CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W. 1, on Friday, 26th October, 1945, at 10 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. ARTHUR GREENWOOD, M.P., Lord Privy Seal.
The Right Hon. Sir STAFFORD CRIPPS, K.C., M.P., President of the Board of Trade.
The Right Hon. LORD JOWITT, Lord Chancellor.
The Right Hon. VISCOUNT ADDISON, Secretary of State for Dominion Affairs.
The Right Hon. G. H. HALL, M.P., Secretary of State for the Colonies.
The Right Hon. VISCOUNT STANSGATE, Secretary of State for Air.
The Right Hon. ELLEN WILKINSON, M.P., Minister of Education.
The Right Hon. T. WILLIAMS, M.P., Minister of Agriculture and Fisheries.
The Right Hon. ALFRED BARNES, M.P., Minister of War Transport (Items 1-3).
The Right Hon. LORD WINSTER, Minister of Civil Aviation.

The following were also present:
The Right Hon. ERNEST BEVIN, M.P., Secretary of State for Foreign Affairs.
The Right Hon. HUGH DALTON, M.P., Chancellor of the Exchequer.
The Right Hon. J. CHUTER 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. E. SHINWELL, M.P., Minister of Fuel and Power.
The Right Hon. ANEURIN BEVAN, M.P., Minister of Health.
Mr. A. Woodburn, M.P., Parliamentary, Ministry of Supply and of Aircraft Production (Items 1-3).

Secretariat:

SIR EDWARD BRIDGES.
Mr. NORMAN BROOK.
Mr. W. S. MURRIE.
## CABINET 46 (45).

### CONTENTS.

<table>
<thead>
<tr>
<th>Minute No.</th>
<th>Subject</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Parliament</td>
<td>195</td>
</tr>
<tr>
<td></td>
<td>Bank of England Bill.</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Civil Aviation</td>
<td>196</td>
</tr>
<tr>
<td></td>
<td>Services to Europe and South America</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Prestwick Airport</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Dockers' Strike</td>
<td>197</td>
</tr>
<tr>
<td>4</td>
<td>Ceylon</td>
<td>198</td>
</tr>
</tbody>
</table>
1. The Prime Minister asked that all Members of the Cabinet should make a special point of being in attendance at the House of Commons on Monday, the 29th October, 1945, to take part in a Division which was expected at about 9.45 p.m. on the Bank of England Bill.

2. At their meeting on the 18th October the Cabinet, while approving in principle the remaining proposals on civil aviation policy outlined in C.P. (45) 221 and 222, had reserved for further consideration the question of the participation of private enterprise in the proposed European and South American Corporations and had asked that this point should be further considered by the Civil Aviation Committee in the light of the views held by the Civil Aviation Group of the Parliamentary Labour Party.

The Cabinet now had before them a report by the Secretary of State for Dominion Affairs (C.P. (45) 245) covering a memorandum by the Civil Aviation Group of the Parliamentary Labour Party and submitting the considered views of the Civil Aviation Committee on this point.

The Secretary of State for Dominion Affairs said that the Civil Aviation Group pressed very strongly that the Government's plan should provide for fully socialised ownership, operation and control of civil aviation, and they would be opposed to any provision for the participation of private interests in the proposed European and South American Corporations. The Group were, however, prepared to leave to private enterprise charter services and feeder airlines. The Civil Aviation Committee were satisfied that this would give to private enterprise an undue opportunity of exploiting profitable services. The real question was whether there should be any scope at all for private capital in the field of civil aviation. After prolonged consideration, the Committee had come to the conclusion that, in spite of the political disadvantages, there were strong practical grounds for allowing private enterprise to play a strictly limited part in the European and South American Corporations, subject to the stringent controls and safeguards set out in paragraph 7 of C.P. (45) 245, and subject to the limits indicated in paragraph 8, viz., a maximum participation of 40 per cent. in the European Corporation and 33\(\frac{1}{3}\) per cent. in the South American Corporation.

In discussion, the following arguments were put forward in favour of excluding private enterprise from all participation in civil aviation:—

(a) The programme of the Labour Party had provided for public ownership and control of civil aviation. This was the considered policy of the Party; and it was advocated by the Civil Aviation Group, which included many reliable and experienced supporters of the Government. There would be great political difficulty in carrying through a plan which was, in part, inconsistent with this policy and with the views of this Group of Government supporters.

(b) An attempt to compromise between the principles of public ownership and private enterprise might result in a scheme which had the merits of neither. Under the proposals outlined in paragraphs 7-8 of C.P. (45) 245, the private holding in the European and South American Corporations would be so limited—there would be no equity and no possibility of capital accretion—that there would be no financial attraction to private enterprise, and it seemed doubtful whether the railway and shipping companies would be anxious to come in on these terms. Even if they did, they would have no incentive to play an efficient part in the organisation.

(c) It would be difficult to negotiate an agreement with the private interests on the lines suggested in C.P. (45) 245. The Government would first have to admit in Parliament that they were
not proposing full public ownership because they needed the co-operation of private interests over part of the field; and, having thus implied that they could not do without that co-operation, they would have to try to enlist the assistance of those private interests on the unattractive terms indicated in the memorandum.

On the other side, the following considerations were put forward:

(d) The main reason for allowing private interests to participate in the European and South American Corporations was to enable these Corporations to use the facilities already provided by the surface transport interests, in particular, the ticket agencies and other ancillary organisation catering for the traveller. It was important that civil aviation should be enabled to use these existing facilities. To attempt to build up a separate organisation for civil aviation alone would involve substantial delay and disproportionate expense. These overhead charges were very large: they could not be carried by civil aviation alone; and the only practical solution was to arrange that these ancillary services were provided as a common service for all forms of transport.

(e) If the principle of public ownership was to apply throughout, the operation of new air services would be delayed until the necessary legislation had been passed. If, on the other hand, the scheme permitted limited participation by the private interests which already had rights to operate airlines, a start could be made on the basis of those rights without waiting for legislation. It was true that these rights were not exclusive, but the present shortage of civil aircraft would prevent other companies from beginning to operate for a time and legislation to regularise the position could be passed at a later stage.

In connection The Foreign Secretary said that, from the point of view of foreign policy, it was specially important that an early start should be made with the establishment of British air services, particularly to South-Eastern Europe.

(f) If British shipping companies were not given an opportunity of participating in British civil aviation, there was some risk that they might enter into association with foreign companies for the purpose of civil aviation business.

(g) The Minister of Civil Aviation said that, while the terms proposed in C.P. (45) 245 might not be financially attractive to private interests, the railway and shipping companies had other reasons for desiring participation in the proposed European and South-American Corporations. The shipping companies, in particular, were interested in seeing that shipping interests were not unduly prejudiced by civil aviation. From the tentative enquiries which he had been able to make he had reason to believe that the companies would be prepared to co-operate on the basis outlined in C.P. (45) 245.

As regards the point recorded at (c) above, he believed that, if the Cabinet approved the scheme proposed in C.P. (45) 245, it might be possible for him to reach agreement with the companies on the main issues involved before the scheme was announced in Parliament.

Further discussion showed that it was the general view of the Cabinet that the principle of public ownership should be applied throughout the whole field of civil aviation. At the same time, it was recognised that arrangements must be made to enable civil aviation to use the existing facilities, established by the surface transport interests, for handling traffic. The Minister of Civil Aviation should therefore say, in his forthcoming announcement of policy in the House of Lords, that, while the principle of public ownership and control would be applied throughout, he was proposing to discuss with surface transport interests the means by which they could best participate, possibly on an agency basis, in the provision of these common services, particularly in respect of airlines to Europe and South America.

"X"
The Secretary of State for Dominion Affairs said that the Civil Aviation Committee had also given further consideration to the future use of Prestwick Airport, and they proposed that a public statement should be made to the effect that: (i) Prestwick will be designated as an international airport; (ii) B.O.A.C. have planned for certain services to be operated via Prestwick, the number to be dependent on traffic demands; and (iii) Scotland will be able to play its full part in civil aviation, both as regards services and airports, by the opportunities provided for internal services, including services between Scotland and the rest of the United Kingdom and direct services between Scotland and the Continent.

In discussion, it was pointed out that the concluding words of (iii) above might be taken to exclude Atlantic services; and it was agreed that these concluding words should be amended so as to read—"direct services between Scotland and overseas countries."

The Cabinet—

(1) Agreed that the principle of public ownership should be applied throughout the whole field of civil aviation, and that no provision should be made for financial participation by private interests in the proposed European and South American Corporations.

(2) Invited the Minister of Civil Aviation to include, in his forthcoming statement of policy in the House of Lords, a declaration on the lines indicated at "X" above.

(3) Asked the Minister of Civil Aviation to make a public statement regarding the future use of Prestwick Airport in the terms outlined in "Y" above.

Docksers' Strike.

(Previous Reference: C.M. (45) 42nd Conclusions, Minute 2.)

3. The Parliamentary Secretary, Ministry of Labour and National Service, gave the Cabinet the latest information about the dockers' strike. Meetings were being held that day and further meetings would, if necessary, be held during the coming week-end; but there was as yet no evidence to warrant the belief that the strike would collapse during the week-end.

In view of the critical stage of the discussion, Mr. Churchill had been asked to defer until Monday a Parliamentary Question which he was to have asked that day. The Cabinet agreed that, if this Question were asked, the reply should be to the effect that this was an unofficial strike and the Government did not intend to intervene in any way which would jeopardise the working of the constitutional machinery for the settlement of issues between employers and workers. At the same time, they could not allow the clearance of ships carrying essential cargoes to be held up by an unofficial strike.

The Cabinet proceeded to consider a memorandum by the Minister of War Transport (C.P. (45) 248) asking that authority should be given for the extended use of military labour for the clearance of ships from the ports. The memorandum stated the classes of ship on which military labour was already being used and asked that, if the strike continued beyond the week-end, military labour should also be used for handling (i) vessels loading export cargo; and (ii) irrespective of cargo, vessels whose clearance would make available sterling tonnage for the import programme and thus reduce the need for employing dollar tonnage for this purpose.

There was general support for the view that, in the present emergency, the extended use of military labour for the clearance of ships would be justified. The Secretary of State for War was asked to consider what further military labour could be made available for this purpose.

In discussion, it was suggested that arrangements should be made to enable the Minister of Labour to obtain advice on the extent
to which it would be justifiable to employ military labour in the docks, without having to seek specific authority from the Cabinet on each occasion. It was also suggested that there was need for some standing machinery to review, on behalf of the Cabinet, questions of wages policy and other questions arising from industrial disputes. While it was desirable that statements in Parliament about industrial disputes should be made by the Minister of Labour, it would be helpful to the Minister if there were a small standing committee of the Cabinet to which he could refer on matters affecting his colleagues.

The Cabinet—

(1) Agreed that, if the dockers' strike continued beyond the coming week-end, the use of military labour for the clearance of ships in United Kingdom ports might be extended to (i) vessels loading export cargo; and (ii) irrespective of cargo, vessels whose clearance would make available sterling tonnage for the import programme.

(2) Took note that the Prime Minister would arrange for the appointment of a Cabinet Committee, under the chairmanship of the Chancellor of the Exchequer, to keep under review questions of wages policy and other questions of policy arising from industrial disputes, and to authorise such emergency action as might be necessary, by reason of industrial disputes, to maintain supplies and services essential to the life of the community.

4. The Cabinet had before them a report by the Chairman of the Colonial Affairs Committee (C.P. (45) 244) on constitutional reform in Ceylon.

The Lord Privy Seal recalled that at their meeting on the 11th September the Cabinet had approved the publication of the Soulbury Report. The Report had been published on the 9th October, and it was desirable that a statement defining the Government's attitude towards its recommendations should be made without delay. The Colonial Affairs Committee proposed that the draft statement annexed to C.P. (45) 244 should be published forthwith as a White Paper in this country and in Ceylon. In his conversations with the Colonial Secretary Mr. Senanayake had made it clear that, now the war was over, the Ceylon Ministers were no longer willing to proceed on the basis of the 1943 declaration on the reform of the Ceylon constitution and wished to press for the grant of Dominion status; and it was doubtful whether, without some concession by His Majesty's Government which would demonstrate that his mission to London had not been fruitless, Mr. Senanayake would be willing to sponsor the Soulbury recommendations before the Ceylon State Council. The Colonial Affairs Committee had accordingly felt that the proposed statement of policy should include a promise that six years after the introduction of the new constitution the Government would initiate a further review of the constitutional issue in consultation with the Ceylon Government. The object of this review would be that Ceylon should take her appropriate place in the Commonwealth with full internal self-government under a constitution on Dominion lines.

In discussion the following points were raised:—

(e) Past experience had shown that a promise to take a further step forward in constitutional reform after a fixed period of years was likely to create unwillingness to give a fair trial to the constitution in force in the interim period. The proper road towards the achievement of Dominion status was by the gradual development of new constitutional practice in the working of existing institutions.

A promise of a review after a period of six years was also open to the objection that the question of constitutional reform
would be a major issue in the general election which would be due
to be held five years after the present reforms were introduced.

Paragraph 10 of the draft statement annexed to C.P. (45) 244
should be recast so as to make it clear that our objective was to
able Ceylon to attain Dominion status, but that this objective
could be reached only through the evolution of the capacity for
self-government based on the practical working of the reformed
constitution now offered. The statement should not imply that a
further instalment of constitutional reform would follow after a
fixed period, irrespective of the progress made.

The First Lord of the Admiralty asked that, in recasting this
part of the statement, special attention should be given to the
probable need for reserved powers in respect of defence and foreign
policy.

(b) The last sentence of paragraph 12 of the draft statement
of policy, which made it clear that His Majesty’s Government did
not regard themselves as bound by the provision in the 1943 declara­
tion that there should be a three-quarters majority of the Council in
favour of the reforms, seemed to be inconsistent with the earlier
part of the paragraph. If His Majesty’s Government did not intend
to be bound by this condition there was no point in referring to it,
and some other formula to secure the protection of the minorities
should be devised.

The Secretary of State for the Colonies said that he was willing
to omit any reference to the three-quarters majority.

(c) The Secretary of State for India drew attention to para­
graph 6 of C.P. (45) 244, which set out the views of the Govern­
ment of India on the Soulbury Report. These views had been fully
considered by the Colonial Affairs Committee and he did not feel
that he could press them further. At the same time, he was bound
to point out that the proposals were looked upon in India with
considerable misgiving.

The Secretary of State for the Colonies said that he had good
hope that, now the war was over, some of the points at issue between
the Government of India and the Government of Ceylon would be
settled by direct negotiation.

The Cabinet—

(1) Agreed that the new constitution for Ceylon should follow
the general lines proposed by the Soulbury Commission.
(2) Invited the Prime Minister, in consultation with the Lord
Privy Seal, the President of the Board of Trade, the
Secretary of State for Dominion Affairs and the Secre­
tary of State for the Colonies, to reconsider para­
graphs 10 and 12 of the proposed statement of policy in
the light of the points made in discussion.

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