CABINET 43 (45).

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W. 1, on Thursday, 18th October, 1945, at 11 a.m.

Present:
The Right Hon. C. R. ATTLEE, M.P., Prime Minister (in the Chair).
The Right Hon. HERBERT MORRISON, M.P., Lord President of the Council.
The Right Hon. HUGH DALTON, M.P., Chancellor of the Exchequer.
The Right Hon. J. CHUTEE EDE, M.P., Secretary of State for the Home Department.
The Right Hon. LORD PETHICK-LAWRENCE, Secretary of State for India and Secretary of State for Burma.
The Right Hon. J. J. LAWSON, M.P., Secretary of State for War.
The Right Hon. G. A. ISAACS, M.P., Minister of Labour and National Service.
The Right Hon. ELLEN WILKINSON, M.P., Minister of Education.
The Right Hon. T. WILLIAMS, M.P., Minister of Agriculture and Fisheries.

The following were also present:
The Right Hon. JOHN WILMOT, M.P., Ministry of Supply and of Aircraft Production (Item 2).
The Right Hon. LORD WINSTER, Minister of Civil Aviation (Item 2).
Mr. GEORGE BUCHANAN, M.P., Joint Parliamentary Under-Secretary of State for Scotland (Item 1).

Secretariat:
Sir EDWARD BRIDGES.
Mr. W. S. MURRIE.

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1. At their meeting on the 11th October the Cabinet had agreed to resume discussion of the memoranda on the future of the hospital services by the Minister of Health (C.P. (45) 205) and by the Joint Parliamentary Under-Secretary of State for Scotland (C.P. (43) 207).

The Cabinet now had before them, in addition to these memoranda, a memorandum by the Lord President of the Council (C.P. (45) 227) and a further memorandum by the Minister of Health (C.P. (45) 231).

The Lord President of the Council said that, while he fully appreciated the attractions of a logical and clean-cut scheme of the kind proposed by the Minister of Health, he felt that, before accepting the Minister’s proposals, the Cabinet ought to consider fully whether the opposition which they would arouse and the detrimental effect which the loss of hospital functions would have on local government in general, did not outweigh the arguments based on grounds of administrative convenience and technical efficiency. It would be unwise to underrate the pride which local people took in their hospitals, whether voluntary or municipal, and he feared that the Minister’s scheme, for which there was no authority in the Party Programme and which involved a departure from the terms of a resolution passed at the last annual Party Conference, would arouse such a storm of opposition as to jeopardise the passage of the National Health Service Bill in the current Session. The Government were virtually committed to schemes for the nationalisation of electricity, gas and transport services, which would mean the transfer of important functions from local authorities, and there might also be other functions, such as those relating to water supply, of which the local authorities ought to be deprived. If, in addition, they were to lose the hospital services and possibly other health services (e.g., the maternity and child welfare clinics, the school medical service), the fabric of local government might be dangerously weakened. The Regional Boards and District Committees proposed by the Minister of Health would either be mere creatures of the Ministry or they would have to be given a dangerous freedom to pursue policies of their own at the expense of the Exchequer. Was it not reasonable to expect that the voluntary hospitals would in time decline and fall under public control, and, in these circumstances, would it not be better to adopt a solution which would admittedly not be perfect, but which would not range all the interests against the Government and create serious divisions among Government supporters both in Parliament and in the country, at a time when local elections were impending?

The Minister of Health said that he had considered very carefully the points made by the Lord President of the Council, but that he still felt that the only way to make the hospital services efficient was to centralise responsibility for them. Since it was impossible to leave the position as it was and since any change would involve controversy, was it not better for the Government to propose the scheme which would give the most efficient service and could best be defended on merits? He did not believe that a satisfactory service could be run under a system of joint committees, which would have to obtain their funds by precepting on local authorities of varying resources. Even if the local authorities were to lose the hospital services and certain other health services connected with them, they would still be left with more than enough work. There was no reason to believe that, if the voluntary hospitals were left with their independence, they would in time lapse into the hands of the State. On the contrary, the Exchequer subsidies which it would be necessary to give to them would consolidate their position. He was convinced that a bold scheme on the lines he had proposed would have the backing of Government supporters throughout the country.
The Joint Parliamentary Under-Secretary of State for Scotland said that it had not been possible to consult the Secretary of State for Scotland and that he could not guarantee that the Secretary of State would have endorsed the views expressed in C.P. (45) 207. While the efficiency of Scottish municipal hospitals had improved greatly since 1930, nevertheless, they were not as efficient as the voluntary hospitals and, in his view, the least satisfactory course would be to transfer the voluntary hospitals to the local authorities, particularly having regard to the strong opposition of the medical profession to any such step. As indicated in C.P. (40) 207, it was most important to include the Scottish teaching hospitals in any national scheme.

In the discussion which ensued the following points were made:

(a) The Secretary of State for Dominion Affairs stressed the importance of providing for the co-ordination of the hospital services with the other health services, including the general practitioner service. He favoured a national scheme, especially because of the improvements which it would enable to be made in the arrangements for the training of nurses and the wider opportunities which it would give to the medical profession to find an attractive career in the hospital service.

(b) The Home Secretary said that there seemed to him to be a good case for bringing the small voluntary hospitals in country areas under public control, and for rationalising the existing distribution of hospital functions among local authorities. He saw considerable objection, however, to the transfer of hospital services from the major local authorities, who had a good record in hospital administration, and he feared that any such step would make it more difficult to attract the right type of person into local government.

(c) The Minister of Agriculture and Fisheries said that the problem could not be solved by transferring the voluntary hospitals to the existing local authorities, since these hospitals, in many cases, served not only the areas in which they were situated but also the surrounding areas. Thus the choice lay between the proposals of the Minister of Health and some system of joint committees of local authorities. There would undoubtedly be strong opposition, at least for a time, to the proposals of the Minister of Health but, in his view, they were to be preferred on merits.

(d) The Minister of Education said that the proposals of the Minister of Health would, in her view, commend themselves to Government supporters throughout the country. A national hospital scheme was a logical consequence of a national scheme of health insurance. The voluntary hospitals ought not to retain their independent status and it was clear that the medical profession would prefer a national scheme to any scheme of local authority control. Moreover, the creation of a national hospital scheme would facilitate advances in the field of medical education.

(e) The Lord Chancellor suggested that, in view of the difficulties involved in bringing the administration of all hospitals under State control immediately, the Minister might, in the first instance, take power to give directions in order to ensure that hospitals were efficiently run, with a reserve power to take over the administration of any hospital which failed to come up to the necessary standard of efficiency.

(f) The Secretary of State for War said that in general he supported the proposals of the Minister of Health. It
was most important to preserve the existing enthusiasm of the local people for their own hospitals, but he was satisfied that this could be done through the district committees referred to in paragraph 14 (5) of C.P. (45) 205.

(g) The First Lord of the Admiralty urged that there should be a more detailed examination of the proposals made by the Minister of Health before the Cabinet reached a final decision on them. In particular, if special provision was to be made for the big teaching hospitals it was for consideration whether similar arrangements should not also be made for specialised hospitals which drew their patients from the whole country. While most voluntary hospitals would have to be subsidised very largely from public funds, this did not apply in all cases, and difficult financial questions might arise in connection with the treatment of endowments specifically given for the support of particular hospitals. Once the scheme had been worked out in more detail, the Cabinet would be in a better position to judge the strength of the opposition.

(h) It was suggested that further consideration should be given to the size of the areas over which the regional boards proposed in paragraph 14 (3) of C.P. (45) 205 would operate. While there were advantages in adhering to the ten regions which had always been a feature of proposals for reorganising hospital services, there might be a case for smaller regions. A decision of this point depended, however, on the proposed size of the districts referred to in paragraph 14 (5) of C.P. (45) 205.

(i) It was essential that careful consideration should be given to the financial aspect of the proposals and the Chancellor of the Exchequer should be kept closely in touch with the working out of the details.

The Prime Minister said that the differences between the proposals made by the Minister of Health and the alternative scheme suggested by the Lord President of the Council were possibly less fundamental than they seemed to be. On either alternative, the major part of the expenditure on the hospital service would have to be met from the Exchequer, and the regional boards and district committees proposed by the Minister of Health in sub-paragraphs (3) to (5) of paragraph 14 of C.P. (45) 205 would in all probability consist very largely of the same persons as would be members of the joint committees under the Lord President’s scheme. Whichever course was adopted, there would inevitably be controversy, and the predominant feeling in the Cabinet seemed to him to be generally in favour of the solution proposed by the Minister of Health. While approving this proposal in principle, however, the Cabinet would want to look at the details again when they were more fully worked out. In particular the Minister of Health and the Joint Parliamentary Under-Secretary of State for Scotland should develop further their proposals for regional boards and district committees in the light of the discussion, keeping in view the desirability of meeting the criticism that a national service would tend to a diminution of local interest. They should at the same time take discreet soundings as to the attitude of Government supporters, but there should be no disclosure at this stage of what the Government had in mind. It would probably be convenient if the Social Services Committee, with the addition of the Secretary of State for Dominion Affairs and other Ministers who had a special interest in the matter, were to work out the details and thereafter submit a report to the Cabinet.

The Cabinet:

Endorsed the course of action proposed by the Prime Minister.
Civil Aviation.

(Previous References: W.M. (45) 27th Conclusions, Minute 2, and C.M. (45) 5th Conclusions, Minute 5.)

2. The Cabinet had before them the following papers on Civil Aviation Policy:

(i) C.P. (45) 221—a memorandum by the Secretary of State for Dominion Affairs reporting the recommendations of the Civil Aviation Committee on proposals submitted to them by the Minister of Civil Aviation.

(ii) C.P. (45) 222—a memorandum by the Minister of Civil Aviation asking for Cabinet approval for certain proposals arising out of the recommendations of the Civil Aviation Committee, and

(iii) C.P. (45) 232—a memorandum by the Joint Parliamentary Under-Secretary of State for Scotland regarding the use of Prestwick Airport.

The Secretary of State for Dominion Affairs said that the Civil Aviation Committee agreed that the Minister of Civil Aviation should adhere to the policy of regulation but not restriction of international civil flying, and should continue with the negotiation of bilateral agreements on the lines followed hitherto. They had also endorsed the policy of Commonwealth co-operation and the proposal that all airfields in the United Kingdom, including those belonging to local authorities, should be owned by the State.

The most important point which the Committee had had to consider was the part to be played by private capital in operating airline services. The Minister's predecessor had proposed that Commonwealth air services, services to the United States, China and the Far East should be operated by B.O.A.C. without the participation of private capital; that services to South America should be operated by a corporation in which the shipping lines operating to South America would have a majority holding, while B.O.A.C. had a minority holding; and that European and internal services should be operated by a corporation in which the railway companies, the short sea shipping lines, the travel agencies, and B.O.A.C. should all participate, no participant having a majority holding. The Committee had taken the view that there should be no change in the arrangements for Commonwealth services and for services to the United States, China and the Far East. So far, however, as the corporation which were to operate the South American service and the European services were concerned, the Committee recommended that the total extent of private participation should be 20 per cent., and that the short sea shipping lines should not participate at all.

The Minister of Civil Aviation said that later in the day he would have to reply to a Motion by Lord Swinton asking His Majesty's Government to make a full statement of their policy with regard to civil aviation. If the Cabinet approved, he would propose to make a full statement in about a fortnight's time. In his view, it was doubtful whether the railway companies and the travel agencies, whose assistance in developing the South American and European services would be most valuable, would be content with a stake limited to 20 per cent., that he would like to have authority to negotiate within a maximum of 40 per cent. in the case of the European corporation, and 33⅓ per cent. in the case of the South American corporation. An undertaking had been given by the previous Government that, pending the completion of Heath Row, British land-based aircraft on passage to and from Canada and the United States would be required to stop to pick up and set down at Prestwick. The implication of this was that all land-based aircraft, no matter what their points of arrival and departure were, must call at Prestwick. It did not seem reasonable, however, that aircraft travelling on the southerly route should be compelled to make a stop at Prestwick, and he suggested that the compulsory stop at Prestwick should be limited to aircraft travelling from Newfoundland via the northerly route to London, whenever a stop at Prestwick was desirable on operational grounds.
The following points were raised in discussion:

(a) The Labour Party had in the past advocated the complete nationalisation of internal air services. Further, if the railway companies were allowed to participate in the proposed European corporation, awkward questions of compensation might arise when the time came to nationalise the railways.

On the other hand, it was urged that there was much to be said for enlisting the experience of the railway companies, shipping lines and travel agencies, and that, provided that the State retained a majority interest, there was no reason why the participation of private companies should be strictly limited to 20 per cent.

(b) The Lord President of the Council said he hoped that before a final decision was reached the Minister of Civil Aviation would give further consideration to the views of the Civil Aviation Group of the Parliamentary Labour Party. It might be desirable for the memorandum, which the Group had prepared, to be circulated to the Civil Aviation Committee.

(c) It was explained that the proposals made in paragraph 12 of C.P. (45) 222 with regard to priorities for the production of civil aircraft would have to be considered by the Defence Committee.

(d) The Chancellor of the Exchequer said that he hoped that care would be taken to keep the proposed negotiations for a bilateral agreement with the United States separate from the current financial and economic negotiations in Washington.

(e) The Joint Parliamentary Under-Secretary of State for Scotland said that the previous Government had given a clear undertaking that Prestwick Airport would be used for transatlantic traffic pending the completion of Heath Row. It had never been intended that this undertaking should apply to flights on the southerly Atlantic route, but the wording of paragraph 9 of C.P. (45) 221 and of paragraph 11 of C.P. (45) 222 seemed to suggest that it would be open to the Minister of Civil Aviation to permit aircraft on the northerly route to land in Ireland instead of at Prestwick. This would be a departure from the undertaking already given. The Minister of Civil Aviation said that he was prepared to withdraw the qualification that the use of Prestwick should be determined by operational requirements.

The Cabinet—

(1) Approved in principle the proposals outlined in C.P. (45) 221 and 222, and authorised the Minister of Civil Aviation to promise that a statement of the Government's civil aviation policy would be made in about a fortnight.

(2) Reserved for further consideration the question of the participation of private interests in the proposed European and South American corporations. The Minister of Civil Aviation was invited to ascertain the views of the Civil Aviation Group of the Parliamentary Labour Party and thereafter to formulate revised proposals for consideration by the Civil Aviation Committee prior to their submission to the Cabinet.

(3) Took note that the question of the provision of labour and materials for the manufacture of civil aircraft would be considered by the Defence Committee.

Cabinet Office, S.W. 1.
18th October, 1945.