CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W. 1, on Thursday, 6th March, 1947, at 11 a.m.

Present:

The Right Hon. C. R. ATTLEE, M.P., Prime Minister (in the Chair).
The Right Hon. ARTHUR GREENWOOD, M.P., Lord Privy Seal.
The Right Hon. Sir STAFFORD CRIPPS, K.C., M.P., President of the Board of Trade.
The Right Hon. VISCOUNT JOWITT, Lord Chancellor.
The Right Hon. VISCOUNT ADDISON, Secretary of State for Dominion Affairs.
The Right Hon. J. WESTWOOD, M.P., Secretary of State for Scotland.
The Right Hon. G. A. ISAACS, M.P., Minister of Labour and National Service.
The Right Hon. GEORGE TOMLINSON, M.P., Minister of Education.

The Right Hon. HUGH DALTON, M.P., Chancellor of the Exchequer.
The Right Hon. A. V. ALEXANDER, M.P., Minister of Defence (Items 1-4).
The Right Hon. J. CHUTER EDE, M.P., Secretary of State for the Home Department.
The Right Hon. LORD PETHICK-LAWRENCE, Secretary of State for India and Secretary of State for Burma.
The Right Hon. A. CREECH JONES, M.P., Secretary of State for the Colonies.
The Right Hon. E. SHINWELL, M.P., Minister of Fuel and Power (Items 2-5).

The following were also present:
The Right Hon. ALFRED BARNES, M.P., Minister of Transport (Items 6-8).
The Right Hon. WILLIAM WHITELEY, M.P., Parliamentary Secretary, Treasury (Items 1-2).

Secretariat:
Sir NORMAN BROOK.
Mr. W. S. MURRIE.
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1. The Cabinet discussed two points which were likely to be raised in the House of Commons that day on the resumption of the debate on India.

   (a) The Chancellor of the Exchequer said that it was possible that Mr. Churchill might refer to the question of India's sterling balances. If so, he would argue that a substantial part of this debt should be wiped out in consideration of our defence of India during the war. Though Mr. Churchill might put this claim in an extreme form, it was important that nothing should be said by the Government spokesmen which would prevent the Government from using this argument in the forthcoming negotiations with Indian Ministers about these sterling balances.

   (b) Government spokesmen were likely to be pressed to make some statement about the future of European members of the Secretary of State Services and the Indian Armed Forces. While it was important that nothing should be said to prejudge the question whether compensation should be paid to those who were willing to continue serving in India, an unequivocal assurance should be given that the Government would ensure that no injustice was done to its servants in India. It should be said that the Government fully accepted their obligations in this matter, but Government spokesmen should decline to be drawn into making a more detailed statement, on the ground that the details were now under discussion.

2. The Cabinet were informed of the business to be taken in the House of Commons in the following week.

   On 10th, 11th and 12th March there would be a debate on the Economic Situation, on a Government Motion. The terms of the Motion were approved, after amendment, by the Cabinet. The Motion would be moved by the President of the Board of Trade, and the Prime Minister would reply to the debate on the third day. Other Government spokesmen would be the Minister of Defence, the Minister of Labour and, if an Opposition Amendment were moved, the Lord Privy Seal. The Chancellor of the Exchequer would be prepared to make a brief statement if financial issues were raised. The order of speaking would be determined by the Prime Minister in the light of any Amendment tabled by the Opposition.

   On 13th March the House would discuss the Army Estimates in Committee of Supply.

   On 14th March the Committee and remaining Stages of the Air Navigation Bill would be taken, and further consideration would be given to Supplementary Estimates.

   The Cabinet were informed that, when the Civic Restaurants Bill was considered in the House of Lords, there would be strong pressure for the withdrawal of the provision empowering local authorities to apply for licences to serve intoxicating liquor in civic restaurants operated by them. The Cabinet agreed that this provision should be retained in the Bill.

   Two subsidiary points would also be made, namely, that a local authority should not be entitled to apply for a licence where a civic restaurant was being operated in premises belonging to a church and that any licence granted should be restricted to the service of drink with meals. It was the view of the Cabinet that the question whether a licence should be granted in respect of religious premises could properly be left to the local authority and the local licensing justices, and that it had not been intended that liquor should be served in civic restaurants except with meals.
3. The Prime Minister drew attention to an instruction (T.C. No. 7/47), issued to all Government Departments by the Treasury on 3rd March, that their total staffs on 1st January, 1947, should not be increased without specific permission from the Ministerial Committee on Civil Service Man-Power. He had authorised the issue of this instruction, without prior reference to the Cabinet, in order that Departments whose staffs had increased since that date might be able to effect reductions before the next quarterly staff return on 1st April.

The Home Secretary said that this was a preliminary instruction designed to prevent further increases of staff. When the Committee on Civil Service Man-Power had completed their review of the position, more drastic measures might have to be recommended in order to secure staff reductions. He asked that all Ministers in charge of Departments should make a special point of supporting the efforts which his Committee were making to reduce the numbers employed in the Civil Service.

The Cabinet—
Took note with approval of the instructions given in Treasury Circular No. 7/47.

4. The Prime Minister recalled that at their meeting on 4th February the Cabinet had agreed upon action in furtherance of the Government’s policy for socialising the basic industries in the British Zone of Germany, including the appointment of German custodians for the coal industry and the iron and steel industry. Since that meeting strong representations had been made by the Governments of France, Holland and Luxembourg on behalf of nationals of theirs who owned substantial interests in particular firms in those industries. The Foreign Secretary had, therefore, suggested that the appointment of custodians should be deferred until he had been able to consider means of allaying the apprehensions expressed by these Governments. The Prime Minister said that there was no intention of departing from the Governments’ settled policy for socialising these industries; but he had thought it expedient in all the circumstances to advise the Foreign Secretary and the Chancellor of the Duchy of Lancaster to defer for the time being giving effect to the decisions reached by the Cabinet on 4th February.

The Cabinet—
Took note that action to give effect to their conclusions on 4th February regarding the socialisation of the basic industries in the British Zone of Germany would be deferred pending consideration of the representations made by the Governments of France, Holland and Luxembourg on behalf of nationals of theirs owning substantial interests in particular firms in those industries.

Electricity Bill.
Compensation to Local Authorities.
(Previous Reference: C.M. (47) 76th Conclusions, Minute 5.)

The Cabinet considered memoranda by the Minister of Fuel and Power (C.P. (47) 73) and the Minister of Transport (C.P. (47) 76) on a proposal that provision should be made in the Electricity Bill for additional compensation in respect of the acquisition of municipal electricity undertakings.

The Minister of Fuel and Power said that the existing provisions of the Bill for compensation to local authorities had given rise to strong criticism, and unless some concession was made the Government were likely to be defeated on this issue in Standing Committee. He proposed to adhere to the principle that in general the amount of compensation should be based on the net outstanding debt of each undertaking, but he felt that local authorities should receive in addition some payment in respect of the loss of contributions to their general rate funds, the loss of the income tax set-off.
the reduction of the field over which overhead expenses could be spread owing to the severance of the undertaking from the remainder of their organisation, and the disturbance of the balance of their superannuation funds. To compensate for these losses he proposed that he should make provision for a global sum of about £5 million by way of additional compensation, which would be divided among local authorities according to the size of their electricity undertakings.

The Minister of Transport said that hitherto he had successfully resisted pressure to provide in the Transport Bill for additional compensation to local authorities whose transport undertakings were to be taken over. If, however, the present proposals of the Minister of Fuel and Power were accepted, he would be unable to refuse a corresponding concession. This point would arise in Standing Committee on the Transport Bill in the following week, and he should know before then whether the concession proposed by the Minister of Fuel and Power was to be made.

The Chancellor of the Exchequer said that, while he agreed that a sum of the order of £5 million might be provided by way of additional compensation under the Electricity Bill, he would prefer to relate the concession entirely to the fact that the severance of the undertakings from the remainder of the local authorities' organisations would reduce the field over which overhead expenses could be spread. This would enable the Minister of Transport to resist any claim for additional compensation from railway and canal stockholders.

In further discussion the following points were made:

(a) Would the grant of additional compensation in respect of severance not constitute a precedent? No such compensation had been paid in respect of the transfer of education or health functions. As against this, it was urged that a distinction could be drawn between the transfer of ordinary local government functions, such as education, and the transfer of trading undertakings.

(b) Was it defensible to distribute any such additional compensation by reference to the size of the electricity undertaking? Would it not be better to try to devise a formula which would go at least some way towards meeting the claims of those local authorities who would receive less than their due under the application of the principle of compensation by reference to net outstanding debt?

The Prime Minister said that he had undertaken to receive a deputation from the Association of Municipal Corporations on the following day to hear their representations on the compensation to be paid to local authorities in respect of the transfer of trading undertakings; and it would be preferable to defer a final decision on the method of allocating additional compensation until their views had been put before him. Meanwhile the Minister of Fuel and Power might, if necessary, inform those Government supporters who were pressing for a decision on this point that, while the Government must adhere to the principle that compensation to local authorities must be based on net outstanding debt, they would be prepared to make some concession by way of a limited sum of additional compensation and were considering how this additional compensation might best be distributed.

The Cabinet—

(1) Agreed to resume discussion of C.P. (47) 73 and C.P. (47) 76 at their meeting on 11th March, in the light of the representations made to the Prime Minister by the deputation which he had agreed to receive from the Association of Municipal Corporations.

(2) Agreed that, if before 11th March the Minister of Fuel and Power found it necessary to give Government supporters an indication of the Government's intentions, he should make a statement on the lines proposed by the Prime Minister.
6. The Cabinet had before them memoranda by the Secretary of State for Dominion Affairs and the Minister of Labour (C.P. (47) 67) and by the Minister of Transport (C.P. (47) 70) about the provision of shipping for emigrants to Australia.

The Secretary of State for Dominion Affairs recalled that two agreements between the United Kingdom and the Commonwealth Governments covering schemes for free and assisted passages had been signed on 5th March, 1946. These schemes had not been brought into force in 1946 and it had been estimated that, unless special steps were taken to provide additional shipping, the maximum number of passages available for emigrants in 1947 would be about 3,500. This was far short of the original figure contemplated, and in December last, the Prime Minister of Australia had appealed to the Prime Minister to ensure that shipping was made available to lift a minimum of 25,000 emigrants during 1947. He had discussed the question of providing additional shipping with the Minister of Transport and they were agreed that three ships at present employed as troop-ships should be released during the year so as to raise the total number of passages available for emigrants in 1947 from 3,500 to 6,900. This figure included dependents and the Minister of Labour was satisfied that the loss of man-power involved was not significant.

The Minister of Transport said that the passenger shipping at the disposal of the Government was inadequate to meet all the demands which were being made on it, but he had no objection to the proposal that the three troopships mentioned in paragraph 5 of C.P. (47) 67 should be used for the transport of emigrants to Australia, so long as it was understood that the amount of shipping available for other purposes would be to that extent reduced. He hoped that we should make it clear to the Commonwealth Government that the Aquitania could not be used for the transport of emigrants for the time being. In planning the use of additional shipping for the transport of emigrants to Australia account was being taken of the possible need for shipping to bring British residents back from India to the United Kingdom.

In discussion there was general agreement that, while it would be inexpedient to give much encouragement to emigration in the present conditions of man-power shortage in the United Kingdom, it would be difficult to decline to afford any additional facilities for emigration to Australia in 1947.

The Cabinet—

(1) Agreed that the number of passages to be made available for emigrants to Australia in 1947 should be increased to about 6,900, and that for this purpose the three troopships mentioned in paragraph 5 of C.P. (47) 67 should be used for the carriage of emigrants on the terms set out in paragraph 6 of C.P. (47) 67.

(2) Agreed that the Commonwealth Government should be informed that it was not possible to release the Aquitania for the Australian traffic at the present time.

7. The Cabinet had before them a memorandum by the Home Secretary and the Secretary of State for Scotland (C.P. (47) 74) proposing that a Ministerial Committee should be appointed to consider the form and scope of prospective electoral legislation.

The Home Secretary said that it would be necessary to introduce an Electoral Reform Bill in the 1947-48 Session in order to deal with the recommendations of the Committee on Electoral Registration, and it was desirable that the same Bill should cover a number of other matters relating to electoral reform arising from the reports of the Speaker's Conference and of the Committee on Electoral Law Reform. The question of discontinuing the university and business premises franchises should also be considered; and, if the recommendation for spring and autumn registers were accepted, the question of altering the date of English borough council elections and local elections in Scotland would arise.
The Cabinet—

(1) Approved the appointment of a Committee to consider, in the light of the reports of the Committee on Electoral Registration, the Speaker’s Conference and the Committee on Electoral Law Reform, what should be the scope and form of any legislation on electoral reform to be introduced in the 1947-48 Session.

(2) Agreed that the membership of the Committee should be:—

Home Secretary (in the Chair).
Secretary of State for Scotland.
Minister of Labour.
Minister of Health.
Secretary of State for Air.
Attorney-General.
Lord Advocate.
Chief Whip.
Financial Secretary to the Treasury.
Parliamentary Under-Secretary of State for the Home Department.

The Cabinet had before them a memorandum by the Minister of Labour (C.P. (47) 72) recommending that His Majesty’s Government should ratify the Constitution of the International Labour Organisation Instrument of Amendment, 1946, and the Final Articles Revision Convention, 1946, which were adopted at the International Labour Conference held in Montreal in the autumn of 1946.

In discussion it was pointed out that, under the Preamble of the amended Constitution, one of the objects of the International Labour Organisation was to secure “recognition of the principle of equal remuneration for work of equal value.” Was it expedient that, by ratifying this new Constitution, the Government should commit themselves to supporting the principle of equal pay? Would this embarrass them in dealing with the recent report of the Royal Commission on Equal Pay?

The Chancellor of the Exchequer said that the Cabinet Committee which had been considering the Royal Commission’s report were inclined to the view that it would be possible for the Government to take the line that, while they accepted the principle of equal pay, current economic conditions made it impracticable for them to give effect to that principle at the present time. If the report of the Royal Commission were to be handled on those lines, the Government would not be embarrassed by having endorsed the declaration in favour of the principle of equal pay in the Preamble to the new Constitution of the International Labour Organisation.

The Cabinet—


(2) Authorised the Minister of Labour to present to Parliament a White Paper in the terms of the draft annexed to C.P. (47) 72.

Cabinet Office, S.W. 1,