WAR CABINET, 46.

Minutes of a Meeting of the War Cabinet held at 10, Downing Street, on Friday, January 26, 1917, at 11:30 A.M.

Present:
The Prime Minister (in the Chair).
The Right Hon. A. Bonar Law, M.P.

In attendance:
The Right Hon. A. J. Balfour, O.M., M.P., Secretary of State for Foreign Affairs (during whole meeting).
Major-General F. B. Maurice, C.B., Director of Military Operations (for Minutes 1 to 6).

The Right Hon. Sir J. Maclay, Bart., Shipping Controller (for Minute 12).
The Right Hon. Sir A. H. Stanley, M.P., President of the Board of Trade (for Minute 12).

Fleet Paymaster P. H. Row, R.N., Assistant Secretary.
Captain Clement Jones, Assistant Secretary.

East Africa.

1. THE Director of Military Operations stated that a report had been received from General Northey that 300 prisoners had been captured, as well as a field gun and some machine guns, and that many casualties had been inflicted on the enemy. He further stated that the situation in East Africa was clearing up, part of the enemy's forces was endeavouring to break south towards Portuguese territory, and the main body was concentrating in the Rufiji Delta, where it was hoped they would be forced to fight, which was all to our advantage.

Loss of the "Laurentic."

2. The First Sea Lord reported that the "Laurentic" had been lost off Lough Swilly, probably mined. She had on board 5,000,000L in gold, and was bound for the United States. She sank in less than 20 fathoms of water, and it may be possible to recover the gold, but
not for some months. About 90 of the crew had been saved, and nine boats with survivors had not yet landed. The vessel's complement was between 300 and 400.

3. The First Sea Lord reported that Southwold was bombarded last night probably by a submarine, as only small shells were fired. Most of the shells fell in fields; two houses were damaged, but there were no casualties.

4. With reference to War Cabinet, 40, Minute 10, the First Sea Lord reported that, after negotiation of the agreement with the Idrisi, the British Flag was hauled down on the Farsan Islands on 23rd January.

5. The Prime Minister reported that, as the result of a personal interview, Mr. Dudley Docker had agreed to release Mr. E. V. Hiley for service as Chief of the Staff to the Director of National Service. The Secretary was instructed to write and express the thanks of the War Cabinet to Mr. Dudley Docker and to Mr. Hiley.

6. With reference to Foreign Office Paper 4937 of the 15th January, 1917 (Appendix I), regarding the refusal of the Russian Government to recognise enemy hospital ships in the Black Sea, the War Cabinet decided to ask the Russian Government, out of consideration for their Allies, not to carry out in practice their threat to refuse recognition to enemy hospital ships.

   The Secretary of State for Foreign Affairs was asked to telegraph this view to Lord Milner, and to ask him to make representations on these lines to the Russian Government.

7. The War Cabinet discussed with the representatives of the Admiralty their mine-laying policy. The First Lord and the First Sea Lord gave particulars indicating that progress in the development of mine-laying on the technical side had been very slow, and in consequence the present position is far from satisfactory, whether regarded from the point of view of the numbers of efficient mines available, or from that of the numbers of surface and submarine mine-layers.

   The War Cabinet decided that:

   In view of the great urgency of this question, the Treasury should give every financial facility for the full development of the Admiralty's mining policy, and that the Admiralty and the Minister of Munitions should, as soon as possible, provide 100,000 mines; also that the Admiralty should take the necessary steps to fit out a sufficient number of mine-layers.

8. The First Sea Lord reported that the notice to neutrals, approved by the War Cabinet on the 19th January, 1917 (War Cabinet, 38, Minute 2), proclaiming to neutrals a restricted area in the North Sea in which mines would be laid, had now been issued, to take effect from the 7th February, 1917.
Anti-Submarine Warfare.

9. The First Sea Lord indicated the various directions in which researches are being carried out in connection with anti-submarine warfare.

The First Lord undertook to have investigated the possibility of utilising electro-magnets to locate submarines.

Protection Against Mines.

10. The War Cabinet took note of the decision of the Admiralty to attach to merchant-ships the form of mine protection known as "Paravane," so far as the skilled personnel necessary to handle it is available, and noted that it had become necessary to pay off some of the older men-of-war with a view to utilising the crews in this and other ways.

18-pr. Guns for Merchant Ships.

11. The War Cabinet directed the Secretary to ask the Master-General of the Ordnance to circulate at once all the figures required for a decision in regard to the allocation of 18-pr. guns for merchant-ships.

Nationalisation of Shipping.

12. With reference to the statements made by the Prime Minister in the House of Commons, and by Lord Curzon in the House of Lords (Appendix I), the War Cabinet had a preliminary discussion on the question of nationalisation of shipping, when the Shipping Controller read the Memorandum printed in Appendix III, which, he stated, represented the views of the Shipping Control Committee.

They further discussed the broad question of principle, whether it was in the national interest, at the present stage of the War, to devote as much shipping as at present to the maintenance of trade, particularly in distant seas, or whether, with a view to the saving of shipping for essential national service, it would not be wiser to restrict trade by distant voyages within the lowest possible limits.

The Shipping Controller was instructed to submit a Paper on the various alternatives for the control of shipping and the lowering of rates of freights, and was asked to show in his Paper an estimate of the possible allocation of shipping a year hence, working on the basis of our present average of losses.

The question was adjourned for further consideration.

(Initialled) D. L.G.

2, Whitehall Gardens, S.W.,
January 26, 1917.
Refusal of Russian Government to Recognise Enemy Hospital Ships in the Black Sea.

ON 17th March, 1916, an enemy submarine torpedoed the Russian hospital ship "Portugal" in daylight in the Black Sea, after closely inspecting her at short range. On 26th June another Russian hospital ship, the "Vperiod," was also sunk by an enemy submarine in the Black Sea. Eighty-five persons lost their lives as a result of the attack on the "Portugal," and eight as a result of that on the "Vperiod." Both ships bore all the distinguishing marks of hospital ships, and the enemy submarines were unquestionably fully aware of their status. In consequence of these acts the Russian Government requested the Spanish and United States Embassies on 19th July, 1916, to inform the Turkish Government that they could no longer recognise the right of Turkish hospital ships to benefit by the immunity secured to them by international law.

The Admiralty were apprehensive lest this decision should lead the enemy Governments to refuse recognition to hospital ships of the Allies outside the Black Sea, a contingency which was regarded with great alarm, in view of the number of hospital ships required for the service of the Allied troops. It was considered that the enemy Governments might be the more disposed to withdraw recognition from such ships owing to the destruction of an Austrian hospital ship by a French submarine in the Adriatic on 11th March, 1916.

The French Government, who were communicated with in the matter, expressed their willingness to support His Majesty's Government in any representations which it was thought advisable to make, and the Russian Government were thereupon informed in October last of the fears entertained, and were urged not to allow the Russian forces to do anything which might lead to reprisals on hospital ships of the Allies generally, as the latter would be the losers by a general refusal to grant immunity to hospital ships.

The Russian Government replied on 5th November that their decision applied only to the Black Sea; that it had seemed to them absolutely necessary in consequence of the enemy's action, both in order to satisfy public opinion and to enable them to give protection to their remaining hospital ships by means of naval escorts. No reprisals had been taken, nor even protests made, by the enemy. They pointed out also that it was impossible to recognise some hospital ships and not to recognise others in the Black Sea and stated that they had consequently been obliged to inform the Bulgarian Government that they could not promise immunity to the Bulgarian hospital ship "Bulgaria," which had recently been notified to them.

The Admiralty, on being acquainted with this reply, expressed the opinion that it was necessary to urge the Russian Government most strongly to reverse their decision, which had been taken without consulting their Allies, to whose interests it was highly detrimental. They considered that it was very doubtful whether the policy of reprisals could be confined to the Black Sea, and pointed out that besides very large numbers of British hospital ships passing through waters where they would be exposed to attack by enemy submarines there were French and Italian hospital ships running in considerable numbers to Salonica.

The question for consideration is whether further representations should be made to the Russian Government, and, if so, in what form. The Admiralty recognise that the action of the Russian Government was taken under intense provocation, and if it could be confined to their own forces no question would be raised. The Admiralty view rests entirely on the fact that Great Britain, not Russia, would be the chief sufferer if the policy of reprisals spreads, and they hold it incompatible with the general interests of the Alliance that decisions of this sort should be taken by one of the Allies singly. On the other side, it may be pointed out that nearly five months have elapsed since the Russian Government's decision not to recognise Turkish hospital ships was announced, and over a month since this decision was extended to cover Bulgarian hospital ships in the Black Sea, yet no reprisals have been taken so far as is definitely known. The Bulgarian Government, however, according to the German press, protested energetically against the decision so far as the "Bulgaria" is concerned, and have stated that if that vessel is attacked by the Russian fleet reprisals will be taken.

It may be questioned whether there is sufficient reason to justify the somewhat invidious course of making the very strong representations which would be necessary to induce the Russian Government, if indeed they can be induced at all, to rescind their
decision. Short of asking for a complete and open reversal of their decision it might, however, be possible to ask the Russian Government, out of consideration for their Allies, not to carry out in practice their threat to refuse recognition to enemy hospital ships. As already stated, there appears to be no evidence of at all a conclusive nature that the mere notification has prompted outrages by the enemy against hospital ships of the Allies, but if the notification is put into effect and a Turkish or Bulgarian hospital ship is torpedoed or captured such outrages may follow. It is obviously much easier for the Russians to give no practical effect to their notification than formally to withdraw it.

If any further representations are decided upon it will be advisable to inform the French Government and to ask for their support.

*Foreign Office, January 15, 1917.*

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**APPENDIX II.**

*Extract from Parliamentary Debates, December 19, 1916.*

*The Prime Minister:* I think my right honourable friend has already indicated to the House what we propose to do with regard to shipping. It was never so vital to the life of the nation as it is at the present moment, during the war. It is the jugular vein, which, if severed, would destroy the life of the nation, and the Government felt the time had come for taking over more complete control of all the ships of this country and placing them in practically the same position as are the railways of the country at the present moment; so that during the war shipping will be nationalised in the real sense of the term. The prodigious profits which were made out of freights were contributing in no small measure to the high cost of commodities, and I always found not only that, but that they were making it difficult for us in our task with labour. Whenever I met organised labour under any conditions where I would persuade them to give up privileges, I always had hurled at me phrases about the undue and extravagant profits of shipping. This is intolerable in war time, when so many are making so great sacrifices for the State.

*The Lord President of the Council:* The two great problems are, of course, the utilisation of all available shipping to the best advantage, and shipbuilding, ship manufacture, so far as labour and material can be obtained to make up the wastage. It is in contemplation by the Government to nationalise the shipping of the United Kingdom, and, if this be successfully carried out, one result, I hope, among many that I need not mention, will be the reduction of the extravagant freights that have in so many cases undoubtedly contributed to high prices in this country.

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**APPENDIX III.**

**NATIONALISATION OF SHIPPING.**

*Memorandum by Shipping Controller.*

THE duty laid upon the Shipping Controller by Act of Parliament is to control and regulate the available shipping in such a way as to ensure that it is employed to the best advantage, having regard to the circumstances of the time.

The first necessity clearly is to secure and place at the disposal of the Government the ships required from time to time for the purpose of carrying on efficiently those services which are the direct and immediate responsibility of the Government, namely, all transport and supply, whether naval or military, the provision of all essential commodities, such as grain, sugar, meat, &c., for civilian consumption which may from time to time be brought under control, and the due discharge of the obligations of His Majesty's Government towards their Allies. For this purpose suitable machinery already exists in the power of requisition as exercised by the Admiralty Transport
Department, and to a limited extent by the Board of Trade, and the powers of prescribing employment of unrequisitioned vessels as now exercised by the Transport Department and by the Ship Licensing Committee, without whose authority and approval no British vessel can now load any cargo. Cumulatively these powers, whilst retaining the services of owners, constitute an elastic system of control over British ships, unrestricted both in scope and degree in so far as it is desirable to enforce it.

Subject to the due fulfilment of the above direct and immediate responsibilities, it is submitted that the general control to be exercised over the shipping industry should be essentially a financial control, as in the case of railways and controlled establishments.

It is important, however, that the control should be such as to preserve the incentive of trade profit, which is the most powerful stimulus to efficiency. For this reason a development of the principle of the excess profits tax (for which the necessary machinery is already in existence) is to be preferred to the application of the arrangement in force in, for example, controlled establishments, under which all profits beyond a fixed allowance are transferred to the Exchequer. Having regard to the vital importance of a strong well-managed mercantile marine from the point of view of national safety, and to the special characteristics which differentiate it sharply from the industries above mentioned, all causes tending to a relaxation of effort (conscious or unconscious) on the part of those who alone can have the vast ramifications of the system fully within their grasp, should as far as possible be eliminated.

If the policy indicated in this memorandum is adopted, the following advantages would be secured:

1. The ships required for direct Government service would be made available with the least possible dislocation of trade.
2. The employment of ships in any way which is contrary to the national interest can be prevented either by restriction of imports of scheduled commodities, or under the Ship Licensing procedure.
3. The advantages of cheap freights will be secured to the consumer in the case of commodities whose distribution has been brought under Government control. (It is only where such control has been established that the benefit of a saving of freight charges can under any system be secured to the general community. In the absence of such control there is grave risk, amounting almost to a certainty, that any advantage accruing from favourable freight conditions will merely be transferred to the merchant or the foreign producer.)
4. For the rest, the Government will secure to such an extent as may be deemed expedient the benefit of any exceptional profit incidental to the market conditions of the day.