CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Tuesday, 27th May, 1952, at 11.30 a.m.

Present:

The Right Hon. WINSTON S. CHURCHILL, M.P., Prime Minister (in the Chair).

The Right Hon. LORD WOOLTON, Lord President of the Council.

The Right Hon. LORD SIMONDS, Lord Chancellor.

The Right Hon. R. A. BUTLER, M.P., Chancellor of the Exchequer.

The Right Hon. the EARL ALEXANDER OF TUNIS, Minister of Defence.

The Right Hon. LORD LEATHERS, Secretary of State for Co-ordination of Transport, Fuel and Power.

The Right Hon. PETER THORNEycroft, M.P., President of the Board of Trade.

The Most Hon. the MARQUESS OF SALISBURY, Secretary of State for Commonwealth Relations.

The Right Hon. Sir DAVID MAXWELL FYFE, Q.C., M.P., Secretary of State for the Home Department and Minister for Welsh Affairs.


The Right Hon. JAMES STUART, M.P., Secretary of State for Scotland.

The Right Hon. Sir WALTER MONCKTON, Q.C., M.P., Minister of Labour and National Service.

The Right Hon. LORD CHERWELL, Paymaster-General.

The following were also present:

The Right Hon. VISCOUNT SWINTON, Chancellor of the Duchy of Lancaster.

The Right Hon. A. T. LENNOX-BOYD, M.P., Minister of Transport and Civil Aviation (Items 1–3).

The Right Hon. GEOFFREY LLOYD, M.P., Minister of Fuel and Power (Items 4–5).

The Right Hon. SELWYN LLOYD, Q.C., M.P., Minister of State (Items 4–6).

Secretariat:

Sir NORMAN BROOK.
Mr. T. PADMORE.

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1. The Chancellor of the Exchequer said that, although confidence in the strength of sterling was not good, the state of our gold and dollar reserves at the next half-yearly date (i.e., the end of June) would be better than he had at one stage feared. But there was still a fundamental unbalance between our income and outgoings on overseas account. And he was disturbed to find that the level of imports, particularly from Europe, had fallen very little as a result of the cuts made in the winter. There was some evidence that reductions in the purchases of particular items (especially of food-stuffs) were being offset by increases in other directions. He was looking into this more closely.

The Cabinet—

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

2. The Cabinet took note of the signature of the contractual settlement terminating the system of occupation in Western Germany and granting sovereignty to the German Federal Republic.

The Cabinet invited the Prime Minister to send to the Foreign Secretary on their behalf a message of congratulation on the successful conclusion of these negotiations.

3. The Cabinet had before them a note by the Secretary (C. (52) 176) covering a draft of a Parliamentary statement on civil air transport policy.

The Secretary of State for Co-ordination of Transport, Fuel and Power and The Minister of Transport and Civil Aviation said that the statement was the outcome of full consultation with the various interests concerned. So far as concerned air transport to foreign countries and other Commonwealth countries it would go a long way to fulfil the Government’s Election pledges. While the Corporations would retain their existing services, private companies and the Corporations would be able to apply on an equal footing for licences to operate new scheduled services. The licences would confer much greater security on operators than the arrangements under which private companies now operated.

It had not proved practicable as yet to offer to private companies a similar opportunity to participate in the operation of scheduled services within the British Isles. The internal services at present operated by British European Airways should not be handed over except to private companies of assured stability who could be certain of being able to operate them for some time. Applications to operate private internal services had not been forthcoming from suitable sources to the extent expected by Ministers.

Various drafting amendments of the statement were suggested and agreed.

The Cabinet—

Invited the Minister of Transport and Civil Aviation to make in the House of Commons the statement annexed to C. (52) 176, as amended in their discussion; and invited the Secretary of State for Co-ordination of Transport, Fuel and Power to make a similar statement in the House of Lords.
Coal.
Open-cast Working in East Lothian.

4. The Prime Minister drew attention to the Parliamentary difficulties which might arise if the Government proceeded with a proposal to work open-cast coal in East Lothian.

The Cabinet were informed that there was likely to be a serious conflict of interests over this. The land affected was admittedly among the finest agricultural land in Scotland. On the other hand, it seemed likely to contain a substantial quantity of high-grade coal, suitable for open-cast working, in an area where coal was urgently needed, as many of the deep seams were being exhausted. The Home Affairs Committee, which had discussed the problem on 7th March, had considered that no final decision should be taken until the quantities of coal available and the cost of working it had been more precisely assessed; and they had agreed that prospecting should continue for this purpose.

The Cabinet

(1) Agreed that no further open-cast working of coal should be undertaken in East Lothian without the authority of the Cabinet.

(2) Invited the Secretary of State for Scotland to explain the position to Major Anstruther-Gray, M.P., who represented this area in the House of Commons.

5. The Cabinet had before them a memorandum by the Secretary of State for Co-ordination of Transport, Fuel and Power and the Minister of Fuel and Power (C. (52) 174) proposing that up to the end of September 1952 a further 1½ million tons of coal should be made available for export in addition to the 10 million tons previously authorised for export in 1952, this additional amount to include 675,000 tons already added to the original 1952 allocation.

The Secretary of State for Co-ordination of Transport, Fuel and Power said that he was anxious to increase coal exports to the greatest practicable extent. But caution was necessary in estimating coal prospects so early in the year. While he hoped that it might be possible later on to allocate even more for export, he was satisfied that it would not be possible at the present time to go beyond the proposal in C. (52) 174 without risking a serious breakdown in home supplies; for stocks of house coal were still inadequate. The greater part of the additional coal which it was now proposed to export would have to be small coal of poor quality.

The Chancellor of the Exchequer said that he had hoped that it might be possible both to increase the proportion of good quality coal for export and also to increase the 1952 total to 12 million tons of coal and 1½ million tons of slurry. Inland stocks of coal were not only higher now than a year ago, but seemed likely to reach nearly 20 million tons at the beginning of next winter. He doubted the need for stocks at this level. If extra exports would involve a risk of shortage at home, this risk might be a lesser evil than a further drain on our currency reserves. The export of coal to Europe meant a direct saving of gold; and increased coal exports would be the surest means of restoring confidence in our determination to defend our reserves. Moreover, if we could not increase those exports quickly and improve the proportion of high quality coal in them, we might well lose our long-term markets.

The President of the Board of Trade said that nothing would do so much as an increase in coal exports to restore our commercial prestige in Europe and to increase the readiness of foreign countries to take from us other exports of less essential goods.
The Secretary of State for Co-ordination of Transport, Fuel and Power said that he fully appreciated these considerations. He would arrange for as much of the better quality coal to be made available as he could. But he could not agree at the present time that exports should be raised above the quantities which he had proposed. There were still too many uncertainties in the situation. He would keep the matter under continuous review and if possible would propose an increase in the export allocation as soon as the outlook became clearer. The Minister of Fuel and Power said that there were some indications that a long-term movement of man-power back to the mines might be beginning; but it was too early yet to be certain of this.

There was some opinion in the Cabinet that the gravity of the balance of payments problem outweighed the risk involved in increasing coal exports to the extent suggested by the Chancellor of the Exchequer. The majority view was, however, that the proposals made in C. (52) 174 should be accepted for the time being and that the matter should be reviewed again in June.

The Cabinet—
Invited the Secretary of State for Co-ordination of Transport, Fuel and Power and the Minister of Fuel and Power to arrange for coal exports to be increased to the extent proposed in C. (52) 174; and agreed to consider the possibility of further increases in the light of their forthcoming study of the balance of payments and of the import programme.

The Cabinet—
Took note of these statements.

Cabinet Office, S.W. 1,
27th May, 1952