CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W. 1, on Thursday, 24th April, 1947, at 10 a.m.

Present:
The Right Hon. C. R. ATTLEE, M.P., Prime Minister (in the Chair).
The Right Hon. ARTHUR GREENWOOD, M.P., Minister without Portfolio.
The Right Hon. A. V. ALEXANDER, M.P., Minister of Defence.
The Right Hon. J. CHUTTER EDR, M.P., Secretary of State for the Home Department (Item 1).
The Right Hon. A. CREECH JONES, M.P., Secretary of State for the Colonies.
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. GEORGE TOMLINSON, M.P., Minister of Education.

The following were also present:
The Right Hon. VISCOUNT HALL, First Lord of the Admiralty (Item 4).
The Right Hon. P. J. NOEL-BAKER, M.P., Secretary of State for Air (Item 4).
The Right Hon. ALFRED BARNES, M.P., Minister of Transport (Item 6).
The Right Hon. WILLIAM WHITLEY, M.P., Parliamentary Secretary, Treasury (Items 1-2).

Secretariat
Sir NORMAN BROOK.
Mr. W. S. MURRIE.
Mr. S. E. V. LUKE.
## CABINET 39 (47)

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The Cabinet considered a memorandum (C.P. (47) 128) circulated by the Minister of Agriculture in response to the Cabinet’s request, at their meeting on 1st April, for proposals designed to secure the maximum output of home-produced food in 1947.

The Minister of Agriculture said that the total losses of crop and livestock production in 1947-48, due to blizzards, floods and decreased yields from late sowing, might amount to over £36 millions. These losses represented a serious disaster to the national economy and to the smaller farmers who could not withstand unaided the financial strain involved. The measures already taken to provide compensation and to stimulate production were described in paragraph 6 of his memorandum, but these alone would not provide a sufficient stimulus to production either in the current season or in the next two or three years. He therefore recommended that, for the purpose of stimulating production of crops and milk in 1947, an additional sum of £7 millions should be provided from the Exchequer to offset the extra costs incurred by farmers in additional efforts to secure increased production. This amount could be made available to farmers either by price increases or by acreage payments; and he suggested that, if the Cabinet agreed that this global sum should be provided, the method of distributing it among the farmers should be left to be settled after consultation with the farmers’ unions. To promote the development of food production in future years he recommended (i) an early declaration that the minimum rate of subsidy for hill sheep in 1948 and 1949 would be 10s. per head; (ii) the importation of more animal feeding-stuffs, and an early announcement that farmers would be allowed to retain up to 20 per cent, of their millable wheat and barley from the 1948 crop; and (iii) further efforts to provide houses for farm workers.

The Cabinet were informed that the Secretary of State for Scotland was in general agreement with these recommendations.

The Cabinet first discussed the proposal to provide an additional £7 millions to stimulate home food production in 1947. While there was general agreement that further expenditure of this order would be justified, it was pointed out that neither of the methods suggested would ensure that the money was spent to the best advantage. Price increases, while giving needed help to the marginal farmer, would inflate the profits of the low-cost producer; and acreage payments would not relate the additional rewards to increased output. It was unfortunate that it had not yet been possible to find more discriminating means of promoting efficiency in agriculture. The Chancellor of the Exchequer said that, while he sympathised with these criticisms, the overriding present need was to avoid increased imports of food from dollar countries; and, to secure increased home production of food, he was prepared to agree to the expenditure of a further £7 millions even though some of it might find its way into the pockets of farmers who did not need it.

The Cabinet—

(1) Agreed that an additional sum of £7 millions should be made available for stimulating the home production of crops and milk in 1947; and invited the Agriculture Ministers to determine, after consulting the farmers’ unions and the Minister of Food, the means of allocating this global sum which were best calculated to secure increased output.

As regards the long-term measures proposed, discussion turned mainly on the question of providing houses for farm workers. The Secretary of State for Dominion Affairs suggested that in allocating houses in rural areas priority should for the next two years be given to farm workers. He also suggested that the pressure for new houses could be relieved if more assistance were given to owners willing to recondition rural cottages. The Minister of Health said...
that in the allocation of new houses it was impracticable to give
overriding priority to any particular class of worker. Local
authorities must be allowed to retain a discretion to consider appli-
cations on their merits. Arrangements were, however, being made
to promote closer collaboration between the local authorities in rural
areas and the County Agricultural Committees, and he hoped that
this collaboration would yield useful results. As regards recondi-
tioning, owners should have no difficulty in obtaining licences and
materials for reconditioning cottages let to farm workers.

The Prime Minister suggested that the Secretary of State for
Dominion Affairs should pursue his suggestions on both these
matters in consultations with the Agriculture Ministers and the
Minister of Health.

With reference to paragraph (d) in the Appendix to C.P. (47)
128, the Secretary of State for Dominion Affairs suggested that
more might be done to improve grassland by direct re-seeding
and other methods.

The Cabinet—

(2) Agreed that the minimum rate of hill sheep subsidy in 1948
and 1949 should be 10s. per head, and that an early
declaration should be made to this effect;

(3) Invited the Minister of Food to maintain his efforts to
increase the import of animal feeding-stuffs; and author-
nised the Agriculture Ministers to announce that farmers
in this country would be allowed to retain up to 20 per
cent. of their millable wheat and barley from the 1948
crop;

(4) Invited the Minister of Health and the Secretary of State
for Scotland to consider what further steps could be
taken to provide more housing accommodation for farm
workers.

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

The Report Stage of the Transport Bill would be taken on 28th,
29th and 30th April.

On 1st May, in Committee of Supply, there would be a debate
on the Fuel Situation.

On 2nd May the House would be invited to approve the con-
tinuance of emergency government in Burma; and further progress
would be made with outstanding legislation.

The Minister of Health informed the Cabinet that the next
Housing Return would include a warning that, on account of the
fuel crisis and the severe winter weather, the amount of house-
building in 1947 would fall short of earlier expectations. This
might provoke a demand for a debate on Housing.

3. The Cabinet were informed that no report was yet available
on the results of the approach which His Majesty’s Ambassador in
Cairo had been instructed to make to the Egyptian Prime Minister
on the questions discussed by the Cabinet at their meeting on
22nd April.

In these circumstances, the Cabinet—

Agreed to postpone further discussion of these questions
until their next meeting.
4. The Cabinet had before them a memorandum by the Minister of Defence (C.P. (47) 133) on certain implications of the decision to reduce the period of full-time service under the National Service Bill from 18 to 12 months.

The Prime Minister said that it would be convenient for the Cabinet to have a preliminary discussion of these points; but they should be discussed by the Defence Committee before final decisions were reached.

The Cabinet first considered the suggestion that the aggregate period of 60 days' part-time service in the reserve should be increased.

In favour of this proposal it was urged that in a period of only 12 months' full-time service national service men would spend only a short time in operational units and as a result would form a less effective reserve. If the period of part-time service were increased to 90 days, the Army and the Royal Air Force would be able to call men up for 15 days' annual training in each year of reserve service and the Navy could call men up for three periods of 25 days' sea-going training.

On the other hand, it was pointed out that, if the Government proposed an amendment to increase the period of part-time service, the difficulties of securing the passage of the Bill would be greatly aggravated. In particular, any such proposal to increase the period of part-time service would be represented as an admission that a period of 12 months' full-time service was insufficient. It was also urged that an increase in the period to 90, or even to 75, days would impose an excessive burden on the national economy. So far as concerned the Navy, it should be possible to arrange that 6 of the 12 months' full-time service were spent at sea; and at least some of the difficulties likely to be experienced by the Royal Air Force could be overcome by careful selection of recruits so as to make the maximum possible use of any technical training which they might have had in civilian life. As regards the Army, the most serious difficulty was not that of carrying out the necessary training within a period of 12 months' full-time service, but the danger that by 1950 we should still have overseas commitments which called for larger numbers of troops than could be provided by voluntary enlistment.

The Cabinet then considered the suggestion that the maximum duration of training in any one year of reserve liability should be increased from 21 to 28 days.

It was explained that this suggestion was primarily designed to enable sea-going training to be given to naval reservists and that, from the point of view of the Navy, it would be desirable to adopt it even though the aggregate period of part-time service were to remain at 60 days.

Against the suggestion it was urged that to withdraw men from industry for so long a continuous period as 28 days would give rise to serious dislocation and that, while there would be no objection to voluntary arrangements made for this purpose with the consent of both employers and workers, it would be preferable not to amend the Bill so as to impose a liability for more than 21 days' service in any one year.

Other points in discussion were:

(a) The Minister of Defence said that before the Committee Stage of the Bill it should be decided whether a pledge was to be given that no man called up before 1st January, 1949, would be required to serve after January 1950, when the first men called up under the Bill would be released. It was argued that, as men called up before 1949 had no liability for reserve service, they could reasonably be called upon to give a longer period of full-time service; and if all such men had to be released by January 1950, the Forces, and particularly the Army, might have great difficulty in maintaining adequate strengths. On the other hand, it would be hard to justify retaining men called up before 1949 after the date on which
5. The Cabinet considered a memorandum by the Minister of Food (C.P. (47) 130) proposing an increase in the sugar ration to offset forthcoming reductions in the rations of tea and meat.

The Minister of Food recalled that on 27th March the Cabinet had agreed that his proposal to increase the sugar ration should be reconsidered when it became necessary to reduce the ration of some other food. He was now satisfied that he must announce at once a reduction in the tea ration; and, although this need not be announced for some weeks, the meat ration would also have to be reduced from the end of June. He thought it essential, on both nutritional and psychological grounds, to make some concession to offset these reductions. The proposed increase in the sugar ration would not involve additional dollar expenditure, since the purchase of the full amount of sugar needed to maintain the increased ration during 1947 and 1948 had already been made or authorised.

Preliminary points in the discussion were:

(a) The Chancellor of the Exchequer said that he hoped shortly to be able to put before the Cabinet the report of the Working Party on the Balance of Payments, on the basis of which difficult decisions would have to be taken on means of reducing our overseas deficit. These might involve a substantial reduction in food imports in 1948. He thought, therefore, that it would be preferable to defer a decision on the present proposal until it could be considered in the light of a general discussion on the future import programme.

(b) The Minister of Food said that an incidental advantage of his proposal was that it would enable the export of certain luxury food-stuffs, such as confectionery and biscuits, to be resumed.

The Cabinet thought, however, that it would be inadvisable to permit the export of such foods under present conditions.

Discussion then turned on the necessity for the proposed reduction of the tea ration.

The Minister of Food said that our tea requirements over the next twelve months, on the basis of the present ration, were 425 million pounds. 260 million pounds had been secured by bulk purchase through the Governments of Ceylon and India; but both those Governments had refused to allow further bulk purchases and...
the balance of our requirements would have to be bought at public auctions in Colombo and Calcutta. At present, as a result of demands from the United States and the Middle East, the prices in those markets were unduly high; and, although it was hoped that prices would fall when those demands had been met, our best tactics were to hold off the market for the present. Our present stocks amounted to 39 million pounds or about three months' supply on the present ration. He was advised that, unless the flow of supplies was soon resumed, there was serious risk of interruption of distribution in the late summer; and to reduce that risk he recommended an early reduction of the ration.

The Cabinet were not, however, fully satisfied that a case had been made out for such a reduction. Half of the requirements for the next year had already been secured, and there was some prospect that prices might fall to a level at which more could be bought. Some supplies from the Dutch East Indies might also become available later in the year. Meanwhile, the existing stocks in this country provided a fair margin of safety for the time being.

The Cabinet were also informed that in a forthcoming debate in the House of Lords on the food situation Lord Woolton was expected to argue that world supplies of tea were sufficient to justify the abolition of the ration, the abandonment of Government purchasing and the restoration of the free market. This might assist in breaking down the present artificial level of tea prices. It was in any event inexpedient that the Government should announce a reduction in the ration shortly before this debate. It would also be helpful if, in replying to the debate, the Government spokesman laid special emphasis on the measures which were being taken to develop alternative sources of supply within the Colonial Empire.

The Cabinet—
Agreed that for the present there should be no increase in the sugar ration or reduction in the tea ration; and invited the Minister of Food to bring these proposals before the Cabinet again when the import programme for 1947-48 was under examination.

Iron and Steel Industry Nationalisation Bill.
(Previous Reference: C.M. (47) 37th Conclusions, Minute 8.)

6. The Cabinet resumed consideration of the memorandum by the Minister of Supply (C.P. (47) 123) outlining a proposed scheme for bringing certain sections of the iron and steel industry under public ownership.

The Minister of Supply explained that this scheme had been approved in principle by the Committee on the Socialisation of Industries. It would bring under public ownership the central core of the iron and steel industry by compulsory purchase of all the shares of the companies concerned. He was satisfied that this method was preferable to the acquisition of selected physical assets, which would involve difficult problems of severance as well as disturbance and delay. He was also convinced that it would not be sufficient merely to acquire a controlling interest in the companies. The existing company structure would be retained, at any rate in the initial stages, though it would be possible for the Central Board, which would replace both the existing Iron and Steel Board and the Federation, to make wide changes in organisation later on. The responsibility of the Board would be to control the industry in such a way as to ensure (i) the efficient production of adequate supplies of iron and steel and the sale of these supplies at prices best calculated to serve the national interest, and (ii) the continuous development of the industry towards greater efficiency. As regards the terms of purchase of the shares, the only practical course seemed to be to pay holders of shares quoted on the Stock Exchange on the basis of their market value at a selected date or dates. The purchase price of unquoted shares should, he suggested, be fixed by a tribunal which would be required to place on them a value corresponding to a Stock Exchange quotation and not to base the purchase price on
the value of the physical assets which they represented. He had had informal consultations with Government supporters in Parliament, with a committee of the Trades Union Congress and with the trade unions concerned and was satisfied that they were in general agreement with his scheme.

In discussion, the following points were raised:

(a) With the support and acquiescence of former Governments the iron and steel industry had built up a powerful cartel which had maintained prices at a level sufficient to enable obsolescent and obsolete plant to be profitably employed; and one of the first tasks which would have to be carried out when the industry had been nationalised would be to develop modern large-scale steel plants to take the place of many of the existing plants. This being so, would not the Government by acquiring all the shares of the companies at market value be paying for a substantial amount of worthless assets?

The Minister of Supply said that all the evidence which he had been able to obtain suggested that in recent years iron and steel companies had pursued a conservative dividend policy and that the effect of the projected development of modern large-scale plants had already been discounted. In these circumstances, he doubted whether the shares quoted on the Stock Exchange were over-valued; and the instructions which he intended to give to the proposed tribunal would ensure that an unduly high price was not paid for unquoted shares. Any alternative scheme would involve either valuing the physical assets or remitting the whole matter to a tribunal; and either of these alternatives would mean serious delay in reaching a settlement and the likelihood that the Government would have to pay a higher sum in compensation than would be involved in the purchase of the shares.

(b) The Lord Chancellor and The Lord Privy Seal suggested that it would be sufficient if the Government were to acquire a controlling interest in the companies concerned by the purchase of 51 per cent. of the shares. This would minimise the extent to which the Government might be paying for obsolescent or obsolete assets.

(c) The Minister of Fuel and Power stressed the political disadvantages of the proposal to retain the existing company structure. In his view, unless there was a radical change in the structure of the industry it would be difficult to maintain that it was being effectively socialised.

(d) The Secretary of State for Dominion Affairs said that it was important that in presenting the scheme the Government should be able to adduce convincing arguments for the proposal to bring the companies under public ownership and to show that the scheme would provide an effective incentive to these companies to develop their undertakings on enterprising lines.

(e) It was suggested that the requirement proposed in paragraph 9 of Appendix I to C.P. (47) 123 that any person carrying on a specified process should register with the Ministry of Supply within two months of the passing of the Act was not wholly consistent with the proposals in paragraph 12 of Appendix I.

(f) The suggestion was made that it would be preferable to substitute 1st July, 1945, for 1st January, 1946, as the date after which any agreements made by a company which were considered by the Board to have been unnecessary or imprudent might be disclaimed.

The Cabinet—

Agreed to resume their discussion of C.P. (47) 123 at a meeting on 28th April.

Cabinet Office, S.W. 1, 24th April, 1947.