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C.M. (47)

37th Conclusions

CABINET 37 (47)

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W. 1, on Thursday, 17th April, 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. ANEURIN BEVAN, M.P., Minister of Health.

The Right Hon. HUGH DALTON, M.P., Chancellor of the Exchequer.

The Right Hon. A. V. ALEXANDER, M.P., Minister of Defence.

The Right Hon. J. CHUTER EDE, M.P., Secretary of State for the Home Department (*Items 1-5*).

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.

The Right Hon. T. WILLIAMS, M.P., Minister of Agriculture and Fisheries (*Items 1-7*).

The Right Hon. GEORGE TOMLINSON, M.P., Minister of Education.

The following were also present :

The Right Hon. JOHN WILMOT, M.P., Minister of Supply (*Items 5-8*).

The Right Hon. JOHN STRACHEY, M.P., Minister of Food.

The Right Hon. ALFRED BARNES, M.P., Minister of Transport (*Items 5-8*).

The Right Hon. HECTOR McNEIL, M.P., Minister of State (*Items 1-7*).

The Right Hon. WILLIAM WHITELEY, M.P., Parliamentary Secretary, Treasury (*Items 1-2*).

Secretariat :

Sir NORMAN BROOK.

Mr. S. E. V. LUKE.

CABINET 37 (47)

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SIR WOODROW BRIDGE
MR. S. R. V. LAKSHMI

Parliament.
Business in
the House of
Commons.

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

On 21st April the Report Stage and Third Reading of the *National Health Service (Scotland) Bill* would be taken.

On 22nd April the Report Stage of the *Budget Resolutions* would be commenced.

On 23rd April the Report Stage of the *Budget Resolutions* would be concluded. Thereafter, the House would be invited to approve the *Clearing Office (Spain) Amendment Order* and *Import Duties Orders* and a new financial resolution relating to the *Transport Bill*. If time allowed, the House would also complete the adjourned debate on the *Public Offices (Site) Bill*.

On 24th April there would be a debate on the production of *British Types of Civil Aircraft*, on the motion to go into Committee of Supply. The Government spokesmen in this debate would be the Minister of Supply and the Parliamentary Secretary to the Ministry of Civil Aviation. The House would also be invited to approve the *Biscuits (Charges) (Amendment) Order*.

On 25th April the Report Stage and Third Reading of the *Statistics of Trade Bill* would be taken.

Civil Aviation.
Civil Aircraft
Requirements.
(Previous
Reference:
C.M. (46) 77th
Conclusions,
Minute 8.)

2. In the course of the discussion recorded in the preceding Minute the Cabinet were informed that there was a conflict of view between the Ministry of Civil Aviation and the Ministry of Supply about the desire of the former to obtain from the United States, for the use of the British Airways Corporations, a further number of Constellation aircraft to be fitted with British engines. It was important that this conflict should be resolved before the debate in the House of Commons on 24th April.

The Cabinet—

Invited the Secretary of State for Dominion Affairs to hold an early meeting of the Civil Aviation Committee, together with the Chancellor of the Exchequer, and, if the issue could not be resolved by the Committee, to bring it to the Cabinet before the debate on 24th April.

India.
Viscount
Wavell.
(Previous
Reference:
C.M. (47) 84th
Conclusions,
Minute 4.)

3. *The Prime Minister* informed the Cabinet of the terms of the reply which he had received to his letter conveying the Cabinet's appreciation of Viscount Wavell's services as Viceroy of India.

Anglo-Soviet
Treaty.
(Previous
Reference:
C.M. (47) 29th
Conclusions,
Minute 1.)

4. *The Prime Minister* recalled that at their meeting on 18th March the Cabinet had authorised the Foreign Secretary to negotiate an Anglo-Soviet Treaty going as far as, but no further than, the Anglo-French Treaty. In the discussions at Moscow the Russians had proposed that the Articles requiring each of the Parties to give military assistance to the other if attacked by Germany should also apply if the attack were made by another State associated with Germany. In the form proposed by the Russians this clearly went too far; but the Foreign Secretary had suggested that their wishes might be met in part by providing that military support would be afforded also against any other Power which might join with Germany in an armed attack in Europe on either Party. The Foreign Office had, however, drawn attention to the importance of limiting any such provision to action taken by a European State in Europe; and had suggested that, if any such extension was to be offered, the following formula should be used: "In the case of an armed attack by Germany this support and

assistance will be afforded in Europe also against any other State which may take part with Germany in such an attack in Europe."

In the course of a preliminary discussion it was pointed out that there were risks in offering even this formula. Thus, if a non-European Power were able to use a European base from which to launch an attack on the Soviet Union, and Germany subsequently joined in that attack, should we not be pledged by this formula to support the Soviet Union against that Power? It was also important to keep in mind the effect on French opinion of concluding an Anglo-Soviet Treaty containing promises of military assistance which went beyond those included in the Anglo-French Treaty. It was clear that the Cabinet should have a further opportunity of discussing this proposal when they had been able to study the texts suggested and had received the views of the Chiefs of Staff.

The Cabinet—

Took note that the Prime Minister would arrange for the Foreign Office to prepare a paper containing the text of the various proposals for extension of the military clauses of the draft Anglo-Soviet Treaty and setting out the views of the Chiefs of Staff and the other considerations involved; and agreed to resume their discussion when this paper was available.

Maintenance of Essential Supplies and Services in an Emergency.

(Previous Reference: C.M. (46)22nd Conclusions, Minute 6.)

5. *The Home Secretary* recalled that the Industrial Emergencies Committee was at present responsible only for the maintenance of essential supplies and services in an emergency arising from an industrial dispute; and, because its scope was thus restricted, the Cabinet had hitherto considered that its planning work should be confined to senior officials in Whitehall and should not extend to departmental staffs in the Regions. Experience of the dislocation caused by the recent heavy snows and subsequent flooding had suggested that the scope of the organisation should be extended so as to cover the maintenance of essential supplies and services in any emergency, whether it arose from an industrial dispute or from other causes. If its scope were thus extended, there would be less difficulty in authorising the preparation of plans, not merely at the centre, but also in the Regions. Recent experience had shown that effective plans could not be made unless Chief Constables and departmental staffs in the Regions were consulted in advance and a skeleton organisation was brought into being which could be rapidly expanded in a time of actual emergency.

In discussion it was recalled that when the Cabinet had imposed, on 6th March, 1946, the restriction which had hitherto precluded any such preparations in the Regions, they had been influenced by the political risks of its becoming known, at a time when they were about to introduce legislation repealing the Trade Disputes Act, that they were preparing what might have been represented as a strike-breaking organisation. If the scope of the organisation were extended so as to cover all emergencies, whatever their cause, there was much less risk of its being so represented—particularly in the light of the events of the recent winter. There was therefore general agreement that the scope of the organisation should be extended on the lines proposed by the Home Secretary and that the restriction precluding preparations at the regional level should be removed.

The Cabinet then considered whether there should be any public announcement of this decision. It was agreed that this turned largely on the nature of the preparations to be made and the extent to which these must become known locally. The best course would be for the Ministerial Committee to consider what action should be taken in the Regions and, in the light of that, to submit to the Cabinet their considered recommendations on the question whether any public announcement was required and if so what form it should take.

The Cabinet—

- (1) Agreed that the scope of the Industrial Emergencies Committee should be extended so as to cover the maintenance of essential supplies and services in any emergency, whether it arose from an industrial dispute or from other causes; and that the Committee might authorise consultation with Chief Constables and departmental staffs in the Regions for the purpose of preparing plans for maintaining essential supplies and services in such emergencies.
- (2) Took note that the Prime Minister would reconstitute the Industrial Emergencies Committee for this purpose.
- (3) Invited the Home Secretary to convene an early meeting of the Committee, as so reconstituted, to consider and recommend to the Cabinet whether any public announcement should be made regarding the Government's plans for maintaining essential supplies and services in an emergency and, if so, what form that announcement should take.

Food.
Wheat
Supplies.
(Previous
Reference:
C.M. (47)30th
Conclusions,
Minute 5.)

6. The Cabinet had before them a memorandum by the Minister of Food (C.P. (47) 122) recommending that the extraction rate of flour should be increased from 85 per cent. to 90 per cent. for a period of six weeks beginning on 20th April.

The Minister of Food said that, as a result of the low shipments of wheat from Canada during the winter, United Kingdom stocks of wheat and flour would fall to about 5·1 weeks' supply by the end of April. He had made urgent representations to the Canadian Minister of Trade and Commerce, whose reply had been reasonably satisfactory; but, even if the revised programme were maintained, there would be no more than 6·7 weeks' supply in stock at the end of May and between 8 and 9 weeks' supply at the end of June. Precautionary measures should, in his view, be taken to safeguard the distribution of flour during these difficult weeks; but in the light of the latest information from Canada it should be enough to increase the extraction rate for four rather than six weeks as suggested in C.P. (47) 122. He was advised that this was the best means of securing an immediate saving of wheat; the bakers were carrying heavy stocks at present and if the extraction rate were raised they would reduce their current demands for flour. The animal feeding-stuffs ration would be maintained.

The Minister of Agriculture said that an increase in the extraction rate would be bound to shake the confidence of farmers in the ability of the Government to maintain the ration of animal feeding-stuffs. This would certainly reduce the effect of his appeal to farmers to breed more pigs and poultry.

In discussion the following points were made:—

(a) The estimates of stocks had been based on an average weekly off-take of flour of 100,000 tons. What saving was being secured by the bread rationing scheme?

The Minister of Food said that bread rationing was saving only about 3,000 tons a week. The scheme provided for a weekly consumption of 95,500 tons, but there was a weekly leakage of about 4,500–5,000 tons. Substantial additional staff would be needed to prevent this leakage. He thought that the Cabinet should consider, later in the summer, the future of the bread rationing scheme: stocks should then have reached about 11 weeks' supply.

(b) The average weekly off-take of flour, since the inception of the rationing scheme, had been about 90,000 tons a week; in March, however, there had been a sharp rise to 106,000 tons. This was probably due to the weather conditions, and to stocking for Easter. Was it necessary to assume that demand would be maintained at this level?

(c) The most effective method of dealing with the present situation would be to reduce the weekly off-take of flour, at least

to the level covered by the rationing scheme. Would it not be possible to persuade the millers to restrict supplies of flour to the bakers to this extent by means of a general percentage reduction? If the situation were explained both to the bakers and to the public generally, and a clear indication given of the need for strict economy during the difficult period ahead, it should be possible to secure a reduction in weekly off-take which would make an increase in the extraction rate unnecessary.

The Minister of Food said that, if he were unable to secure the co-operation of the millers in reducing the weekly off-take of flour, he would have to bring the matter before the Cabinet again.

The Cabinet—

- (1) Agreed that no immediate increase should be made in the extraction rate of flour.
- (2) Invited the Minister of Food to discuss with representatives of the millers means of securing a substantial reduction in the weekly off-take of flour.
- (3) Invited the Minister of Food to consider whether, as part of the measures contemplated in Conclusion (2) above, the bakers and the public generally should be warned of the difficulties of the immediate situation and of the need for economy in the use of flour over the next few months.

**International
Wheat
Conference.**

7. *The Minister of Food* said that the Overseas Economic Policy Committee on 15th April had authorised the United Kingdom Delegation to the International Wheat Conference to make certain concessions in an effort to secure agreement. The Delegation had also been authorised to support certain proposals for the determination of price ranges from year to year. These proposals had not received any support in the Conference, and had been strongly opposed by the exporting countries. The attitude of the latter had, indeed, considerably hardened since the Committee's meeting on 15th April, and they had now reverted to their original proposals. In these circumstances the Minister felt that there would be no justification for further concessions by His Majesty's Government and he suggested that the United Kingdom Delegation should be instructed accordingly. That would not necessarily mean that the Conference would break down; it might be adjourned for a time; and, after the American harvest, discussions might be resumed in conditions more favourable to the importing countries.

The Cabinet—

Invited the Minister of Food to inform the United Kingdom Delegation to the International Wheat Conference that no further modifications could be made in the instructions already given to them.

**Parliament.
Legislative
Programme
for the 1947-
48 Session.
(Previous
Reference:
C.M. (47) 80th
Conclusions,
Minute 4.)
Iron and Steel
Nationalisation
Bill and Gas
Nationalisation
Bill.**

8. The Cabinet had before them memoranda by the Minister of Supply (C.P. (47) 123) and the Minister of Fuel and Power (C.P. (47) 124) on the nationalisation of the iron and steel industry and the gas industry respectively.

The Prime Minister recalled that, when the Cabinet had considered on 20th March the proposals in C.P. (47) 79 for legislation in the 1947-48 Session, they had not decided which of these two nationalisation Bills should be included in the Programme. This point should now be settled: the detailed schemes outlined in the two memoranda could be examined later.

The Cabinet agreed that, in view of the heavy pressure on Parliamentary time, it would not be possible to pass more than one of these two Bills in the next Session. Opinion was, however, divided on the question which of the two Bills should be chosen for inclusion in the programme.

From the point of view of the Parliamentary timetable it was recognised that there were strong arguments in favour of proceeding with the Gas Bill. This would be the third of the Bills for nationalising the fuel industries and would have many features in common with its two predecessors which Parliament would already have approved; it would follow in the main the recommendations of the Heyworth Committee, which had been appointed by the Coalition Government; and it was not likely to provoke much controversy in Parliament. The Steel Bill, on the other hand, broke new ground and raised difficult and complex issues; it would be keenly opposed by the industry; and it would arouse bitter controversy in Parliament. In particular, it might become an issue between the two Houses of Parliament.

In other respects, however, the arguments were more evenly balanced. In favour of the Gas Bill, it was urged that the industry should not be kept any longer in the state of suspense created by the publication of the Heyworth Report: this was already preventing necessary development in the industry. Special difficulties were likely to arise in South Wales where, without the amalgamations which would follow from nationalisation, it would prove difficult to provide sufficient supplies of gas for the development areas. Nationalisation of the gas industry was also necessary in order to secure the co-ordinated fuel policy which had been one of the aims of the Labour Party's programme for many years past. In the Economic Survey for 1947 (Cmd. 7046) the Government had put on record their view that the fuel industries were basic to our economy; and they would be open to criticism if, having nationalised the coal and electricity industries, they now delayed the nationalisation of the gas industry. Such delay could also be represented as giving electricity an advantage over gas. Moreover, there were no major questions of policy to be settled in respect of this Bill. It might, however, be some weeks before final conclusions could be reached on the details of a nationalisation scheme for the steel industry; for some Ministers felt doubtful about the scheme outlined in C.P. (47) 123, which had not yet been considered by the Cabinet. If a Steel Bill were to be passed in the next Session, it was essential that it should be introduced early in the autumn of 1947. The Cabinet were assured that the Bill could be ready for introduction at that time if early approval were given to the scheme outlined in C.P. (47) 123; but some Ministers feared that there would be delay in finally determining the policy, with the result that the Bill might not be ready for introduction until later in the Session. Even if the Bill could be ready for the beginning of the Session, it was arguable that by proceeding with this measure at the present time the Government would be imposing an undue burden on Parliament, on Ministers and on the administrative machine, all of which were showing signs of strain. This was undoubtedly the most difficult nationalisation project which the Government had yet entertained; and there was much to be said for postponing it until further experience had been gained in the operation of socialised industries.

In favour of the Steel Bill, it was urged that, as a matter of Parliamentary tactics, it would be preferable to proceed first with the more difficult and controversial of the two Bills. It was true that the Steel Bill might become an issue between the two Houses of Parliament; but some Ministers thought that, on political grounds, this would not be unwelcome. And, if it was thought that this Bill could not be passed without recourse to the Parliament Act, this would be a conclusive argument in favour of introducing the Bill at the opening of the third Session of the present Parliament. Arguments based on the undesirability of keeping the industries in a state of suspense applied even more strongly to steel than to gas. For no one seriously doubted that the gas industry would be nationalised, if not next Session, then in some later Session. But in respect of the steel industry the uncertainty was not when, but whether, the industry would be nationalised. Doubts on this point were beginning to develop even within the Labour

Party; and it would be salutary that these doubts should be determined by the Cabinet's reaching a definite decision and proceeding without delay to put it into effect. To defer a decision would be to invite a re-opening of political controversy on this issue. The Cabinet should recognise that, if this Bill was not introduced in the coming Session, it was unlikely to be introduced in the lifetime of the present Parliament. *The Minister of Supply* said that, meanwhile, it was essential to our industrial recovery that we should secure the greatest possible increase in the output of steel and the most rapid reorganisation of the industry. It was arguable that, in both these respects, progress might be delayed either by continuing uncertainty about the ultimate status of the industry or by the effect on the existing management of a decision to proceed with nationalisation. It might be, however, that such progress would be less likely to be delayed if the Government decided to proceed at once with legislation on the lines proposed in C.P. (47) 123. Further, to the extent that reorganisation proceeded under private enterprise, it was likely to provoke criticism from Government supporters, who would resent such an extension of private monopoly. Thus, the Steel Board were already initiating a £50 million scheme for the development of the tinsplate industry in South Wales; and the workers in that industry would be concerned to know when it was to be brought under public control.

Finally, it was pointed out that there should be no difficulty in defending a decision to postpone the Gas Bill on the ground that the Minister of Fuel and Power and his Department needed a respite from legislation in order to concentrate their attention on administrative problems connected with the fuel crisis and the bringing into operation of the Acts nationalising the coal and electricity industries.

The Prime Minister said that, after this full discussion, it was clear that the preponderant view of the Cabinet was in favour of including the Steel Bill, rather than the Gas Bill, in the Legislative Programme for the 1947-48 Session.

The Cabinet—

- (1) Agreed that an Iron and Steel Industry Nationalisation Bill should be included in the Legislative Programme for the 1947-48 Session; and that the Gas Industry Nationalisation Bill should be deferred until a subsequent Session.
- (2) Agreed to discuss at an early meeting the scheme for the nationalisation of the Iron and Steel Industry outlined in C.P. (47) 123.

*Cabinet Office, S.W. 1,
17th April, 1947.*

