CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W. 1, on Tuesday, 5th August, 1947, at 10-30 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., Minister without Portfolio.
The Right Hon. Sir Stafford CRIPPS, K.C., M.P., President of the Board of Trade.
The Right Hon. VISCOUNT JOWITZ, Lord Chancellor.
The Right Hon. VISCOUNT ADDISON, Secretary of State for Commonwealth Relations.
The Right Hon. A. CREECH JONES, M.P., Secretary of State for the Colonies.
The Right Hon. G. A. ISAACS, M.P., Minister of Labour and National Service.
The Right Hon. ANEURIN BEVAN, M.P., Minister of Health.
The Right Hon. GEORGE TOMLINSON, M.P., Minister of Education.
The following were also present:
The Right Hon. VISCOUNT HALL, First Lord of the Admiralty (Items 1–2).
The Right Hon. P. J. NOEL-BAKER, M.P., Secretary of State for Air.
The Right Hon. ALFRED BARNES, M.P., Minister of Transport.
LORD PAKENHAM, Chancellor of the Duchy of Lancaster (Items 1–2).
The Right Hon. WILLIAM WHITELEY, M.P., Parliamentary Secretary, Treasury (Item 1).

Secretariat:
Mr. W. S. Murrie.
Mr. S. E. V. Luke.
## CABINET 60 (47)

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1. The Cabinet had before them a memorandum by the Chancellor of the Exchequer (C.P. (47) 223) covering a draft Supplies and Services (Transitional Powers) Bill.

The Cabinet were informed that the effect of the Bill was to enable the powers conferred by Defence Regulations continued in force by the Supplies and Services (Transitional Powers) Act, 1945, to be used for the additional purposes defined in Clause 1 (1). It thus removed any risk that the Government might be challenged in the courts for using, in order to deal with the present situation, powers conferred by Regulations continued in force primarily to deal with conditions in the transition from war to peace.

The Bill did not confer power to make new Defence Regulations or to revive Defence Regulations which had been revoked, and it would not maintain in force Defence Regulations which would lapse with the expiry of the Emergency Laws (Transitional Provisions) Act, 1946. Nor would the Bill provide statutory authority for the payment of subsidies such as acreage payments to farmers or grants for the reconditioning of rural houses. The question whether the Bill should include power to make new Regulations had been carefully considered, but it had been felt that it would be unwise to ask Parliament to grant powers which could not be shown to be needed; and, so far as could be seen, all that the Government might wish to do in order to deal with the economic situation could be done under the Regulations continued in force by the Act of 1945. As regards the question of statutory authority for the payment of subsidies, it had not been the practice to use Defence Regulations for this purpose during the war and there seemed to be no justification for doing so in peace.

The Cabinet were also informed that the consultations which had taken place with the Opposition suggested that they would press for a full day for the Second Reading Debate on the Bill and might wish to move amendments in Committee. In these circumstances it might be necessary to postpone the adjournment of Parliament until the following week.

The Cabinet—

(1) Approved the draft Supplies and Services (Transitional Powers) Bill annexed to C.P. (47) 223;

(2) Took note that notice of presentation of the Bill had already been given and agreed that the Bill should be published forthwith;

(3) Agreed that, in order to enable the Bill to be passed before the Summer Recess, the adjournment of Parliament for the Summer Recess should, if necessary, be postponed.

2. The Cabinet had before them—

(i) a memorandum by the Chancellor of the Exchequer (C.P. (47) 223) covering a note reporting the results of further examination of the proposals with regard to food production, economies in petrol, and foreign travel allowances which had been considered by the Cabinet at their meeting on 1st August (C.M. (47) 67th Conclusions, Minute 2);

(ii) a memorandum by the Prime Minister (C.P. (47) 226) reporting the conclusions reached by the Defence Committee on the proposals made in C.P. (47) 221 with regard to overseas military expenditure and the size of the Armed Forces; and

(iii) a memorandum by the Minister of Food (C.P. (47) 224) suggesting the lines of the statement to be made by the Prime Minister on the subject of food imports in the debate on 6th August.
The Minister of Agriculture said that he had circulated to the Lord President’s Committee a memorandum (L.P. (47) 137) setting out the requirements of the agricultural industry for the purpose of securing an increase of £100 millions in net production by the year 1951–52. This expansion was technically possible, but it could be achieved only if all the necessary resources, incentives and stimuli were made available and applied. Exceptional action would have to be taken by the Government to provide additional labour, houses, hostels, machinery, feeding-stuffs and other requisites, together with substantial financial aid. Thus it would be necessary to recruit 140,000 additional British agricultural workers, of whom 60,000 would be required by mid-1948, and 30,000 foreign workers would be needed in addition. He proposed that this increase in the labour force should be achieved by a variety of measures, such as the deferment of call-up of agricultural workers, the continuance of the Control of Engagement Order, and other means which were set out in detail in L.P. (47) 137.

In discussion some doubts were expressed whether the Government would be wise to commit themselves to such an extensive and long-term programme as was proposed, since it might absorb more of the national resources than we could afford to devote to agriculture, and would, in any event, be dependent on our being able to secure the necessary supplies of imported feeding-stuffs.

As against this, it was pointed out that an expansion of home food production would be one of the most effective means of conserving foreign exchange. There was no reason to suppose that the target proposed would involve an excessive allocation of our national resources to agriculture; and there would be no possibility of securing the necessary co-operation from the farmers for a programme covering a lesser period.

The Cabinet—

1. Reaffirmed their decision that steps should be taken to enable an increase of £100 millions a year in net agricultural production to be achieved by 1951–52.

2. Agreed that the target for coal production during the period from September 1947 to May 1948 should be 4½ million tons a week for both deep-mined and opencast output. In his view, it would not be possible to achieve this target; and, if it were made public, we might be involved in export commitments which we should have to honour at the expense of our own needs. He thought that the maximum target for the period in question should be 4 million tons a week for both deep-mined and opencast production.

The Lord President recalled that at their meeting on 1st August (C.M. (47) 67th Conclusions, Minute 2), the Cabinet had agreed that the target for coal production during the period from September 1947 to May 1948, should be 4½ million tons a week for both deep-mined and opencast output. In his view, it would not be possible to achieve this target; and, if it were made public, we might be involved in export commitments which we should have to honour at the expense of our own needs. He thought that the maximum target for the period in question should be 4½ million tons a week for both deep-mined and opencast production.

The Minister of Fuel and Power said that under present conditions we could not look for production of deep-mined coal in excess of 3,800,000 tons a week. On the assumption that agreement would be reached on longer hours, production might be increased to 4 million tons, but the industry would only be discouraged if a higher target were set. In addition, he thought it conceivable that 250,000 tons a week of opencast coal might be obtained.

The Foreign Secretary and the President of the Board of Trade suggested that an average weekly output of 4,200,000 tons of deep-mined coal might reasonably be adopted as the target; but the general view of the Cabinet was that the target should be 4 million tons for deep-mined coal and 250,000 tons for opencast coal.

The Cabinet—

2. Agreed that the target for coal production during the period from September 1947 to May 1948 should be 4 million tons a week of deep-mined coal and 250,000 tons a week of opencast coal.
The President of the Board of Trade recalled that at their meeting on 1st August (C.M. (47) 67th Conclusions, Minute 2), the Cabinet had been inclined to favour a scheme under which all remittances in respect of foreign films, including films already imported into the United Kingdom, should be stopped. Any such scheme would mean prohibiting the exhibition of all foreign films in this country; and the effect of this would be to reduce by 80 per cent. the number of new films available for exhibition to the public. The result would be that many cinemas would have to close down completely, and that independent exhibitors would be forced out of business. In these circumstances he suggested that it might be wiser to impose a 300 per cent. duty on all new imports, which would enable us to retain 75 per cent. of the earnings of these films. The necessary powers had already been secured in the Finance Act.

The Cabinet—

(3) Agreed that steps should be taken to limit remittances in respect of foreign films to not more than 25 per cent. of the earnings of such films.

At their meeting on 24th July (C.M. (47) 64th Conclusions, Minute 3), the Cabinet had decided that a saving of 500,000 tons of petrol should be achieved by cuts in the basic ration and in the amount of petrol consumed by commercial vehicles and by the Services; and at their meeting on 1st August (C.M. (47) 67th Conclusions, Minute 2) they had suggested that the possibility of making a greater saving than 500,000 tons should be considered.

The Minister of Fuel and Power said that an additional saving could not be secured except by a further cut in the basic ration, or a further reduction in supplementary allowances, or by a cut in the issues of petrol to charabancs. The decision already taken would involve a substantial reduction in the basic ration and supplementary allowances, and he was afraid that, if further reductions were made, private owners would increasingly resort to the black market for additional supplies.

The Minister of Transport said that the Government's proposals for stimulating production would throw a heavy burden on road transport. He therefore suggested that the cut in issues of petrol to commercial vehicles should be 5 per cent. instead of 10 per cent., as proposed by the Minister of Fuel and Power.

The Cabinet—

(4) Agreed that the aim should be to secure savings of petrol amounting to 500,000 tons in 1947-48 by the methods proposed in paragraph 10 of Annex II to C.P. (47) 223.

Foreign Travel.

The Chancellor of the Exchequer recalled that he had proposed that from 1st October foreign travel allowances should be reduced from £75 for 12 months to £35 for 14 months. He also proposed to limit the allowance of a child to £20 and to make reductions in business allowances. If the Cabinet thought it right, he would be ready to reduce the foreign travel allowance further to £25. He would greatly prefer not to have to revert to the war-time system under which foreign travel was only permitted for special reasons, since this would impose an excessive strain on the administration.

The Cabinet—

(5) Agreed that foreign travel allowances should be reduced from £75 for twelve months to £35 for fourteen months, and that the proportionate allowance for a child should be £20.

Redeployment of Labour.

The Lord President explained that, though the representatives of the Trades Union Congress with whom the Minister of Labour and he had discussed the Government's tentative proposals for the re-deployment of labour had been unable to commit themselves
finally, they had been generally favourable to the proposals and had agreed that, in addition to the negative direction of labour through the general application of the Control of Engagement Order, there was a case for some measure of positive direction. There would be further consultations with the National Joint Advisory Council on the following day.

**The Minister of Labour** explained that he contemplated the use of positive powers of direction only in exceptional cases when workers refused to accept employment offered to them by the employment exchange.

**The President of the Board of Trade** recalled that at the Cabinet's meeting on 1st August (C.M. (47) 68th Conclusions) doubts had been expressed about the wisdom of attempting to use powers of positive direction under peace-time conditions. In his view it would be unwise to try to use powers of positive direction to deal with individual recalcitrant workers and, unless the Government were prepared to embark on the wholesale positive direction of labour, it would be better for them to confine themselves to the use of negative powers.

**The Minister of Health** urged that penalties for the contravention of the Control of Engagement Order should be primarily directed against the employer. He supported the view of the President of the Board of Trade that it would be unwise to attempt to use powers of positive direction in individual cases and pointed out that where a man was unwilling to accept a reasonable offer of employment he could be penalised by refusal of unemployment benefit. The Government would find themselves in great difficulties if they attempted to use powers of positive direction to force workers into employment in which the conditions were unsatisfactory.

**The Secretary of State for War** pointed out that many men released from the Armed Forces in Class "A" had reinstatement rights, and it had been the practice to allow all men released in Class "A" to enter any employment they chose during their 56 days of demobilisation leave. He hoped the new proposals would not involve any change in the position of such men.

**The Prime Minister** said that he had assumed that in his statement in the Parliamentary debate he would indicate that powers of positive direction would be used to a limited extent.

The Cabinet—

(6) Invited the Minister of Labour to review in the light of the discussion the draft statement which had been prepared for the use of the Prime Minister in the Parliamentary debate.

(7) Agreed that any powers of negative or positive direction which it might be decided to exercise should not be used in such a way as to affect the reinstatement rights of men released from the Armed Forces, and invited the Minister of Labour to consider with the Minister of Defence the effect of the exercise of any such powers on the freedom of choice of occupation which men released in Class "A" enjoyed in the period of 56 days’ demobilisation leave.

**The Prime Minister** said that he proposed to state in the debate on 6th August that in the immediate future it would be necessary to concentrate on investment projects which would give quick returns in additional exports or in the strengthening of the industrial structure which produced exports or essential goods which must otherwise be imported. He would indicate that new building of all kinds would have to be strictly limited and that there would be some curtailment of the housing programme and greater concentration on the building of houses for miners and agricultural workers.
The Minister of Health suggested that it would be better to avoid any specific reference to housing for miners and agricultural workers, since this might be held to imply that housing projects in areas such as Plymouth, Coventry and London, where there was a very urgent need for additional houses, would be stopped. He did not dissent from the view that there should be some redirection of the housing effort, but he urged that there should be no suggestion that the total programme was being cut. Any such suggestion would jeopardise the success of the scheme for payment by results in the building industry.

The President of the Board of Trade said that control of capital investment was meaningless without some reduction in the building programme. There would be no difficulty in finding markets abroad for any surplus of building materials which might arise as a result of the slowing down in our building programme.

The Cabinet—

(8) Reaffirmed their decision that there should be a curtailment of capital investment projects other than those contributing to export or to import saving.

The Prime Minister said that it would be seen from C.P. (47) 226 that the Defence Committee had recommended that by 31st December, 1947, there should be a reduction of 133,000 in the number of British troops stationed overseas. A further reduction of 77,000 would be made between 1st January, 1948, and 31st March, 1948; and there would also be by 31st December, 1947, a reduction of 34,000 in the number of non-British troops employed in the Middle East and South-East Asia, which was equivalent in terms of cost to a reduction of approximately 21,000 British troops. The proposed reductions would put a heavy strain on shipping and would affect the arrangements for granting special leave to men with long service overseas as well as slowing down the rate of withdrawal of German prisoners of war from the Middle East. In announcing the reductions to Parliament no details would be given of the particular theatres from which troops were being withdrawn. With regard to the size of the Armed Forces, the Minister of Defence had been able to recommend a reduction of the estimated strength at 31st March, 1948, from 1,087,000 to 1,007,000. The Defence Committee had come to the conclusion that to attempt to bring the number below 1,007,000 at 31st March, 1948, by accelerating releases would accentuate the difficulties which the Services were experiencing through the shortage of trained men to such an extent as to make it impossible for them to maintain fighting units or to provide for the training of new recruits. On the other hand, the Committee had felt that it might be possible to make a temporary reduction in the number of men called up under the National Service Acts, and the possibility of this was now being explored. It would be impossible to indicate in the debate what reduction in the size of the Forces might be achieved in this way, and he proposed to confine himself to stating in general terms that this point was being looked into together with the whole question of the size and shape of the ultimate peace-time Armed Forces.

The Minister of Defence pointed out that any wholesale deferral of men due for call-up in 1947 and 1948 would be regarded as
a breach of the pledges given by the Government to men already in the Armed Forces. He hoped that no decision would be reached until the results of the enquiries which he was making into the size and shape of the ultimate peace-time Armed Forces were available.

The Foreign Secretary said that he would be opposed to any scheme of complete exemption of particular classes from national service. He also pointed out that His Majesty’s Government were pledged to return all German prisoners of war by the end of 1948. He assumed that the slowing down of the withdrawal of German prisoners of war from the Middle East would not result in failure to carry out this pledge.

The Cabinet—

(10) Approved the recommendations of the Defence Committee with regard to overseas military commitments and the size of the Armed Forces as set out in C.P. (47) 226, and agreed that in the debate on 6th August it would be impossible to give any estimate of the extent to which the size of the Armed Forces might be reduced by slowing down the call-up of men under the National Service Act.

(11) Agreed that arrangements should be made to ensure that the temporary slowing down of the withdrawal of German prisoners of war from the Middle East should not involve any breach of the pledge that all German prisoners of war would be repatriated by the end of 1948.

The Foreign Secretary said that he had received a communication from the United States Secretary of State, in reply to his telegram of 2nd August, accepting the suggestion that discussions should take place forthwith on a high official level concerning the present position of the United Kingdom and its immediate implications. Mr. Marshall had said that he was in entire agreement with the view that such discussions should not be regarded as affecting the matters under consideration at the Paris Conference; and, in order to avoid any misunderstanding on this point, the United States Government felt that any reference to, or any announcement of, such discussions should make it clear that they were to deal with problems arising out of the Anglo-American Financial Agreement. Mr. Marshall had added that the decision whether or not to invoke Article 12 of the Agreement was one which at this juncture would appear to rest with the British Government, but that it should be understood that the United States Government could agree to no action under this article without prior authorisation by the Congress.

The Foreign Secretary said that, in view of Mr. Marshall’s reference to this point, it would be a tactical mistake to invoke Article 12 of the Agreement at this stage.

The Chancellor of the Exchequer agreed with the Foreign Secretary. It would be advantageous if at any rate the preliminary discussions could take place in London rather than in Washington as had been suggested by Mr. Marshall. If necessary, further discussions could take place in Washington at a later stage.

The Cabinet then discussed what should be said in the Parliamentary debate on 6th August about the present drain on United Kingdom dollar resources and the measures which might be taken to remedy the situation.

The Chancellor of the Exchequer said that he was circulating to the Cabinet a memorandum showing the effect of the various factors which had led to the present situation. As the Cabinet knew, there had been no marked increase in the drain on our dollar resources since 15th July, when the convertibility obligation under the United States Loan Agreement had come into force. In fact for some time before 15th July we had been obliged to allow certain
countries, such as Canada and the Argentine, to convert their sterling receipts for supplies sold to us. Moreover, there had been a tendency for holders of sterling balances to draw on them for dollar transactions, though he had done his best to limit the extent of this. In his view, it would be a serious mistake to attempt to deal with the situation by some such dramatic move as the blocking of sterling, since such action would merely accentuate our difficulties. It had to be remembered that we were dependent on the Argentine for such essential commodities as meat, and that, if we refused to pay for it in convertible sterling, the only result would be that supplies from that country would be invoiced in dollars.

The Minister of Health said that, in his view, the right course was to block sterling forthwith. Whatever the Prime Minister said in the debate on the subject of convertibility was likely to lead to a run on our dollar resources which would drive us to make sterling inconvertible. Our aim should be to disentangle ourselves from the United States economy since it was obvious that the United States were not prepared to comply with the conditions which would make a multilateral trade system work. Our present negative policy of cutting imports would merely lead to a further restriction of world trade and so aggravate our problem.

The Minister of Food supported the Minister of Health. Even though the blocking of sterling were to lead the Argentine to demand payment in dollars, should we be in any worse case than at present when we had to pay in sterling which was straightaway converted into dollars! And might we not be able to reduce the calls on our dollar resources from other countries by blocking sterling?

The President of the Board of Trade said that it would be advisable to await the outcome of the debate before taking any steps to block sterling.

The Foreign Secretary suggested that, in the Parliamentary Debate on 6th August, the Prime Minister should make it clear that the drain on our dollar resources did not arise by any means exclusively from our obligations under the Loan Agreement, and that much of it was due to a world shortage of dollars which had not been contemplated or provided for when the Loan Agreement was made. The aim of the Loan Agreement, and of other agreements such as Bretton Woods, had been to provide the conditions under which a system of multilateral trading would operate satisfactorily, but the operation of any such system pre-supposed a fertilising flow of dollars outwards from the United States, whereas in fact during the past year or so, owing partly to bad harvests and partly to the cessation of U.N.R.R.A., dollars had tended to flow towards the United States. Thus the conditions under which multilateral trading could operate had not been created. If the system could not be made to work, then we must look for salvation in some other way. The statement could go on to announce that the United States Government had agreed to enter into discussions with us regarding our position and its implications.

The Secretary of State for Air said that the statement proposed by the Foreign Secretary might be strengthened by some reference to the severe droughts in Europe and elsewhere, as a result of which agricultural production had not begun to reach a satisfactory level in these areas until the present year. This had obliged European countries to look to the Western Hemisphere for a very large proportion of their food. The solution of our difficulties must be found, first, in higher agricultural production in Europe and other countries outside the Western Hemisphere; secondly, in higher productivity in the United Kingdom so that we might exchange goods for food instead of having to pay for our imports in sterling; and thirdly, in an outflow of dollars from the United States to carry the world over its present temporary difficulties.
The Cabinet—

(12) Invited the Foreign Secretary and the Chancellor of the Exchequer to prepare for the use of the Prime Minister in the Parliamentary debate a statement dealing with the drain on United Kingdom dollar resources and the measures which might be taken to remedy the situation. This statement should be on the general lines indicated by the Foreign Secretary in the discussion.

(13) Took note of C.P. (47) 224.

3. The Cabinet considered a memorandum by the Minister of Fuel and Power (C.P. (47) 225) about the claim of the National Union of Mineworkers that the five-day week should be extended to workers in ancillary undertakings of the National Coal Board.

The Minister of Fuel and Power explained that on 5th June the National Coal Board and the National Union of Mineworkers had agreed that the five-day week should not apply to workers in ancillary undertakings. Subsequently the Union had pressed the Board to agree to its application to such workers, and on 3rd July the Board, after being informed by the Ministry of Fuel and Power that any proposal for an extension of the agreement of 5th June was a matter on which the Board should seek guidance from the Government, had agreed with the Union on a formula which, by extending the five-day week only to colliery craftsmen and by specifically excluding workers whose activities had clearly nothing to do with coal-mining, in effect confirmed the agreement of 5th June. Later in July, however, the Union had claimed that this formula had been only provisionally agreed and had discussed with the Board a new formula which did not exclude ancillary workers. At this point the Board had indicated that they could not settle on a revised formula without guidance from the Government, and he had then thought it right to bring the matter before the Lord President's Committee, who had agreed (L.P. (47) 23rd Meeting, Minute 3) that the Minister of Labour and he should maintain the attitude that the five-day week was intended to apply to miners and not to workers in ancillary undertakings. In accordance with this decision he had written to the Chairman of the National Coal Board on 28th July stating that it would not be proper for the Board to agree to the extension proposed by the Union, while concurrently the Minister of Labour had informed representatives of the Union that the Union should deal with the Board in the normal way, and that, if agreement could not be reached, the usual arbitration machinery should be invoked. Unfortunately the Chairman of the National Coal Board had sent a copy of the letter of 28th July to the Secretary of the Union who, at the meeting which the Prime Minister had held with the Board and the Union on 30th July, had suggested that, if the Government were intervening in the matter, the Union should have the right to submit their case directly to the Government. The Secretary of the Union suggested that, unless the Union's claim was granted, there would be stoppages of work. On the other hand, to grant the claim would mean agreeing immediately to a five-day week for some 7,000 workers employed in ancillary undertakings, such as brick works, central workshops and oven works, and there was no guarantee that it would be possible to avoid further extension to all workers of this kind employed by the Board, which in turn might lead to a claim for a five-day week for all workers in the transport, engineering and building materials industries.

The following points were made in discussion—

(a) The repercussions of granting the claim of the Union were so serious that the Government could not give the National Coal Board a free hand to negotiate a new formula.
(b) It would be particularly undesirable to concede a five-day week to workers in colliery railways in view of the repercussions of such a concession on other railway workers.

c) There seemed to be no ground for granting to the workers covered by the claim anything beyond a 44-hour week.

d) If the National Coal Board were not prepared to reject the claim, the normal arbitration machinery could not be brought into operation. It would, however, be possible to institute a fact-finding enquiry which would take account of the repercussions on other industries.

The Cabinet—

(1) Invited the Minister of Labour, in consultation with the Minister of Fuel and Power, to arrange for a fact-finding enquiry into the claim made by the National Union of Mineworkers;

(2) Agreed that it should be made clear to the National Coal Board that, pending the holding of this enquiry, they should not grant the claim made by the Union.

Cabinet Office, S.W. 1,  
5th August, 1947.