CONCLUSIONS of a Meeting of the Cabinet held at 10, Downing Street, S.W. 1, on Thursday, 6th May, 1948, 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. VISCOUNT ADDISON, Lord Privy Seal.
The Right Hon. J. CHUTER EDE, M.P., Secretary of State for the Home Department.
The Right Hon. A. WOODBURN, M.P., Secretary of State for Scotland.
The Right Hon. ANEURIN BEVAN, M.P., Minister of Health (Item 8).
The Right Hon. GEORGE TOMLINSON, M.P., Minister of Education.

The following were also present:
The Right Hon. ALFRED BARNES, M.P., Minister of Transport (Items 4–6).
The Right Hon. JAMES GRIFFITHS, M.P., Minister of National Insurance (Item 7).
The Right Hon. GEORGE BUCHANAN, M.P., Minister of Pensions (Item 7).
The Right Hon. JOHN STRACHEY, M.P., Minister of Food (Items 4–5).
The Right Hon. G. R. STRAUSS, M.P., Minister of Supply (Items 3–6).
The Right Hon. THE EARL OF LISTOWEL, Minister of State for Colonial Affairs (Item 8).
The Right Hon. WILLIAM WHITELEY, M.P., Parliamentary Secretary, Treasury (Items 1–2).

Secretariat:

SIR NORMAN BROOK.
Mr. W. S. MURRIE.
Mr. S. E. V. LUKE.
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1. The Cabinet were informed of the business to be taken in the House of Commons in the following week.
   On 14th May Parliament would be adjourned for the Whitsuntide Recess until 25th May.

2. The Home Secretary said that on 1st May Sir Oswald Mosley’s Union Movement had held a procession, outside that part of East London in which the holding of public processions had been prohibited, and 530 policemen had had to be employed to deal with any disorder to which the procession might give rise. The Commissioner of Police of the Metropolis considered that, at a time when his Force was so far below its authorised strength, he was not justified in diverting such large numbers of men to this work; and he therefore proposed that an order should be made under Section 3 (3) of the Public Order Act, 1936, prohibiting the holding of public processions in any part of the Metropolitan Police District. The Home Secretary said that he intended to approve the making of this order, and to announce his decision in reply to a Parliamentary Question that afternoon.

   The Cabinet—
   Took note, with approval, of the Home Secretary’s statement.

3. The Foreign Secretary said that it had been reported in the previous week that the United States authorities in Germany had departed from the understanding that United Kingdom buyers should be entitled to place contracts for up to 300,000 tons of German commercial scrap and were proposing to restrict the allocation to the United Kingdom to 200,000 tons. This would have left 400,000 tons to go to the highest bidder and most would have gone to United States buyers. The United States authorities had now, however, agreed that for the immediate future 300,000 tons of commercial scrap should be sold to United Kingdom buyers and 200,000 tons to United States buyers, leaving 100,000 tons to be made available to European buyers. The British and United States authorities in Germany were also agreed in recommending that the Organisation for European Economic Co-operation should set up as soon as possible machinery for the allocation of any further supplies of commercial scrap.

   The Minister of Supply said that provided that effective allocation machinery could be established the new agreement was satisfactory so far as it went, but the problem of persuading German merchants to part with their scrap still remained. He had sent an officer to Germany to see what more could be done to get over this difficulty. Meanwhile, equipment to enable deliveries of booty scrap from Germany to be increased was coming forward satisfactorily.

   The Cabinet—
   Took note of the statements made by the Foreign Secretary and the Minister of Supply.
4. The Chancellor of the Exchequer said that satisfactory results had been achieved at the meeting of Finance Ministers of the signatory Powers of the Treaty of Brussels held in Brussels on 28th and 29th April. If the conclusions reached were ratified by the new Belgian Government, they would afford a basis for facilitating the expansion of trade between the five Powers. It had been agreed that the United Kingdom and Belgium should make available credits of £10 million and £5 million respectively to help France out of her immediate balance of payments difficulties. To meet the medium-term problem it had been agreed that one-third of the local currency income received by each of the five Powers from the sale of goods supplied under the European Recovery Programme should be made available as credits to facilitate trade between the five Powers. The long-term problem had been remitted for consideration by the Organisation for European Economic Co-operation.

The Cabinet—

Took note of this statement by the Chancellor of the Exchequer.

5. The Cabinet had before them a note by the Chancellor of the Exchequer (C.P. (48) 116) covering the tenth of his periodical reports on the economic situation.

The following points were raised in discussion:—

Although the output of open-cast coal continued to be satisfactory, production of deep-mined coal had fallen short of the target figure in each week of April. The seasonal increase in output which was expected in this period had not been achieved. The increase in the industry's labour force had been substantially less in the first quarter of 1948 than in the corresponding period of 1947, due to a higher rate of wastage and a lower rate of recruitment. Progress in reducing the rate of absenteeism had also been less satisfactory. Ministers agreed that the position was disquieting and should be carefully watched. In particular, further thought should be given to the problem of absenteeism.

It was now evident that the workers in the cotton industry would not agree to a regular system of overtime-working. This was due, however, to the practical inconveniences of overtime-working in an industry employing large numbers of married women; and there were indications that the workers were prepared to increase output by other means. The Chairman of the Cotton Board believed that by the end of the year the industry might reach a rate of output equivalent to that of 1938.

Good progress had been made in the house-building programme in March; and in England and Wales the programme was now in balance. In Scotland, however, the position remained unsatisfactory: owing to the excessive numbers of houses started, the average time for completing a house was still about 2½ years.

The volume of exports for the first quarter of 1948 had been 126 per cent. of the 1938 figure, as compared with the target of 125 per cent. for the first half-year.

The net drain on our gold and dollar reserves in April had been only £20 million, as compared with a monthly average of £49 million in the first quarter of the year. This was not inconsistent with a high rate of import. We had, for example, been buying much more of our imports from the sterling area and soft currency countries. We were, however, still meeting South Africa's current requirements of dollars; negotiations with South Africa on reimbursement and the interpretation of the agreement were in progress. In general there had been a substantial improvement in the balance of payments position of the rest of the sterling area. There was evidence that the large-scale movement of capital to South Africa continued.
Trade Negotiations.

The Foreign Secretary asked what attitude was being adopted regarding less essential imports in the current trade negotiations with Spain. The Chancellor of the Exchequer said that it was not his intention that Spain should be treated any differently from other countries in this matter. The Overseas Negotiations Committee would continue to keep in touch with the course of the negotiations.

The Cabinet—

Took note of C.P. (48) 116 and of the points raised in discussion.

6. The Cabinet considered a memorandum by the Chancellor of the Exchequer (C.P. (48) 119) submitting the recommendations of the Production Committee on the future of the programme of conversion from coal-firing to oil-firing.

This programme had been launched in the spring of 1946, when coal stocks were shrinking and the shortage of fuel oil had not been foreseen. By June 1947, however, the world shortage of oil had begun to develop and it was announced that no further conversion schemes would be authorised. In December 1947 it was announced that work on conversion schemes not then completed must be suspended. No further announcement had been made, and it had now become necessary that some guidance should be given to firms whose conversion schemes had been suspended. These schemes, if completed, would account for about 2 1/2 million tons of fuel oil in a full year; and the Production Committee were satisfied that, in view of the acute shortage of oil, the majority of these firms should continue to burn coal. The Committee therefore recommended (i) that the railway conversion scheme should be abandoned entirely; (ii) that certain outstanding industrial schemes of exceptional economic value, on which considerable expenditure had already been incurred, should be allowed to come gradually into operation; and (iii) that a public warning should be given that, in view of the world shortage of oil, other conversion schemes might have to remain in suspense for a considerable time. This warning might give rise to claims for compensation, but it was proposed that any such claims by industrial firms should be resisted. The expenditure incurred on the railway conversion scheme should, however, be borne by the Exchequer, as the railway companies had been instructed to proceed with this scheme by the Ministry of Transport in 1946 at a time when that Ministry exercised full control over the railways.

In discussion it was pointed out that, as oil became less plentiful and more expensive, some firms would in any event have been compelled by economic considerations to abandon their plans for switching over to oil-firing. It was not possible, however, for the Government to refrain from making any further announcement and to leave these economic factors to produce their result. For the Government had led industry to believe that supplies of oil would be forthcoming, and industry must be told that the necessary supplies could not now be made available for some considerable time. The Government would be criticised for this reversal of policy; but Ministers agreed that claims for compensation must be firmly resisted. It would be preferable that the plant already supplied for the railway conversion scheme should not be dispersed but should be held by the Government on a care and maintenance basis.

The Cabinet—

Approved the recommendations of the Production Committee, as set out in paragraph 8 of C.P. (48) 119 and summarised above.
7. The Cabinet considered a memorandum by the Minister of Fuel and Power (C.P. (48) 117) covering a memorandum which he had circulated to the Socialisation of Industries Committee on a proposed scheme of supplementary injuries benefits for miners.

The Minister of Fuel and Power said that it had always been contemplated that a supplementary scheme for miners under Section 83 of the National Insurance (Industrial Injuries) Act, 1946, should come into operation on 5th July, 1948. The National Union of Mineworkers had put forward a scheme which would cost £6 million a year and had proposed that the whole cost, equivalent to 7·2d. per ton of coal, should be borne by the National Coal Board. The Socialisation of Industries Committee had, however, taken the view that something like half of the cost of any supplementary scheme ought to be met by contributions from the miners, and the Board had accordingly proposed an alternative scheme with more limited benefits, half the cost of which would be met by a weekly contribution of 10d. from each worker, leaving a sum equivalent to 1·4d. a ton of coal to be paid by the Board. The Union had rejected this and the Board had now asked whether a scheme, which would be financed by a weekly contribution of 3d., or possibly 2d. from each worker, representing about 10 per cent. of the total cost, and a contribution equivalent to 3·8d. a ton of coal from the Board, contained any element that the Government would not approve. A meeting between the Board and the Union was being held on the following day, and the question for the Cabinet’s decision was whether the Board should be told that the Government regarded a substantial contribution from the workers as essential or that there were no elements in the revised scheme to which the Government would take exception. If the Board were told that the Government insisted on a substantial contribution from the workers, they would have to communicate this to the Union, and the Cabinet should realise that it would be fatal to their own authority and that of the Board if, having taken this line, they subsequently yielded to pressure from the Union. The miners’ case was that, as the whole cost of workmen’s compensation had hitherto fallen on the employers, who from 5th July would be relieved of a charge equivalent to 1s. 6d. a ton of coal, it was not unreasonable that the Board should bear the whole cost of the supplementary scheme, which would entail a charge of only 7·2d. per ton. They would also argue that a supplementary scheme was unnecessary because in some respects injured miners would be worse off under the industrial injuries scheme than under workmen’s compensation; and that in an industry with such a high accident rate as coalmining the workers could not be expected to bear 50 per cent. of the cost of the scheme. The Union would press their case with determination and the issue was one on which public sympathy was likely to be with them. On the whole, therefore, he recommended that the Board should be informed that the Government saw no objection to their latest proposals.

The Lord President recalled that in the past the miners had argued that owing to the system of wages ascertainment the cost of workmen’s compensation had in fact been a deduction from their earnings, and this had been one of the considerations leading to the adoption of the main industrial injuries scheme under which industry as a whole carried the greater part of the cost of providing compensation for miners. This being so, it was illogical to argue that the Board could afford to pay the whole cost of a supplementary scheme because of their savings on compensation from 5th July, for the cost would in fact be borne by the consumer in the shape of higher coal prices. Moreover, if the scheme were financed entirely by the Board, there would be every incentive to the Union to press for higher benefits. He therefore urged the Cabinet to adhere to the principle of a 50 per cent. contribution from the workers. He also suggested that there would be advantage in deferring a decision until after 5th July, when the effect of the
higher contributions under the national insurance schemes could be seen.

In further discussion it was pointed out that the acceptance of a supplementary scheme for miners without a substantial contribution from the workers would undermine the principles of the general schemes of national insurance and would make it impossible to resist claims for improvements in war pension rates costing as much as £20 million a year. Indeed, in the view of the Minister of Pensions, even if a supplementary scheme were based on substantial contributions from the workers it would be difficult to hold war pensions at their present level. On the other hand, there seemed to be no prospect of getting the Union to accept a scheme providing for a 50 per cent. contribution by the worker. It was therefore agreed that the Minister of Fuel and Power should ask the Board to explore the possibility of devising a scheme under which they would contribute up to 4d. a ton, with possibly a higher rate of contribution for any tonnage over the existing level of output, making it clear that the Government would not regard any scheme as acceptable unless it provided for a substantial contribution from the workers. This contribution need not be by way of a flat rate but might vary according to the worker’s wages, e.g. 1d. per pound of wages. The assistance of the Ministry of National Insurance should be made available to the Board and the Ministry might also consider whether the benefits under any such scheme could be so arranged as to supplement the general industrial injuries scheme in those cases where it was less favourable to the injured man than the existing workmen’s compensation scheme.

The Cabinet—

Invited the Minister of Fuel and Power to communicate with the National Coal Board on the lines approved in the Cabinet’s discussion.

8. The Cabinet considered a memorandum by the Home Secretary and the Secretary of State for Commonwealth Relations (C.P. (48) 120) on the British Nationality Bill.

This Bill provided that all persons who were citizens of any of the countries of the Commonwealth except Eire should, by virtue of their respective citizenships, be British subjects; and that citizens of Eire, though not British subjects, should in the United Kingdom and the Colonies be in a position equivalent to that of British subjects. The Government of India had asked that in place of the term “British subject,” which was in their view open to misunderstanding, there should be substituted some such term as “Commonwealth citizen” or “citizen of the Commonwealth”; and the suggestion that “Commonwealth citizen” should be included in the Bill as an alternative to “British subject” had been put to the other Commonwealth Governments. The Government of Australia saw difficulty in this suggestion, since in Australia the term “Commonwealth citizen” was already used as meaning a citizen of the Commonwealth of Australia; and it was not certain that, if alternatives were inserted in the United Kingdom Bill, all the other Commonwealth countries would follow this lead in their legislation. On the other hand, the advantages of modifying the Bill so as to make it acceptable to countries such as India and Pakistan would outweigh any disadvantages arising from lack of uniformity in the legislation passed by the various Commonwealth Governments; and there was reason to believe that in the House of Lords, at all events, the Opposition would not make difficulties over the proposed amendment. There was no time for further consultation with Commonwealth Governments if the Bill was to pass in the current Session, and if it were postponed to a later Session there was a risk that the United Kingdom would lose...
the initiative which they had secured as a result of the Commonwealth Conference on Nationality and Citizenship.

The Cabinet—

Agreed that in moving the Second Reading of the British Nationality Bill in the House of Lords the Government spokesman should explain that the Government were considering, in consultation with other Commonwealth Governments, a proposal to amend Clause 1 so as to recognise the designation "Commonwealth citizen" as an alternative to "British subject."

Cabinet Office, S.W.1,
6th May, 1948.