CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W. 1, on Thursday, 1st May, 1947, at 11 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. ARTHUR GREENWOOD, M. P., Minister without Portfolio.

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

The Right Hon. VISCOUNT ADDISON, Secretary of State for Dominion Affairs.

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. GEORGE TOMLINSON, M. P., Minister of Education.

The Right Hon. VISCOUNT HALL, First Lord of the Admiralty (Item 3).

The Right Hon. ALFRED BARNES, M. P., Minister of Transport (Items 3-6).

The Right Hon. C. W. KEY, M. P., Minister of Works (Items 4-5).

Sir EDWARD BRIDGES, Permanent Secretary, Treasury.

The following were also present:

The Right Hon. JOHN WILMOT, M. P., Minister of Supply (Items 4-6).

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

The Right Hon. WILLIAM WHITTLEY, M. P., Parliamentary Secretary, Treasury (Item 1).

Admiral Sir JOHN CUNNINGHAM, First Sea Lord and Chief of Naval Staff (Item 3).

Secretariat:

Sir NORMAN BROOK.

Mr. W. S. MURRIE.

Mr. S. E. V. LUKE.
## CABINET 42 (47)

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

The Third Reading of the Transport Bill would be taken on 5th May.

The Committee Stage of the National Service Bill would be taken on 6th, 7th and 8th May.

On 9th May the Report Stage and Third Reading of the Statistics of Trade Bill would be taken.

During the week opportunity would be found to take the Committee and Report Stage of a new Financial Resolution on the Town and Country Planning Bill.

2. The Prime Minister read to the Cabinet the draft of a statement which he proposed to make in the House of Commons that day in reply to Questions by Mr. Charles Smith, M.P., about the extent to which persons employed in socialised industries would be free to engage in political activities.

Discussion turned on two points:

(a) The Prime Minister had proposed to say that the Board of a socialised industry must reserve the right to review the position of an employee who devoted so much time to outside activities as to impair his efficiency as an employee. It was recognised that in practice each such case would have to be considered on its individual merits; and some Ministers felt that undue weight might be attached to this point if it were included in a general statement of this kind. It was agreed that this sentence should be omitted from the statement.

(b) Supplementary Questions were likely to be asked about the position of the members of public Boards. Persons holding these appointments, whether whole-time or part-time, were disqualified by statute from serving as Members of the House of Commons; and it would be inappropriate that full-time members of public Boards should be active in party politics. It would, however, be inconvenient to impose such an absolute restriction on part-time members of public Boards. The Cabinet were informed that the Chancellor of the Exchequer was not anxious to impose any restriction on the political activities of some of the part-time Governors of the Bank of England. The Prime Minister thought it would suffice to say, if this point was raised, that members of the Boards would appreciate the need to maintain a measure of discretion appropriate to the public responsibilities with which they were charged. The Cabinet endorsed the Prime Minister's view.

The Cabinet—

Approved, subject to the points noted in paragraphs (a) and (b) above, the terms of the statement which the Prime Minister proposed to make in the House of Commons on the extent to which persons employed in socialised industries might engage in political activities.

3. The Prime Minister recalled that on 19th December, 1946, the Cabinet had considered a proposal that officers commanding His Majesty's ships should be authorised to arrest on the high seas certain specified categories of vessels suspected of carrying illegal immigrants to Palestine, but had rejected that proposal as the Lord Chancellor had advised that it could not be justified in international law. The Foreign Office and Colonial Office had subsequently put forward the alternative proposal that His Majesty's ships should be authorised to arrest on the high seas any illegal immigrant ships whose flag State had agreed to interception, and the Lord Chancellor had advised that this would not be open to the same legal
objection. If this policy were approved, it might be applied to the President Warfield, a 5,000-ton ship now at Genoa which was known to be embarking illegal immigrants for Palestine and was capable of carrying 5,000 immigrants.

The Cabinet were informed that the Admiralty were opposed to this proposal on two grounds. First, the conclusion of bilateral agreements with individual States for rights of interception might prove an embarrassing precedent. It might lead other States to demand rights of interception and search of British vessels, which would be unacceptable to us. It was contrary to our long-term interests to encroach upon the doctrine of the inviolability of the high seas. Secondly, interception involved serious practical difficulties. Illegal immigrants usually sabotaged their ship's engines on interception, and had to be towed into harbour. This created no special difficulty when ships were intercepted off the Palestine coast and towed into a local port. If, however, they were intercepted on the high seas and diverted to Cyprus, the immigrants were likely to resist being taken into tow and effective control of the intercepted ship could only be secured by placing a large guard on board.

The Secretary of State for the Colonies said that every possible step should be taken to prevent the arrival in Palestine waters of a ship carrying as many as 5,000 illegal immigrants. Their custody and transfer to Cyprus would present very great difficulties.

The Cabinet—

Invited the Foreign Secretary to consider this matter further, in consultation with the Minister of Defence, the Secretary of State for the Colonies, the First Lord of the Admiralty and the Minister of Transport.

4. The Cabinet resumed their discussion of the coal allocations to be made to industry during the period 1st June to 31st October, 1947. They had before them (i) a note by the Secretary to the Cabinet (C.P. (47) 139) covering the memorandum submitted to the Fuel Committee by the President of the Board of Trade; and (ii) a memorandum by the Minister of Health, the Secretary of State for Scotland and the Minister of Works (C.P. (47) 141) drawing attention to the effect on the building programme of the allocations proposed by the Fuel Committee.

The Minister of Health said that when he had accepted the decision of the Fuel Committee at their meeting on 21st April he had understood that each industry would receive during the summer months of 1947 86 1/8 per cent. of its current requirements: it was only at a later stage that he had realised that although industry as a whole was to receive 86 1/8 per cent. of its current requirements, each particular industry was to receive what it had used in the corresponding period of 1946. As the building materials industries had been expanding throughout that period, this method of allocation would have the result that in the summer of 1947 they would receive only about 60 per cent. of their current requirements. This reduction would have a disastrous effect on the housing programme, and he urged that additional coal should be supplied to the building materials industries, even at the expense of cutting the allocations to other industries.

The President of the Board of Trade said that the additional coal required to give the building materials industries 86 1/8 per cent. of their current requirements plus the agreed stocking-up allowance would amount to 548,000 tons; and he estimated that if this amount of coal were found by cutting the allocations to other industries, there would be a reduction of about £50 million in manufacture for export. If there were no increase in the total amount of coal allocated to industry for the summer months, an increase of 548,000 tons in the allocations to the building materials industries would...
involve very heavy cuts in the allocations to industries such as food processing, chemicals and engineering. This must cause a heavy loss in exports, which would mean that by the end of 1947 we should have failed to raise our exports even to 100 per cent of the 1938 figure. We should thus be driven into a situation which we could only retrieve by the most drastic reduction of imports or by recourse to further borrowing from dollar countries.

Other points in discussion were:

(a) Any serious shortage of building materials in 1947 would have a most adverse effect on the plans for expanding the building labour force and would reinforce the demand of the building operatives' unions for the closing of the building training centres.

(b) During 1946 large quantities of cement had been exported. Though these exports had now been reduced, the coal saving was offset by the increased home demand for cement.

(c) The Cabinet were informed that the Chancellor of the Exchequer would regard the loss of £50 million of exports as a most serious aggravation of our balance of payments difficulties.

In further discussion there was general recognition of the grave political and economic difficulties which would arise if the building materials industries obtained only 60 per cent of the coal required to maintain their present level of output. On the other hand, it was recognised that this coal could not safely be provided at the expense of the allocations proposed for other industries. It was therefore suggested that the total allocation to industry for the summer months should be increased by some 560,000 tons so as to enable the building materials industries to receive about 80 per cent of their current requirements without any reduction in the allocations to other industries.

The Minister of Fuel and Power said that at the meeting of the Fuel Committee on 21st April he had drawn attention to the risk involved in allocating to industry for the summer months even as much as 24.3 million tons of coal. On the other hand, the latest coal production figures were encouraging, and it was also possible that stocks at the end of the 1946-47 coal year would be found to have been rather over the 5 million tons for which he had budgeted.

The Cabinet—

(1) Agreed that the total amount of coal allocated to industry for the period 1st June to 31st October, 1947, should be increased by such an amount as would enable the building materials industries to receive about 85 per cent of their requirements during that period without reducing the allocations to other industries, on the understanding that the allocation scheme would be reviewed during the summer in the light of the level of coal production and the prospective stock position at the beginning of the winter.

(2) Agreed that the President of the Board of Trade should make a statement in the House of Commons on the lines of Annex II to C.P. (47) 139, subject to the addition of a sentence explaining that the allocation scheme would make special provision for the expansion in production which had taken place in the building materials industries since the summer of 1946.

5. The Cabinet had before them memoranda by the President of the Board of Trade (C.P. (47) 136 and 137) on the international allocation of timber.

The President of the Board of Trade said that purchases of sawn softwood timber were subject to allocation by a Timber Sub-Committee of the Emergency Economic Committee for Europe. In February the Sub-Committee had estimated that 1,913,000 standards would be available in 1947, and the United Kingdom had accepted
1,122,000 standards as her buying limit. If, however, we were successful in our negotiations for the purchase of timber from Russia, we should probably be able to make from all sources purchases in excess of our quota. Our requirements of softwood for 1947 were estimated at 1,871,000 standards, largely for housing and railways, and we were thus under some temptation to buy all we could. On the other hand, if we refused to limit or transfer some of our own purchases in the interests of other countries whose needs were equally great, we should probably cause the collapse of the Sub-Committee and prejudice the operation of similar machinery for the international allocation of scarce commodities. The President therefore proposed that we should give an assurance that, if further purchases which we might make in Russia or elsewhere should bring our total probable arrivals in 1947 above 1,122,000 standards, we should be ready to make available to other member countries that proportion of the excess (i.e., a total of eight-nineteenths) to which they would be entitled in accordance with their original quota of the total allocation.

The Foreign Secretary said that he had at first feared that the recommendations in C.P. (47) 136 might involve our sacrificing timber purchases secured by the diversion of exports which would otherwise have earned hard currencies. He had, however, received an assurance from the President of the Board of Trade that, if it should prove necessary in order to secure Russian timber to make available supplies equivalent to hard currencies, we should make our undertaking conditional upon the other importing countries taking their fair share of dollar timber and paying for it either in dollars or in supplies equivalent to dollars.

The Cabinet—

Approved the recommendations made by the President of the Board of Trade in paragraph 10 of C.P. (47) 136.

6. The Minister of Supply recalled that at their meeting on 28th April the Cabinet had agreed that he should defer until a later stage consultations with the Iron and Steel Federation on the Government’s plan for bringing under public ownership certain sections of the iron and steel industry. Since then, however, information about the Government’s decision had been published in the Press, and in view of this he would find it difficult to refrain from making any communication to the employers’ side of the industry. He therefore sought authority to inform the Chairman of the Iron and Steel Federation, in confidence, that the Government had decided to bring an appropriate area of the industry under public ownership, by buying the shares of a number of companies, with a view to securing the reorganisation of the industry. He would add that he would be glad to consider any technical comments which the Federation might wish to offer on this decision.

The Prime Minister said that it was most embarrassing to the Government that information about this decision should have become known to the Press; but, as this disclosure had been made, he thought that the Minister of Supply had now no alternative but to make a communication on the lines proposed to the Chairman of the Iron and Steel Federation. He should, however, decline at this stage to disclose any of the details of the Government’s scheme.

The Cabinet—

Authorised the Minister of Supply to make a confidential communication to the Chairman of the Iron and Steel Federation, in the terms indicated above, regarding the Government’s decision to bring under public ownership certain sections of the iron and steel industry.
7. The Foreign Secretary said that on his return journey from Moscow he had taken the opportunity of seeing the new Prime Minister of Poland and had had a satisfactory conversation with him about the Anglo-Polish Financial Agreement and the question of compensation for British subjects who had suffered financial loss through Polish schemes of nationalisation. As a result of this conversation he had reason to believe that, if the Anglo-Polish Financial Agreement were concluded, a satisfactory settlement would be reached immediately thereafter on the compensation question. He therefore sought the authority of the Cabinet to proceed with the conclusion of the Financial Agreement. He read to the Cabinet the instructions which he proposed to send to our Charge d'Affaires in Warsaw with the object of securing that agreement on both questions would be reached within the same week.

The Cabinet were informed that the terms of a Trade Agreement with Poland had also been settled and that this could be concluded as soon as the Financial Agreement was signed.

The Cabinet—

(1) Authorised the Foreign Secretary to proceed with the conclusion of the Anglo-Polish Financial Agreement.

The Foreign Secretary said that the Polish Government were now ready to take up a more helpful attitude about the return of displaced persons to Poland. He had been assured that an effective amnesty had been declared and that no political tests would be applied to persons desiring to return to Poland. There were indications that the Polish Government were now genuinely anxious to secure the return of substantial numbers of their nationals from abroad; and there was a good prospect of our being able to return to Poland a large proportion of the 135,000 Poles still in the British Zone of Germany.

The Cabinet—

(2) Took note of the Foreign Secretary's statement about the return of displaced Poles to Poland.

8. The Cabinet had before them a memorandum (C.P. (47) 143) by the Foreign Secretary on the divergence of view between the British and United States authorities in Germany on the means of implementing the economic fusion of the British and United States Zones.

The Foreign Secretary said that he thought it unlikely that these differences would be resolved by discussions in Berlin; and he intended that, if agreement was not reached within a specified time, the issue should be taken up with the United States Government in Washington. He therefore proposed that our representative in Berlin should be authorised to bring the matter to a head by presenting to his United States colleague the specific proposals summarised in Appendix A of C.P. (47) 142; and that if, at the end of the time-limits therein specified, it was clear that agreement would not be reached between them, these discussions should be suspended and the issues taken up with the United States Government.

The Foreign Secretary said that the United States authorities in Germany would be more ready to agree to effective central control in the combined Zone if it were exercised under the direction of a bi-zonal Parliament; but he was satisfied that political fusion of the two Zones by the constitution of a bi-zonal Parliament would be premature and would prejudice the prospects of reaching agreement with the Soviet Union when the Council of Foreign Ministers resumed discussion of the German question in November. The Cabinet endorsed the Foreign Secretary's view on this point.
In further discussion reference was made to the Foreign Secretary's assurance that the proposals in C.P. (47) 143 would not affect the Cabinet's policy for socialising the principal industries in the British Zone. Was it intended to put on record, in any written communication to the United States Government, our adherence to the policy of socialisation?

The Foreign Secretary said that the first step must be to discuss with the Governments of France and Belgium the question of safeguarding the interests held by their nationals in the Ruhr industries. Similar discussions might thereafter be necessary with the Governments of Luxembourg and the Netherlands. These Governments were still apprehensive about our policy of socialisation. There were, however, indications that the United States authorities might not raise objection to this policy if the ownership of the industries were vested in a Land, rather than a zonal authority.

The Cabinet—

(1) Agreed that our representative in Berlin should be instructed to put to his United States colleague the specific proposals summarised in Appendix A of C.P. (47) 143 for implementing the economic fusion of the British and United States Zones;

(2) Agreed that, if the existing differences were not resolved by discussions in Berlin within the time-limits specified in C.P. (47) 143, the Foreign Secretary should arrange for these issues to be taken up with the United States Government through the diplomatic channel.

Dockers' Strike.

(Previous Reference: C.M. (47) 41st Conclusions, Minute 1.)

9. The Cabinet were informed that the Executive Council of the Scottish Transport and General Workers' Union had recommended that the Glasgow dockers should accept the offer of an enquiry into the question of redundancy at Glasgow and should meanwhile resume work. The local branches of the Union had, however, accepted this recommendation; and at a meeting of the strikers that morning a majority had voted in favour of continuing the strike. Steps were now being taken to determine the matter finally by a secret ballot.

The Cabinet—

Took note of this statement.

Cabinet Office, S.W. 1,
1st May, 1947.