of great value

Annex A.
Cabinet 35 (38) Conclusion 11.
as an adjunct to the restricted wireless system in force
during a war, the Sub-Committee recommended that every
couragement should be given to the development of a
wire system, and formulated their recommendations with
this object in view. The possibility of adopting such
a system for broadcasting purposes in this country to the
exclusion of wireless must be left for consideration in
the future in the light of the development of the wire
system.

3. The proposals of the Sub-Committee are set out
in para. 32 of the Report. The Committee of Imperial
Defence endorsed them, and I now recommend them to
my colleagues for approval.

4. Recommendation (viii) proposes that an announcement
of the scheme for the development of wire broadcasting
should be made in Parliament as soon as possible, and
should include a reference to the deterioration in
war-time of the existing standard of peace-time wireless
broadcasts. I suggest that the terms of this
announcement should be drafted by the Postmaster-General
in consultation with myself.

5. It will be noticed from para. 31 of the Report
that the Governing Body of the British Broadcasting
Corporation have not so far been approached. Through
Sir Noel Ashbridge, Chief Engineer of the B.B.C., who
was a member of the Sub-Committee, both the Chairman
of the Governing Body and the Director-General of the
Corporation have been kept in touch informally with
the deliberations of the Sub-Committee and they have
both indicated that in the circumstances they are prepared to accept its recommendations. I have been in consultation with the Postmaster-General who considers that the most satisfactory procedure would be for the Cabinet to record its conclusions on the Sub-Committee's recommendations before any approach is made to the Governing Body of the Corporation, and to request the Postmaster-General to explain the Cabinet's decisions to that Body at the same time as the announcement of them is made in the House of Commons.

6. Accordingly the Cabinet is now invited:-

(a) to approve the recommendations of the Sub-Committee on Wire Broadcasting set out in para. 32 of their Report (C.I.D. Paper No. 314-A), including the proposal to make an announcement in Parliament on the lines submitted in recommendation (viii), the terms of which should be drafted by the Postmaster-General in consultation with the Minister for Co-ordination of Defence.

(b) to authorise the Postmaster-General to explain the Cabinet decisions to the Governing Body of the British Broadcasting Corporation before at the same time as the public statement of them is made.

(Initialled) C.

Chamond Terrace, S.W.1.

24th March, 1939.
COMMITTEE OF IMPERIAL DEFENCE

Wire Broadcasting
(Previous C.I.D. Paper No. 290-A)

REPORT OF A SUB-COMMITTEE

Richmond Terrace, S.W. 1,
March 10, 1939
COMMITTEE OF IMPERIAL DEFENCE.

Sub-Committee on Wire Broadcasting.

COMPOSITION AND TERMS OF REFERENCE.

THE Minister for Co-ordination of Defence desires that a Sub-Committee, composed as follows:

Captain the Rt. Hon. Euan Wallace, M.C., M.P., Financial Secretary to the Treasury (in the Chair),
Mr. A. P. Waterfield, C.B., Principal Assistant Secretary, Treasury,
Mr. F. C. Johnson, Assistant Under-Secretary of State, Home Office,
Air Commodore C. W. Nutting, O.B.E., D.S.C., Director of Signals, Air Ministry,
Wing Commander C. K. Chandler, M.B.E., Directorate of Signals, Air Ministry,
Mr. F. W. Phillips, C.M.G., Director of Telecommunications, General Post Office,
Colonel A. S. Angwin, D.S.O., M.C., Deputy Engineer-in-Chief, General Post Office,
Sir Noel Ashbridge, B.Sc., M.I.E.E., British Broadcasting Corporation,
Mr. C. N. Ryan, D.S.O., M.C., Mr. L. F. Masters, Joint Secretaries,
should be set up with the following Terms of Reference:

"To investigate the possibility and implications of developing a system of wire broadcasting to such an extent in peace-time as would justify complete reliance upon it in war for passive defence purposes. The investigation should cover, inter alia, the possibilities of a service to telephone subscribers as outlined by the Post Office.

Richmond Terrace, S.W. 1,
January 6, 1939.
Sub-Committee on Wire Broadcasting.

REPORT.

INTRODUCTION.

In the summer of 1938 the Standing Sub-Committee of the Committee of Imperial Defence on the Control of Radio Transmission had under consideration the arrangements to be made for broadcasting in the event of war. In the course of their enquiries they were impressed with the difficulties which would be experienced in operating during war a wireless system which would be adequate for the needs of civil defence but which would not provide assistance to an enemy, and they reached the conclusion that only a wire broadcasting system could completely fulfil these conflicting requirements. They therefore recommended* that the possibility and implications of the introduction of such a system in peace on a scale sufficient to rely on it exclusively in time of war should be considered by an authoritative body. This recommendation was endorsed in their report of the 22nd July, 1938, by the Cabinet Committee on Overseas Broadcasting, to whom the Post Office had submitted a Memorandum† on the matter. The Cabinet also approved the recommendation at its Meeting on the 27th July, and we were accordingly appointed on the 6th January last with terms of reference as set out on the opposite page.

Present Position of Wire Broadcasting.

2. Wire broadcasting is at present available to a very small section of the public in certain parts of this country through the medium of 326 Relay Exchange Companies, which have only about 250,000 subscribers, representing rather less than 3 per cent. of the total number of wireless licensees. Each of these Companies receives wireless broadcasts in the ordinary way at a central station, provided and operated by the Company. At this station the wireless signals are converted to "audio" frequencies and are transmitted by wires to the subscriber's premises, at which the only apparatus required is a loudspeaker. The wires between the central station and the subscriber's premises are normally erected and maintained by the Companies, although in some cases a few lines connecting the central stations to distribution points are rented from the Post Office. The great majority of the Companies charge 1s. 6d. a week and offer a choice of two programmes. A very few offer three or four programmes; and 68 small exchanges, serving about 12 per cent. of the total number of relay subscribers, give only one programme and charge fees of the order of 1s. 6d. a week.

Possibilities of Expansion in the Near Future.

3. If wireless broadcasting has to close down in war time and we are to rely entirely upon a system of wire broadcasting as a substitute, it would, in our opinion, be necessary to ensure that at least 70 to 80 per cent. of listeners (or say seven millions out of the present total of about nine millions) should be equipped for wire reception. Whatever may be the possibilities of an expansion on a self-supporting basis in the activities of the Relay Companies, with which we deal in the later parts of this Report, it is clear that such a development could not be expected within the next few years. In order to secure such a large-scale transfer from wireless reception to wire reception within a period of, say, two or three years, we are satisfied that it would be necessary for the State itself to provide a wire service on a nation-wide scale and to offer it to the public at a nominal fee or even free of charge.

4. To this, however, there are two insuperable objections:—

(a) First, for a free service the capital cost involved would be of the order of £100 million, on which the interest and sinking fund alone would be between £4 and £5 million a year. In addition, the Exchequer would have to bear the annual cost of maintenance and operation which would amount to several millions more. Further details are set out in the Appendix to this report.

* C.I.D. Paper No. 290-A.
† Paper No. A.B.C. (37) 26, not reproduced.
Secondly, the Post Office is at present and will for some time to come be abnormally pressed since, apart from the development of the ordinary telephone service, it has been charged with a vast amount of special emergency work for the Fighting Services and Civil Defence, which would be seriously prejudiced if the energies of its engineering staff were diverted to the rapid development of a wire broadcasting service on a national scale.

5. We do not, therefore, regard such a scheme for a national-wide service of wire broadcasting as a practical proposition, and we are satisfied that the country must for the time being continue to rely in the event of war on such wireless broadcasting as may be possible within the limits set by considerations of defence. The current arrangements for wireless broadcasting in an emergency have, in fact, already been approved by the Committee of Imperial Defence and the Cabinet as the short-term policy for war-time broadcasting. For the reasons given above these arrangements, subject to such modifications as may become necessary in the light of further investigation and technical development must, we think, continue to be regarded as an "intermediate-term" policy.

6. We have now to consider whether wire broadcasting can play a useful part in any long-term scheme for broadcasting in time of war. Before a conclusion can be reached on this question, it is necessary to assess the advantages which such a system would have in time of war and to consider the extent to which it is likely to be developed in peace by commercial methods without subsidy.

War-Time Comparison of Wire and Wireless Broadcasting.

7. Whilst wire broadcasting has certain advantages in peace time to offset the limited choice of programme, in war it has the inestimable merit, as compared with a wireless system, that it gives no navigational aid to enemy aircraft and that transmissions by it cannot be intercepted, so that Government announcements and instructions can be given with a greater freedom than would be possible if they were capable of being picked up by an enemy. It can therefore be operated on virtually the same scale as in peace time. Moreover, it would not be necessary, as in the case of synchronised wireless broadcasts, for the same transmissions to be sent all over the country. A wire system could be used for making, over limited areas, announcements of local significance which might not be suitable or necessary for national broadcasting. These substantial advantages are enhanced by the fact that it seems unlikely that the present arrangements for broadcasting by wireless in time of war (which cannot, in any case, be expected to give a service approaching the peace-time standard) are capable of appreciable improvement, and may, indeed, as a result of technical development in the methods of direction-finding, be subjected to claims by the Defence Services for further restriction.

Possible Long-Term Expansion of Wire Broadcasting.

8. We feel, therefore, that, as an important measure of national defence, the further expansion of the wire system should be encouraged and that all reasonable steps should be taken to introduce it in peace time as widely as possible, short of providing an Exchequer subsidy and subject to adequate programme safeguards. We believe that, given time, a very large development of wire broadcasting could be effected by the natural expansion of the activities of the Relay Companies, on an ordinary commercial basis without subsidy from the Exchequer. The number of recipients of broadcasts by wire could be further extended by Post Office transmission over the telephone system. In war the existence of a wire broadcasting service even on a partial scale might prove of considerable value, whilst the possibility of adopting it to the exclusion of wireless could be further considered in the future in the light of the development that may result if the proposals in this report are accepted. Broadcasting by wire only during war time is, of course, the ideal of our long-term policy, since it is by this means alone that the conflicting desiderata of maximum facilities and the elimination of navigational assistance can be fully reconciled.
9. We have not overlooked the recommendation in the report* of the Ullswater Committee in 1935 that the licences of the existing Relay Companies should be withdrawn as soon as they expired (on the 31st December, 1936), and that the ownership and operation of relay exchanges and the technical development of wire broadcasting in general should be undertaken by the Post Office and the control of relay programmes by the British Broadcasting Corporation. This recommendation was not accepted by His Majesty's Government, who decided to extend the existing licences for a further period of 3 years only, expiring on the 31st December, 1939, during which the Post Office should carry out experiments with a view to determining whether the relay services might gradually be taken over by the Post Office itself. That Department made plans to open an experimental service in Southampton early in 1938 on the "audio" system as adopted by the Relay Companies. The wireless trade, however, organised a vigorous campaign against what it regarded as the first step towards the nationalisation of the Companies' services. As a result of this campaign, the Town Council, which had previously supported the project, decided to oppose it, and in these circumstances the Post Office abandoned the experiment.

Future Policy in regard to Relay Companies.

10. The question of policy in regard to the relay companies must in any case be settled at a very early date since notice would have to be given to the Companies before the 30th June if it should be decided to terminate their licences on the 31st December next. The position has changed fundamentally since the Ullswater Committee reported, and it is now necessary to take into account not merely general principles of broadcasting policy but also the defence requirements of the nation. We submit that the latter should be the governing consideration in determining the decision.

Methods of Expansion of Wire Broadcasting.

11. We consider, therefore, that every method of encouraging the development of wire broadcasting without subsidy from the Exchequer should be adopted. Such an expansion can be achieved:

(a) by an extension of the Relay Companies' licences for a substantial period, subject to appropriate conditions, and

(b) by the concurrent development of a wire broadcasting service over the Post Office telephone network.

Relay Companies' Services.

Extension of Licences.

12. As stated in paragraph 9, the present licences of the 326 Relay Companies are terminable by six months' notice expiring on the 31st December next. During the last few years they have been marking time owing to the uncertainty of their position, but if they were given a substantial extension of their licences they would be encouraged to embark on fresh capital expenditure and development. There seems little doubt that such a development would take place on a wide scale as these services are extremely popular with the type of customer served. We recommend therefore that the licences be extended for a period of 10 years, subject to certain alterations in their provisions which are indicated in the following paragraphs. The B.B.C. Charter expires seven years after the current relay companies' licences and the experience of 1936 shows that there is advantage in considering the position of the companies some little time after the review of the B.B.C. Charter. Apart from this consideration, we think a 10 years' extension would be a material inducement to the Companies to widen the field of their services and to instal plant and equipment of good quality, and that in this respect it would be definitely preferable to one of shorter duration. New licences, whenever issued, should of course be terminable on the same date, namely 31st December, 1949.

* Cmd. 5001.
Number of Programmes.

13. The current licences require the companies to give a choice of two programmes. An exception to this rule was, however, made in the case of the 68 small exchanges, serving about 12 per cent. of the total number of relay subscribers, which gave only one programme and charged a very low fee. They are in poor districts and it was considered undesirable to risk closing them down by enforcing the new rule. We recommend that the new licences should provide that at least two programmes must be given, and that the exception in favour of the existing one-programme exchanges should be continued.

Control of Programmes.

14. The current licences impose the following restrictions on the programmes distributed:

(a) Only broadcast programmes may be transmitted to subscribers; in particular the company may not itself originate messages, music, &c.
(b) Programmes or messages containing political, social or religious propaganda received in the English language from a station abroad may not be transmitted.
(c) The Company must obey any directions given by the Postmaster-General as regard the programmes to be distributed to subscribers.
(d) The Company may not receive any money or other consideration, other than its subscribers' payments, for the distribution of programmes.
(e) Subscribers must be given the choice of receiving one of two programmes, and at all times when programmes are being broadcast by the B.B.C., one of such programmes shall be available to subscribers.
(f) The Postmaster-General may require the Company not to transmit to its subscribers such messages or classes of messages as he may indicate.

We understand that arrangements are being made between the Home Office and the Post Office whereby the restriction (a) above would be modified so as to admit that in time of emergency a Company should transmit announcements of local significance ordered by the local A.R.P. or Police authorities.

15. We recommend that the foregoing provisions be continued in the new licences, subject to a modification of (e). At the time the current licences were issued the Companies giving only one programme were informed that this provision might be regarded as inoperative so long as a single programme only was provided. All the Companies were also informed, in accordance with a Cabinet decision, that while the Postmaster-General was anxious not to fetter their discretion in regard to the choice of programmes, apart from the requirements provided by (e) above, he saw very great objection to any growth in the relaying of advertisements included in certain programmes from abroad, and he hoped that the Companies would bear in mind this expression of opinion, as, if the relaying of advertisement programmes grew to serious proportions, he might have to take drastic action in regard to it.

16. An investigation by the Post Office shows that the Companies make up a very large proportion of their programmes by using B.B.C. broadcasts. Whilst we have no reason to think that they will wish to change this practice, we consider that it would be desirable, in view of the long period proposed for the new licences, to include a provision on the following lines requiring a definite percentage of British programmes to be given:

(a) Existing one-programme services should be required to provide a B.B.C. programme for at least 90 per cent. of the total weekly time during which such a programme is available.
(b) Two-programme services should be required to provide a B.B.C. transmission on one programme at all times it is available, and in addition a second B.B.C. transmission for at least 75 per cent. of the total weekly time when two B.B.C. programmes are available.
(c) Services giving more than two programmes should be required always to provide two B.B.C. programmes whenever they are available, or one B.B.C. programme when only one is available.
The Companies are already in practice fulfilling these conditions and their inclusion in the Licences will involve no change of practice, although it will afford a safeguard against any undue extension of the use of foreign advertising programmes.

Connection by wire with B.B.C. stations.

17. A few companies who have experienced difficulty in obtaining reception free from interference have from time to time asked to be allowed to obtain their programmes by wire from the control rooms at B.B.C. stations. Such requests have hitherto been refused. Since the whole object of our proposals is the elimination as far as possible of wireless transmission in time of war, we consider that this prohibition should be withdrawn and that the Companies should not only be encouraged to obtain their programmes in this way, but that the Postmaster-General should have power under the licence to require them to do so, subject to the payment of a suitable rent. The Post Office should endeavour to provide in peace time (1) for the actual use of wires in this way on rental terms in all cases where conditions are suitable, and (2) for arrangements to be made, in cases where the requirement could not reasonably be enforced on a Company in peace time, for circuits to be earmarked, ready to be brought into use for wire broadcasting immediately an emergency arose.

Purchase by Government.

18. We consider it essential to retain the provision in the current licences whereby, if they are terminated, the Postmaster-General may, if he so desires, take over the plant and apparatus on "tramway terms," i.e., payment of its value at the time, exclusive of any allowance for loss of profit or goodwill, subject to arbitration in case of disagreement.

Emergency.

19. The existing emergency clause in the licences should be expanded to provide that the Postmaster-General may take possession of the exchanges in time of emergency and close them or may require their working to be continued under his direction or subject to his instructions in regard to the matter to be relayed.

Service over Telephone Network.

General nature of Service.

20. We recommend that, concurrently with the development of the Relay Companies' services, the Post Office should introduce a service by "carrier" frequency over the telephone network. By this means a choice of four programmes could be given, two of which would no doubt be the National and Regional B.B.C. programmes, whilst the remaining two would be selected under a procedure to be agreed between the Post Office and B.B.C. A subscriber to this service could use his telephone simultaneously with the reception of a broadcast programme. As opposed to reception by "audio" frequency from the relay companies which requires only a simple form of loudspeaker, a full receiving set would be needed. Nearly all residential telephone subscribers have wireless sets which could be used for this purpose. By turning a switch a subscriber could either (a) receive one of four programmes by wire or (b) use his own set for reception of other programmes whether British or foreign. There are about a million residential telephone subscribers and 700,000 business subscribers. The service would be introduced first in districts where conditions seemed most favourable to its success.

Advantages in Peace and War.

21. The main advantage of the service in peace time would be, as in the case of the Relay Companies, to give an improved quality of reception, especially in districts where there is considerable interference. In war time, it would
provide all the advantages of the wired system. Moreover, the service would, for the most part, not be in competition with that provided by a Relay Company, since the latter type of service appeals mainly to people who find it difficult to buy a wireless set, whereas the telephone service would be available to people who already possess one.

Extension to Non-Telephone Subscribers.

22. The service could be extended to non-telephone subscribers, a telephone line being linked to 4 or 5 non-telephone subscribers in the vicinity. We recommend that, in announcing the scheme, it should be made clear that the service might eventually be extended to non-telephone subscribers; although at the outset it would be in practice restricted to telephone subscribers, leaving the question of extension to non-subscribers to be decided at a later stage after sufficient experience had been obtained of the new service.

Scale of Charges.

23. We understand from the Post Office that the service could be offered without subsidy from the Exchequer to telephone subscribers—and later, if so decided, to non-telephone subscribers—at a charge of about 25s or 30s a year, on the understanding that their own wireless sets were used. When a set required renewal it would be possible to replace it by a simpler and cheaper type of set suitable for the telephone broadcast service and capable of direct wireless reception from a local B.B.C. station, but not from distant stations. The Post Office would no doubt arrange with radio manufacturers for suitable sets to be sold through ordinary trade channels.

Service over Electricity Supply Wires.

24. The suggestion has sometimes been made that broadcast programmes should be distributed by means of the electric light wire network, and such a system has been successfully demonstrated on a small scale. A simple type of receiving set would be installed in the subscriber’s house with the necessary connections, and, under the latest scheme that has been suggested, it would be necessary to provide a backbone network of special wires in each town. In some areas the electric light plant would not be suitable; and where conditions were favourable it appears to be an open question whether the service could be provided more cheaply than by the present system adopted by the Relay Companies. So far as we are aware, no country has adopted a system of broadcasting over the electric light wires; we understand that it was tried in the United States some years ago and abandoned. Nevertheless, if the system should be found to be technically and economically sound, we see no reason why it should not be developed in this country.

25. We understand that electricity supply undertakings at present have no legal powers to use their wires for the distribution of broadcast programmes and that efforts that have been made in the past to obtain such powers from Parliament have failed, mainly owing to the opposition of the wireless trade.

26. We consider that any possible method of development of wire broadcasting should be encouraged, and we therefore recommend that the Government should be prepared to assist the electricity supply industry to obtain powers to allow any licensed relay company to use their lines on rental terms for the transmission of broadcast programmes. Provision should be made that the undertakings, whether municipally or privately owned, should have no power to conduct a wire broadcasting service themselves, but should only be authorised to allow a licensed Relay Company to make use of their lines for that purpose. The undertakings would thus have no responsibility whatever for the day-to-day conduct of the service or power to influence the choice of programmes. Responsibility for the service would rest solely, with the Relay Company, which would be under the control of the Postmaster-General through the terms of its licence.
Announcement of the Government's Decision.

27. A very powerful stimulus to rapid development of the relay system would undoubtedly be some authoritative indication that it might not be possible to maintain wireless broadcasting on peace-time standards in time of war. If our proposals are accepted by the Government, we recommend that they should be announced in Parliament at the earliest possible date, in order to remove the uncertainty of the Relay Companies regarding their future and to enable them to proceed at once with the development of their existing services and the establishment of new ones. For the reason given above we suggest that the announcement of the scheme should contain some indication that, whilst it is the intention of the Government to maintain wireless broadcasting in time of war, the service would undoubtedly be liable to some deterioration or occasional interruption as a result of enemy jamming or other interference.

Implications of the Development of Wire Broadcasting.

28. We have been asked to report on the implication of a substantial development in the existing wire broadcasting services. These must be considered in relation to (1) the wireless trade and (2) the general standard of broadcast programmes received in this country.

Effect on Wireless Trade.

29. Under the "audio" system adopted by Relay Companies a subscriber requires only a loud speaker instead of a complete wireless set. Wireless manufacturers and retailers would therefore to some extent be adversely affected. On the other hand, the manufacturers will be engaged on making the loud speakers required for any expansion of the wire system, and additional employment will be given by the relay and cable manufacturing Companies. The present is relatively a convenient time to initiate a change since many wireless manufacturers are busily engaged in making component parts for the armament supply industry. It must, however, be recognised that any substantial expansion of the wire broadcast system, whenever it occurred, would be bound to lead to some readjustments in the trade. But that, we submit, is not a sufficient ground for withholding a service for which it is clear that there is an appreciable demand in peace and which would be of great value in the event of war. Broadcasting presumably exists for the benefit of licence-holders; and wireless manufacturers and dealers must accommodate themselves to supplying the type of plant that gives the subscriber the services he desires.

Effect on Programmes.

30. As regards programmes, there is no doubt that the popularity of the services offered by the existing relay companies is due in part to the fact that they provide (particularly on Sundays, but also in the mornings before the B.B.C. programmes) alternative programmes of a more "popular" type from stations on the Continent, notably Radio Normandy and Luxemburg. These programmes include advertising material. We have not overlooked the possibility that, if the wire system is developed on a large scale, additional stations issuing programmes, financed by the advertising material which they contain, might be established on the other side of the Channel, with the result that broadcasting programmes received in this country might gradually become to some extent commercialised. An examination of the programmes of the Relay Companies over the last two years, however, shows that over 80 per cent. of the total programme time of the Companies was devoted to B.B.C. programmes, and that they do not in fact make anything like full use of their present powers to broadcast programmes from foreign advertising stations. While the relay exchanges can give much better reception of foreign stations than is possible for a number of existing wireless listeners owing to bad reception conditions in their homes, it is, on the other hand, open to the majority of wireless listeners, if they so desire, to tune in all day to foreign advertising stations rather than take a B.B.C. programme. Our proposals, set out in paragraph 19 above, involve, in terms though
not in practice, some tightening up of the existing conditions and we think they should be adequate to ensure that the general standard of broadcast programmes received in this country is not seriously affected. Furthermore, over and above the specified programme conditions now proposed, the Postmaster-General will continue to have the complete powers of control which he now possesses and will be in a position to take action if the Companies misuse such liberty regarding programmes as they retain.

**Consultation with the Governors of the B.B.C.**

31. We have had the great advantage of representation of the British Broadcasting Corporation on our Committee through its Chief Engineer, Sir Noel Ashbridge, but we have thought it inappropriate at this stage to approach the Governing Body of the Corporation.

**Recommendations.**

32. The following are our recommendations:

(i) The development of a wire broadcasting service on a nation-wide scale within two or three years could only be achieved by the provision of the service free and the assumption by the Post Office of responsibility for the development. This course, which would involve a capital expenditure of some £100,000,000 and annual charges of some millions of pounds, cannot be regarded as a practical proposition (paragraphs 3-5).

(ii) The present short-term arrangements for wireless broadcasting in time of war must also be regarded as the intermediate-term arrangements, subject to such modifications as may result from further investigation or technical development (paragraph 8).

(iii) In view of the great advantages of a wire over a wireless system in the event of war, every method of encouraging its development in peace without subsidy from the Exchequer should be adopted (paragraphs 7-10).

(iv) Development should be effected (paragraph 11)—

(a) through the expansion of the services at present provided by Relay Exchange Companies;

(b) through a Post Office Service over the telephone network.

(v) **Relay Exchange Companies.**

(a) Licences for existing Companies should be extended for 10 years to the 31st December, 1949 (paragraph 12), subject to conditions regarding programmes, connection by wire to stations of the British Broadcasting Corporation, purchase by the Government and control in an emergency, set out in paragraphs 13-16, 17, 18 and 19 respectively.

(b) Licences for new Companies should be terminable at the same date and be subject to the same conditions as in the case of existing Companies (paragraph 12).

(vi) **Post Office Service over the Telephone Network.**

(a) The service should be introduced first in districts most favourable to success, and should be restricted, in the first place, to telephone subscribers; but a reference to its possible extension eventually to non-telephone subscribers should be included in the initial announcement (paragraphs 20-22).

(b) The service should be operated on an economic basis without subsidy, probably at a cost to the subscriber of 25s. to 30s. per annum (paragraph 23).

(vii) **Electric Light Network.**—The Government should be prepared to assist the electricity supply industry to obtain powers to grant permission to any licensed Relay Company to use their lines on rental terms for the transmission of broadcast programmes (paragraphs 24-26).
(viii) An announcement of the scheme for the development of wireless broadcasting should be made in Parliament as soon as possible and should contain an indication that, whilst it is the intention of the Government to maintain wireless broadcasting in time of war, the service would be liable to some deterioration or occasional interruption as a result of enemy jamming or other interference (paragraph 27).

Signed on behalf of the Sub-Committee:

EUAN WALLACE, Chairman.

(Signed) C. N. Ryan
L. F. Masters

Joint Secretaries.

Richmond Terrace, S.W. 1,
March 10, 1939.
APPENDIX.

APPROXIMATE COST OF ESTABLISHING A NATION-WIDE WIRE BROADCASTING SERVICE.*

THE best estimate that can be made by the Post Office of the incidence between Urban and Rural areas of the total capital cost of schemes for serving 8,000,000 subscribers (excluding ¾ million on Relay exchanges) by wire broadcasting is as indicated below:

<table>
<thead>
<tr>
<th>Type of Service</th>
<th>Capital Cost (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1½ million telephone subscribers</td>
<td>6,250,000</td>
</tr>
<tr>
<td>¼ million non-telephone subscribers linked to telephone network</td>
<td>1,375,000</td>
</tr>
<tr>
<td>Balance of 6½ millions to be served by audio system</td>
<td>100,000,000</td>
</tr>
<tr>
<td>Total</td>
<td>107,625,000</td>
</tr>
<tr>
<td>or say</td>
<td>100,000,000</td>
</tr>
</tbody>
</table>

The distribution of telephone subscribers between Urban and Rural areas is approximately as follows:

85 per cent. in Urban areas.
15 per cent. in Rural areas.

It seems probable that the proportion of wireless listeners in Rural areas is higher than the telephone proportion, though the latter figure which is based on rural areas no doubt includes some areas which are Urban in character. In the absence of any precise information the assumption is made that the proportion may be of the order of 20 per cent. On this basis and allowing for the higher costs in providing wire broadcasting in Rural areas, the capital cost is very broadly put at—

£65,000,000 in Urban areas.
£35,000,000 in Rural areas.

It is clear that the total cost could be materially reduced if the extension to listeners in Rural areas was limited so as to exclude the less accessible cases. There is, however, no basis for framing any estimate in figures of the possibilities of limitation on these lines.

Joint Memorandum by the Lord Chancellor and the Secretary of State for Dominion Affairs.

We were asked to adjudicate upon certain matters in dispute between the Secretaries of State for War and for Air on the one hand, and the First Lord of the Admiralty on the other hand, with reference to the status of the Judge Advocate General and the Judge Advocate of the Fleet. The difference of opinion arose out of a draft Cabinet Paper prepared by the Secretaries of State for War and for Air making certain recommendations in consequence of a report of a Committee (presided over by Mr. Roland Oliver, K.C.) appointed by the Secretaries of State to examine the existing system of trial by court martial under the Army and Air Force Acts.

2. We had no formal terms of reference and we have been in doubt as to the precise scope of the matters which we should take into consideration.

3. The Courts Martial Committee were of opinion that the position of the Judge Advocate General should be one of absolute independence. They therefore recommended that he should be appointed on the recommendation of, and
be responsible to, some Minister other than the Secretaries of State for War and Air. They also recommended that the functions of the Judge Advocate General's office in connection with the conduct of prosecutions should be transferred to an independent directorate with a separate head and a separate staff and office. The Committee further recommended that the whole status of the Judge Advocate General and his staff should be raised: that in the case of petitions raising questions of law and referred to the Judge Advocate General for his opinion, his reasons for his advice to the responsible authority should be given to the petitioner in writing; that the Judge Advocate General should be empowered to hear arguments with reference to any question under consideration by him; that the Judge Advocate General should have the right to obtain the opinion of the Court of Criminal Appeal upon a point of law of novelty or exceptional difficulty; and that the Judge Advocate at a court martial should not retire with the Tribunal except for consideration of sentence.

4. The Secretaries of State on receiving this report proposed to give effect to its recommendations by alterations of the law to the following effect:—

(1) that the Judge Advocate General should be appointed by Letters Patent on the recommendation of the Lord Chancellor, with the approbation of the Secretaries of State and that he should only be removable from office in the same way as a Judge of the High Court, that is, by a decision of both Houses of Parliament:
that the emoluments of the Judge Advocate General should be paid out of the Consolidated Fund of the United Kingdom:

(3) that the new Letters Patent should provide that the Judge Advocate General should not be called upon to observe the orders of the Secretaries of State or to advise before trial as to the prosecution of any offence before a court martial:

(4) that the Judge Advocate General should retire at an age to be determined:

(6) that the Judge Advocate General should, if he so desired or if so required by the Secretaries of State obtain the opinion of the Court of Criminal Appeal upon a point of law:

(6) that the Judge Advocate General should hear argument on any matter under his consideration if he so desired.

5. Upon being furnished with a copy of the draft memorandum prepared by the Secretaries of State, the First Lord took strong objections to the proposals on the ground that, although they did not expressly concern the position of the Judge Advocate of the Fleet, it would be difficult, if not impossible, for him to be on an entirely different basis from that of the Judge Advocate General and that the Admiralty were therefore directly and immediately concerned in the proposals. The First Lord's main objection as we understand it was to the proposal to give the Judge Advocate General the status suggested in the Courts Martial Report. The First Lord also took exception to the proposal that the
Judge Advocate General should hear evidence himself or should be at liberty to obtain the opinion of the Court of Criminal Appeal, the ground of this objection being that the proposals come dangerously near opening an appeal from the court martial.

6. We have had the advantage of discussing the matters in question with representatives of the three Services. In the course of these discussions it became apparent that the circumstances with which Naval Courts Martial have to deal differ, and in some respects widely, from those which relate to offences under the Army and Air Force Acts. Stating the matter very shortly, four things should be borne in mind as regards the Navy:

First, offences against the ordinary criminal law of the United Kingdom committed on shore (not including arsenals, dockyards and other premises used for naval or military purposes) are not dealt with by Naval Tribunals.

Secondly, offences committed by men living under the conditions of ship life are often so serious as regards their reactions on the ship's company as a whole that they have to be regarded and dealt with from a special standpoint which a landsman may not very easily understand.

Thirdly, offences of the nature of breaches of discipline and charges in relation to negligence or default in carrying out professional duties are matters which can only be dealt with efficiently by naval tribunals.
Fourthly, the Naval Courts Martial have often to be convened in far distant places and in out of the way ports, thousands of miles away from this country, and it is necessary in the interests of discipline, both in times of peace and of war, that the sentences awarded by Courts Martial should be given immediate operation.

For these and other reasons we have come to the conclusion that, as in the past, there should be no appeal in the proper sense from any of the findings of a Naval Court Martial, and that it would be a serious mistake so to alter the present system as to suggest to the public that some kind of Court of Appeal is now being contemplated. The functions of the Judge Advocate of the Fleet should in substance remain as they are, that is, of a purely legal character. He is and should be concerned with nothing more than the legality of the trial and sentence. In performing these duties he holds a position analogous to that of Counsel retained to advise the Board of Admiralty. We think therefore that it is undesirable that he should be given or appear to possess the status of a High Court Judge; since his responsibilities and functions are quite different and are performed in a wholly different manner from those of a High Court Judge. On the other hand, we are of opinion that the terms of his appointment should be such as to render impossible any suggestion that he is the nominee of the Minister whom it is his duty to advise. We therefore recommend that, his qualifications being essentially legal, he should be appointed by the Lord Chancellor under Letters Patent after consultation with,
or with the approval of the First Lord. We think that he should be appointed for a term of years and should be removable on the joint recommendation of the Lord Chancellor and the First Lord. We also think that the Judge Advocate of the Fleet should be relieved of any responsibility for advising the Admiralty in matters relating to the provision for or conduct of trials by courts martial. We are informed that the occasions on which such advice is sought are very rare. The change which we recommend is therefore rather one of form than of substance. We have however come to the conclusion - which may be of some importance in dealing with uninformed criticism - that the position of the Judge Advocate of the Fleet as an adviser on points of law should be marked by a requirement that in the event of his advising the Board of Admiralty that irregularities in a court martial have produced a miscarriage of justice in the conviction of the accused, the Board of Admiralty should be obliged to accept the advice and quash the conviction without prejudice to their right to direct a new Court Martial to be held if they think fit. Here again we understand that cases in which the Board of Admiralty do not act on the advice of the Judge Advocate of the Fleet when it is to the effect we have mentioned are practically unknown or at any rate have been very rare indeed in recent times. In other cases we think the Board of Admiralty should be free as now to take such action on the advice they have received as they may think the case requires.
8. We are opposed to any suggestion that the Judge Advocate of the Fleet should have the right to hear arguments by the parties or their Counsel after a court martial has been held though it should be permissible for statements in writing of their contentions to be placed before him for his consideration. For somewhat similar reasons we think it would be unwise to empower him to obtain the opinion of the Court of Criminal Appeal upon questions of law. It may be observed that questions of law and fact are often very closely connected and in our view it would sometimes be very difficult for the Court of Criminal Appeal to disentangle the two in a case involving naval matters and to give a useful decision.

9. Having formed these opinions with regard to the status and functions of the Judge Advocate of the Fleet we proceeded to consider the proposals of the Secretaries of State. If in so doing we have exceeded our terms of reference this part of our report will be disregarded except in so far as it may be taken as an expression of our opinion as members of the Cabinet.

10. We have come to the same conclusions with reference to the appointment and the dismissal of the Judge Advocate General as in the case of the Judge Advocate of the Fleet and we need not repeat those conclusions. Apart from this matter it may well be that the regulations or amendments of the law in relation to Courts Martial in the Army and Air Force should be different from those in the Navy for the reasons above indicated.
11. We agree with the recommendation of the Secretaries of State that provision should be made in the Letters Patent of appointment to the effect that the Judge Advocate General should not be called upon to observe the orders of the Secretaries of State or to advise before the trial as to the prosecution of any offence before a court martial. We are of opinion that either in the Letters Patent or other instrument of appointment of the Judge Advocate of the Fleet similar provisions should appear.

12. We have not thought it necessary in this memorandum to consider the formal amendments in the law if any which may require to be made to give effect to our recommendations. We understand that as the result of our discussion of the matters in question with the representatives of the three Departments, there will be no difficulty in devising suitable methods of giving effect to our advice if it is accepted and, although the representatives of the Departments had no authority to bind the First Lord or the Secretaries of State, we believe our recommendations will be agreeable to the views of the Departments. The broad intention underlying our recommendations is that the Judge Advocates should be made to appear what in practice they have been for many years, namely, independent advisers of the Departments to which they are appointed, and that they should be relieved of any duties in connection with the conduct of the prosecution of accused persons. So far as the minor details of the recommendations of the Courts
Martial Committee or of the Secretaries of State in their draft memorandum are concerned, these are matters capable of adjustment and we have thought it unnecessary to consider them in this memorandum. We have not expressed any opinion with reference to the proposal that the emoluments of the Judge Advocate General should be paid out of the Consolidated Fund of the United Kingdom. This is a matter primarily for the consideration of the Chancellor of the Exchequer, though if our opinion is desired it is to the effect that we should see no advantage in the proposal.

(Intld.) M.
T.W.H.I.

Lord Chancellor's Office,
House of Lords.
CONVERSATIONS WITH THE FRENCH.

Note by Minister for Co-ordination of Defence.

At their meeting held on the 16th March, 1939,* the Committee of Imperial Defence had under consideration the attached Memorandum† by the Secretary of State for War in which he proposed that discussions should take place between British and French scientists on the subject of chemical warfare.

2. In the course of the discussion, it was pointed out that the Strategical Appreciation Sub-Committee, while examining the scope of our forthcoming staff conversations with the French, had taken the view that on balance we stood to gain more than we had to lose by taking the French completely into our confidence with regard, not only to our plans, but also in the matter of such secret equipment as R.D.F. and Asdics, on the grounds that, as the French were to be our allies, it was to our advantage that they should be as effective as possible. It was, therefore, suggested that the Committee of Imperial Defence should take the opportunity to make a decision on the question of R.D.F. and Asdics in conjunction with the proposals of the Secretary of State for War about chemical warfare, as it seemed logical that the same general principle should apply to the whole field of our defensive preparation.

3. The Committee of Imperial Defence, after a full discussion, agreed—

(a) to approve the proposal of the Secretary of State for War contained in his Memorandum (C.I.D. Paper No. 1535-B) that there should be discussions between British and French scientists on chemical warfare;

(b) that these discussions should cover the whole field of experimental, as well as approved matters, and be conducted with French civilian scientists. They should be completely unrestricted in scope, but it should be stipulated that British processes of manufacture should not be divulged;

(c) that the arrangements for (b) above should be the subject of negotiations between the respective representatives at the forthcoming Staff Conversations;

(d) to take note that the Strategical Appreciation Sub-Committee had reached the conclusion that the forthcoming Staff Conversations should include disclosure to the French of most secret equipment, such as R.D.F. and Asdics, subject to the stipulation that such of our secret equipment as the French may desire to adopt must be manufactured in this country; and to approve action on these lines.”

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* 301st Meeting, Minute 6.
† C.I.D. Paper No. 1535-B.

[1856]
4. The Committee of Imperial Defence recorded the following additional conclusion—

"(e) that, in view of the fact that the proposals in conclusions (a) to (d) above to take the French into our confidence about the technical details of R.D.F., Asdics and gas warfare are somewhat in conflict with the Cabinet decision quoted on page 10 of these minutes (reproduced in footnote below), the Minister for Co-ordination of Defence should be invited to bring conclusions (a) to (d) above to the notice of the Cabinet for their approval."

5. I accordingly seek the approval of my colleagues to the conclusions reached by the Committee of Imperial Defence as set out in paragraph 3 above.

(Initialled) C.

*Richmond Terrace, S.W. 1,*  
*March 28, 1939.*

*[Footnote.—"That the Chiefs of Staff should have authority to impart to the French such information as to our plans and resources (other than certain technical details) as is necessary to ensure co-ordination in peace and efficient co-operation in war." (Cabinet 6 (39), Conclusion 7 (6).)]*
MEMORANDUM BY THE SECRETARY OF STATE FOR WAR

1. In September, 1938, a delegation comprising members of the Chemical Defence Committee and the Chemical Defence Research Department proceeded to Paris, under my instructions, to discuss with a representative of the French War Department, General Pognon, matters concerning anti-gas protection.

The main object of the interview was to find out what were the views of the French Authorities on the question of protection against particulate clouds, and the discussions were limited largely to approved matters.

2. These conversations undoubtedly served a useful purpose, and it is desired to continue them but with a much wider scope, covering the whole field of experimental as well as approved matters, and conducted with French civilian scientists.

3. There seem to be three methods of conducting those conversations:

(a) Completely unrestricted in scope and conducted without any reservations.
(b) Unrestricted in scope but conducted on our side with definite reservations as to specially secret matters.
(c) Conversations limited to defensive problems in the first instance.

4. With regard to (a), we should have to disclose many experimental matters regarded of the highest secrecy which are at present withheld from the majority of British officers, and which equally involve departments other than the War Office. To communicate these matters to our friends must inevitably increase the chance of their getting known to potential enemies. This would be a more serious matter in peace than in war, as it would give the potential enemy time to find an antidote and would do away with the elements of surprise in our measures.

5. In the Appendix is a list of specially secret items. Of these, Items 1, 2, 3 and 6 are regarded as most important for the reasons given.

6. With regard to (b), it is very doubtful whether conversations on such a basis would do any good and it is even possible that they might do harm. Experience has shown that when scientists start discussing a subject on which they are specialists, it very quickly becomes apparent when one or other is withholding important information, and that thereafter useful results can hardly be achieved.

* Not reproduced.
7. With regard to (c), there seem to be two objections:—

(i) It is difficult to keep the defensive aspect apart from the offensive aspect, as the one is so dependent on the other.

(ii) On the defensive side we have the impregnation process, which is regarded as specially secret. Knowledge of this process by a potential enemy might result in his producing a gas against which it would be ineffective.

On the other hand we are preparing to go to production on impregnated clothing, and in these circumstances it is doubtful whether discussions with responsible French scientists will add appreciably to the risk of the process becoming known.

8. It is desired to emphasise that if conversations are to take place and be effective, the delegations of each country must include civilian scientists and not be composed of soldiers alone.

This being so, it is for consideration whether any conversations that may be considered desirable should be arranged by the respective Governments and not by the Military Departments.

9. It is now desired to obtain instructions from the Committee of Imperial Defence whether—

(i) conversations with the French Authorities should take place, and

(ii) if approved, under which of these methods they should be conducted.

L. H.-B.

THE WAR OFFICE,
4th March, 1939
SECRET.
C.P. 73 (39).

TO BE KEPT UNDER LOCK AND KEY.

It is requested that special care may be taken to ensure the secrecy of this document.

CABINET.

RECORD OF CONVERSATIONS BETWEEN BRITISH AND FRENCH MINISTERS IN LONDON.

Memorandum by the Secretary of State for Foreign Affairs.

I CIRCULATE to my colleagues records of three conversations with the French Minister for Foreign Affairs which took place during the visit of the French President to London.

I.

Record of an Anglo-French Conversation held in the Secretary of State's Room at the Foreign Office, on March 21, 1939, at 5 P.M.

Present:

Lord Halifax (Secretary of State for Foreign Affairs).
Mr. Strang (Foreign Office).
M. Georges Bonnet (Minister for Foreign Affairs).
M. Bressy (Private Secretary to M. Bonnet).

European Situation.

Lord Halifax first gave M. Bonnet an account of recent developments in German-Roumanian relations, as reported by the Roumanian Minister in London, and as subsequently modified by enquiries in Bucharest.

M. Bonnet said that the French Government had had similar information. He then went on to give an account of various recent conversations he had had with diplomatic representatives in Paris.

In discussing the situation with the Roumanian Ambassador in Paris, the question of Russia had been touched on. The Roumanian Ambassador explained that Russia was not popular in Roumania, particularly among the upper classes, some of whom preferred Herr Hitler to Stalin. To this, M. Bonnet had replied that the help that Russia might provide, if only in war material, was not
negligible. In the case of Czecho-Slovakia, he had been sceptical as to the
effectiveness of Russian support, since Russia was remote from the sphere of
action and had no common frontier with Czecho-Slovakia. But there was a
common frontier between Russia and Roumania. In the end, the Roumanian
Ambassador had raised no objection to an approach being made by the French
Government to Moscow, but he begged that the French Government would not
involve the Roumanian Government. This interview had taken place on the 18th
March.

On the same day M. Bonnet had seen the Soviet Ambassador, and having
told him that France was prepared to help Roumania, even though she had no
obligation to do so, had asked what would be the attitude of Russia. He had not
subordinated the assistance of France to that of other countries. The Soviet
Ambassador had given a reply on the 20th March to the effect that the best
course would be to call a conference at Bucharest of the States chiefly concerned
(Great Britain, France, Poland, Turkey, Roumania and the Soviet Union) to
consider measures for the assistance of Roumania.

To this M. Bonnet had replied that he did not think Roumania would be
enthusiastic. The important thing was to find out what each party would give
in the way of assistance. Russian help would be most useful if Poland and
Roumania both agreed that she should give it. It was important not to frighten
these border States, but to proceed with caution. What was wanted at present
was not gestures, but action. France had herself begun to employ methods by
giving her Government full powers. (At this point M. Bonnet stated to Lord
Halifax in confidence that on the previous day the French Government had
decided to mobilise one class, and that in virtue of the new powers had forbidden
the press to make any reference to this fact.)

M. Bonnet said he had also spoken to the Polish Ambassador on the 19th
March. He had said that the French Government were anxious about the German
advance and were disposed to do what they could to stem it. They wished to
know what assistance Poland was prepared to give. To this the Polish
Ambassador had replied that the Polish-Roumanian treaty covered the case of
Russia, and not that of Germany. He was authorised by Colonel Beck to inform
the French Government:—

(1) That Poland attached importance to the Franco-Polish alliance and that
if France were attacked Poland would fulfil her obligations; but that
this alliance was only valid in the case of an attack by Germany upon
France;
(2) That M. Beck would be unable to visit Paris after his visit to London,
but hoped that this would not be badly interpreted in Paris since
he hoped to go later;
(3) That the most useful assistance to give to Roumania is not to bring in
Russia, but to take immediate action at Budapest and Bucharest.
Hungary and Roumania had a common interest in stemming the
German advance, and French and British diplomacy could act usefully
in conjunction with Poland in these two capitals.

To this M. Bonnet had replied that this course hardly seemed to him to
be adequate, but he would instruct the French Ministers in Budapest and
Bucharest accordingly.

M. Bonnet said that he had now heard from M. Léger that the official
Polish reply about Roumania had come in and that it was not satisfactory,
being full of reservations. He understood that a copy of it was to be communi-
cated to him in London by the Polish Ambassador here.

M. Bonnet added that he had also done what he could at Washington in
regard to the neutrality legislation. The United States Ambassador had seen
him on the 18th March, and as he was about to telephone to the President,
asked if there was anything M. Bonnet wanted him to say. M. Bonnet told him
that the best thing the United States could do would be to modify the neutrality
legislation. The United States Ambassador had seen him again on the
20th March, and had told him that the President was sure of his majority in
favour of the modification of that legislation.

Lord Halifax said that he had received the Polish Ambassador that morning
and had told him of the approach that was being made in Paris, Warsaw and
Moscow. To illustrate the point of view of His Majesty's Government, he had
told the ambassador that if M. Beck were to say to him: "You invite us to side with you in the event of German aggression. What have you to say about Danzig?" he would reply that if Poland and Germany were to come to a direct agreement about Danzig, so much the better; but if there should develop out of the Danzig question any threat to the independence of Poland, then, in his opinion, and, he thought, in that of His Majesty's Government, His Majesty's Government would have to treat it as a grave question which was of concern to all.

The way His Majesty's Government saw the situation was not different from the point of view expressed by M. Bonnet. His Majesty's Government thought that it was now a question of checking German aggression, whether against France or Great Britain, or Holland, or Switzerland, or Roumania, or Poland, or Yugoslavia, or whoever it might be. They saw no escape from this. As they had said in their telegram, they thought the best way to handle this would be to propose that the four Great Powers should join in a declaration to be published in the terms suggested. Their feeling was that if they were to begin by trying to discuss any particular question, this would be likely to take too long. What was vitally necessary was to assert the general position as quickly as possible. This would be a danger signal to German and Italian aggression and at the same time a rallying point for the smaller countries.

(At this point Lord Halifax read to M. Bonnet the text of the proposed declaration—copy annexed.)

Lord Halifax continued that if some general declaration could be quickly secured, the next step would be to approach the Balkan Entente and ask them whether they were prepared to act together in case of aggression by Germany, with the knowledge that if they did so, the Great Powers would act with them.

Lord Halifax added that the Soviet Ambassador had seen him on the previous day and had proposed a conference at Bucharest. In M. Maisky's opinion the advantages of this proposal were (1) that it would be expeditious, (2) that it would be valuable psychologically both in Berlin and Bucharest. Lord Halifax had replied that he was doubtful about the proposal for a conference, for two reasons, (1) that it would be difficult for His Majesty's Government to send a ministerial representative to Bucharest, (2) that it would be dangerous to hold a conference before being certain of reaching an agreed conclusion. His Majesty's Government thought it essential to move quickly and therefore preferred their own plan.

Lord Halifax added that he had seen the Polish Ambassador that morning. Count Raczyński had made the same point as the Polish Ambassador in Paris about the desirability of avoiding a clash between Roumania and Hungary. He had told Count Raczyński that His Majesty's Government had done and would do what they could in this sense. The ambassador had added, as from himself, that he warmly welcomed His Majesty's Government's proposal, though he was not in a position to say what the view of the Polish Government would be.

Lord Halifax said that he had also seen the Turkish Ambassador that day and had given him a general idea of the British proposal. The Turkish Ambassador had said that Turkey would in all cases observe her Balkan engagements. Lord Halifax had told him that if the proposed declaration were signed, the next step would be to approach the smaller Powers, and it would be a matter for discussion among the four Powers what the nature of their approach would be.

Lord Halifax had put to the Turkish Ambassador the question whether, if Poland, for example, were attacked, and if France and Great Britain went to her assistance, Turkey would be ready to join them. The Turkish Ambassador's reply had been that if Great Britain were prepared to act with Turkey in the Mediterranean, Turkey would be prepared to go as far as Great Britain in her own geographical area. The Turkish Ambassador had said that he spoke with full knowledge of the mind of the Turkish Government.

Lord Halifax then asked M. Bonnet whether the French Government saw the situation in much the same way as this.

M. Bonnet replied that in general they did. One thing, however, was capital. It was absolutely essential to get Poland in. Russian help would only be effective if Poland were collaborating. If Poland collaborated, Russia could give very great assistance; if not, Russia could give much less. The strongest pressure must therefore be brought to bear upon Poland.
Lord Halifax said that he was entirely of M. Bonnet's opinion. Did not M. Bonnet think that if Great Britain and France took the view that in their own interest it was essential to stop German aggression, wherever it might start, Poland might also be brought to think that it would not be to her interest to see Great Britain and France greatly weakened? If they were greatly weakened, Poland would then be defenceless against Germany.

M. Bonnet said that he agreed, and that that was why he thought Poland would be mad not to join with Great Britain and France.

Reverting to the declaration, he said that it was important to think of the practical aspect. If it were a question of stopping the Germans in Switzerland, the French army had a convenient field of operations. But in the case of Roumania, it was certain that if the Powers most closely interested, namely, Roumania's neighbours, Poland and Russia, did nothing, it would be much more difficult for France to act, for geographical reasons. That was why the action of the border States, and above all of Poland, was of capital importance. The Germans might well use the same arguments as they had done in the case of Czecho-Slovakia. The French army was far removed from the scene of operations. The Franco-Polish Pact would not apply, since it would only come into operation if France herself were attacked. It would, in fact, be insupportable if, Germany having attacked Roumania, and France having attacked Germany in her support, the Poles were to say that their pact with France did not apply, it being remembered that Poland had a greater interest in Roumania's fate than had France, as well as having a treaty with Roumania. It was desirable, therefore, to go to the utmost limit, even to the extent of threats, to bring Poland in.

M. Bonnet then turned to the question of Russia, and stated that the Russians needed watching. They liked to make public declarations for propaganda purposes which did not correspond with their real intentions. It was therefore necessary for each party to say exactly what it was prepared to do.

He recalled that during the Czecho-Slovak crisis in May last he had told M. Litvinov that France would fulfil her obligations, and had asked what the Soviet Union would do. M. Litvinov replied that, in order to reach Germany, Russia had to have a passage through Poland and Roumania, it was therefore for France to arrange matters with those two States. If France could do so, the Soviet Union would fulfil her obligations to Czecho-Slovakia. M. Bonnet said that he had tried to arrange matters with Poland and Roumania, but had failed. When he had seen M. Litvinov at Geneva in September, M. Litvinov's attitude had been that in that event it would be necessary to consult the League Council, and that, if a majority of the Council were secured, the Soviet Union would be able to help, by sending aircraft across Roumania (but not across Poland). To this M. Bonnet had replied that by that time Germany would already have succeeded in her aims, and it would be too late.

For this kind of reason M. Bonnet thought that it was necessary for each party to say exactly what it would do—what material it would send; how many guns; how many aircraft; what number of troops. All these questions must be cleared up.

M. Bonnet agreed that the time had come to call a halt to Germany, but the proposed obligation was so vast that it was necessary to know how each country stood. The French army was in a good state, but the French Government did not want to have to bear the burden of the war alone. British help on land would at first be very small. If, in an eastern war, there was no help from Poland or from any other eastern country, France would be in a bad position. It was therefore necessary that the countries most interested should pronounce themselves, and the Poles were certainly interested, since they were directly menaced.

Lord Halifax said that all this was true. There were, he thought, two things to be borne in mind:—

1. If the situation we feared arose, the primary question would not be: can we give direct assistance to Poland or Roumania? but: can we conduct a successful war against Germany? Whatever the cause of the war might be, that was the principal question. Could Great Britain and France so damage Germany that they could achieve their purpose of checking her?

Lord Halifax said that he would have thought, though the question required careful consideration, that if France and Great Britain were prepared to take a very firm line, even without the certainty of Polish support at the outset, this very fact would be likely to bring Poland in.
He entirely agreed with M. Bonnet in recognising the capital importance of Poland, and even the need for using very plain language to the Polish Government.

(2) The second point was that it should be remembered that there was small chance of peace in Europe so long as the Nazis remained in power. There was, however, some evidence to show that, if Herr Hitler brought the German people into a major war, this might well be followed by internal consequences in Germany disastrous to the Nazi régime. The same might also be true of Italy.

Lord Halifax said that his conclusion was (though he did not know whether this represented the final attitude of His Majesty's Government) that, even if no assurance of Poland's collaboration could be obtained in advance—and this would, of course, affect Russia's capacity to help—it would still be very difficult for France and Great Britain to take no action if there was a further act of aggression by Germany.

It was worth looking at the possible causes of aggression. If Poland were attacked, Poland would obviously resist. If the attack came in the west, Great Britain and France would be bound to resist, and if the attack was upon France, the Polish Treaty obligations came into play. If the attack went towards the Balkans and the Balkans were solid, then, if Great Britain and France acted firmly, this would probably be the best chance of bringing Poland also into collaboration.

(At 6.45 the conversation was interrupted, and it was agreed to continue it on the following day with the Prime Minister.)

Annex.

Draft Declaration.

WE, the undersigned, duly authorised to that effect, hereby declare that, inasmuch as peace and security in Europe are matters of common interest and concern, and since European peace and security may be affected by any action which constitutes a threat to the political independence of any European State, our respective Governments hereby undertake immediately to consult together as to what steps should be taken to offer joint resistance to any such action.

II.

Record of an Anglo-French Conversation, held in the Prime Minister's Room at the House of Commons, on March 22, 1939, at 5 p.m.

Present:
Mr. Chamberlain (Prime Minister).
Lord Halifax (Secretary of State for Foreign Affairs).
Sir A. Cadogan (Permanent Under-Secretary of State).
Sir E. Phipps (Ambassador in Paris).
Mr. Strang (Foreign Office).
M. Georges Bonnet (Minister for Foreign Affairs).
M. Corbin (Ambassador in London).
M. Bressy (Private Secretary to M. Bonnet).

European Situation—(continued).

Lord Halifax said that there were two points which the meeting might consider: (1) If the Polish reply to our recent approach was evasive or negative, it would be necessary to examine what the next step would be; (2) There had been disturbing information about Hungarian troop movements and about the presence of 20-25 German divisions on the German-Hungarian frontier. He was proposing to send telegrams to His Majesty's representatives at Budapest and Bucharest, instructing them to support the action the Polish Government were taking with a view to avoiding a clash. He wondered whether it would be possible to take some step in Rome.
M. Bonnet said that, after talking to M. Daladier, he was in a position to say that the French Government were prepared to sign the proposed declaration. He emphasised the importance of Polish participation, as he had done on the previous day. He had enquired of the Polish Ambassador in Paris what Poland would do if Roumania were attacked and if France and Great Britain helped Roumania. The Polish reply had been that no answer could be given unless Roumania herself put the question.

Lord Halifax said that his latest information about the Polish attitude was as follows: His Majesty’s Ambassador at Warsaw had sent a telegram on the previous day, reporting that M. Beck thought that our proposal demanded serious consideration. His chief preoccupation was Soviet participation. Hitherto, Poland had kept the balance between Germany and the Soviet Union; the proposed declaration would put Poland in the Soviet camp, and the reaction in Germany would be serious. Poland, M. Beck said, must weigh the pros and cons, and meanwhile he could not give any definite answer. He implied that the participation of the Soviet Government would lead to difficulties, but that Poland might be able to associate herself with England and France if Soviet Russia were not included.

Mr. Chamberlain said he expected that Poland would find it more difficult to sign the proposed declaration than to say what she would do if Roumania were attacked. Her view might be that, if she were sure of the support of France and Great Britain, she would be ready to associate herself with them in defending Roumania, since if Roumania went, Poland would soon follow.

M. Bonnet said that he gathered that in the view of the Polish Government there was no imminent danger of an attack by Germany upon Roumania, by Hungary upon Roumania or by Germany upon Hungary. In the Polish view the best course in present circumstances would be to try and improve relations between Roumania and Hungary. The Polish Government insisted on the fact that Roumania, although the ally of Poland, had not asked for any supplementary guarantees from Poland. That being so, it was difficult to discuss the question with other Powers like Great Britain, France and Russia.

M. Bonnet suggested that Great Britain and France might put the following question to Poland: Supposing Germany attacked Roumania, and Great Britain and France rendered assistance, what would Poland do? If the question were put in this form, it would be difficult for Poland to give a negative answer.

Lord Halifax asked whether M. Bonnet thought that, in answering this question, Poland’s judgment would be affected by the question whether or not some enquiry was being addressed to the Soviet Union.

M. Bonnet thought that the conversations should be conducted with Poland first; but Poland might well be asked whether, if we could bring in the help of Russia also, Poland would not think this helpful. If things could be kept quiet, and anything in the nature of a public agreement with the Soviet Union avoided, perhaps Poland would accept indirect assistance from the Soviet Union in the shape of war material. If Poland did not participate, Russian assistance would be worth very little; but if Poland did participate, Russian assistance would be important.

Mr. Chamberlain asked why this was so. It was true that the Soviet Union had no common frontier with Germany, but she had a common frontier with Roumania and was therefore in a position to help her.

M. Bonnet here recalled what he had told Lord Halifax on the previous day about his recent conversation with the Roumanian Ambassador at Paris. The latter had said that Polish help was essential, but that Soviet assistance would cause difficulties. The Roumanians remembered more than one Russian invasion, and some of the upper class preferred Hitler to Stalin.

It would, M. Bonnet thought, be an advantage if Soviet help could be accepted by both Poland and Roumania. The important thing, however, was not to give Poland (or, indeed, Roumania) a pretext for running out on account of Russia. The argument to use would be to point to German action in Czecho-Slovakia and Memel, and to say that if Poland allowed Germany to go into Roumania she was lost. It was therefore of importance to prevent such a development.
Great Britain and France would be prepared to help, and it would therefore be reasonable for Poland to accept their collaboration and to work out details. When the basis of such collaboration had been laid, Poland would have less excuse for refusing indirect Soviet assistance in the form of war material or aircraft. Poland still attached importance to her treaty with France, and she desired assistance from Great Britain. Both these facts could be used as a lever to secure her participation in the organisation which we were trying to build up for the defence of Roumania.

Mr. Chamberlain supposed that what Poland would wish to avoid would be any public declaration to the effect that the Soviet Union was collaborating.

Lord Halifax observed that it would be unfortunate if we were now so to act as to give the Soviet Government the idea that we were pushing her to one side.

M. Bonnet thought it might be possible to explain the situation to M. Litvinov. The object in view was to prevent the expansion of Germanism. In order to do this, Germany must be made to feel that she would meet with resistance in the east. If Poland and Roumania gave the impression that they were not favourable to any scheme for the organisation of defence against Germany, it would be impossible to produce such an impression on Germany. Hitler would certainly conclude that he risked nothing if Poland and Roumania did not resist.

M. Bonnet himself could not believe that Poland would refuse to collaborate. The question was one of life and death to her.

M. Corbin suggested that it would still be possible to say that we were in consultation with the Soviet Government.

Lord Halifax thought the conclusion to which the conversation was tending was the following: The first step would be to think of the particular case of Roumania, and to assure ourselves (1) that Roumania would resist, and (2) that, if Roumania resisted, Poland would support her. In order to persuade Poland to commit herself to support Roumania, Great Britain and France would have to give Poland a private undertaking that, if Poland came in, they would both come in also. Having reached this understanding with Poland, it might be suggested to both Poland and Roumania that they should not raise any objection to our doing our best, both in their interest and in our own, to secure Soviet participation.

M. Bonnet agreed with this conclusion, and thought that something might be done on these lines. He had gained the impression that the Poles did not like vague obligations, but, if something precise could be put before them, they would probably accept.

Mr. Chamberlain assumed that an attack by Hungary would be treated in the same way as an attack by Germany. Germany might well apply the modern technique, and deliver her attack in the guise of an attack by Hungary.

M. Bonnet repeated that the French Government were ready to sign the proposed declaration, if His Majesty’s Government wished to go on with it.

Mr. Chamberlain said the value of the declaration lay in it being signed by four Powers. If two of the four refused to sign, it would not carry the same weight. The participation of the Soviet Union in a public declaration made the participation of Poland and others very difficult.

Lord Halifax said that if this was the conclusion, the next step would be to do whatever was necessary to ascertain the views of the Polish and Roumanian Governments on the limited question of assistance to Roumania.

M. Bonnet agreed.

M. Corbin suggested that the question of Hungary should not be overlooked. Hungary was no doubt now a satellite of Germany, but Poland still regarded Hungary as her friend, while Roumania considered her as a possible enemy. Could not Hungary be somehow brought into the proposed combination? When the Polish and Roumanian Governments were being consulted would it not be possible to inform the Hungarian Government also, since by so doing we might make it easier for her to safeguard her independence against German pressure?
M. Bonnet suggested that the Soviet Union might be asked at the same time in what way they could help Poland and Roumania, on the assumption that Great Britain and France also gave assistance.

Mr. Chamberlain pointed out that neither Great Britain nor France could give direct help to Roumania. Their assistance would have to take the form of pressure on Germany's western front.

Lord Halifax said that another point that might arise was that Poland would no doubt expect Great Britain, France and Roumania to do for her what it was now proposed that Great Britain, France and Poland should do for Roumania.

Mr. Chamberlain remarked that it was important to remember in this connexion that Poland had a common frontier with Germany, while Roumania had not.

Lord Halifax said that he understood, therefore, that we were to proceed on the assumption that if Roumania were attacked and offered resistance, and if Poland went to her assistance, Great Britain and France would both also join in giving assistance; and that the proposed approach to Poland and Roumania would be made by Great Britain and France simultaneously. It would, however, first be necessary to wait for the formal reply of the Polish Government (though not of the Soviet Government) to the approach that His Majesty's Government had made in regard to the declaration.

Mr. Chamberlain said that if the Polish reply, as was to be expected, was negative or evasive, the intention would not be to press them any further, but to try the new procedure now proposed.

Relations with Germany.

M. Bonnet said that the State Secretary had received the French protest about Czecho-Slovakia pretty badly, and had said that France would regret it. The French Ambassador had the impression that responsible circles in Berlin were critical of Hitler's latest move. The Italian Ambassador in Berlin had also been far from enthusiastic, and had, indeed, not allowed his military attaché to go to meet Hitler on his return from Prague. Unofficial emissaries from Rome had let it be known in Paris that the Italian Government had not been informed of Herr Hitler's intentions, had much regretted what had passed and had begun to feel themselves threatened.

Mr. Chamberlain remarked that the assurances given by Herr Hitler to Signor Mussolini might well be broken in the same way as those given to himself.

Lord Halifax said that His Majesty's Government had not come to any decision about the date of Sir N. Henderson's return to Berlin, though he did not think they would be in any hurry about it.

M. Bonnet said that the view of the French Ambassador in Berlin, who had also been withdrawn, was that it was dangerous for France not to be represented by her Ambassador in Berlin. The French Government proposed to send him back at a suitable moment, since they thought it would be useful to have him there. When withdrawing him, they had never had it in mind to break off relations with Germany.

Lord Halifax said he recognised the force of this, and thought the two Governments should keep in touch on this matter, and if possible act together.

Spain.

M. Bonnet said that, as the British Ministers knew, the French had interned the Spanish Republican fleet at Bizerta and disarmed it. General Franco had now, basing himself on the agreement concluded by M. Béard, asked for the return of these ships.

As the British Ministers also knew, there were 450,000 Spanish refugees in the south of France, of whom 250,000 were soldiers. It required two army corps to guard these refugees, and M. Bonnet added in confidence that this situation
would make it impossible for France to mobilise in that area in case of trouble. The Spanish Government were only taking back 300 of these refugees a day. Marshal Pétain had been pressing for an acceleration of the rate of repatriation. It was important to secure this on grounds of national defence. Marshal Pétain, however, was bargaining, and refused to increase the rate of repatriation unless the French returned the ships at Bizerta.

M. Bonnet was, on the whole, in favour of returning the ships, though he was aware that, if a conflict broke out and General Franco intervened against France, he would be attacked for having returned them. He wished, however, to know what view His Majesty's Government would take. There was also the question whether France, by returning the ships, would be violating the Non-Intervention Agreement.

Mr. Chamberlain said that at first sight both he and Lord Halifax thought that His Majesty's Government would have no objection to the return of the ships, but it would be necessary first to consult the Admiralty and Lord Plymouth. He would try to give M. Bonnet a reply on the following day.

French Air Force.

Mr. Chamberlain said he hoped M. Bonnet would excuse him if he raised a rather delicate point. During the conversations in Paris in November 1938 M. Daladier had told him that at the end of the spring French aircraft production would be 400 a month. He had expressed his astonishment, since this would mean a fivefold increase. The end of the spring had not yet come, but his present information seemed to confirm the doubts he had expressed.

Since that time a mission of production experts from France had visited this country. He was bound to say they had not created a very good impression upon our experts here. Our own people were well acquainted with the difficulties of increasing production and, indeed, had been successful in overcoming them. They thought, therefore, that their French colleagues would put questions on this subject, and that they would be able to exchange notes on their common difficulties. They found, however, that the French Mission did not appear to realise what the difficulties were. This situation had caused His Majesty's Government some anxiety. Could M. Bonnet give some idea of present and future aircraft production in France?

M. Bonnet admitted that he had had his doubts about the figures given by M. Daladier. Difficulties had been created by the social laws passed by M. Blum's first Government, particularly, the collective contracts. M. Daladier proposed to issue decrees under his new full powers, amending this earlier legislation, and the hours of work in the armament industries would be still further increased. This should improve the situation.

As regards present figures, he could say in confidence that during the last month 100 aircraft had been produced. By July or August the figure would be about 250 or 300. Purchases were also being made in the United States.

Mr. Chamberlain said that his information from the United States led him to believe that the Americans had not given the same attention to military aircraft as to civil aircraft, and that in design their military aircraft were inferior to the British.

M. Bonnet said that President Roosevelt had agreed to give the French a machine which was not yet in the service in the American air force. This was a very good machine, but it would not come into full production until the following September.

Mr. Chamberlain said that, without wishing to intrude, he would assure M. Bonnet that, if there was anything we could do to help the French to build up their output, we should be glad to collaborate. Our own difficulties had been successfully overcome, and our production was now nearly 600 aircraft a month.

M. Bonnet asked whether it would be possible to buy aircraft in Great Britain.
Mr. Chamberlain said he doubted whether there was any surplus available.

M. Bonnet asked whether he could take it that our figure was 600 a month.

Mr. Chamberlain said he could not remember the exact figure, but it was nearly 600—perhaps about 580. In September last the figure had been only 250.

(The meeting closed at 6:45.)

III.

Despatch to His Majesty's Chargé d'Affaires in Paris recording a Conversation between the Secretary of State for Foreign Affairs and the French Foreign Minister at Windsor on March 28, 1939.

Sir,

I HAD the opportunity of some further conversation with M. Bonnet to-day after luncheon at Windsor. M. Bonnet began by showing me various telegrams that he had received from the French Chargé d'Affaires at Berlin and from the Ambassador at Rome. The messages from Berlin were based, to the best of my recollection, upon conversations that the French Chargé d'Affaires had had with the Belgian and other representatives, informing him of their own conversations with the representatives of the German Foreign Office. The general effect of these exchanges was in the sense of assurances that German policy was not set upon any of the sinister schemes attributed to it outside Germany.

2. The principal point of the telegram received from the French Ambassador in Rome was to emphasise the extreme importance of avoiding the impression that the democratic countries were lining up against the dictator countries on grounds of difference in political philosophy. The French Ambassador reported that Italian opinion had been a good deal impressed by the vigour of the British reaction to events in Czecho-Slovakia, but had been not less impressed by the danger to which this reaction, if uncontrolled, might quickly lead.

3. I told M. Bonnet that I was in complete agreement with him upon the point indicated in both sets of communications, namely, that we should do everything that we could to avoid exposing ourselves to a charge either of encirclement or of framing a line-up on ideological prejudice. The Prime Minister was answering a question in the House of Commons this afternoon which would be directed to this particular point. It must, however, obviously be the purpose of those controlling the Government of dictator countries to represent reactions abroad in a light as unfavourable to their own peoples as possible.

4. From this M. Bonnet proceeded to speak about practical questions arising in regard to Franco-Italian differences. There had been, as I knew, approaches from the Italian side by persons claiming to be in Signor Mussolini's confidence. The French Ministers had not received these intermediaries direct, nor did M. Bonnet tell me, except in general terms, what kind of proposals they had made. It had been impossible for the French Government to risk exposing themselves to rebuff by responding to this very unofficial and non-committal method of approach. If Signor Mussolini was serious in his desire to reach accommodation with France, it was easy for him to find better and firmer means of ascertaining the French attitude. M. Bonnet did not anticipate, if I remember rightly, that the Italian claims would involve any territorial demands, and, provided that reasonable Italian claims could be reasonably advanced, he did not think French public opinion would be unduly difficult or intractable.

5. I said that from time to time we had considered whether there was anything possible that we could do officially in this matter, but that I had come to the conclusion that, if Signor Mussolini wished to assist a settlement, it would be because of the general pressure of events and that, unless there was this general pressure of events, I did not feel very confident that anything we could say or do would make any great difference. The opportunity might
come later, but there was a certain danger at this moment, if we tried to come in to discussions of questions between France and Italy, that had not yet been formulated, of placing both the French Government and ourselves in a delicate and false position. With this M. Bonnet agreed.

6. Passing from this, M. Bonnet said that there was one subject on which he wished, if he might, to speak to me with complete frankness and the greatest earnestness. Yesterday the Prime Minister had drawn M. Bonnet's attention to the unsatisfactory state of development in French productive capacity in the matter of their air force. The French Government were well aware of how much their national effort on this side still left to be desired, and it was M. Bonnet's intention to convey to M. Daladier the offer made by the Prime Minister yesterday to help the French Government with technical advice based on our own experience as to how production difficulties could best be overcome. He thought this a very valuable proposal.

7. But, if the French Government must admit, as they did, very grave weakness in this regard, he also wished to draw my attention to the situation they visualised it on land in any future war. Here was France, with a population of some 40 millions, called upon to face a potential threat of 80 millions in Germany and 40 millions in Italy. M. Bonnet developed the argument, which is familiar enough, with great vigour and conviction, from the angles both of the influence of this situation on French opinion and on opinion in Germany and Italy. If the people of France thought that it was impossible to look to Great Britain for any really substantial measure of military help for, say, eighteen months, the consequences might be profound and irretrievable. If, on the other hand, it could be presented to them that, after the outbreak of war, Great Britain would be in a position to give substantial military support at the end of, say, six or eight months, that would be a very much less unfavourable position.

8. This led M. Bonnet to urge, with all the persuasion that he could command, that this country should adopt in some form, whether direct conscription or otherwise, national service. He knew our difficulties—traditional, industrial, practical—and the effect that these must all exercise in the political sphere. Nevertheless, he permitted himself to remind me of what had been the march of events in France—M. Daladier's Government maintained in power by an immense preponderance of votes which securely represented public opinion, and a Government that had originally relied for its support upon parties and policies of the Left, now entrusted by general assent with complete powers enabling it to take whatever steps national safety seemed to dictate. It was surely an arresting example of how deeply democracy will respond to leadership if it believes itself in the face of danger. M. Bonnet earnestly hoped, as he was sure did the French Government, that the Prime Minister and His Majesty's Government in Great Britain might feel able to take an analogous course in regard to the steps necessary to reinforce our military strength.

9. I told M. Bonnet that I was, of course, deeply concerned by, as I was well aware of, all the considerations he had urged. I certainly had no doubt at all as to the effect that would be exerted, whether in France or in Germany, were His Majesty's Government in this country ever able to take the kind of action that he had outlined. I could also readily appreciate what was likely to be, perhaps to an increasing extent, the movement of French thought on this matter. On the other hand, he would know how real were the difficulties arising and how grave might be the repercussions on the whole strength and capacity of this country if they were rudely handled. I should, however, of course, place the Prime Minister and all my colleagues in very frank possession of what he had said.

10. The last matter to which M. Bonnet referred was the question of the return of our Ambassadors to Berlin, on which we had also spoken last night. The French Chargé d'Affaires in Berlin had expressed a clear view that he thought the sooner the Ambassador could be got back the better, by reason of the general advantage of personal contact and ambassadorial influence. I told M. Bonnet that I could appreciate these considerations, although I thought it was difficult to return our Ambassadors quite immediately, in view of the general
approbation that had been accorded to our bringing them away as a mark of our censure of German action. M. Bonnet was, however, anxious that we should not drift into the position of having decided upon a punitive withdrawal. I said that when the appropriate time arrived no doubt some pretext for return could be found between us. I thought it, however, important that we should act together and, from our point of view, it had occurred to me that, if and when we wanted to send our Ambassador back, it might be easier for us to do this on the ground of the desirability of having him there to assist in the treatment of and to bring pressure on behalf of, refugee questions.

I am, &c.

HALIFAX.
THE INTERNATIONAL SITUATION.

CONCLUSIONS OF FOREIGN POLICY COMMITTEE.

Note by the Secretary.

The attached draft Conclusions of a Meeting of the Foreign Policy Committee held yesterday are circulated by direction of the Prime Minister, in connection with Item 1 of the Agenda for the Meeting of the Cabinet to be held to-morrow.

Copies of the telegrams referred to in the Conclusions of the Foreign Policy Committee, in the form in which they were finally despatched, will be handed round at the Cabinet Meeting.

(Signed) E.E. BRIDGES,

Secretary to the Cabinet.

Richmond Terrace, S.W.1.

28th March, 1939.
SECRET.
F.P.(36) 38th Mtg.

CABINET.

COMMITTEE ON FOREIGN POLICY.

DRAFT CONCLUSIONS of the Thirty-Eighth Meeting of the Committee held in the Prime Minister's Room, House of Commons, S.W.1, on Monday, 27th March, 1939, at 5.0 p.m.

PRESENT

The Rt. Hon. Neville Chamberlain, M.P., Prime Minister. (In the Chair).


The Rt. Hon. Oliver Stanley, M.C., M.P., President of the Board of Trade.

THE FOLLOWING WERE ALSO PRESENT.

The Rt. Hon. R.A. Butler, M.P., Parliamentary Under Secretary of State, Foreign Office.


Sir Edward Bridges, K.C.B., M.C. ...................... Secretary.

Sir R.B. Howorth, K.C.M.G., C.B. ...................... Assistant Secretary.
THE SECRETARY OF STATE FOR FOREIGN AFFAIRS suggested that, pending the arrival at the Meeting of certain telegrams which had been drafted, the Committee should be informed of certain Conclusions which had been provisionally reached on the previous day.

THE PRIME MINISTER reminded the Committee that at the Meeting of the Cabinet on the 20th March (Cabinet 13(39) Conclusion 1, it had been decided to proceed on the basis of the proposed Four Power declaration of consultation. While the French had accepted our proposal, and the Russians, though with some hesitation, had also accepted it, subject to its being accepted by France and Poland, Poland was unwilling to join, partly because she wished to maintain her traditional policy of keeping a balance between Germany and Russia, and was consequently reluctant to join in any public declaration directed against Germany, and in particular because she feared that by joining with Soviet Russia in such a declaration Germany would regard her as having passed definitely into the enemy camp, and this might well precipitate an attack on Poland by Germany. Moreover, regard must also be had to Poland's inborn dislike and distrust of Soviet Russia.

Poland had suggested that there should be a confidential bilateral understanding between Great Britain and Poland by which the two countries would be bound
by the declaration, as though they had signed it, but the fact of the conclusion of this understanding would be concealed, not only from the public, but also from the French Government. Poland feared that a disclosure to France would mean that the information would leak out, with highly detrimental consequences to herself.

In the face of the attitude of Poland, it seemed that on this basis the best we could hope for would be

1. a public declaration by Great Britain, France, and Russia on the lines of our draft.
2. A secret bilateral understanding to the same effect between Great Britain and Poland and
3. into this framework to fit the existing Franco-Polish obligations of consultation and assistance as provided for in the Franco-Polish Treaty.

Even if we could agree to a scheme on these lines it was becoming clearer that our attempts to build up a front against German aggression were likely to be frustrated if Russia was closely associated with the scheme. We had recently received communications both from Poland and Roumania that any public association of Russia with the scheme would greatly diminish and weaken the authority of the common front. Similar intimations had been received from Finland, Yugoslavia, Italy, Spain and Portugal, and we had been warned that the inclusion of Russia would:

1. Impede the construction of the front against aggression, since a number of our potential associates were extremely reluctant to be associated with Russia even for the purpose
of resisting Germany.

(2) Tend to consolidate the relations between the parties to the anti-Comintern Pact and make it less likely that we would be able to exercise influence on and establish good relations with the weaker members of the Pact, namely, Italy and Japan.

(3) Excite anxiety in such countries as Spain, Portugal and certain South American Republics.

It looked, therefore, as if a failure to associate with Soviet Russia would give rise to suspicion and difficulty with the Left Wing both in this country and in France, while on the other hand insistence to associate with Soviet Russia would destroy any chance of building up a solid and united front against German aggression.

In these circumstances it seemed that some alternative course must be found and that we must abandon the policy of the Four Power Declaration and concentrate on the country which, on the whole seemed likely to be the next victim of German aggression, namely, Roumania.

Roumania was for the time being in a special position. She had considerable resources in oil and agricultural
products greatly needed by Germany, and from this point of view she presented a great temptation to Germany, as her effective occupation and control by that country would go far to neutralise what perhaps Germany most feared, an effective naval blockade.

Moreover, if Germany got possession or effective control of Roumania, she would be in a much stronger position than she is at present successfully to attack and overrun Poland. Poland herself would be wellnigh encircled and the moral effect on smaller States, like Greece and Bulgaria, in South-Eastern Europe, would be far reaching. Already there were signs that the ease with which Germany was gaining her objectives had begun to undermine the morale of those States and diminish their confidence in the power of the Western Democracies to assist them.

It would seem, therefore, that Roumania was the country most likely to be attacked by Germany and which would give her at the moment the greatest political and economic advantages. If Roumania was effectively controlled by Germany, Poland would be in grave danger. In her own interests, therefore, Poland might be prepared to come into an agreement under which she would come to the assistance of Roumania if Roumania's independence was threatened provided that France and Great Britain also agreed to go to Roumania's aid.

The inclusion of Poland in the scheme was vital because Germany's weak point was her inability at present to conduct war on two fronts, and unless Poland was with us Germany would be able to avoid this contingency.

Our first step should therefore be to approach Poland and Roumania and ascertain whether (a) if Poland
or Roumania are attacked directly or indirectly by Germany (e.g. in the case of Roumania with the connivance of Hungary) they are prepared to resist. (b) If so, Great Britain and France would be prepared to support them. It would be understood that as a counterpart for our undertaking to support Poland and Roumania, Poland and Roumania should keep Great Britain and France fully informed of any developments threatening their independence. (c) We should also ascertain whether Poland was prepared to join in resistance in support of Roumania if the latter was attacked by Germany and vice versa. (d) Since Poland, unlike Roumania, has a Treaty of Mutual Assistance with France and is a stronger military Power than Roumania, the undertaking under (b) above would be given as part of a reciprocal arrangement by which if France and Great Britain were attacked or if they go to war with Germany to resist German aggression anywhere in Western Europe or in Yugo-Slavia, the Polish Government would support them. It should be noted that this provision would apply to Poland and not to Roumania.

It would be observed that this plan left Soviet Russia out of the picture. In view of the effect of her inclusion on other States it would seem imprudent to attempt to bring Russia into the plan publicly. We should have to explain to her that the objections to her open inclusion come not from ourselves but from other quarters, and we should suggest that there should be a secret agreement between Russia and Great Britain under which Russia would come to the help of Poland or Roumania in case either of these countries become involved in war with Germany. The Franco-Soviet Pact might possibly
offer the means by which Russia might be indirectly and secretly brought into the scheme.

It would be observed that the plan outlined above dealt only with the Eastern Front. Doubts had been expressed whether in point of fact Poland would be prepared to enter into the reciprocal arrangements mentioned in (b) above, i.e. that if France or Great Britain were attacked, the Polish Government would come to their support. If Poland declined to entertain a commitment of this kind then nevertheless we should be prepared to give her the unilateral assurance as regards the Eastern Front seeing that our object was to check and defeat Germany's attempt at world domination.

The Prime Minister added that he had not so far dealt with the position of Yugo-Slavia. The idea was that Yugo-Slavia should be mentioned to Poland as another country to which assistance should be given in the event of an attack by Germany threatening her independence. If Poland showed reluctance to enter into commitments vis à vis Yugo-Slavia we should not unduly press her because on the whole a German attack on Yugo-Slavia seemed unlikely, since such an attack would be likely to bring Germany into conflict with Italy. In this connection the passage in Signor Mussolini's speech on March 26th., in which he referred to Italy's paramount interests in the Adriatic was no doubt intended for German consumption.

In conclusion, the Prime Minister emphasised the necessity for urgent and immediate action. He had not thought it expedient to summon an emergency meeting of the Cabinet to consider the new proposals, as this might have caused undue publicity. If the Foreign Policy Committee approved the course now proposed, the draft
telegrams which the Meeting was to consider could be despatched that evening in the form adopted by the Committee.

THE SECRETARY OF STATE FOR FOREIGN AFFAIRS said that he had little to add to the Prime Minister's summary of the discussions which had recently taken place. He only wished to say a few words about the position of Yugo-Slavia. His colleagues were no doubt well aware of the difficulties of Yugo-Slavia's position placed in between Germany and Italy. He (the Foreign Secretary) had recently seen the Yugo-Slavian Chargé d'Affaires, and had made the point to him of the possibility of a clash over Yugo-Slavia between Germany and Italy. The Chargé d'Affaires had pointed out that there were parts of Yugo-Slavia not bordering on the Adriatic which would be of great value to Germany, and about the fate of which Italy might be indifferent. It was not out of the question therefore that Germany and Italy might combine to menace and indeed to partition Yugo-Slavia. The Chargé d'Affaires had asked whether Yugo-Slavia could count on the same kind of support in the event of a threat to her independence that we thought of extending to Poland and Roumania. In reply the Foreign Secretary had pointed out that Poland occupied a very special position, that we were on the point of putting the whole problem to Poland, and that he could not answer the Chargé d'Affaires' enquiry until we had received Poland's reply.

Reference had also been made to the question what assistance, if any, Great Britain and France could give to Yugo-Slavia if the attitude of Poland to Yugo-Slavia proved indifferent. Clearly this was a matter which would require
careful examination. The Chargé d'Affaires had expressed the opinion that if a front could be composed of Great Britain, France and Poland other Powers, such as Yugoslavia, might adhere to it if given the opportunity. This observation had of course assumed that Poland would be ready to enter a front of a general character. It was by no means clear what the position would be if Poland declined to participate in a front of this kind.

THE HOME SECRETARY said that in effect the new proposals involved the dropping out of Soviet Russia from the scheme. He fully realised the dilemma with which we were faced, but it must not be overlooked that the dropping out of Russia would be regarded in many quarters as a considerable defeat for our policy. Would it not be possible to arrange for some kind of parallel action, vis-à-vis Russia.

THE SECRETARY OF STATE FOR FOREIGN AFFAIRS said that this possibility had been considered, and it had been thought that we might stimulate France to try to get rid of some of the embarrassing conditions in the Franco-Soviet Pact. At the same time if we had to make a choice between Poland and Soviet Russia, it seemed clear that Poland would give the greater value. It was imperative that at the present juncture we must not risk offending Colonel Beck. We should have to disclose to him any parallel arrangement with Russia which we had in mind, and he would no doubt argue that our proposal was a make-believe, the purpose of which was to camouflage Russia's inclusion in the common front. He would also point out no doubt that under the Franco-Soviet Pact if France was involved in war Russia would have to come in. As regards the Labour Party he did
not think that there would be serious difficulty—provided we could satisfy Labour that the exclusion of Soviet Russia was no fault of ours. Whatever explanation was given to Soviet Russia about her exclusion she no doubt would make mischief, but this should not have bad reactions here if the position was fully and frankly explained to the Leaders of the Labour Party.

THE HOME SECRETARY asked why Colonel Beck should object if France cleared up the glosses and reservations in her treaty with Russia.

SIR ALEXANDER CADOGAN said that under the existing Franco-Soviet Pact Russia was bound to go to France's assistance if Germany attacked France. But if an arrangement were now to be made whereby if France went to war with Germany on account of a threat by Germany to, say, Roumania, that would really involve Russian participation in the arrangements we were seeking to make with Poland.

THE HOME SECRETARY appreciated that Colonel Beck might argue on these lines. Had Poland realised the importance to herself of Soviet Russia as a source of munitions and other supplies?

THE SECRETARY OF STATE FOR FOREIGN AFFAIRS agreed that this was an important consideration. It was proposed to say to Colonel Beck that, while we would not press Poland against her will to join a pact which included Soviet Russia, we would emphatically represent to him the importance of Poland maintaining good relations with Soviet Russia in order that in an emergency she might draw munitions and other supplies from Russian sources. It should also be remembered that Poland was not alone in
objecting to the inclusion of Russia in the pact. Other countries such as Portugal and Spain, and Italy would be influenced against us if we entered into any pact which included Russia.

THE HOME SECRETARY agreed with the validity of these arguments as regards any new pact, but the position was that at the moment there was subsisting the Franco-Soviet Treaty, and we ought to endeavour to make the most of that Treaty by altering and adjusting it. No one could accuse him of any predilections in favour of Soviet Russia, but he did attach very great importance to bringing in to the common front as many countries as possible. He enquired what was the attitude of the French Government on this subject?

THE SECRETARY OF STATE FOR FOREIGN AFFAIRS said that M. Bonnet, who of course had no love for Soviet Russia, thought that the Russians were very deceitful and unreliable, and would not in an emergency give much, if any, effective help. France seemed little interested in Russia, but attached the most vital importance to the inclusion of Poland in the pact. M. Bonnet, when in London, had expressed general approval of the proposals, but this had been on the basis of the Four Power Pact and not in connection with some arrangement under which Russia would be excluded from the common front, but brought in indirectly by means of the Franco-Soviet Treaty.

At this point the draft telegrams reached the Meeting and were handed round and read by the Members of the Committee.
THE CHANCELLOR OF THE EXCHEQUER observed that it seemed to be assumed that Roumania was not so tied "hand and foot" by her Commercial Treaty with Germany as to prevent her entering into the arrangements such as were now contemplated.

THE PRIME MINISTER thought that the importance of the German-Roumanian Treaty very largely depended on how it was worked in practice. In certain circumstances the existence of this Treaty might strengthen Roumania's power to resist German aggression.

THE PRESIDENT OF THE BOARD OF TRADE agreed with the Prime Minister that according to how this Treaty operated in practice it was either eyewash or complete surrender. There were two matters to which he attached importance:

1) The agreement contained no alteration of the existing rate of exchange rates within the German-Roumanian Clearing and

2) in the agreement Roumania had not agreed to any definite obligations as to the minimum amount of Roumanian trade to be done with Germany in each year.

THE MINISTER FOR CO-ORDINATION OF DEFENCE pointed out that the military and political aspects of the Roumanian problem were different and might indeed be conflicting. It had been assumed that Roumania
was likely to be Germany's next victim, but if Germany had intended to overrun Roumania in the near future it seemed strange that she should start off by making this Commercial Treaty with Roumania. It looked indeed as if Germany was proposing to launch an attack elsewhere and that her object was to ensure that she could count on Roumania's oil and food supplies. At the same time he realised that Germany might instigate Hungary to attack Roumania in the hope that she, Germany, might profit substantially from the outcome of the conflict. So far as Great Britain was concerned the worst that could happen would be for us to get involved in war without any allies on the Eastern Front. It should be our objective to endeavour to obtain the maximum possible amount of support in Eastern Europe. On the whole Poland was, from the military point of view, probably the best of potential eastern allies, but he thought Soviet Russia would act as a greater deterrent so far as Germany was concerned.
THE SECRETARY OF STATE FOR FOREIGN AFFAIRS referred to the recent appreciation of Russia's military and Air strength contained in the Despatch of H.M. Ambassador at Moscow of the 10th March. This appreciation intimated that while the Russian Army had been greatly weakened by recent purges and that its offensive value was small, it might be expected to show good defensive qualities. As regards Air strength the appreciation was very discouraging, a substantial portion of the total number of Russian aeroplanes were out of date and supply, etc. arrangements would soon become chaotic in war.

THE MINISTER FOR CO-ORDINATION OF DEFENCE enquired whether the Foreign Office had received any similar appreciation in regard to Poland's military and Air position.

THE SECRETARY OF STATE FOR FOREIGN AFFAIRS thought that there was nothing very recent. The Polish Army consisted of some 50 Divisions and might be expected to make a useful contribution. A recent appreciation by our Military Attache in Berlin had emphasized the point that in his opinion Germany was not as yet in a position to support a war on two Fronts.

THE MINISTER FOR CO-ORDINATION OF DEFENCE hoped that we should be very careful not to get drawn into any commitments with Russia which might involve us in hostilities with Japan. There was another consideration. Roumania was at present dependent on Germany for her military equipment which she obtained from the former Czecho-Slovakia. From this point of view she must necessarily be an unsatisfactory ally. He could not help wondering whether from the military point of view Roumania was worth the candle.
THE SECRETARY OF STATE FOR DOMINION AFFAIRS pointed out that Roumania had been mentioned not so much as a possible ally but as the country which was likely to be the next victim of German aggression.

THE SECRETARY OF STATE FOR FOREIGN AFFAIRS added that the moral effect on countries like Turkey, Greece and Bulgaria of Roumania’s subjection to Germany was of great importance.

THE MINISTER FOR CO-ORDINATION OF DEFENCE assumed that so far as Eastern Europe was concerned Roumania would count for something in a military sense. The question was whether we could do anything effective on the West which would stop Poland and Roumania from being overrun and absorbed by Germany. For example, would the number of German troops which Poland and Roumania would draw off enable France successfully to attack and breach the Siegfried Line. This aspect of the problem had not, so far as he knew been examined from the military point of view.

THE PRESIDENT OF THE BOARD OF TRADE reminded the Committee that the Chiefs of Staff had recently expressed the opinion that the independence of Roumania was of vital importance to us and that her subjection by Germany was an issue on which we must fight.

THE MINISTER FOR CO-ORDINATION OF DEFENCE pointed out that this appreciation by the Chiefs of Staff had been based on a possible German ultimatum to Roumania. In the interval the situation had changed in as much as Roumania had made a Commercial Treaty with Germany. At the Meeting of the Cabinet on 18th March (Cabinet 12 (39) Conclusion 1) he had conveyed to the Cabinet, not his own views on the problem but those which the Chiefs of Staff had provisionally
reached in the very short time available.

THE PRIME MINISTER pointed out the position that would arise if we decided to take no action in any circumstances in regard to Roumania. The German-Roumanian Commercial Treaty was now in existence. No doubt Roumania would endeavour to work that Treaty in her own interests. Germany would at once represent to Roumania that the Treaty must be operated in the way Germany desired. If Roumania rejected this demand Germany would threaten her with compulsion. In the result the position would have been reached that Germany would have compelled Roumania to sacrifice her independence without any actual invasion or use of armed forces. It would, in fact, be an example of Germany's new technique.

THE SECRETARY OF STATE FOR FOREIGN AFFAIRS said that he had been reflecting on the anxieties which had been voiced by the Minister for Co-ordination of Defence. He agreed that there was probably no way in which France and ourselves could prevent Poland and Roumania from being overrun. We were faced with the dilemma of doing nothing, or entering into a devastating war. If we did nothing this in itself would mean a great accession to Germany's strength and a great loss to ourselves of sympathy and support in the United States, in the Balkan countries, and in other parts of the world. In those circumstances if we had to choose between two great evils he favoured our going to war.

THE MINISTER FOR CO-ORDINATION OF DEFENCE said that he agreed with this appreciation of the situation. In a sentence we were in a weak military position to meet a political situation which we could not avoid.
THE CHANCELLOR OF THE EXCHEQUER said that our primary objective was to persuade Poland and Roumania to resist if attacked and to show them conclusively that if they did resist we would come to their assistance. When this was generally known what prospect would it have of influencing Germany's view and attitude?

THE PRIME MINISTER observed that our diplomatic advisers thought that the present proposals would greatly strengthen the morale of other States and tend to bring them on to our side.

THE CHANCELLOR OF THE EXCHEQUER enquired what meaning was to be attached to the words in paragraph 4(b) of the draft telegram to Warsaw and Bucharest "If so Great Britain and France would be prepared to support them".

THE PRIME MINISTER pointed out that by manning the Maginot Line we should be holding up large German forces which otherwise would be available for overrunning Poland and Roumania. This argument applied both to the East and to the West and that was why we attached so much importance to the inclusion of Poland in the Pact.

THE SECRETARY OF STATE FOR FOREIGN AFFAIRS observed that Poland was getting into an encircled position. Colonel Beck must be very uncomfortable and must realise that without the assistance of France and ourselves the position of Poland was hopeless, while with our assistance there was some ground for hope.

THE SECRETARY OF STATE FOR FOREIGN AFFAIRS asked whether the Staff Conversations had extended to this aspect of the problem.
THE MINISTER FOR CO-ORDINATION OF DEFENCE said that the Staff Conversations had covered matters such as the number of troops which France and Poland could mobilise. Up till now he had discouraged the Chiefs of Staff from going too much into detail until decisions had been reached on the political aspects of the question.

THE SECRETARY OF STATE FOR FOREIGN AFFAIRS thought that the first sentence of paragraph 4 (b) of the draft Telegram meant that we should go to war, and if so he agreed that we ought to say so.
THE CHANCELLOR OF THE DUCHY OF LANCASTER thought that the main difference between the present proposals and the proposals which had been agreed by the Cabinet at the Meeting on March 20th was that the latter contemplated consultation while the new proposals included commitments which would involve us in action.

THE PRIME MINISTER did not think that this was in fact the position. At the Meeting on March 20th the Cabinet had in effect agreed that we should consult with France, Russia and Poland "with a view to determining the nature of any action that might be taken". We did not think that the new proposals contained anything which was in advance of decisions already reached by the Cabinet.

THE SECRETARY OF STATE FOR DOMINION AFFAIRS drew attention to the words in paragraph 4 (a) of the draft telegram "or may undermine these countries' independence". These words seemed vague and indefinite, and moreover might be regarded as inconsistent with what we had already publicly stated in regard to Germany's right to reasonable expansion.

THE PRESIDENT OF THE BOARD OF TRADE thought that the last sentence of paragraph 4 (a) was the important one:—

"Are Poland and Roumania prepared to resist if their independence and integrity are threatened in any of these ways?"

THE SECRETARY OF STATE FOR DOMINION AFFAIRS asked what was to happen if Poland and Roumania did not resist.

THE SECRETARY OF STATE FOR FOREIGN AFFAIRS thought that in such circumstances we could not be more Papal than
THE CHANCELLOR OF THE DUCHY OF LANCASTER thought that the main difference between the present proposals and the proposals which had been agreed by the Cabinet at the Meeting on March 20th was that the latter contemplated consultation while the new proposals included commitments which would involve us in action.

THE PRIME MINISTER did not think that this was in fact the position. At the Meeting on March 20th the Cabinet had in effect agreed that we should consult with France, Russia and Poland "with a view to determining the nature of any action that might be taken". He did not think that the new proposals contained anything which was in advance of decisions already reached by the Cabinet.

THE SECRETARY OF STATE FOR DOMINION AFFAIRS drew attention to the words in paragraph 4 (a) of the draft telegram "or may undermine these countries' independence". These words seemed vague and indefinite, and moreover might be regarded as inconsistent with what we had already publicly stated in regard to Germany's right to reasonable expansion.

THE PRESIDENT OF THE BOARD OF TRADE thought that the last sentence of paragraph 4 (a) was the important one:

"Are Poland and Roumania prepared to resist if their independence and integrity are threatened in any of these ways?"

THE SECRETARY OF STATE FOR DOMINION AFFAIRS asked what was to happen if Poland and Roumania did not resist.

THE SECRETARY OF STATE FOR FOREIGN AFFAIRS thought that in such circumstances we could not be more Papal than
the Pope. The knowledge that Great Britain and France would come to their support would undoubtedly stiffen Poland and Roumania in resisting German attempts to undermine their independence.

THE CHANCELLOR OF THE DUCHY OF LANCASTER referred to paragraph 6 of the draft telegram and enquired whether in fact it would be possible to preserve secrecy in regard to the arrangements, particularly vis-à-vis Soviet Russia.

THE SECRETARY OF STATE FOR FOREIGN AFFAIRS said that a statement had been drafted for possible use in Parliament when the stage of Parliamentary announcement was reached. It would, however, be necessary in advance for the Government to take various Parliamentary elements into their confidence so as to obviate the asking of inconvenient and embarrassing questions, etc.

THE CHANCELLOR OF THE DUCHY OF LANCASTER feared that if it was essential to maintain secrecy in regard to arrangements vis-à-vis Russia, it might be very difficult to ensure against any leakage.

THE PRIME MINISTER agreed that this would be so if our arrangements with Russia were reduced to writing. It might therefore be necessary to have a gentleman's agreement with Russia of a verbal character. In practice leakage in Russia might be
avoided because by tradition and habit the Russians were well accustomed to procedure of this kind.

THE CHANCELLOR OF THE DUCHY OF LANCASTER recalled that Russia had favoured a large conference, and that she might react actively when she learnt that she was to be excluded from the pact.

THE SECRETARY OF STATE FOR FOREIGN AFFAIRS thought that alternatively Russia might sulk.

THE PRESIDENT OF THE BOARD OF TRADE feared that the exclusion of Russia was bound to have serious consequences. Was it not possible to find some form of declaration in which Russia could join, which would not be open to the objections stated. Russian propaganda was representing that our policy was directed to pushing Germany into a conflict with Russia.

THE SECRETARY OF STATE FOR FOREIGN AFFAIRS pointed out that Germany could not in fact invade Russia except through Poland or Roumania.

THE PRESIDENT OF THE BOARD OF TRADE enquired whether it would be possible for us to have a separate agreement with Russia to the effect that if either Great Britain or Russia were attacked in Europe, each would come to the other's aid.
THE PRIME MINISTER agreed that this suggestion should be examined, but clearly no decision could be taken upon it until we had received the reply of Poland to the questions contained in the draft telegram.

THE HOME SECRETARY saw great difficulty in excluding Soviet Russia from the proposed Pact after all that had happened. As had been pointed out Russia constituted the greatest deterrent in the East against German aggression. All experience showed that Russia was undefeatable and he was apprehensive of the possible consequences that might result if at this juncture the enmity of Soviet Russia towards this country was increased.

THE SECRETARY OF STATE FOR DOMINION AFFAIRS said that the Prime Minister of Canada had recently indicated his dislike of Russian participation in the Pact.

THE SECRETARY OF STATE FOR FOREIGN AFFAIRS said that the line which he had taken with Poland in regard to the Danzig question was that if Poland saw fit to make some voluntary agreement with Germany in regard to Danzig we should raise no objection. If, however, Poland was subjected to such pressure by Germany over Danzig as amounted to a threat to Poland's independence then we would regard the matter as one in which we were interested.

After some further discussion the Committee
agreed

(1) To approve, generally, the policy proposed by the Prime Minister and the Secretary of State for Foreign Affairs as outlined in the statement made by the Prime Minister to the Committee and summarised in the opening pages of these Conclusions.

(2) To invite the Secretary of State for Foreign Affairs in consultation with the Chancellor of the Exchequer to settle the final form of the draft telegrams to Warsaw, Bucharest and Paris in the light of the discussion at the Meeting, and of certain amendments and alterations suggested by Members of the Committee.

(3) To authorise the Secretary of State to arrange for the dispatch, forthwith, of the telegrams in their finally approved form.

NOTE: Copies of the telegrams as dispatched will be handed round at the Meeting of the Cabinet on Wednesday, 29th March, 1939.

Richmond Terrace, S.W.1.,

27th March, 1939.
CABINET.

A meeting of the Cabinet will be held at 10.30 a.m. on Monday 20th March at No. 10 Downing Street.

In connection with this meeting, I circulate herewith a draft telegram, for despatch to our Ambassadors at Paris, Moscow and Warsaw, which has been prepared at meetings held today.

E.E. BRIDGES.

Richmond Terrace, S.W.1.

19 March, 1959.
My telegram No.

In spite of doubts as to accuracy of reports of German ultimatum to Roumania, recent German absorption of Czecho-Slovakia shows clearly that German Government are resolved to go beyond their hitherto avowed aim of consolidation of German race. They have now extended their conquest to another nation and if this should prove to be part of a definite policy of domination there is no State in Europe which is not directly or ultimately threatened.

In the circumstances thus created it seems to His Majesty's Government to be desirable to proceed without delay to the organisation of mutual support on the part of all those who realise the necessity of protecting international society from further violation of fundamental laws on which it rests.

As a first step they propose that the French, Soviet and Polish Governments should join with His Majesty's Government in signing and publishing a formal declaration the terms of which they suggest should be on the lines of the following:

"We the undersigned hereby declare that inasmuch as the security and political independence of European States are matters of common interest and concern, we have pledged ourselves immediately to consult together in the event of any action being taken which appears to constitute a threat to the said security or independence."

It appears to us that the publication of such a declaration would
would in itself be a valuable contribution to the stability of Europe and we should propose that after publication there should be an examination by the signatories of any specific situation which seems likely in existing circumstances to cause anxiety, and that consideration should be given to the nature of any action which might be taken.

Please endeavour immediately to obtain the views of Government to which you are accredited. His Majesty's Government would be prepared to sign declaration immediately the three other Governments indicate their readiness to do so.

We should propose to say nothing of this to other Governments before the four Powers are agreed on the declaration.
SITUATION IN THE FAR EAST.

Memorandum by the Secretary of State for Foreign Affairs.

I CIRCULATE to my colleagues a memorandum which has been prepared in the Foreign Office suggesting certain precautionary steps in view of the increasing threat from Japanese action and presumed intentions in regard to British vital interests in the Far East.

Telegrams giving the views of His Majesty's Ambassador at Tokyo on the issues raised in the memorandum are appended.

On such judgment as I am in a position to form I think the conclusions of the memorandum are well founded.

March 30, 1939

H.

MEMORANDUM.

Some recent moves by the Japanese must inevitably give rise to a suspicion that they have been undertaken at the instigation of the Germans and Italians, or anyhow in pursuance of some plan concerted with them, and rumours to this effect have already reached the ears of His Majesty's Ambassador at Tokyo and of the United States Government. Up to now the evidence which has been received in London has pointed to greater activity on the part of the Italians than of the Germans, but the diplomatic and consular authorities of both in the Far East are credibly reported to have received instructions to co-operate in general with the Japanese.

2. It must be remembered that Japan's long-term objective is the creation of a self-contained economic bloc which will be impervious to economic pressure by any outside source. If she succeeds in absorbing China into this bloc, Japan will still lack a number of raw materials essential for self-sufficiency, notably mineral oils and high-grade iron ore. The nearest sources of supply of these commodities are in Borneo and Malaya, and the acquisition of these places would logically seem to be one of the next stages in the creation of the projected bloc.

In matters of real importance the Japanese are rarely in a hurry, and generally act on the principle of taking what they can to-day in the certainty that to-morrow they will get a little nearer the ultimate goal. It rather looks as though they had made up their minds that what can be taken at little risk to-day are various advanced posts on the way to the long-term objective. Hainan, which they occupied on the 10th February, is obviously of immediate tactical value for a campaign along the Sino-Indo-China border, and would always be useful for the control of the Gulf of Tongking. The Paracel Islands (250 miles east of Tourane in Annam), which they are rumoured to be about to occupy, and the
Spratley Group (about 500 miles E. of the southernmost point of Indo-China, 375 miles W. of North Borneo and the south-west corner of the Philippines and 750 miles from Singapore), which they are known to intend to annex, may be of little absolute utility, but have considerable possibilities as advanced observation posts and as refuelling stations for hydroplanes and submarines.

3. Hainan is the subject of an assurance given by China to France in 1897 that she had no intention of ceding the island to any third Power (Hertslet, Vol. 2, page 1148). The Paracel Islands are claimed by France, as against China, in virtue of their alleged attachment to the Empire of Annam some hundred years ago. The Spratley Group form part of a vast aggregation of small islands and reefs annexed by decree by France in 1933. The Japanese Government, who have for some years encouraged the settlement of the archipelago by Japanese fishermen and have supplied them with wireless apparatus, have always taken the line in their voluminous official correspondence with the French (which is still going on) that they cannot admit the French claim and must regard the Spratley Group as res nullius. No formal notification of Japanese annexation has been made to the French or to the world at large, principally, it is believed, because the Japanese Government fear that this would play into the hands of the Big Navy Party in the United States and render more probable the fortification of Guam.

4. The Japanese Government had some idea a few weeks ago of notifying the Germans and Italians of their decision to annex. The receipt of this communication may have suggested to the European partners that they might turn to their own advantage Japan's disposition to insinuate herself into important positions in these seas, and they may well have encouraged her to proceed to the occupation of other places claimed by or of interest to France. Be this as it may, so far it has been the position and prestige of France that has been principally threatened by recent Japanese actions in these waters. Very possibly Germany and Italy expect that a point will shortly be reached at which the French will feel that further passive acquiescence in this nibbling at their territory by the Japanese will be so damaging to French prestige that they will be impelled to send naval reinforcements to the Far East, and will induce His Majesty's Government to do likewise on the score of community of interest. By way of further incentive to France and Great Britain to move part of their fleets eastwards, the Japanese, in accordance with the presumed plan, are to erect permanent works on Hainan,* in the neighbourhood of Macao, and at Whampoa, outside Canton, to intensify pressure on the Shanghai Municipal Council and on French and British interests in Central China, to squeeze out the French and British Concessions at Tientsin (where the Italian Consul-General has recently received instructions to refrain from further collaboration with his French and United States colleagues in opposing the Japanese) and generally to take whatever action they regard as best calculated to humiliate us both. In short, Japan is to do anything in her power to goad the French and British into an attempt to protect the remnants of their prestige in the Far East. The Japanese are presumably prepared to fall in with this scheme, partly because up to a point it can be made to fit into their long-term plans, and principally because they are confident that, once France and Great Britain had sent their ships on the long 42-days' journey to the Far East, Germany and Italy would strike in Europe.

5. On the assumption that, at this particular moment, the despatch of a fleet to the Far East is very difficult unless there was a direct Japanese attack on British or French possessions, it is necessary to look for other means of countering Japan's moves. Such means do exist, for we could, if we so decided, apply the financial and economic pressure of which we know Japan stands so much in dread. At the moment she appears to think that, because the rumours of joint Anglo-American economic action which circulated so freely a few months back have not been substantiated, the British and United States Governments must have decided against recourse to this form of pressure. So they have—at least temporarily. But hitherto retaliation of this sort has been considered principally from the point of view of its utility and efficacy as a means of saving

* A recent report speaks of machinery for a powerful wireless station being sent thither and of the transfer of administrative officials from Formosa.
the position in China. If, however, the plans of Germany, Italy and Japan are as might be inferred from the preceding paragraph, it is not now a question of protecting local vested interests, but of safeguarding our whole world position.

6. When the question of economic reprisals was last considered, the general conclusion was reached that their institution involved a risk that Japan's counter-measures might lead to war. Of course, this risk cannot be absolutely ruled out, but how much real substance it has is worth careful examination. In Japan's scheme of things the final reduction of China and her early economic exploitation is the task allotted to to-day, and she is unlikely to allow herself to be deflected from this to embark on adventures scheduled in her programme for, say, 1950, unless she is absolutely convinced that no serious risk attaches to such an upset to her time-table. Her present plan, so far as China is concerned, would appear to be to refrain from any further large-scale campaign (with the possible exception of operations along the Indo-China border to cut the Yunnan railway and up the Canton-Hankow railway), to hold for an indefinite number of years with garrisons of moderate size various areas within which to exploit the fruits of conquest, thus helping to pay for the occupation, and to meet any Chinese strategic movements by swift counter-strokes, involving the use of mechanised columns and large quantities of aeroplanes for reconnaissance and bombing. To carry this cut successfully, enormous quantities of oil and petrol will be required. Any alternative plan would entail the maintenance in the field of even more men—and a large number will be needed even for the light garrison scheme. A fair number of Japanese ships must be required for an indefinite period to blockade the 2,500 odd miles of the coast of China, even though there be no Chinese fleet, and a certain number more must be needed for transport and lines of communication work.

7. No doubt the larger warships of the Imperial Navy have seen little sea service since the war began, but these are not much use unless accompanied by their proper complement of auxiliary ships, of which it is difficult to believe that after nearly two years of war many do not now stand in need of scraping or repairs. If, indeed, Japan found her supplies of oil, iron, nickel and so on, suddenly and completely cut off, it is at least questionable whether she would be able to prosecute her war on a restricted scale in China, let alone engage in a long-range naval campaign against, say, Camranh or Singapore. Not only that, but the reduction of those places would not ease her position, for she would still have to seize and get working the East Indian oil-fields, an operation which would necessarily take considerable time.

8. And quite apart from all this, there would be the ever-present fear of attack by the Soviet Union, and the uncertainty as to whether the United States could really be relied upon to remain a passive spectator until intervention would come too late to be effective. Germany and Italy could by no stretch of imagination supply Japan with the raw materials access to which had been cut off, even if they did declare war and strike in the West. Indeed, the Japanese must recognise that, as things are at present, it would not be an altogether unmixed blessing for them if Great Britain became involved in war with any third Power, for, if she did, many of Japan's vital sources of supply would be automatically imperilled.

9. With all this to deter her, it is difficult to believe that Japan would actually have recourse to war, were economic pressure to be applied. She would undoubtedly make many threatening gestures and might cause a great deal of serious damage to British trade, but it is extremely doubtful if she would or could go further than this. In recent times a tendency has been apparent to believe that the volcanic temperament of the Japanese will explode on the slightest provocation. There is, however, nothing in Japanese history to support such a theory. The Japanese are extremely calculating in their policies and, if it pays them to appear volcanic and about to explode at any moment, they will play upon that as much as they can; in fact, they have done so with considerable success. Those with long experience of Japan and the Japanese are convinced that they would only resort to drastic action against the British Empire if they thought it would pay in the long run (and that is a consideration which must always be borne in mind). If His Majesty's Government make it clear that in protecting their interests they are prepared at any moment to abandon their course of action when those interests no longer require protection; if it is made clear that Japan's
ruin is not the aim, and if the door is left carefully and obviously open for friendly negotiations, then Japan would scarcely be likely to resort to drastic action solely on the grounds of the action that we had taken.

10. Hitherto, acquiescence, except for diplomatic protests, in Japanese inroads on our property and interests, has merely encouraged further depredation. The immediate aim of Japan is undoubtedly the exclusion of all other foreigners from the Chinese market, as has already happened in Manchukuo. If she succeeds in this, she will obviously be in a far stronger position to proceed to what is probably the next stage in her programme, the acquisition of control over the oil and iron-bearing territories in Borneo and Malaya. Her economic bloc would then be to all intents and purposes complete, and she would present for all time, either in combination with Germany and Italy or even alone, a permanent and formidable threat to British interests throughout the Eastern hemisphere. It is not, therefore, a question merely of devising measures which would have direct or immediate effect in inducing Japan to pay greater regard to British interests in China. What is necessary is the consideration from the broadest aspect of vital Imperial needs of what could most effectively be done, and at what moment, permanently to defend British interests in the Far East against the threat inherent in Japan’s plans for the setting up of what she calls “a new order in East Asia.” It is not suggested that we should proceed at once to positive measures of retaliation, but we should certainly lose no further time in preparing ourselves against the day when positive action may be necessary.

11. During the last three months Sir R. Craigie has frequently expressed the view that the mere threat to denounce the Anglo-Japanese Commercial Convention of 1911 (which incidentally is generally recognised as being to some extent out of date), coupled possibly with overt signs of preparation to exert financial and economic pressure, might be expected to have a markedly restraining influence on Japan. He has also urged very forcefully that action in this sense must be taken at once before Japan has time to derive any economic benefit from her China adventure. While it is too early to take any definite view as to the opportuneness of resorting to any form of overt financial or economic pressure, all the necessary preparation should be made at once in case it is decided at any time to proceed to such measures.

12. The present time appears to be specially critical in the Far East in the light of what the Japanese are doing in North China and in the islands in the South China Seas. Like their British associates, the United States and French commercial communities in North China have been strongly urging their Governments to institute economic reprisals of some sort. The Governments of France, the Netherlands and Australia naturally share our alarm at the Japanese occupation of Hainan and other islands. The Government of India too, when they reflect on the ugly possibility of seeing the Japanese establish themselves on the coast of the Bay of Bengal, may well feel more disposed than hitherto to run the risk of a certain amount of temporary economic dislocation, more especially if it were possible to represent to them that the measures in which they were invited to collaborate had as their main object the deterrence of treaty-breaking and international gangsterism. The prospect therefore of obtaining the necessary co-operation of other interested States is not too slender to make it worth our while to invite their assistance. The attitude of the United States Government in regard to denunciation is shown in Washington telegram No. 445, of which a copy is annexed.

13. In the circumstances it is recommended that:

(1) His Majesty’s Government in the United Kingdom should address communications to the Governments of the Dominions, India, Burma and the United States of America—

(a) informing them that, unless they see very grave objection, His Majesty’s Government in the United Kingdom propose, in order to free their hands, to decide in principle to denounce the Anglo-Japanese Commercial Treaty (Canada and Eire are still parties to it), reserving their decision as to the actual date of giving the twelve months’ notice of denunciation;
(b) inviting those Governments which have separate agreements with Japan themselves to consider denouncing their treaties (the United States Treaty is subject to denunciation at six months' notice);

c) suggesting that all these Governments, together with those of France and the Netherlands, should proceed at once to an exchange of views regarding possible means of applying pressure to Japan with particular reference to limiting her access to free exchange by means of clearing systems, increased colonial duties on Japanese imports, lower quotas, &c.;

d) stating that His Majesty's Government in the United Kingdom intend for their part to seek at an early date such Parliamentary powers as may be necessary to give immediate effect to any retaliatory measures that may be agreed on in the future; and

e) expressing the hope that the mere threat of denunciation, coupled with overt signs of views being exchanged and general preparatory work being undertaken, may of themselves prove to be a sufficient deterrent to Japan, and thereby afford Germany and Italy disquieting evidence of the fragile character of the help they may look to from their Far Eastern associate.

(2) The A.T.B. Committee should be instructed to advise as to possible means now of bringing effective pressure to bear on Japan, and the extent to which the co-operation of other Governments is indispensable, with particular reference to the efficacy of instituting a clearing system in the United Kingdom and restricting Japanese imports into British Colonies by reducing quotas and imposing additional duties.

Foreign Office,
March 18, 1939.

ANNEX I.

Sir R. Lindsay to Viscount Halifax.—(Received December 2.)

No. 445.
(Telegraphic.)

Washington, December 1, 1938.

MY telegram No. 439, paragraph 2.

Again, to-day, Acting Secretary of State reverted to development of Japanese policy in the Far East and to increasing need for Governments whose interests were threatened to concert economic action in their defence. He indicated that State Department would be receptive if, within a few weeks, they could learn any conclusions His Majesty's Government might have reached.

I said that the matter had been considered in London, and so far as I knew definite conclusions had not been reached. What seemed to transpire was (1) that no action by any single Government alone would be of any use, and (2) that minor pin-pricks would only irritate without seriously hurting Japanese Government. Nothing short of denouncing commercial treaty would hurt, and it was quite a question whether that action might not hurt us more than Japan.

His reply to this was that United States treaty was, he believed, open to denunciation at six months' notice. United States cotton interests, which were already in parlous condition, would be seriously affected; but, on the other hand, Japan would suffer greatly from the loss of the silk market. Inference to be drawn from his language was that in the procedure under contemplation of course we must suffer, but that it might nevertheless be worth considering whether the loss ought not to be faced.
ANNEX II.

Sir R. Craigie to Viscount Halifax.—(Received December 5.)

(No. 1436. Important.)

WASHINGTON telegram No. 445.

Tokyo, December 5, 1938.

Provisional conclusion reached by His Majesty’s Government, as indicated to Acting Secretary of State, may appear to United States Government somewhat discouraging. Our views on this subject have been stated fully in my despatch No. 880 of 4th November, and, while admitting that we do not possess all necessary data here, we consider economic effect of denunciation on Japan would in present conditions be far more serious than upon Great Britain, and even more serious if Dominions were to make common cause with us. If United States Government were also to proceed to denunciation (thus incidentally exercising considerable pull on Dominions), effect on Japan would be overwhelming. As regards political risks, these would admittedly be great in the event of action by Great Britain alone but negligible in the event of parallel action by British Empire and United States of America.

If United States Government are really in a receptive mood, I trust every opportunity will be taken to convince them of need for parallel action at the earliest possible moment in order to bring it home to Japan in time that her new China policy will not pay.

Please repeat to Washington.

(Repeated to Shanghai, No. 1184.)

ANNEX III.

Sir R. Craigie to Viscount Halifax.—(Received January 28.)

(No. 84. Very Confidential.)

Tokyo, January 27, 1939.

YOUR telegram No. 35 to Washington.

1. In your instructions to Sir R. Lindsay your Lordship appears to refer to protection of specific trade interests in China as principal object of countermeasures. As pointed out in recent telegrams, however, I feel the main issue is now far wider and far more important, since what is at stake is not only our commercial investment in China, but the whole political and economic future of countries with interests in the Pacific, to say nothing of the urgency of ensuring the observance of treaty obligations as a matter of principle. If what we are striving for is to uphold a principle and avert a future danger, we are justified in taking greater risks in terms of short-run disadvantage than if our aim were merely to preserve existing interests intact.

Question at issue seems to me to be prevention of complete establishment of a totalitarian Power in East Asia with aims similar to those of Germany and Italy, which is already on the way to becoming a menace to all countries with interests in East Asia and the Pacific. By supplying Japan with all that she has needed in the past the British Empire and United States have already gone far towards building up this menace, and if they continue from now on to allow Japan to obtain what she wants, they will soon have completed the process.

2. I therefore submit that in presenting the situation to United States Government we should emphasise these wider grounds of action not only because they are likely to carry more weight in America, but also because Japanese think that, though they might make a deal with us on a question of interests, they cannot reach a compromise with the United States on a question of principle, and would accordingly, if we took a stand on principle jointly with United States, see no hope of driving a wedge between us.
If any change in British and American attitude is to be effective it should be made quickly, and the most effective change would be to begin at once to reduce purchases of Japanese merchandise and gold. I and my advisers regard the present time as opportune for more resolute action. With steady increase in Japan's imports from China and Manchukuo and possible temporary easing of tension with Russia, we cannot feel sure that in a few months the situation will not have become less favourable from our point of view. I have good reason to believe that recent damping-down here of fishery dispute with Soviet Russia is not unconnected with firmer attitude of Great Britain and the United States.

3. As to conclusions reached by His Majesty's Government in November 1937, I do not think all of them now hold good as regards (b) of paragraph 3 in your telegram under reference, and I am of opinion that even without a state of war and even if entrepôt trade were permitted (which would be most unfortunate), Japan could not acquire from alternative sources sufficient supplies of some essential materials such as oil, cotton, aluminium, tin, zinc, nickel and rubber. But I do not understand why entrepôt trade, even if not stopped entirely, could not be so diminished as to have a paralysing effect in respect of such materials, especially where they can be controlled at the source of supply.

In (c) it is stated, with regard to an embargo on Japan's export trade, that no decisive effect could be expected for a considerable period, but this neglects the strong probability that anticipation by Japan of increasing pressure on her would cause her to moderate her policy long before the pressure reached its maximum effect. This consideration applies to any single form of pressure and a fortiori to a group of various forms of pressure in combination. I have never supposed that any single counter-measure would, before becoming fully operative, have an immediately disastrous effect on Japan's economy, but I do consider application of a widespread embargo on Japan's exports would set in motion a process that would rapidly prove disastrous.

Point (d).—The effect on Japanese shipping would be far greater than the effect of Japanese retaliation on British and United States shipping. We submit that while refusal of facilities to Japanese shipping in all British and United States ports would be seriously disastrous to Japanese shipping operations in most parts of the world, and, consequently, with Japanese world trade, retaliation in kind by Japan would affect operation of British shipping only in Japanese-controlled waters.

Point (e).—Participation of countries indicated would prevent Japan from acquiring necessary amounts of raw materials (see also paragraph 3 above). As regards (f), Canada is also concerned because of her metal exports to Japan. Without endangering her own economy and her continental policy, Japan is not now in a position to retaliate by making any further considerable reduction in her imports from British [? group omitted]. In any case, our object in stopping Japan's exports would be to prevent Japan from financing her essential imports.

Paragraph 9.—An element of risk is, of course, inseparable from any action of this kind, but my considered opinion is that risk of war is slight if the matter is properly handled. Such risk as there is arises from possible irresponsible action by younger officers and reactionary elements rather than from any deliberate act of Japanese Government and themselves (e.g., by ill-timed publicity). Present Japanese policy is based on the assumption, to which they still hold, that in no circumstances will Great Britain and United States be able to take joint or parallel action in this matter. If such action should finally be decided upon, the problem will be to convince Japanese Government without making overt or public threats. Everything in my mind would depend on whether such conviction could be carried in time to the Japanese official—and particularly the military—mind. With situation such as it is, the saving of 'face' is an all important factor. Subject to above comments, I entirely agree with your Lordship's view that a policy of counter-measures should not be embarked on unless we are prepared in the last resort to pursue it to the end.

(Repeated to Shanghai, No. 74.)
EMERGENCY HOSPITAL ORGANISATION.

Memorandum by the Minister of Health and the Secretary of State for Scotland.

1. The fullest use has now been made of existing hospital accommodation by introducing additional beds and by upgrading institutions not at present equipped for surgical work. By these expedients and by sending existing sick to their homes or to inferior accommodation about 200,000 beds will be provided in England and Wales for civilian casualties in the first 24 hours and another 100,000 a week or so later. But these figures include about 80,000 beds in vulnerable situations which could probably only be used for clearing station purposes. Further, the sick displaced - about 140,000 - would soon be succeeded by others requiring hospital treatment for the ordinary illnesses. Thus in England and Wales there are only about 80,000 beds on which we can count for the prolonged treatment of casualties.

2. In Scotland the position is even less satisfactory. About 12,000 beds could be provided for civilian casualties in the first 24 hours, and about 8,000 more a week or so later. But of this total of 20,000 beds some 50 per cent. are situated in vulnerable areas, and something like a further 10,000 would be needed to accommodate cases of ordinary illness, succeeding the cases of sickness displaced on the occurrence of the emergency.
3. In both countries the existing provision of beds is therefore inadequate. No one can forecast with accuracy the number and location of civilian casualties. But we have been advised by the Minister for Co-ordination of Defence that in Great Britain as a whole air raid casualties in the first two or three weeks might be as high as 17,500 killed and 35,000 wounded every day. On this basis 433,000 beds might be required by the fourth week.

4. It would not be possible to provide hospital accommodation on any modern basis for such a number of casualties. The task of construction could not be completed within any reasonable time, and there would not be enough doctors or nurses to serve so many beds even if they were provided.

5. By agreement with the Chancellor of the Exchequer and the Lord Privy Seal, we are already proceeding to approach the hospital authorities with a view to the construction, on land adjoining their institutions, of huts which would accommodate 20,000 beds in selected parts of England and Wales (primarily to serve London, Birmingham and Tyneside) and 6,000 in Scotland (primarily to serve Edinburgh and Glasgow) at an estimated cost of £70 per bed for construction and £10 per bed for bedding and ward equipment. A further review is, however, desirable.

6. The calculations mentioned above do not take account of hospital accommodation required for -

   (a) Service casualties and sick brought back from overseas,

   (b) Service sick, not being air raid casualties, in this country.

These Service requirements must be treated as additional to those for the civilian population.
7. The fact that some additional accommodation will be needed for Service requirements raises also a question of principle, viz. whether the Service Departments should themselves undertake the necessary construction or whether, on the other hand, the Service and civilian requirements should both be met from a joint pool of huddled accommodation, units of which might be transferred to the Services if and when the need arises.

In our view the latter is the preferable course, in the interests of economy and uniformity of administration, as the organisation of the additional accommodation required would then be under one central authority. In particular, this method would keep medical and nursing personnel employed to the best advantage and would avoid the immobilizing of some skilled personnel in Service institutions, where they might not immediately be required, at a time when the civilian accommodation was being subjected to maximum strain.

8. We suggest therefore -

(a) that approval be given to the principle of unified control of all the emergency hospital accommodation, whether for civilian or Service requirements, in this country, and

(b) that a committee of Ministers be set up to consider the extent to which additional accommodation ought to be provided.

(Intd.) W.E.E.

31st March, 1939. J.C.
CABINET,
INDIA.

Appreciation of the Political Situation, by the Government of India, dated 18th March, 1939.

Circulated for the information of the Cabinet by the Secretary of State for India.
Confidential appreciation of the political situation in India, dated the 18th March 1939, issued on the authority of the Secretary of State for India.

Mr. Gandhi and Rajkot - At the time when the last Appreciation was written Gandhi had offered to leave the Congress field to Subhas Bose and his followers, and was himself sharpening the edge of agitation against the States. It was expected that he would so manage the campaign against the States as to recover the ground temporarily lost by the Congress right wing in British India: but no one foresaw the sensational course which he followed.

It was mentioned in the last Appreciation that the settlement, reached on Christmas Day between Vallabhai Patel and the Ruler of Rajkot State, had broken down. Gandhi, attributing this to a breach of faith on the Ruler's part and professing mental agony also over tales of repression, suddenly descended on the State on a "mission of peace." He was given every facility by the State authorities for the investigation of alleged atrocities. A few days later he wrote peremptorily to the Ruler requiring compliance with six demands within 24 hours, failing which he would fast till the Ruler gave in. The Ruler rejected the ultimatum, and Gandhi thereupon began his "fast unto death" on March 3rd.

The demands related for the most part to the constitution of the Reforms Committee which was to have been appointed under the settlement with Vallabhai Patel. The fast ended on March 7th as the result of the Viceroy's intervention: with the consent of the Ruler the Viceroy undertook to consult the Chief Justice of India as to the construction to be placed on the Ruler's notification of December 26th as amplified by a subsequent letter addressed by the Ruler to Vallabhai Patel: the committee would be
set up in accordance with the decision of the Chief Justice and the same authority would decide any difference arising between the members of the committee as to the meaning of any part of the notification.

During the four days of the fast, surprise (in many quarters tinged with disapproval) at Gandhi's venture had given place to anxiety which threatened here and there to become hysterical. At his age and in his feeble state of health it was supposed that he could not long survive: his death would have produced results which, incalculable in various ways, would doubtless have included the resignation of the Congress Ministries. The Viceroy's successful intervention was therefore greeted generally with relief, more especially as the terms of the arrangement restricted the issue to the circumstances of a particular controversy in one State, and have not advanced the campaign against the States in general.

Since the breaking of the fast the Viceroy has accorded interviews to Gandhi on March 15th and 16th.

2. The Tripuri Session - Gandhi's tactical ingenuity is as much admired as his more spiritual quality: and it has not escaped notice that the limelight concentrated on Rajkot left Bose and the Congress field for a while in the shade; or that when with the breaking of the fast attention turned to Tripuri (the village in the Central Provinces selected for the annual session of the All-India Congress Committee) Gandhi's followers, deprived of his presence but strong in the emotional advantage won by the Rajkot interlude, were found to be subduing with determination and success, the revolting wing of the Congress party.
Few people believed that Bose would be allowed to enjoy the fruits of the victory won in the presidential election. On February 22nd the Congress Working Committee ceased to exist: twelve of the fifteen members announced their resignation in a joint letter which invited the President to choose his own Cabinet and follow his own policy; at the same time Jawaharlal Nehru in a long statement strongly attacked Subhas Bose for the false insinuations made by him against his colleagues and for other failings.

The Tripuri meetings began on March 7th. Bose was ill and attended against doctors' orders: his arrival in an ambulance and his appearance at the meetings on a stretcher failed to appease the powerful section which was determined to humiliate him. The main resolution on Congress policy moved by Pandit Pant, the United Provinces Premier, was carried in the Subjects Committee by 218 votes to 135 and in the open session without amendment and without a division, though in the face of prolonged disorder caused by Bose's followers. This resolution affirmed adherence to Gandhi's policies and programme: expressed confidence in the work of the defunct Working Committee, and deplored the aspersions cast against the members of it: and requested the President to select the new Working Committee in accordance with the wishes of the Mahatma. In Gandhi's absence Jawaharlal Nehru dominated the session: his weight thrown into the scale against Bose assured the defeat of the revolt, especially as to the various sections of the left wing failed to close their ranks. A resolution authorising the All-India Congress Committee and the Working Committee to take all steps that may be necessary to cure corruption in the Congress organisation is likely to be implemented to the further discomfiture of the
rebels. Thus at the moment Bose, sick in body, has also suffered a grievous fall in repute; and the Aandhi section appears to be in a position to restore the equilibrium of the party, with no great diminution in its own control of the High Command.

Other resolutions passed at Tripuri attracted less attention than those dealing with the internal affairs of the party. The "national demand" was stated in a resolution moved by Jawaharlal Nehru, which in somewhat familiar terms decried provincial autonomy, repudiated the Federal scheme, and claimed the framing of a free constitution by means of a Constituent Assembly. The resolution does not contain the elements which had been advertised as essential to the policy of Bose and the left wing - viz. an ultimatum requiring the compliance of the British Government within a period of months, and a specific threat of civil disobedience if this were not conceded. Other resolutions dealt with Indians overseas, British foreign policy, the Palestine situation, the administration of Baluchistan, the Egyptian delegation, and the war in China; while the resolution on the Indian States affirmed the possibility of Congress relaxing the restraint it has imposed on itself and authorised the Working Committee to issue instructions from time to time in order that the Congress may be increasingly identified with the people of the States.

3. Communal Trouble - It is possible to exaggerate the importance of the incidents above mentioned. The Congress is not the nation: and even the fate of Gandhi is not a matter of great concern to some sections of the community, including most Muslims. A problem which Congress, either as a party or in its operation through Ministries, has made no progress in solving, and which appears in fact to become more intractable, is the present state of communal
feeling. Religious and communal differences, which led to disorder in various places in January and February, produced very acute tension at the beginning of March when the celebration of Muharram and of the Hindu festival of Holi almost coincided. In many areas violence was prevented only by strigent precautions. Of a number of riots the most serious were in the United Provinces - for instance in Cawnpore where a fresh outburst of disorder resulted in 8 persons being killed, and in Benares where over 40 persons were killed and 300 injured. The strain on the magistracy and the police has been very great, and in a number of cities the presence of British troops has given valuable security.

4. All the Provincial Governments have now presented their budgets. The devices for raising new revenue in Bengal and Bombay were mentioned in the last Appreciation. In most of the Provinces taxes on the sale of motor spirit and lubricants are being imposed. In the United Provinces a proposal to impose a graded tax on persons in employment receiving an annual income of Rs. 2,500 or more has excited criticism on the ground that it invades the Central field. In this Province as well as elsewhere the levy of fresh taxation is necessitated by the lavish abandonment of income through the spread of prohibition. The United Provinces proposal will admittedly affect Government servants with particular severity; and in other Congress Provinces (Bombay and Madras) the Ministry have intimated their desire that the loss on prohibition shall be met by a cut in the pay of the Services.

5. In Sind a sixth Minister has now been appointed - Sir Shulam Haasain Hidayatullah, who was Premier in the Ministry which fell in March of last year. Elsewhere provincial affairs call for little remark. In Madras
labour has been giving serious trouble in various places.

6. The death of His Excellency Lord Ernshaw in Calcutta on February 23rd was received with a remarkable demonstration of mourning throughout the country, and particularly in the Provinces of Bombay and Bengal where the Ministers were among the first to pay tribute to the eminent services rendered by him as Governor and to his great personal popularity.

7. In the Central Legislature the budget shows a deficit on the current year (chiefly due to decrease in Customs receipts) of Rs. 255 lakhs, which thus absorbs the greater part of the original provision of 300 lakhs for reduction of debt: a deficit of Rs. 50 lakhs in the coming year will be met by doubling the import duty on raw cotton: and taxes on the higher grades of income will be considerably increased.

8. Waziristan - There has been much sniping of troops in North Waziristan, especially in the Khaider Valley, but no real opposition. Sever weather has impeded military operations. Several attacks have been made by tribesmen on Datta Khel post by night: two guns of local manufacture have been used in support of these attacks. No serious damage has been suffered. Aircraft have taken successful action by night against the enemy and the attacks have ceased since one of the guns blew up and killed a prominent hostile leader and three of his following. It has, however, been found necessary to institute extensive air operations against the Madia Khel Wazirs, who were chiefly responsible for these attacks, and who have been harbouring the Faqir of Ipi for the last few months. The Faqir is now believed to be just across the Durand Line in Afghanistan. Raids in the settled districts have been fewer and less successful than in
last month. In one case two raiders were killed and one wounded and in another a gang of 20 were repulsed by the inhabitants of the village which they raided, and returned empty-handed.