CABINET 54 (51)

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Monday, 23rd July, 1951, 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., Secretary of State for Foreign Affairs.

The Right Hon. Hugh Dalton, M.P., Minister of Local Government and Planning.

The Right Hon. Viscount Jowitt, Lord Chancellor.

The Right Hon. E. Shinwell, M.P., Minister of Defence.

The Right Hon. George Tomlinson, M.P., Minister of Education.


The Right Hon. Sir Hartley Shaw-Cross, K.C., M.P., President of the Board of Trade.


The following were also present:

The Right Hon. Lord Pakenham, First Lord of the Admiralty (Items 1-2).


The Right Hon. Alfred Barnes, M.P., Minister of Transport (Items 1-2).

The Right Hon. K. G. Younger, M.P., Minister of State (Item 7).


The Right Hon. John Strachey, M.P., Secretary of State for War (Items 1-2).


Mr. F. T. Willey, M.P., Parliamentary Secretary, Ministry of Food (Item 6).
Admiral of the Fleet Lord Fraser of North Cape, First Sea Lord and Chief of Naval Staff (Items 1–2).
Marshal of the Royal Air Force Sir John Slessor, Chief of the Air Staff (Items 1–2).
Field Marshal Sir William Slim, Chief of the Imperial General Staff (Items 1–2).
Lieut.-General Sir Nevil Brownjohn, Vice-Chief of the Imperial General Staff (Items 1–2).

Secretariat:
SIR NORMAN BROOK.
Lieut.-General SIR KENNETH McLEAN.
Mr. A. JOHNSTON.
Mr. O. C. MORLAND.

CONTENTS

<table>
<thead>
<tr>
<th>Minute No.</th>
<th>Subject</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Persia</td>
<td>169</td>
</tr>
<tr>
<td></td>
<td>Withdrawal of A.I.O.C. Staff from the Oilfields.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Resumption of Negotiations with the Persian Government.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Military Measures.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Exports to Persia.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Financial Measures.</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Germany</td>
<td>170</td>
</tr>
<tr>
<td></td>
<td>Exports from Berlin.</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Control of Sale of Rented Houses in Scotland</td>
<td>171</td>
</tr>
<tr>
<td>4</td>
<td>Industrial Disputes</td>
<td>172</td>
</tr>
<tr>
<td></td>
<td>Conditions of Employment and National Arbitration Order.</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Education Act</td>
<td>173</td>
</tr>
<tr>
<td></td>
<td>Denominational Schools.</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>British Sugar Corporation</td>
<td>174</td>
</tr>
<tr>
<td>7</td>
<td>Japanese Assets in the United Kingdom</td>
<td>174</td>
</tr>
</tbody>
</table>
The Foreign Secretary said that, in the light of the views expressed by His Majesty's Ambassador at Tehran, he had decided to postpone until 23rd July his announcement of the Cabinet's decision to withdraw the British staff of the Anglo-Iranian Oil Company (A.I.O.C.) from the oilfields. Mr. Harriman, however, had now advised a further postponement as he believed that there was a real prospect of his being able to persuade the Persian Government to re-open negotiations, possibly with a United Kingdom mission led by a Minister. The United States Government had endorsed Mr. Harriman's suggestion, and His Majesty's Ambassador at Tehran had also urged that the announcement should be deferred. The Ambassador had impressed on Mr. Harriman the importance of securing the recall of Mr. Makki from Khuzistan in order to secure more reasonable conditions for the Company in Southern Persia. The Company's representatives there still felt that it would be unwise to postpone the withdrawal; but the Foreign Secretary said that on balance he was satisfied that it would be wise to delay it for a further day or two, though it was disquieting that the Persian Prime Minister had so far given no evidence of a change in his attitude. If the Cabinet endorsed his view, he would explain the position to the Leaders of the Opposition; and, if it became necessary to make any statement in the House of Commons that day, he would say no more than that there were indications of a possible improvement in the general situation. He might wish in the meantime to send a further message to the Company's staff in Persia reiterating the Government's sympathy and appreciation of their difficulties.

The Cabinet—

(1) Agreed that the withdrawal of the British staff of the A.I.O.C. from the oilfields should be postponed at least for a further twenty-four hours, and that no announcement about it should be made that day.

In further discussion it was suggested that it might be made clear once more to Mr. Harriman on what basis we should be ready to resume negotiations with the Persian Government. Before Mr. Harriman left Washington we had explained our position to the United States Government in some detail, but there was a danger that as a result of further discussions between Mr. Harriman and the Persian Government we might be confronted with unacceptable conditions. The Persians now claimed that they had learnt for the first time from Mr. Harriman that we were prepared to concede the principle of nationalisation, but we need not take exception to this if it provided them with a pretext for reopening negotiations, nor should we lay too much stress on the interim decision of the International Court, provided that the negotiations could be resumed substantially on the basis of that decision.

The Foreign Secretary said that he had circulated a memorandum on the question of military intervention (C.P. (51) 212) so that his colleagues might take account of the fact that it would be militarily possible to use forces brought into Abadan in order to safeguard British lives for the further purpose of protecting the continued operation of the refinery. Since circulating it he had obtained the views of His Majesty's Ambassadors at Washington and Tehran, and of our representative at the United Nations, and they all saw difficulties in taking action on these lines, at any rate for the time being. He did not ask his colleagues to reach a decision on this point at present, but he felt that they would like to have before them a statement of the considerations for and against such action.

The Attorney-General said that he felt bound to point out that the arguments stated in paragraph 4 (a) of the Foreign Secretary's paper did not in his view correctly present the legal position. It was
his opinion that in international law military intervention could only be justified, as a last resort, for the purpose of saving British lives which were actually endangered in a country whose Government was clearly unable or unwilling to take the necessary steps to ensure their protection—and that, even then, we should be justified in using only the minimum amount of force necessary, and for the minimum period necessary, for that purpose. This, he believed, was the most we could hope to justify in international law; and even this could not now be said with certainty to be permissible in view of Article 2 (4) of the United Nations Charter.

The Cabinet—

(2) Agreed to defer consideration of the question whether military force should be used to hold and operate the A.I.O.C. refinery at Abadan.

Exports to Persia.

The President of the Board of Trade said that at their meeting on 19th July the Cabinet had decided to continue to delay by administrative means the shipment of exports to Persia. This had been done, though he understood that a further shipment of sugar had now left the United Kingdom; but it would not be possible to apply this policy much longer without a certain amount of publicity and without accepting an obligation to indemnify consignors and shippers if this proved necessary.

The Cabinet—

(3) Agreed that exports to Persia should continue to be delayed for the time being, but that consignors and shippers should be indemnified if shipment could not otherwise be prevented.

Financial Measures.

The Chancellor of the Exchequer said that he proposed to delay for a further day or two the issue, and the announcement, of the Order limiting Persian facilities for the use of sterling.

The Cabinet—

(4) Took note of the Chancellor’s statement.

Germany.

Exports from Berlin.

2. The Cabinet’s attention was drawn to the economic and political difficulties which were being caused by Soviet interference with the export trade from Berlin. The British, United States and French Commandants in Berlin had recommended that, in addition to the measures already sanctioned with a view to coercing the Soviet authorities into lifting their restrictions, arrangements should also be made to remove by air some of the accumulation of goods awaiting export from Berlin. The Mayor of Berlin was satisfied that even a token air-lift of this kind would produce most valuable results both in encouraging the population of Berlin and in inducing the Russians to lift their restrictions.

The Chief of the Air Staff said that, so long as the Royal Air Force were required to hold transport aircraft in the Middle East in readiness for an operation to cover the evacuation of British subjects from Persia, no British contribution could be made towards any substantial air-lift from Berlin. The Cabinet were, however, informed that the authorities in Berlin were not suggesting anything more than a token air-lift, of which the British share would be the carriage of not more than 50 tons per day.

The Cabinet took note of these statements.
Control of Sale of Rented Houses in Scotland.

3. The Cabinet considered a memorandum by the Secretary of State for Scotland (C.P. (51) 191) proposing that legislation should be introduced to prohibit the sale, without the consent of the local housing authority, of unoccupied houses in Scotland let at a rent not exceeding £30 a year.

The Secretary of State for Scotland said that there was considerable disquiet among members of all political parties in Scotland about the sale at exorbitant prices of tenement dwellings of a low standard. He had brought the matter before the Lord President's Committee on 29th June; and, in deference to the views then expressed, he had modified his proposal by reducing the maximum rental of the dwellings which would be subject to control from £45 to £30 a year. He was also prepared to give to the local housing authority, or (if it were thought preferable) to the Rents Tribunal, power to allow sales where hardship would otherwise be caused to the owner.

In discussion the following points were made: —

(a) The Cabinet had not before them sufficient information to judge what types of dwelling would come within the proposed prohibition of sale. The proposal put before the Lord President's Committee had covered about 90 per cent. of all the dwellings in Scotland, and the present modified proposal might cover 70 per cent. of rented dwellings. While a substantial number of these would be owned by local authorities, the remainder would not necessarily be low-grade accommodation but might include a number of small tenement dwellings with modern conveniences. Some of these would have been bought by working-class people for occupation or as an investment. Where they were no longer occupied by the owner and would fall under the prohibition, considerable hardship might be caused. A maximum rental of £30 a year would also cover a number of small detached houses in towns and villages throughout Scotland.

(b) In so far as persons of small means owned, but did not occupy, dwellings which would fall within the proposed prohibition, there would be complaints of unfair treatment. If a Scottish precedent led to a demand for similar restrictions in England and Wales, difficulties would arise from the fact that many working-class and lower middle-class people had bought small houses, usually for occupation in the first instance. They would resent it if they were prevented from realising the value of their properties. The prohibition would seem the more inequitable because the limit of rent was necessarily somewhat arbitrary. It was not proposed to impose any restriction on the sale of houses with rents above £30 a year.

(c) The question of controlling the selling price of houses had been examined by an interdepartmental committee in 1945, and the Government had then decided against control because of the practical difficulties involved. A great many sales at high prices had taken place since that date, including the sale of dwellings in Scotland which would now come under the proposed prohibition. Cases would doubtless be quoted of persons who had recently paid large sums for small dwellings in Scotland and would find themselves unable to recover the cost if, by reason of a change in circumstances, they wished to sell the dwelling and find accommodation elsewhere.

(d) The proposal put forward by the Secretary of State presented a number of serious legal difficulties. Should the tribunal which could authorise sales be the local housing authority, the Rents Tribunal or the Sheriff? What criteria was the tribunal to bear in mind in deciding whether to authorise a sale? What would be the position if an owner who had been refused permission to sell decided that he could not afford the expenses of a new tenancy and left the house unoccupied? What would be the position of executors who were refused permission to sell a dwelling although they needed the proceeds for the payment of death duties? These difficulties, though not perhaps insuperable, illustrated the need to work out the scheme in detail before reaching a final decision.
It was the general view of the Cabinet that they had not enough information about the scope of this proposal to take a final decision on it. Any acceptable proposal would have to be framed in a form which did not invite the suggestion that similar restrictions should be applied in England, since the Minister of Local Government did not consider that in present circumstances a case could be made out for a similar scheme in England and Wales. As the cases which caused a social mischief were confined to poor-grade tenement buildings, the right course appeared to be to endeavour to restrict the proposed prohibition to tenement dwellings. Since flats were not bought and sold in England, there would be less risk of such a limited prohibition having repercussions outside Scotland. It would also be desirable, before a final decision on policy was taken, for the Secretary of State to set out his proposals in detail, preferably in the form of a Bill, indicating the nature of the tribunal which would decide whether sales could be permitted, the criteria which it would bear in mind and the extent to which sales would be permitted on grounds of personal hardship.

The Cabinet—

Invited the Secretary of State for Scotland to consider whether it would be practicable to restrict any prohibition on the sale of houses to tenement dwellings rented at £30 a year or less and to bring detailed proposals before them for further examination of the issues of policy involved.

4. The Minister of Labour said that he had circulated to the Cabinet a memorandum (C.P. (51) 221) covering the draft of an Industrial Disputes Order which would take the place of the Conditions of Employment and National Arbitration Order. He understood that the Cabinet were to consider this draft at their meeting on 26th July. If they then approved it, there might be advantage in presenting it to Parliament forthwith so that the House of Commons could, if they so desired, discuss its terms before they adjourned for the summer Recess. The Cabinet might therefore wish to authorise him to make immediate arrangements for the printing of the Order, so that it would be available for presentation to Parliament before the end of the week.

The Home Secretary said that he was doubtful whether it would be expedient to invite a debate on this subject in the last few days before the Recess, when it might be difficult to secure a full attendance of Government supporters in the House of Commons. No doubt it would be desirable that the Order should be presented before Parliament adjourned, so that full publicity could be given to it during the Recess; but he was disposed to think that it would be preferable to delay its presentation until the last few days before the House rose. In that event no special steps need be taken to begin the printing of the Order before it was considered by the Cabinet at their meeting on 26th July.

The Cabinet—

Invited the Home Secretary to consult, in consultation with the Minister of Labour and the Chief Whip, the time-table for the presentation of the Industrial Disputes Order, 1951.
5. The Cabinet considered a memorandum by the Minister of Education (C.P. (51) 209) seeking authority to discuss with the interests concerned certain proposals for modifying the 1944 settlement relating to financial assistance for denominational schools.

The Minister of Education said that current dissatisfaction with the working of the 1944 settlement might be eased to some extent by minor modifications of section 104 of the Education Act, 1944, and section 1 of the Education Act, 1946. The first of these sections empowered him to pay, in certain circumstances, half the cost of providing educational facilities for pupils displaced from another school; and he had it in mind to propose that this financial assistance should in future be available for a new category of displaced pupils, viz., pupils displaced as a result of action taken under the enactments relating to housing or town and country planning. He also proposed that displaced pupils’ grant should in future be payable, not only in respect of the construction of a new school, but also in cases where an existing building was used as the premises, or as a nucleus of the premises, of a new school. These two changes would benefit mainly the Roman Catholic community. To assist the Church of England schools he proposed to enable local education authorities, not only to enlarge existing controlled schools, but also to provide new controlled schools under section 1 of the Act of 1946. In rural areas there were many Church of England schools which would ultimately have to be rebuilt, and in many of these areas it would be desirable, both on educational and on economic grounds, to replace two or more of these by a single school; but under the existing law local education authorities had no power to provide a new controlled school in those circumstances.

The Minister said that the annual Exchequer cost of his proposals over the next few years was not likely to amount to more than £125-£150,000. The ultimate increase in Exchequer grant, as a result of his proposed amendment of section 104 of the Act of 1944, might amount to £4-£5 millions.

The Chancellor of the Exchequer said that, according to his estimate, the ultimate cost might be in the neighbourhood of £8-£10 millions. He did not wish to raise objection to the Minister’s proposals on financial grounds; but he asked for an assurance that discussion of these relatively minor adjustments would not have the result of reopening the “whole of the 1944 settlement.

In discussion it was pointed out that, as experience at the last General Election had shown, none of the political Parties could guarantee that all their supporters would be prepared to stand firm on the basis of the 1944 settlement. The Government would therefore be well-advised to seek the support of the Opposition Parties for some relatively minor concessions which would be acceptable to the Church interests. The Cabinet recognised, however, that concessions of this character, while they might be welcomed for what they were worth, would not be accepted by the Roman Catholic community as a final satisfaction of their claims.

The Cabinet—

Authorised the Minister of Education to undertake confidential consultations, with the Opposition Parties and with the Church interests concerned, with a view to ascertaining whether the proposals outlined in C.P. (51) 209 could be put forward without risk of provoking major controversy over the 1944 settlement regarding denominational schools; and invited him to report to them in due course the results of those consultations.
6. The Cabinet had before them a memorandum by the Minister of Food (C.P. (51) 211) proposing that the British Sugar Corporation Bill should not make any provision for ending the Sugar Refining Agreement.

The Parliamentary Secretary, Ministry of Food, said that, after consultation with the Lord Chancellor and the Attorney-General, the Minister of Food was satisfied that it would not be practicable to take powers in the Bill to determine the Sugar Refining Agreement. It would have been necessary, when introducing the Bill, to explain the circumstances in which, and the purposes for which, the Government would exercise the power to bring the agreement to an end, and it would not be practicable for the Government to do this.

In discussion it was suggested that, even if it contained no provision for ending the Refining Agreement, the Bill would be of some value since it would improve the status of the British Sugar Corporation by removing private interests from the shareholders and the board of directors. As against this, however, it was argued that it was worth considering whether these improvements were of sufficient practical advantage to outweigh the serious objections to bringing forward a Bill which only dealt with a small part of the sugar industry and would be severely criticised because it made no provision for terminating the Refining Agreement. As had happened in the previous year, it would be practicable in the autumn of 1951 to continue the existing emergency powers relating to the British Sugar Corporation for a further twelve months by a comprehensive Order-in-Council under the Emergency Laws (Miscellaneous Provisions) Act, 1947, at the same time as Parliament was asked to renew the Supplies and Services Acts.

The Cabinet—
Invited the Minister of Food to submit to the Socialisation of Industries Committee a memorandum discussing the respective merits of proceeding with the British Sugar Corporation Bill or continuing to rely on emergency powers.

7. The Cabinet considered a memorandum by the Foreign Secretary (C.P. (51) 208) recommending that Japanese assets in the United Kingdom, amounting to about £1½ million, should be handed over to Service charities and other voluntary organisations, for distribution among former prisoners of war and civilian internees.

The Foreign Secretary said that it had been agreed with the United States authorities that Japanese assets in neutral and ex-enemy countries should be transferred to the International Red Cross, for distribution to prisoners of war who had suffered at Japanese hands, and a provision to that effect had been included in the draft Peace Treaty. The proposal in his paper was that the assets in the United Kingdom should be divided proportionately to the numbers of Service personnel and of civilians who had been captured or interned by the enemy during the 1939-45 war. 60 per cent. of the Services’ share would be distributed between the principal Service charitable organisations, and the remainder, with the whole of the civilian share, would be distributed among appropriate organisations which cared for members of the Services and civilians who had suffered during the war. It was not proposed to confine the distribution to those who had suffered at Japanese hands. If these arrangements were approved he proposed to make an early announcement on the lines of the draft annexed to his paper. He would make it clear that the Japanese assets in Colonial territories would be at the disposal of the Secretary of State for the Colonies for the benefit of the Colonies concerned.
In discussion doubts were expressed about the expediency of making grants to prisoners of war as being contrary to the traditions of the Services. It was, however, pointed out that this had already been accepted by the Cabinet in respect of the Japanese assets in neutral countries, and that there was very strong public feeling about the treatment of prisoners of war by the Japanese.

It was pointed out that a reference to distribution of the funds by the organisations among claimants might lead to the submission of a large number of individual claims to be met from the small total sum available. It was agreed that no reference should be made to the distribution of these funds: it should be stated merely that the funds would be put at the disposal of the organisations for the purposes explained in the announcement. It was also agreed that the announcement should refer to voluntary, rather than charitable, organisations, and that the reference to Japanese assets in Colonial territories should make it clear that the Secretary of State for the Colonies would act in consultation with the Colonial Governments concerned.

The Cabinet—

Subject to the points made in discussion, approved the proposals in C.P. (51) 208.

Cabinet Office, S.W. 1,
23rd July, 1951.