CABINET 35 (46).

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Monday, 15th April, 1946, at 10-30 a.m.

Present:
The Right Hon. C. R. Attlee, M.P., Prime Minister (in the Chair).
The Right Hon. Lord Jowitt, Lord Chancellor.
The Right Hon. Viscount Addison, Secretary of State for Dominion Affairs.
The Right Hon. J. J. Lawson, M.P., Secretary of State for War.
The Right Hon. Ellen Wilkinson, M.P., Minister of Education.
The Right Hon. T. Williams, M.P., Minister of Agriculture and Fisheries.
The Right Hon. John Wilmot, M.P., Minister of Supply (Item 2).
The Right Hon. George Tomlinson, M.P., Minister of Works (Item 5).
Mr. J. Dugdale, M.P., Parliamentary and Financial Secretary, Admiralty (Item 4).
Mr. John Strachey, M.P., Parliamentary Under-Secretary of State for Air (Item 4).

The following were also present:
The Right Hon. Alfred Barnes, M.P., Minister of Transport (Items 4-6).
The Right Hon. Lewis Silkin, M.P., Minister of Town and Country Planning (Item 6).
Mr. Arthur Henderson, K.C., M.P., Parliamentary Under-Secretary of State for India (Item 4).
Sir Orme Sargent, Permanent Under-Secretary of State for Foreign Affairs (Items 1-2).

Major-General Sir Noel Holmes, Director of Movements, War Office (Item 4).

Secretariat:
Sir Edward Bridges.
Sir Norman Brook.
Mr. W. S. Muerie.

[31888-2]
### CABINET 35 (46).

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1. The attention of the Cabinet was drawn to reports of a movement by certain Populist deputies in Greece to undermine the position of the Regent. These reports seemed to be confirmed by the telegram which a number of Populist deputies had sent to the King of Greece on the 12th April, and also by recent messages from newspaper correspondents in Greece.

The Foreign Secretary said that the latest telegrams from His Majesty's Ambassador in Athens suggested that this manoeuvre by members of the Populist Party might be defeated. He was in close touch with His Majesty's Ambassador and was watching carefully the developments in Athens. The position there was still fluid.

The Cabinet—

Took note of the Foreign Secretary's statement.

2. The Cabinet considered a memorandum by the Foreign Secretary (C.P. (46) 152) reporting the results of the consultations which he had been asked by the Cabinet to make regarding the constitution and functions of a Control Board to supervise the operation of the iron and steel industry in the interim period before it was nationalised.

The Foreign Secretary said that, as requested, he had discussed these matters with the Chancellor of the Exchequer, the Lord Chancellor and the Minister of Supply. They envisaged a small Control Board, which would include two or three members who would in due course qualify for appointment to the National Board established to manage the industry after nationalisation. The main functions of the Board would be to regulate the production, distribution, import and export of iron and steel; to ensure that urgent new development was carried on without delay in the interim period; and to advise the Minister in the working out of detailed proposals for the nationalisation of the industry. Existing statutory powers would cover the establishment of the Board, but would not be sufficient to enable the Board itself to undertake works of development. To put the powers of the Board beyond challenge, fresh legislation would be necessary. It was possible, however, that the industry might be willing to co-operate with the Board in proceeding with major schemes of development in the interim period; and in that event it would be possible to go forward without the delay which even this limited legislation would involve. There would be substantial advantage in proceeding with the co-operation of the industry; and he therefore recommended that, before any further announcement was made of the Government's intentions, the Minister of Supply should be authorised to discuss with both sides of the industry how far it would be possible to enlist their collaboration in operating this plan for development in the interim period. He suggested that the Minister should bring into these consultations, not only the Iron and Steel Trades Confederation, but also the Transport and General Workers' Union, which had many members in the finishing sections of the iron and steel industry.

Discussion showed that there was general support for the suggestion that an effort should be made to persuade the industry to work in co-operation with a Control Board during the interim period. This would not only obviate the need for interim legislation: it would also simplify the task of working out in detail the final scheme of nationalisation. The tasks of defining which sections of the industry were to be taken into public ownership, and of solving the difficult problems of severance which would arise, would be substantially easier if the industry itself were co-operating in the search for a satisfactory solution. There was, moreover, reason to believe that some of the younger men in the industry would be willing to co-operate; and the industry as a whole would be more willing to do so since it could not obtain, without the assistance of the Government, the substantial sums of money required
for works of major development. The approach to the industry must, of course, be made on the basis that the Government had finally decided upon a policy of nationalisation.

Discussion then turned on the question whether the proposed consultations should take place before or after the Government's announcement of their intention to nationalise the industry. It was desirable that this announcement should be made before Parliament rose for the Easter recess; and, apart from this time-factor, prior consultation with the industry might result in premature disclosure of the Government's plans. On the other hand, there were better prospects of securing the co-operation of both sides of the industry if they were taken into the Government's confidence before any public announcement was made. The Cabinet's conclusion was that the best course would be to open consultations with the industry at once, but to make an announcement immediately after these consultations had begun. The form of this announcement would differ somewhat from the draft annexed to C.P. (46) 152 in view of the emphasis which the Cabinet wished to lay on their desire to work in co-operation with the industry during the interim period.

The Cabinet—

1. Approved the proposals outlined in C.P. (46) 152 regarding the composition and functions of a Control Board to supervise the operation of the iron and steel industry during the interim period preceding the nationalisation of the industry as a whole.

2. Authorised the Minister of Supply to open discussions on the following day with both sides of the iron and steel industry with a view to enlisting their co-operation in the work of the proposed Control Board during the interim period.

3. Agreed that an announcement of the Government's plans for the nationalisation of the industry, and for control in the interim period, should be made in Parliament on Wednesday, the 17th April; and invited the Minister of Supply to revise the draft announcement annexed to C.P. (46) 152 in the light of the Cabinet's discussion and of his forthcoming consultations with the industry.

3. The Prime Minister said that some local agitation had developed against the Government's decision to extend the working of open-cast coal in Wentworth Woodhouse Park; and the owner, Earl Fitzwilliam, was calling on him later in the day to discuss this matter. He was likely to ask whether this coal could not be secured by underground mining, instead of open-cast working. Would this be possible?

The Minister of Fuel and Power said that underground working would not be appropriate on this site. It would take two years to get the coal which could be obtained in eight months by open-cast working. It would leave permanent surface undulations through subsidence. It would be difficult to dump the spoil without further interference with local amenities. And finally, underground miners would be needed: these were not available locally, and one of the main objects of open-cast working was to supplement the output of the underground labour force.

The local agitation against this project had been worked up by a comparatively small number of people and did not, in his view, correctly reflect public opinion in the district. The scheme approved by the Cabinet on the 24th January had been a compromise reached after giving full weight to the arguments based on considerations of amenity. It would be a sign of weakness on the Government's part to abandon or modify that scheme now that the contracts had been let and work was about to begin. There could be no doubt
of the country's urgent need of coal. He hoped, therefore, that the Cabinet would agree that, in spite of these protests, the scheme should go forward.

The Cabinet—

(1) Reaffirmed their decision of the 24th January, 1946, in favour of a limited extension of the working of open-cast coal in Wentworth Woodhouse Park.

(2) Took note that the Prime Minister would explain to Earl Fitzwilliam the reasons why the Government felt obliged to go forward with this scheme.

4. The Cabinet had before them the following memoranda:

(i) A report by the Chiefs of Staff (D.O. (46) 53) reviewing the supply and demand for personnel shipping for military purposes during the period April to September 1946;

(ii) A memorandum by the Minister of Transport (C.P. (46) 151) on civil and commercial requirements for passenger ships during this period;

(iii) Memoranda by the Parliamentary Under-Secretary of State for India (C.P. (46) 132) and the Secretary of State for the Colonies (C.P. (46) 140) on the need for increased facilities for the transport of civilians to and from India and the Colonies respectively.

The issues raised in these memoranda had been discussed by the Defence Committee on the 12th April (D.O. (46) 11th Meeting, Minute 1); and the Minister of Transport had then been asked to arrange for the claims of the Civil Departments to be examined in relation to the shipping programmes of the Services, and to report to the Cabinet what measure of agreement could be reached as to the allocation of the shipping available. The Cabinet now had before them—

(iv) A memorandum by the Minister of Transport (C.P. (46) 155) covering the report of a meeting of officials held in pursuance of this conclusion of the Defence Committee.

The Minister of Transport said that since 1939 the Services had had first call on the passenger ships available. High priority must still be given to troop movements required to maintain the approved rate of demobilisation and approved leave schemes for troops serving overseas; but Service requirements were now competing with other demands on available passenger shipping, including demands directly related to the post-war readjustment of the national economy. In particular, we must begin to re-establish our shipping earnings, and to provide for the increased transport of civilians, both Government officials and business men. It was, therefore, important that a number of ships now in military service should be released for reconversion for civil traffic, under a phased programme which would make the best use of the labour available in the shipyards. A balance must be struck between civil and military needs for passenger shipping in the next few months on the one hand and, on the other, provision for expanded civil transport in the future and the re-establishment of our shipping earnings, which could only be secured by withdrawing ships for reconversion at the expense of current needs. He therefore invited the Cabinet to approve the recommendations set out in the note annexed to C.P. (46) 155.

Other Ministers supported the general contention that increased transport facilities must now be provided for civil passengers, and that provision must be made for the future expansion of our passenger shipping resources even at some cost to current needs.
Discussion then turned on the following specific proposals:

(a) The Minister of Transport had proposed that the Orion should be withdrawn forthwith from trooping service for reconversion. The labour force required for the reconversion of the vessel was waiting to begin work on her at Barrow.

The Parliamentary and Financial Secretary, Admiralty, said that the Admiralty were anxious that this reconversion should be put in hand at once in order to check the drift of labour from the shipyard.

The Director of Movements, War Office, said that the withdrawal of the Orion from trooping service would delay the repatriation of British troops from India, unless the Supreme Allied Commander, South-East Asia, were required to surrender for this purpose shipping sufficient to carry 5,000 men from the shipping earmarked for the movement of troops under his command. If he made this surrender, he would still be able to carry out his plans for the removal of British and Indian troops from the Netherlands East Indies, but there would be some delay in moving Indian troops from Malaya.

In discussion, it appeared that the shipping plans of the Supreme Allied Commander, South-East Asia, were based on the assumption that all his troops must be removed from the Netherlands East Indies by the 1st October, 1946. The Foreign Secretary said that, as a result of the conversations which the Prime Minister and he had held with representatives of the Netherlands Government on the 12th and 13th April, it had now been agreed that the last of the British and Indian troops should not be removed until the Dutch troops were ready to take over, and that they were not likely to be ready to do so until at least the middle of November 1946. In these circumstances it now became possible to accept a delay in the present plans for the withdrawal of our troops from the Netherlands East Indies, and some of the passenger shipping now earmarked for that purpose could be transferred for use in the repatriation of British troops from India.

The Cabinet—

(1) Agreed that the Orion should be released forthwith from trooping service; and that shipping sufficient for the transport of 5,000 men should be transferred, from the shipping earmarked for the withdrawal of British and Indian troops from the Netherlands East Indies, for use in the repatriation of British troops from India.

(b) The Foreign Secretary said that he was not clear that the programme before the Cabinet made sufficient provision for the shipment of Polish troops from Italy. On political grounds it was most important that they should be removed from Italy as soon as possible; and movement by the overland route had in the past proved unsatisfactory. He could not accept the suggestion that these men could be sent to Tripolitania; for this would cause us acute difficulties, not only with the Senussi, but with the Soviet Government. The United States Government would wish us to find means of securing the early dispersal of these Polish forces; and he would be willing, if this would be helpful, to ask them to contribute to an early settlement of these difficulties by making a special loan of United States ships for the movement of these men.

The Minister of Transport said that it would be helpful if the Foreign Secretary could make such a suggestion to the United States Government.

The Cabinet—

(2) Took note that the Foreign Secretary, after discussing with the Minister of Transport how the desired assistance could best be provided, would ask the United States Government for a special loan of shipping to facilitate the removal of Polish troops from Italy.
suggested that the general shortage of passenger shipping might be alleviated by adapting the larger aircraft carriers so that they could carry still greater numbers of passengers. He believed that after further conversion, which should not take more than a few weeks, each of these ships could be adapted to carry another 2,000 men. The suggestion was also made that further use might be made of other ships of the Royal Navy for troop ing purposes.

The Cabinet—

(3) Invited the Prime Minister to arrange for the Admiralty to consider what further contribution the Royal Navy could make to meet the current shortage of passenger shipping, whether by the adaptation of aircraft carriers or otherwise.

After some further discussion, the Cabinet—

(4) Approved the remaining recommendations in the report annexed to C.P. (46) 155.

(5) Invited the Minister of Transport to arrange for consultations to be continued with the Departments primarily concerned regarding means of expanding the available supply of passenger shipping.

5. The Cabinet considered a memorandum by the Minister of Transport (C.P. (46) 149) submitting proposals for the nationalisation of transport.

The Minister of Transport said that his proposals were summarised in paragraph 2 of his memorandum. Their central feature was the establishment of a British Transport Commission to which would be transferred compulsorily the main railways (with their ancillary businesses) and the canals now under control. The Commission would be given powers to acquire road haulage services and docks not owned by the railway companies; and, subject to the general directions of the Minister, it would have the duty of promoting and securing the provision of an adequate and properly co-ordinated system of transport. Management and operation would be delegated to three executives for (i) railways, (ii) road transport, and (iii) docks and inland waterways. The most controversial parts of the scheme were those concerned with the road haulage industry and with municipal passenger transport. As regards the road haulage industry, he proposed that the holder of a C licence should be free to operate within a radius of 40 miles from his specified base; but, if he wished to operate beyond this radius, he would have to make out a case to the Traffic Commissioner for the grant of special authority to do so. The British Transport Commission would have a right to be heard in opposition to any such application and, in dealing with it, the Traffic Commissioners would be required to have regard to the considerations set out in the Appendix to C.P. (46) 149. Normally, permission to carry goods beyond the 40-mile limit would be granted for a period of years: the applicant would not have to make a separate application for each journey. He would have a right to appeal to the independent Transport Tribunal which would be set up for other purposes connected with the nationalisation scheme. So far as concerned the holders of A and B licences, paragraphs 13 and 15 of C.P. (46) 149 outlined two possible modifications of his original proposals designed to give a greater degree of freedom. Of these alternatives he would prefer that set out in paragraph 15.

Discussion turned mainly on the proposals regarding C licences. On the one hand it was urged that there were considerable political disadvantages in the proposal of the Minister of Transport. In practice, the larger firms would probably obtain permission from the licensing authority to operate beyond the 40-mile limit, and
to that extent the licensing system would do nothing to protect
the State monopoly. It would, however, antagonise a large number
of small traders who carried their own goods and, though they
normally operated within the 40-mile limit, might wish on occasion
to go beyond that limit. The proposal might also make it more
difficult to attract firms to the development areas. It would cause
particular difficulties in connection with the transport of perishable
goods, and such things as building materials, for which a
nationalised undertaking was unlikely to be able to give a sufficiently
adaptable and speedy service. Uncertainty about the grant of a
licence to operate beyond the 40-mile limit would also make it
difficult for industrialists who were planning new undertakings to
decide whether to make provision for transport of their own goods.
The administration of the scheme would inevitably lead to vexations
delays, and it was not clear how it would be possible to prevent
widespread evasion of the restrictions.

On the other hand, it was pointed out that to give complete
freedom to operate this class of traffic would endanger the economic
success of the whole scheme of nationalisation. Experience had
shown that the railways, which were heavily burdened with fixed
charges both for capital and maintenance, could not be operated
successfully if they were exposed to unregulated competition from
road transport, and the British Transport Commission would be
unable to evolve a fully co-ordinated scheme of transport if traffic
of the type now operated under C licences were wholly outside
its control. Some large firms might choose to operate their own
vehicles in order to boycott the nationalised road-haulage scheme
and it would be difficult to prevent evasion of the requirement that
they should carry only their own goods. Applications to operate
beyond the 40-mile limit would be decided by the Traffic Commis­sioners, who were a quasi-judicial tribunal, and the considerations
to which they would be directed to have regard would ensure that
any applicant who had reasonable grounds for wishing to use his
own vehicles would have no difficulty in securing the necessary
permission. Moreover, once a decision applying to a particular
type of case had been given, other similar cases would be settled
automatically and the administrative difficulties were not likely to
be as great as had been suggested. The Transport and General
Workers' Union and the National Union of Railwaymen were both
strongly in favour of an even greater degree of restriction than was
proposed in C.P. (46) 149.

In further discussion it was suggested that it would be desirable
for the Ministerial Committee on the Socialisation of Industries to
consider whether the proposal with regard to C licences could
not be adapted in order to meet the criticisms raised in the Cabinet's
discussion. In particular, the Committee might examine the
possibility of allowing the owner of a single vehicle and certain
other classes (e.g., firms employing vehicles for the purpose of
connecting two or more plants belonging to or associated with the
same factory) to operate beyond the 40-mile limit as of right. The
Committee should also state more precisely how the work of the
British Transport Commission would be endangered if the traffic
now operated under C licences were given complete freedom to
operate up to any distance, having regard to the fact that it would
probably be necessary in practice to give such freedom to most large
firms.

Other points in discussion were:

(a) The Secretary of State for Scotland pointed out that in the
Highlands and Islands of Scotland steamer services very largely
took the place of road and rail services. He hoped that the Bill
would contain sufficiently wide powers to enable these services to be
nationalised.

The Minister of Transport confirmed that the necessary powers
would be included in the Bill.
(b) The Minister of Fuel and Power said that the provision for compensation for staff displaced as a result of this scheme should not be inconsistent with that proposed for the coal-mining industry.

(c) The Minister of Works said that, so far as concerned A and B licences, he favoured the simplified scheme suggested in paragraph 15 of C.P. (46) 149.

(d) It was agreed that the arrangements for the assignment of draftsmen for the preparation of the Bill should be discussed by the Lord President, the Chancellor of the Exchequer and the Lord Privy Seal.

(e) The Minister of Transport undertook to include the National Farmers' Union among the interests to be consulted on his proposals.

The Cabinet—

(1) Invited the Ministerial Committee on the Socialisation of Industries to prepare, in the light of the discussion, a report on the treatment of the traffic operated under C licences under the proposals for the nationalisation of transport.

(2) Subject to conclusion (1) and to the point noted in paragraph (d) above, approved the proposals set out in C.P. (46) 149 and authorised the Minister of Transport, on the basis of these proposals, to enter into consultation with the various interests concerned and to put in hand the preparation of the necessary legislation.

6. The Cabinet had before them a memorandum by the Secretary of State for Scotland and the Minister of Town and Country Planning (C.P. (46) 142) covering a draft of the New Towns Bill.

The Minister of Town and Country Planning explained that the draft Bill had been approved by the Lord President's Committee at their meeting on the 12th April (L.P. (46) 13th Meeting, Minute 2) subject to further discussions by the Chancellor of the Exchequer and himself of the financial provision to be made in the Bill. Subject to the Cabinet's approval, it was proposed that the Legislation Committee should consider the detailed provisions of the draft Bill on the following day, with a view to its being introduced before the Easter Recess.

The Chancellor of the Exchequer said that he had agreed with the Minister of Town and Country Planning that the limit on the aggregate amount of advances which might be made to defray capital expenditure should be £50 millions.

The Cabinet—

Gave general approval to the draft of the New Towns Bill and agreed that, subject to any points which might be made at the meeting of the Legislation Committee on the following day, it should be introduced before the Easter Recess.