CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W. 1, on Thursday, 26th 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. HECTOR MCNEIL, M.P., Secretary of State for Scotland.

The Right Hon. Sir HARTLEY SHAWCROSS, K.C., M.P., President of the Board of Trade.

The Right Hon. H. T. N. GAITSKELL, M.P., Chancellor of the Exchequer (items 1–3 and 6–8).

The Right Hon. VISCOUNT ALEXANDER OF HILLSBOROUGH, Chancellor of the Duchy of Lancaster.

The Right Hon. J. CHUTER EDE, M.P., Secretary of State for the Home Department.

The Right Hon. T. WILLIAMS, M.P., Minister of Agriculture and Fisheries.

The Right Hon. JAMES GRIFFITHS, M.P., Secretary of State for the Colonies.

The Right Hon. P. C. GORDON-WALKER, M.P., Secretary of State for Commonwealth Relations.

The Right Hon. ALFRED ROBENS, M.P., Minister of Labour and National Service.

The Right Hon. ARTHUR HENDERSON, K.C., M.P., Secretary of State for Air (item 7).

The Right Hon. ALFRED BARNES, M.P., Minister of Transport (items 4–6).


The following were also present:

The Right Hon. JOHN STRACHEY, M.P., Secretary of State for War (item 7).


The Right Hon. GEORGE BROWN, M.P., Minister of Works (item 7).

Mr. W. J. Edwards, M.P., Civil Lord, Admiralty (Item 7).

The Right Hon. William Whiteley, M.P., Parliamentary Secretary, Treasury (Item 1).

Mr. R. J. Bowker, Foreign Office (Item 3).

Secretariat:

Sir Norman Brook.
Lieut.-General Sir Kenneth McLean.
Mr. A. Johnston.
Mr. O. C. Morland.

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1. The Cabinet were informed of the business to be taken in the House of Commons in the following week. It had been proposed that after 7 p.m. on 1st August there should be a debate on the New Valuation Lists. The Government might, however, be pressed to find time during the week for further discussion of various issues of Privilege which had not yet been finally disposed of. One of these was to be discussed at a meeting of the Parliamentary Labour Party that evening. The Cabinet considered how these matters could best be handled; and it was their general view that it would be preferable to allow the House of Commons to debate them on 1st August in lieu of the proposed debate on the New Valuation Lists. If all necessary business had been cleared, Parliament would be adjourned for the summer Recess on 2nd August and would reassemble on 16th October.

2. The Chancellor of the Duchy of Lancaster said that, when the Economic Policy Committee had discussed on 19th July the profit margins of retail grocers, it had apparently been alleged that it was the practice of the Co-operative Societies to include in their costs a preconceived level of members' dividends and it had been suggested that the Societies should not be allowed to increase their retail prices for the purpose of enabling them to continue to pay relatively high dividends to their members (E.P.C. (51) 17th Meeting, Minute 2). This suggestion was, in his view, misconceived and he did not wish it to pass uncorrected. The Prime Minister invited the Chancellor of the Duchy of Lancaster to send him a note of his comments on this point so that he, as Chairman, might bring it before a later meeting of the Economic Policy Committee.

3. The Foreign Secretary said that the offer by the Persian Government to re-open negotiations in the oil dispute was a most encouraging development in the situation. The Persian Government had made two substantial concessions to our point of view, in that they were now prepared to negotiate with a mission sent by the United Kingdom Government to represent the interests of the Anglo-Iranian Oil Company, and they had accepted the principle that under nationalisation oil operations should be carried out under their authority and not directly by themselves. Unfortunately, however, there was no sign that interference with the Company's property and staff was decreasing, and recent telegrams from South Persia indicated that the morale of the staff was deteriorating. Mr. Harriman was anxious that we should send a mission to Tehran led by a Minister, with as little delay as possible, and the United States Government had also urged us to do so. The Foreign Secretary said that he had pointed out in reply to these representations that, before a mission was sent, the Persian Government must do something to improve the position in the south; but Mr. Harriman, while willing to put this point and our other requirements in general terms to the Persians, regarded them as outside the scope of his mission and as being more suitable for a direct approach by the United Kingdom Government. The Foreign Secretary said that the Persian offer represented in principle a basis on which negotiations could be resumed, and that we should not, if possible, lose the opportunity of sending a Ministerial mission to Tehran. It was, however, necessary to consider what were the prerequisites for the despatch of such a mission. It was clear that the Persian Government must give us some assurance...
about stopping their interference with the Company's staff, and the question also arose of restoring operational control to the Company. This last would not be easy to secure as a prior condition for sending a mission, and he felt that on balance we should demand only one such condition, namely, the undertaking to end interference with the staff in the oilfields and in Abadan.

If it was agreed that a mission should be sent, we should again postpone the withdrawal of staff from the oilfields, and it might be desirable to explain the position fully to the Company, in order to support the morale of their staff in Persia, and ensure that they stood firm for the time being and refrained from giving public expression to their reasonable dissatisfaction at the treatment they were receiving from the Persian Government.

Discussion showed that there was general agreement that the offer of the Persian Government should not be rejected, and that preparations should at once be made for the despatch of a mission to Tehran. The Cabinet invited the Prime Minister to decide, in consultation with the Foreign Secretary and the Chancellor of the Exchequer, which Minister should lead the mission.

In discussing the prior conditions necessary for the despatch of a mission some Ministers suggested that, in order to avoid the humiliating loss of prestige which would follow from an immediate failure to reach agreement, we should secure before the mission left a definite undertaking from the Persian Government that all interference with the Company's staff would cease, and evidence that their instructions to this effect were being carried out. It was suggested that the Persian Government should recall Mr. Makki from the South, where his activities were making it inevitable that the staff should be withdrawn from the oilfields in the very near future. It was also argued that the negotiations could not be conducted satisfactorily until the Company had regained control of their operations, and that a Persian undertaking not to put forward unacceptable proposals about tanker receipts should be obtained. While we could not hope for a complete return to the status quo, we could insist that the Persian Government should conform with the principles of the decision of the International Court as a condition for the resumption of negotiations.

On the other hand, the view was expressed that, so long as the Persian Government undertook to send immediate instructions that interference with the Company's staff should be stopped, we should not delay the despatch of a mission. Those instructions, in fact, would be fully carried out, but it would be unwise to risk losing the opportunity of negotiations which the Persian Government had now offered under United States pressure. We had accepted the principle of nationalisation, and there now appeared to be a real prospect of negotiating a settlement on this basis, under which the oil operations would remain in British hands. A refusal to enter into negotiations would deprive us of United States support, and would lead to the Company's being driven out of Persia, since the staff would be willing to work under Persian ownership only if the operation of the industry remained under British control.

After further discussion it was generally agreed that the issue by the Persian Government of instructions to stop interference with the Company's staff need be the only prerequisite for the despatch of a mission, and that a reply to this effect should be sent forthwith to the Persian Government. At the same time, however, His Majesty's Ambassador at Tehran should be instructed to explain to the Persian Government informally that, unless their instructions were effectively carried out and interference was ended, the negotiations could not be successful and the mission would be obliged to return to this country; and that we should regard the recall of Mr. Makki as valuable evidence of their intentions in this respect. Mr. Harriman should also be invited once more to impress upon the Persian Government
the importance of their compliance with the principles underlying the decision of the International Court.

The Cabinet—

(1) Invited the Foreign Secretary to inform the Persian Government that we welcomed their offer to resume negotiations, and that we were willing to send a Ministerial mission to Tehran provided that they gave instructions that all interference with the staff of the Anglo-Iranian Oil Company in Persia should cease.

(2) Invited the Foreign Secretary to impress upon the Persian Government informally, on the lines agreed in discussion, the importance, if the negotiations were to be successful, of the effective carrying out of these instructions.

(3) Subject to a satisfactory reply from the Persian Government, invited the Foreign Secretary to arrange for the despatch of a mission to Tehran, headed by a Minister.

(4) Agreed that the choice of a Minister to lead the mission should be left to the Prime Minister, in consultation with the Foreign Secretary and the Chancellor of the Exchequer.

(5) Invited the Foreign Secretary to arrange that the Anglo-Iranian Oil Company should explain the position fully to their staff in Persia, urging them to stand firm at their posts pending the outcome of the resumed negotiations.

The President of the Board of Trade said that the Cabinet had agreed on 23rd July that exports to Persia should continue to be held up for the time being, and that if necessary the consignors and shippers should be indemnified for any breach of their contracts. Apart from the consignments of steel rails and sugar, various minor shipments of materials which were not scarce were also being held up. He felt that in view of the new developments in the situation these might now be allowed to leave, and it was for consideration whether the steel rails and sugar need be delayed further if a mission were sent to Tehran. He understood that the most recent shipment of sugar had been allowed to leave on the understanding that, if necessary, steps could be taken to prevent it from reaching Persia, but, unlike other consignments which had been allowed to leave on the same understanding, the sugar had ceased to be British property when it was loaded, and it might not be possible to requisition it en route.

The Cabinet—

(6) Agreed that minor exports of goods to Persia should not be further delayed, and that the consignments of steel rails and sugar should be allowed to leave as soon as it was decided that a mission should be sent to Tehran.

4. The Cabinet considered memoranda by the Minister of Labour (C.P. (51) 221) and the Attorney-General (C.P. (51) 224) on the draft of an Industrial Disputes Order which would take the place of the Conditions of Employment and National Arbitration Order, 1940.

The Minister of Labour said that, under the new Order, the prohibition of strikes and lockouts would be entirely repealed. The right to report disputes to the new Tribunal would be confined on the one hand to employers and employers' organisations and on the other to trade unions, and in practice break-away unions would be excluded. The effect of the new Order would be to reduce arbitration by the National Tribunal, since a dispute which had already been the subject of an agreement or arbitration could not subsequently be dealt
with under the provisions of the Order. There would be no penal sanctions. If the Cabinet approved the draft Order it would be made in the following week and laid before Parliament, but there would be no opportunity to debate it until after the recess.

In discussion the following points were made:

(a) Professional bodies, such as the Society of Town Clerks, would probably not be able to avail themselves of the arbitration procedure provided under the draft Order, but they probably could, without difficulty, adapt their organisation so that it ranked as a trade union. It was undesirable that local authorities should be obliged to honour the findings of an arbitration tribunal in regard to the salaries to be paid in respect of senior appointments which the holders had accepted on the basis of an advertised salary, but any safeguard introduced into the Order with a view to preventing professional organisations from ranking as trade unions might prejudice the general right of workers to organise themselves in unions.

(b) At the suggestion of the Minister of Labour, the British Employers' Confederation had agreed to consider favourably a suggestion that two or three members of the employers' panel for the new Tribunal should be drawn from nationalised industries. The only condition they were likely to stipulate was that these members of the panel should not be called upon to adjudicate in cases concerning private industry. An arrangement on these lines would meet the point which had been raised on behalf of the nationalised industries without involving the disadvantages likely to follow from a specific reference to nationalised industries in the draft Order.

The Cabinet—

Approved the draft of the Industrial Disputes Order 1951, appended to C.P. (51) 221.

5. The Cabinet considered memoranda by the Minister of Transport (C.P. (51) 215), the Minister of Labour (C.P. (51) 219), the Minister of Defence (C.P. (51) 223) and the Minister of Fuel and Power (C.P. (51) 226) on a proposal that a limited measure of deferment from call-up under the National Service Acts should be given to railwaymen in key grades at certain places vital to railway operation.

The Minister of Transport said that he recognised the force of the views put forward by the Minister of Defence and the Minister of Labour, and he had submitted his proposal for a limited deferment of railway workers with great reluctance. At the same time the numbers involved were not very large, and he felt that the Government should make this concession at a time when the Railway Executive and the unions were examining drastic proposals for meeting the labour shortage on the railways. There was, at present, the gravest risk that the railways would be unable to handle the freight traffic which would be offering in the coming autumn and winter; and, if traffic began to pile up in marshalling yards, the measures which would then have to be taken would be far more drastic than if anticipatory action were taken now. The Services would lose far more heavily if essential production were held up through transport difficulties than through the loss of the 3,000 railwaymen who would be deferred under his proposal. Admittedly, the drift to other employment might continue, but those who were deferred could only retain deferment while they remained in railway employment, and the prospect of deferment should make railway employment more attractive.
The Minister of Labour said that it was the principle of universal liability that had won parliamentary and public approval for the introduction of national service in time of peace. The exception for agriculture was about to be withdrawn; and the coalmining industry, which would then be the only exception to the principle of universality, was widely recognised as deserving exceptional treatment. If the operating grades on the railways were given deferment there would be irresistible pressure from other branches of industry, notably from firms engaged on essential war production. It had, moreover, to be borne in mind that the call-up was not yielding to the Armed Forces the numbers that they required. He thought it would be wrong to entertain the suggestion that the making of staff economies in the railways could in any way be made dependent on the grant by the Government of a measure of deferment. In their evidence before the Court of Enquiry which had examined the wage claim put forward by the railway unions the Railway Executive had used arguments which were inconsistent with those now advanced in favour of a measure of deferment. There appear to be room for substantial economies in railway staffing, and the Court of Enquiry had drawn particular attention to the wastages which occurred under the present rules governing lodging turns of duty.

The Minister of Fuel and Power said that he was seriously concerned about the prospective shortage of house coal in the coming autumn and winter. Stocks were far below those available last year. The consumption of coal generally was going up; and, if greater output were secured to match consumption, it was essential that the railways should be able to move it. In the long term he believed that increased use of braked freight trains was one of the main means by which the railways could handle increased freight traffic.

The Minister of Defence said that the Minister of Transport was asking for the deferment of sufficient men to form an infantry brigade. The Services could not afford this loss, at a time when the call-up was failing to provide the numbers they required. He agreed with the Minister of Labour about the need to preserve the universality of the call-up; and even among railway workers the proposal that deferment should be confined to men working at certain centres would cause acute discontent. He was, however, willing to examine the proposal that railwaymen called up should, after basic training, be returned to the railways on reserve.

In further discussion the following points were made:

(a) The most effective opportunity to secure staff economies, particularly in regard to lodging turns, would have been to make the grant of a wages increase in February 1951 conditional on the unions co-operating to secure greater efficiency. The Cabinet had, however, considered that the serious consequences of any railway dispute which led to a stoppage of work were too great to make it desirable to insist on the wage increase being linked with measures to secure greater efficiency. The Railway Executive were making every endeavour to cut out staff redundancies.

(b) Labour shortages were arising in most of the basic industries and services, and it might be desirable to have a general discussion with the Trades Union Congress General Council about the means by which a more efficient use of labour resources could be secured. If the matter were taken up with the General Council, they were likely to refer to the allegations of large increases in the office staffs of nationalised industries.

The Cabinet—

(1) Agreed that it would be undesirable to defer railway workers from call-up to national service in the Armed Forces.
(2) Invited the Minister of Defence to arrange for officials to examine urgently the proposal (paragraphs 27 to 30 of the memorandum annexed to C.P. (51) 215) that railwaymen who were called up should, after basic training, be returned to the railways on reserve.

6. The Cabinet considered memoranda by the Secretary of State for Commonwealth Relations (C.P. (51) 218) and the Minister of Labour (C.P. (51) 225) regarding the renewal of the Assisted Passage Agreement for emigrants to Australia.

The Secretary of State for Commonwealth Relations said that his conversations with the Acting High Commissioner for Australia had been based on the Cabinet's earlier conclusion of 28th June that the system of assisted passages should be brought progressively to an end. It seemed unreasonable that the United Kingdom Government should continue in present circumstances to pay people to emigrate from this country; and there was some risk that, so long as this Agreement continued, New Zealand and possibly Canada might ask for similar facilities. The Prime Minister of Australia had recently stated that his Government might have to reduce their expenditure on immigration as part of their campaign against inflation; and in that event the Australian arguments for continuing the Agreement would lose much of their force. This therefore seemed a favourable moment for reducing the scale of our expenditure under the Agreement, and announcing our intention to bring the whole scheme progressively to an end over the next three years. It now seemed unlikely that the Australian Government would be able to increase their contribution towards the cost of the emigrant ships by £100,000 a year, as suggested in paragraph 2(e) of C.P. (51) 218. The Secretary of State therefore proposed that the amount of the financial assistance given to individual emigrants by the United Kingdom Government should be reduced from £25 to £10, and that the total expenditure of the United Kingdom Government under the scheme should be made subject to an annual limit of £250,000.

In discussion it was argued, in favour of this proposal, that it was anomalous that the United Kingdom Government should be financing emigration at a time when there was a high level of employment in this country and many of its key industries were short of man-power. The policy of assisting emigration had been adopted at a time when there was large-scale unemployment in this country, and the situation was now very different. Moreover, emigrants to Australia were finding that conditions there were unsatisfactory, and numbers of them were seeking to return to this country.

On the other side emphasis was laid on the importance of preserving, in the population of Australia, a due proportion of people of Anglo-Saxon stock. Although this was an asset to Australia and the Australian Government ought themselves to be willing to meet the major part of the financial cost of securing it, the United Kingdom Government should not affront public opinion in Australia by withdrawing two precipitately their co-operation in this scheme. It was the general view of the Cabinet that these considerations warranted a somewhat larger financial contribution by the United Kingdom than that suggested by the Secretary of State.

The Cabinet—

Authorised the Secretary of State for Commonwealth Relations to offer to renew the Assisted Passage Agreement with Australia for a period of three years from 30th March, 1951, on the basis that the assistance given to an individual emigrant would be reduced from £25 to £10 and that the total United Kingdom expenditure would be subject to an upper limit of £500,000 a year.
7. The Cabinet considered a memorandum by the Minister of Defence (C.P. (51) 217) proposing further measures to strengthen the works' staff of the Service Departments.

The Minister of Defence said that the measures hitherto authorised had proved insufficient to secure the necessary increase in these staffs and it was clear that, unless more drastic steps were now taken, the Service Departments would be unable to carry through the programmes of new works and maintenance which the Cabinet had approved as part of the rearmament programme. He therefore urged the Cabinet to authorise the additional measures summarised in paragraph 10 of his memorandum.

The Cabinet discussed each of these proposals in turn.

The first proposal was that the Treasury should operate a scheme of compulsory secondment of works' staff, by which Departments engaged on other work would be called upon to make available for immediate secondment to Departments engaged on defence work approved percentages of their existing staff for periods not exceeding three years. The Chancellor of the Exchequer said that he would be prepared to operate such a scheme if the Cabinet gave it firm support and approved the general principles on which the Treasury should determine which Departments were to be asked to second staff to defence work. The first principle, he suggested, should be that Departments whose capital investment programme had been reduced should surrender a corresponding proportion of their works' staff.

The second proposal was that Departments should suspend recruitment of works' staff for civil work. The Chancellor of the Exchequer said that absolute suspension of recruitment would be inappropriate: some provision would have to be made for continuing recruitment by Departments whose staff fell below the numbers needed to carry on essential work, e.g., telephones. Recruitment of established works' staff was, however, organised centrally, and the Civil Service Commission could be instructed to ensure that defence work had first priority in the allocation of newly-recruited established staff—though, in the last resort, individual candidates could not be compelled to accept appointment in one Department rather than another. It would, however, be necessary to provide that temporary staff within these grades should not in future be recruited for civil work without specific authority from the Treasury.

The third proposal was that an interim award should be made on salary scales pending the receipt of the report of the Gardiner Committee. The Chancellor of the Exchequer said that this report was likely to be presented in the course of the next few days; and in those circumstances he suggested that no interim measures need be considered.

The fourth proposal was for a scheme of secondment of staff from local authority employment to the Service Departments. The Minister of Local Government said that he favoured this proposal in principle, though means would have to be found of ensuring
that it did not prejudice the Government's housing programme. The Minister of Works said that this decision made it no less necessary that Departments should continue to press forward, in accordance with the decision taken by the Production Committee on 29th May, with plans for reducing the demands for technical staff by modifying approved standards of work.

The fifth proposal was that special bounties should be paid to temporary staff or, alternatively, that extended use should be made of staff hired from private firms at a premium over the normal salary. The Chancellor of the Exchequer said that he preferred the second of these alternatives.

The Cabinet—

(1) Invited the Chancellor of the Exchequer to arrange for the Treasury to operate a scheme for seconding works' staff from civil Departments to Service Departments, on the general principles approved in the Cabinet's discussion.

(2) Agreed that until further notice Departments should not recruit temporary staff for civil works programmes without Treasury authority; and invited the Chancellor of the Exchequer to arrange for the Civil Service Commission to give first priority to defence work in allocating to Departments works' staff newly recruited in established grades.

(3) Invited the Chancellor of the Exchequer to arrange for prompt consideration to be given to the recommendations to be made by the Gardiner Committee.

(4) Invited the Minister of Local Government and the Secretary of State for Scotland to devise, in consultation with the Minister of Defence, a scheme for the secondment of works' staff from local authority employment to Service Departments.

(5) Invited the Service Ministers, in consultation where necessary with the Chancellor of the Exchequer, to arrange for the extended use of works' staff hired from private firms.

Merchandise Marks.

8. The Cabinet had before them a memorandum by the President of the Board of Trade (C.P. (51) 204) proposing the amendment of the existing legislation relating to merchandise marks, with a view to removing certain anomalies and defects in the present Acts and giving additional protection to the customer against false or misleading marking of goods.

It was suggested in discussion that the fine for a first offence should be raised beyond the proposed maximum of £50, but the general view of Ministers was in favour of retaining the maximum proposed in the memorandum.

The Cabinet—

Approved the proposals in C.P. (51) 204.
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The Cabinet—

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*Cabinet Office, S.W. 1,*

*26th July, 1951.*