CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W. 1, on Thursday, 4th July, 1946, 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. HUGH DALTON, M.P., Chancellor of the Exchequer.
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. G. A. ISAACS, M.P., Minister of Labour and National Service.
The Right Hon. ANEURIN BEVAN, M.P., Minister of Health.

The following were also present:
The Right Hon. ALFRED BARNES, M.P., Minister of Transport (Item 4).
The Right Hon. G. TOMLINSON, M.P., Minister of Works (Item 4).
The Right Hon. P. J. NOEL-BAKER, M.P., Minister of State (Items 5-6).

The Right Hon. WILLIAM WHITELEY, M.P., Parliamentary Secretary, Treasury (Items 1-3).

Secretariat:
Sir EDWARD BRIDGES.
Sir NORMAN BROOK.
Mr. W. S. MURRIE.
Mr. C. G. EASTWOOD.
CABINET 64 (46).

## CONTENTS

<table>
<thead>
<tr>
<th>Minute No.</th>
<th>Subject</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Parliament</td>
<td>167</td>
</tr>
<tr>
<td></td>
<td>Business in the House of Commons</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Business in the House of Lords</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Palestine</td>
<td>167</td>
</tr>
<tr>
<td></td>
<td>Report of Anglo-American Committee</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Present Situation in Palestine</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Political Broadcasting</td>
<td>168</td>
</tr>
<tr>
<td>4</td>
<td>Nationalisation of Transport</td>
<td>169</td>
</tr>
<tr>
<td>5</td>
<td>World Food Supplies</td>
<td>170</td>
</tr>
<tr>
<td></td>
<td>Long-Term Wheat Contract with Canada</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Gift Food Parcels for Overseas</td>
<td>171</td>
</tr>
</tbody>
</table>
1. The Lord President informed the Cabinet of the business which it was proposed to take in the House of Commons in the following week.

The Report Stage of the Civil Aviation Bill would be taken on the 8th July. The Lord Privy Seal and the Parliamentary Secretary to the Ministry of Civil Aviation would speak on behalf of the Government; and the Joint Parliamentary Secretary to the Ministry of Supply (Mr. A. Woodburn) should be in attendance during the debate.

On the 9th July there would be a debate in Committee of Supply on Colonial Affairs.

On the 10th July the House would consider Lords' amendments to the Coal Industry Nationalisation Bill and the Borrowing (Control and Guarantees) Bill. The Report Stage and Third Reading of the Cable and Wireless Bill would also be taken, if time allowed.

On the 11th July the Report Stage and Third Reading of the Civil Aviation Bill would be completed; and consideration of the Cable and Wireless Bill would also be concluded if it had not been completed on the previous day.

On the 12th July further progress would be made with the Diplomatic Privileges (Extension) Bill.

The Lord President said that it might be necessary to find time, before the Summer Recess, for debates on the B.B.C., India, and Palestine. It was agreed that debates on the B.B.C. and on Palestine should be held before the Summer Recess. The further negotiations in India would, however, be facilitated if Parliamentary discussion of that subject could be postponed, preferably until after the Summer Recess. If the Opposition leaders would not agree to so long a postponement, arrangements should be made for the debates desired in both Houses to be held as late as possible in July.

The Cabinet were informed that the main outstanding difficulties in the House of Lords on the Coal Industry Nationalisation Bill related to the composition of the consumers' council, the presentation of the accounts of the Coal Board and the problem of compensation. If it were possible to find some compromise on the first two points which would satisfy the Opposition, it was likely that the third point would not be pressed.

The Chancellor of the Exchequer said that care must be taken in modifying the Bill's provisions about the presentation of accounts, since these would set a precedent for later legislation for the nationalisation of other industries. The Cabinet were informed that discussions on this point were now proceeding between the Treasury, the Ministry of Fuel and Power and the Ministers in charge of the Bill in the House of Lords. The Prime Minister asked that, unless an agreed solution had been reached meanwhile, the point should be brought up for further consideration at the Cabinet's meeting on the 8th July.

2. The Prime Minister said that the British and United States officials had completed on the 27th June their preliminary consultations on Recommendation 2 of the Report of the Anglo-American Committee on Palestine; but, despite his representations to President Truman, the main party of United States officials who were to discuss the implications of the Report as a whole were still not proposing to arrive in this country until the 15th July. He had now sent a further message to President Truman urging that the date for the commencement of these further consultations should be advanced.

Meanwhile, the Cabinet should consider at an early date what could be said on behalf of the Government in the debate on Palestine which must be held in the House of Commons before the Summer Recess. If, as a result of this delay in the official consultations, no agreement had then been reached between the Governments of the United Kingdom and United States, it might become necessary...
for His Majesty’s Government to indicate that they were prepared to adopt a given line of policy in Palestine if they were assured of the support and co-operation of the United States Government. The Cabinet should consider the position during the following week, on the basis of memoranda by the Secretary of State for the Colonies and the Foreign Secretary. These should summarise the recommendations of the Anglo-American Committee on Palestine and the difficulties which the responsible Departments of His Majesty’s Government saw in giving effect to those recommendations, and should outline alternative policies which might be adopted.

The Cabinet—

(1) Invited the Secretary of State for the Colonies to arrange for memoranda on the lines indicated above to be circulated in time for consideration by the Cabinet at their meeting on the 11th July.

The Secretary of State for the Colonies gave the Cabinet the latest information about the situation in Palestine.

The military authorities were now prepared to terminate their occupation of the premises of the Jewish Agency in Jerusalem: they had made a careful inventory of the documents which had been removed and the damage which had been done in their occupation and search of the building, and they were prepared to compensate the Agency for the repair of that damage. The authorities were about to begin the process of releasing those of the persons detained against whom it was not intended to take proceedings. No more large-scale arrests were contemplated, though the search for arms and individuals continued.

The Secretary of State said that it had been suggested to him that facilities might be given for a delegation of Members of Parliament to go to Palestine. The South African Government had asked for similar facilities for Jewish representatives from the Union; and the suggestion had also been made that representative Jews from the United States might visit Palestine. It was the view of the Cabinet that no such facilities should be given for the time being.

The Cabinet—

(2) Took note of the statement by the Secretary of State for the Colonies regarding the present situation in Palestine.

3. The Cabinet had before them memoranda by the Lord President on the subject of political broadcasting:

C.P. (46) 253: on a proposal by Mr. Churchill that political broadcasting should be resumed; and

C.P. (46) 255: on a request made by Mr. Churchill to the B.B.C. that he should be given an opportunity to reply to the Lord President’s broadcast of the 30th June.

These memoranda recommended that the Government should offer to enter into discussions with representatives of the Conservative Party and the B.B.C. about the resumption of political broadcasting; and should contest Mr. Churchill’s claim to reply to the Lord President’s broadcast, on the ground that it had formed part of the Prosperity Campaign, which was being conducted on a national, non-party basis, and that no question therefore arose of a reply by the Opposition.

The Prime Minister said that, in consultation with some of his Cabinet colleagues, he had prepared draft letters in the sense recommended in these memoranda. Copies were circulated.

The Cabinet—

(1) Agreed that the Government should offer to enter into discussions with representatives of the Opposition and of the B.B.C. on the resumption of political broadcasting;
4. The Cabinet had before them a memorandum by the Lord President (C.P. (46) 225) reporting the results of the further consideration given by the Ministerial Committee on the Socialisation of Industries to the treatment under a nationalised transport system of traffic operated under ‘‘C’’ licences.

The Cabinet considered first the general case for the restriction of ‘‘C’’ licence vehicles, subject to appropriate exceptions, to a radius of 40 miles.

The Lord President said that, as shown by the statistics in paragraph 2 of C.P. (46) 225, the great bulk of road haulage vehicles were operated under ‘‘C’’ licences and it was clear that if no such restriction were imposed the revenue derived by the British Transport Commission from the operation of road haulage would be seriously reduced and the successful running of a co-ordinated national transport system would be endangered. The Committee therefore supported the view of the Minister of Transport that it was right in principle to impose a 40-mile limit, subject to appropriate exemptions. The imposition of this restriction would not in his view adversely affect the small operators; and, so far as concerned political considerations, the Government stood to gain more by imposing a restriction which was strongly supported by the trade unions in the industry than by making concessions to the road hauliers, whose opposition was likely to weaken when the scheme actually proposed by the Government was announced.

The Cabinet agreed that, subject to suitable exemptions, the operation of ‘‘C’’ licence vehicles should be restricted to a radius of 40 miles. It was also agreed that the needs of farmers would be adequately met by the Minister’s proposals, since goods vehicles registered in the name of persons engaged in agriculture and used solely for the carriage of their own goods would continue to be exempt from licensing.

The Cabinet then considered the proposal in paragraph 4 of C.P. (46) 225 that the Bill for the nationalisation of transport should contain a Clause giving the Minister of Transport power to direct the licensing authority to waive the 40-mile limit in particular cases where this was desirable with a view to stimulating industry in development areas.

The Minister of Transport said that he recognised the need to give special consideration to firms operating in the development areas, but on grounds of sound administration he would prefer that the Bill should not include such a provision. The licensing authorities were not likely to refuse permission to a firm to operate beyond the 40-mile range if a good case for exemption were made out; he would have power to give them general directions as to the exercise of their functions; and an applicant whose claim was rejected would have a right of appeal. If, however, the Cabinet were satisfied that this exceptional treatment for the development areas should be guaranteed on the face of the Bill, he would acquiesce in this procedure.

In discussion it was urged that, if the Minister of Transport took specific powers in the Bill to direct licensing authorities to extend the 40-mile limit in the case of firms operating in development areas, he would find it difficult to defend the decision that a limit of this kind should normally be imposed in ‘‘C’’ licences issued to firms operating elsewhere, since it would be contended that a firm with two sets of premises at a distance of over 40 miles, neither being situated in a development area, had just as good a
claim to carry its goods in its own vehicles as a similar firm with premises in a development area. It would further be contended that, if the licensing authorities could be trusted to extend the limit in all suitable cases where the firm was operating outside the development areas, they could equally be trusted to deal fairly with applicants operating in development areas. It was also suggested that the very fact that the Minister took special power to direct the licensing authorities to grant extensions to firms operating in the development areas might throw doubt on their power to grant extensions in other cases.

On the other hand, it was pointed out that the development areas constituted one of the most urgent and important problems now confronting the Government and that the Board of Trade were convinced that they would be much better able to persuade industrialists to establish factories in these areas if a definite guarantee could be given that they would be freed from this 40-mile restriction. There was no intention of denying extensions to firms operating outside the development areas, where such extensions could be justified on the considerations set out in paragraph 3 (i) and (ii) of C.P. (46) 225; and, while it was not entirely consistent to leave it to the licensing authority to deal with one type of case while providing for the intervention of the Minister in the other, the inconsistency could be justified as an exceptional measure, which could be paralleled in other spheres of administration, designed to ensure that everything possible was done to stimulate the revival of industry in the development areas.

The Cabinet—

1. Agreed that the operation of "C" licence vehicles should normally be restricted to a radius of 40 miles, provided that the licensing authority might authorise an extension of the radius where, having regard to the considerations set out in paragraph 3 of C.P. (46) 225, they were satisfied that such an extension was justified.

2. Agreed that the Minister of Transport should take power in the Bill to direct licensing authorities to authorise an extension of the radius of operation in any case where, after consultation with the President of the Board of Trade, he was satisfied that this was desirable with a view to stimulating industry in a development area.

5. The Cabinet considered a memorandum by the Minister of Food (C.P. (46) 249) on his discussions in Canada and the United States regarding a long-term wheat contract with Canada.

The Minister of Food said that, as the Cabinet were aware, the conclusion of this contract had been delayed on account of representations from the United States State Department that it was contrary to the spirit of the proposals on Commercial Policy (Cmd. 6709) and that the announcement of such a contract at the present time might prejudice the passage of the Loan through Congress. Telegrams had since been received from Washington (Nos. 4205 and 4206 of the 1st and 2nd July) containing the text of an aide-memoire on this subject from the United States Government. This set out their objections to the proposed agreement as in effect giving Canada a preferred position in the United Kingdom wheat market. While not objecting to State trading as such or to bulk purchase agreements for relatively short periods, the United States Government considered that long-term agreements for large quantities of goods tended to canalise world trade on a bilateral basis and they suggested that the agreement would be contrary to those sections of the proposals on commercial policy which provided that commercial considerations should govern purchases made by State-trading agencies.

The Minister reminded the Cabinet that the pressure for this contract had come from the Canadian Minister of Agriculture.
When he arrived in Canada, however, he found that opinion was divided on the subject in the Canadian Government, some of whose members took much the same view as the United States State Department; and the delay in concluding the agreement would give its opponents in Canada a fresh chance to state their case. Nevertheless, if the difficulty with the United States could be surmounted, the Minister thought that the agreement would be accepted by the Canadian Government.

There was general agreement that the proposed contract would be beneficial to us, and the Cabinet's discussion turned on the line to be taken in replying to the aide-memoire from the United States Government.

It was suggested that a firm reply should be sent to this, as it challenged a practice which was the basis of our food procurement policy. The United Kingdom Government had long-term contracts for many commodities with Dominions and other countries. If we accepted the arguments in the aide-memoire we should cripple our efforts to even out alternations of boom and slump in primary commodities and to stop price fluctuation. Our freedom to continue these long-term contracts had been asserted many times in the Loan discussions and we had received specific assurances on the subject from the United States authorities. We could not afford to give way on the point.

The Cabinet were agreed that the contentions in the aide-memoire could not be accepted. At the same time, the reply should be as friendly as possible. It would be preferable not to enter into argument on principles but to emphasise the advantages of this particular agreement in the special circumstances of the time. Thus, it was important to the world at large that increased production of wheat should be assured during the next few years; and the Canadian farmer, if he had an assurance of minimum prices, would be encouraged to maintain or even extend his acreage of wheat. Moreover, some assurance of future demand was a reasonable compensation for accepting less than the market price for his wheat at the moment.

The Cabinet discussed whether the reply should be sent before the debate on the Loan in Congress. They agreed that the balance of advantage lay in deferring the reply until afterwards. It might, however, be advisable for a member of the British Embassy to convey to the State Department informally advice as to the lines on which our negotiations for this contract might best be defended if criticism were directed against them in the Congress proceedings on the Loan.

The Cabinet—

(1) Took note of the present position regarding the negotiation of a long-term contract for wheat with Canada as set out in C.P. (46) 249.

(2) Invited the Minister of State to arrange for informal advice to be given to the State Department as indicated above.

(3) Invited the Chancellor of the Exchequer, in consultation with the President of the Board of Trade, the Minister of Food and the Minister of State, to arrange for a considered reply to be prepared to the aide-memoire from the United States Government on the lines indicated in the discussion.

Gift Food Parcels for Overseas.

(Previous Reference: C.M. (46) 45th Conclusions, Minute 1.)

6. The Cabinet considered a memorandum by the Minister of Food (C.P. (46) 250) proposing that private individuals should now be allowed to send gift parcels of food overseas.

The Minister of Food suggested that the time had now come when the existing prohibition could be lifted, subject to suitable safeguards against abuse. He recommended that parcels might be sent through the parcel post or, in the case of Germany and Austria, through the "Save Europe Now" Organisation, the contents to be confined to rationed foods and to be limited in quantity.
The Chancellor of the Duchy of Lancaster supported these proposals. He explained that for security reasons parcels destined for Austria would have to be packed and despatched, not by the senders themselves, but by the "Save Europe Now" Organisation on their behalf; and it might be advisable to apply the same rule to parcels destined for Germany.

In discussion there was general sympathy with the proposal and it was appreciated that if the scheme were introduced at once it would enable parcels to be sent in the period of acute shortage before the next harvest. Ministers felt, however, that from the point of view of opinion in this country there would be great disadvantages in introducing the scheme at the present time, when public attention was focused on the shortage of food in this country and substantial opposition was being shown to the introduction of bread rationing. In these circumstances they considered that it would be better to defer a decision on this question for, say, two months until bread rationing was working satisfactorily in this country and future prospects were clearer.

The Cabinet—

Agreed that the scheme outlined in C.P. (46) 250 should not be introduced at the present time, but could be further considered in the autumn.

*Cabinet Office, S.W. 1,
4th July, 1946.*