CONCLUSIONS of a Meeting held in Mr Bonar Law's Room, House of Commons, S.W.1, on WEDNESDAY, AUGUST 11, 1920, at 6 p.m.

PRESENT:-

The Prime Minister (in the Chair).

The Right Hon. A. Bonar Law, M.P., Lord Privy Seal.

The Right Hon. A. Chamberlain, M.P., Chancellor of the Exchequer.


The Right Hon. W.S. Churchill, M.P., Secretary of State for War and Air.

The Right Hon. Sir Hamar Greenwood, Knt., K.C.M.G., Chief Secretary for Ireland.

The Right Hon. C. Addison, M.P., Minister of Health.

The Right Hon. W.A.L. Fisher, M.P., President of the Board of Education.

The Right Hon. the Lord Lee of Fareham, G.C.B., K.C.M.G., Minister of Agriculture & Fisheries.


The Right Hon. R. Shortt, K.C., M.P., Secretary of State for Home Affairs.

The Right Hon. E.S. Montagu, M.P., Secretary of State for India.


The Right Hon. R. Munro, K.G., M.P., Secretary for Scotland.

The Right Hon. T.J. Masarema, LL.D., M.P., Minister of Labour.


The Right Hon. Sir L. Worthington Evans, Bart., M.P.

The following were also present:-

The Right Hon. C.A. McCurdy, K.C., M.P., Food Controller (For Conclusion 6).

The Right Hon. the Earl Crawford & Balcarres, Chairman of the Wheat Commission (For Conclusion 6).

Sir J.G. Burtwell, D.S.O., Ministry of Transport (For Conclusions 1 and 2).

Field-Marshal Sir H.H. Wilson, Bart., G.C.B., D.S.O., Chief of the Imperial General Staff (For Conclusion 5).

Sir Hardman Lever, Bart., K.C.B., Treasury Representative, Ministry of Transport (For Conclusions 1 and 2).

Mr Thomas Jones .......... Acting Secretary.

Mr R.D. Haworth ............ Assistant Secretary.
(1) The Cabinet had under consideration a Memorandum by the Minister of Transport (Paper C.P.-1741) covering a further Report of the Rates Advisory Committee dealing with the interim revision of charges for merchandise etc. traffic by freight and passenger train.

The Cabinet were reminded that, so far as Great Britain is concerned, the amount to be raised before July 31, 1931, is estimated at £66,000,000, that the estimated yield from the increase in passenger fares is £17,000,000, leaving £49,000,000 to be raised from merchandise by freight and passenger train, and that to provide this sum in eleven months the increase must be such as to produce in a full year £53,500,000. It is not possible to spread the deficiency over a longer period without prolonging the period of the Government guarantee, but it is a fundamental condition of the scheme that the rates proposed will be subject to review before the railways are handed back to the Companies, and this will ensure that the Companies receive no special windfall at the expense of the trader.

The Minister of Transport pointed out that the additional sum to be raised to wipe out the deficit was estimated only; that no margin whatever was left for contingencies, and on July 31 next a deficit might even exist. Any reduction from the recommendations of the Committee might, and probably would, cause a corresponding deficit.

The Cabinet agreed —

To approve the adoption of the proposals set out in the Memorandum by the Minister of Transport respecting the interim revision of charges for merchandise etc. traffic by freight and passenger train in the case of British and Irish railways respectively, with effect as from September 1, 1930.
(2) With reference to Cabinet 48 (20), Conclusion 1, the Cabinet had under consideration a Memorandum by the Minister of Transport (Paper C.P.-1751) and a Memorandum by the Minister of Health (Paper C.P.-1756) relative to the proposed increase of workmen's fares.

It was suggested in the first-named Memorandum that the scale recommended by the Rates Advisory Committee, and set out in paragraph 3, should be adopted subject to the limitation that no fare should be increased by more than 200 per cent., or 3/- a week.

In the course of the subsequent discussion, the Minister of Transport stated that he was prepared to reduce the 3/- a week mentioned in his Memorandum to 2s.6d. a week.

It was represented, however, that an increase of 2s.6d. would involve hardship in the case of many low-paid workers, particularly women workers, and that the proposals would be much less likely to excite serious criticism if the increase was limited to 2/-.

Ultimately the Cabinet agreed —

To approve the recommendations of the Rates Advisory Committee respecting workmen's fares, subject to the limitation that no fare should be increased by more than 200 per cent., or 2/- a week.
The Cabinet were informed that a statement had appeared in the evening newspapers to the effect that the French Government had decided to recognise the Government of General Wrangel as a de facto Government, to send a Diplomatic Agent to Sevastopol with the title of High Commissioner, and to render General Wrangel all material assistance.

It was pointed out that no communication of any kind had been received on the subject from the French Government, and that no mention of the recognition of General Wrangel had been made by the French at the Lympne Conference. The French Embassy in London had received no notification of the decision of the French Government.

It was agreed —

That, in reply to Sir Donald Maclean, who was about to raise the question in the House of Commons, the Prime Minister should state that he had read the announcement in the papers with great surprise, that no information (official or otherwise) had been communicated to him or to the Foreign Office, and that he could not believe that the statement was an accurate one.

At a later stage of the meeting, a telephone message, received at the Foreign Office from the British Embassy in Paris, was communicated to the Cabinet, to the effect that the reports in the Press were substantially accurate.

(For copies of telegrams which have passed between the British Embassy, Paris, and the Foreign Office on this matter, see Appendix I.)
(4) Reference was made to the rifles stored at Constantinople, which, in the event of a rupture with the Soviet Government, it was agreed at Lympna to hand over to the French for transmission to General Wrangel. It was pointed out that while, in view of the continued advance of the Soviet troops, Great Britain was at liberty to supply arms to the Poles so far as the Soviet Government was concerned, and that that Government could bring no charge of breach of faith against us, the assurances given to the House of Commons by the Prime Minister rendered it most undesirable to allow the arms to be moved.

The Cabinet agreed —

(a) That instructions should be sent by telegram to the General Commanding in Constantinople, by the Secretary of State for War, to the effect that no action regarding the removal of the rifles or handing them over to the French must be taken without further orders:

(b) That the French Government and Admiral de Robeck should be informed officially by the Secretary of State for Foreign Affairs that these instructions had been sent to the British Military Authorities at Constantinople.

(5) The Cabinet were informed that it was most important to withdraw the British Battalion from Allenstein before the railways were closed. The French and Italian Governments had been pressed to concur in such withdrawal, and in order to meet the views of those Governments it had been agreed to defer the completion of the evacuation of the Battalion until August 15th.

As the completion of the evacuation could not in any case be accomplished until August 15th, the Cabinet agreed —

That the Secretary of State for War should issue telegraphic instructions at once, ordering the withdrawal of the Battalion.
(6) With reference to Cabinet 43 (20), Conclusion 5, the Cabinet had under consideration a Memorandum by the Food Controller (Paper C.P.-1746) explaining the difficulties in the way of carrying out the policy of gradual reduction of the Bread Subsidy and at the same time keeping that policy secret.

The Cabinet were informed that it would be impossible to reduce the subsidy by instalments without the fact becoming known in a few weeks' time. Moreover, the administrative difficulties of carrying out the Cabinet decision, and the expense in connection with the setting up of the accounting machinery required, were very considerable. It was desirable that a frank statement should be published of the Government's intentions to abolish the subsidy, and the question was whether the whole subsidy should be abolished in September, which would mean increasing the cost of the loaf to 1s.5d. or probably 1s.6d., or whether abolition should be accomplished in two steps (3d. in September, 1920, and 2d. in March, 1921), which latter alternative would mean that the Bread Subsidy for the present financial year would cost approximately £38,000,000.

On the one hand, it was felt that to abolish the subsidy in one step would result in very serious discontent and unrest. The industrial outlook was not promising, and everything possible should be done to minimise the causes of trouble before the winter. On the other hand, it was pointed out that, as the subsidy must in any case end by March 31st next, it was better to get the trouble over at once rather than allow it to simmer throughout the winter. Moreover, the proposal to defer the total abolition of the subsidy until next Spring involved very heavy charges on the Exchequer.

It was generally agreed that any attempt to reopen the question or to continue the subsidy after March 31st next
should be firmly resisted, and on this understanding the Cabinet agreed —

(a) To modify the previous decision and to require the abolition of the Bread Subsidy by two steps, of 3d. in September, 1920, and the residue by March 31, 1921:

(b) That this decision should be communicated forthwith to the House of Commons by the Chancellor of the Exchequer, who should make it clear that the liability would definitely come to an end at the close of the present financial year.

The attention of the Cabinet was directed to communications from Warsaw and Moscow respectively, indicating that the Polish and Soviet Armistice Delegates had failed to meet, from which it appeared possible that this failure had been intentionally effected by the Russian authorities. The Cabinet agreed —

That the Prime Minister should cause a communication to be sent to M. Kameneff giving the substance of the Polish telegram, and urging that immediate facilities for the meeting of the delegates should be given.

(A copy of the communication attached to Kameneff is attached to Appendix II.)
With reference to Conclusion 4 of a Conference of Ministers held on July 26, 1920, the Cabinet were informed that, although between 300 and 1,000 men had been dismissed by the Irish Railways for refusing to carry troops and munitions, dismissals were now being conducted in a half-hearted manner, and there was no doubt that the officials and the men were being subjected to intimidation. The Irish Railways, other than the Ulster Railways, were refusing to obey orders, and the Railway Managers Committee had recommended that the Government should now close down, line by line, the railways which refused to carry troops or Government stores. It was explained, however, that if this course were adopted, the Government would still be under a liability to make up the net receipts under the guarantee, and it was thought preferable to issue an order to the railways to give Government traffic absolute priority. In the event of the railways failing to carry out this order, the Government could then withhold money payable under the guarantee, and could also suspend, for the time being, the coming into operation of the increased passenger and goods rates. In this way pressure could be put on the lines, which would either have to close down or comply with the Government instructions.

It was generally agreed that, provided there was no serious legal objection, steps should be taken to carry out this latter policy in the case of all Irish lines which refused to carry out their statutory duties as common carriers.

The Cabinet agreed —

(a) That, provided the Irish Law Officers saw no objection, steps should now be taken to order the Irish Railways to give absolute priority to Government traffic, and that failure to give such priority should entail the loss of money payable under the guarantee:

(b) That the Minister of Transport should be at liberty to withhold from any Irish Railway the benefits of the revised rates of railway charges.
(9) With reference to Cabinet 12 (19) Conclusion 3, the Cabinet were informed that, having regard to his state of health, it would not be possible for the Prince of Wales to open the Indian Legislatures as had been proposed, and that in these circumstances it had been suggested that the Duke of Connaught should undertake the Mission in question.

The Prime Minister undertook, on behalf of the Cabinet, to suggest that if the proposal met with His Majesty's approval, the Duke of Connaught should be approached with a view to ascertaining whether His Royal Highness would undertake the Mission.

2, Whitehall Gardens, S.W.,
August 11th 1920.
APPENDIX 1

Telegrams received from Lord Derby (Paris)

No.295 (D)  August 11th 1926

Communication was addressed to Minister for Foreign Affairs this morning in accordance with instructions in your telegram No.899 of August 10th.

Secretary General of Ministry for Foreign Affairs informed Mr Henderson this afternoon that President of the Council much regretted that instructions sent to His Majesty's Minister, Warsaw, had been despatched without previous consultation with French Government. President of the Council considered action thus taken by His Majesty's Government of Warsaw to be absolutely contrary to policy agreed upon at Lympne. Conditions offered by Soviets were such as leave Poland entirely at mercy of Bolshevists, and though having superficial appearance of leaving her independence as to in fact deprive her of it. President of the Council was unable to instruct French Minister at Warsaw in sense desired. Latter has been instructed requested to adopt attitude of strict reserve and to await result of Minsk negotiations.

No.960  August 11th 1926

My immediately proceeding telegram.

Secretary General gave Mr Henderson to understand that British action would much incense French public opinion. He added French Government had decided as from today to recognise General Wrangel's Government as defacto Government of South Russia. Mr Henderson stated he was convinced that this recognition would be most displeasing to His Majesty's Government and expressed hope that it might still be possible to delay action until after consultation with His Majesty's Government. Secretary General therupon repeated that recognition had been decided upon from today and that there was no other course open to French Government after action taken at Warsaw by His Majesty's Government consulting with French Government.

No.962  August 11th 1926

Announcement that French Government recognise General Wrangel's Government as defacto Government of South Russia and will send French diplomatic agent to Sebastopol with title of High Commissioner appears in "Temps" this evening. Semi official communiqué to this effect justifies this action on ground of recent military successes and growing strength of General Wrangel's Government as well as of its assurances that it will respect former engagements of Russian Empire. Stress is laid on recent measures of that Government such as creation of elective institutions, legal ownership for peasants of land and in fact its general character of a legitimate Government freely accepted by population as compared with autocratic nature of Government of Soviets which excludes all prospect of truly national representation.

Telegram to Mr Henderson (Paris)

No.904  August 11th 1926.

Your telephone message this afternoon.

We will await official communication from French Government before replying. But you should make it clear to them at once, that action of
British Government yesterday evening was taken because we regarded it as direct sequel to Lympne decisions. It was clear to us that if the terms offered by Soviet Government were genuine terms, we could not possibly ask or obtain consent of Parliament to hostile measures, contemplated at Lympne in event of rupture arising from impossible conditions, and that if there was to be a united public opinion here, a break must not occur on the proposals as submitted.

Further there was no time for delay. The Polish Delegates were to open negotiations to-day and we thought it essential to let them know before they committed themselves that they must not count upon British support if these terms were refused.

Finally we at once informed French Government of our action. As regards action of French Government re Wrangel, when I read report in papers this afternoon I declined to believe it and enquired at once of French Embassy, who were equally uninformed. Almost simultaneously Prime Minister, who was interrogated in House of Commons, expressed his conviction that report must be unfounded, since no intimation had been made to us by Brest Government, and the step taken by latter appeared to be entirely inconsistent with Lympne decision that measures, of which support to Wrangel was one, should not be undertaken until it was clear that Polish negotiations had broken down.

Only after Prime Minister had spoken, did we learn from you that report was correct. Even yet we entertain the hope that some mistake has been made and in view of what happened at Lympne that the announcement has been made without the authority of the French Government.
APPENDIX II

11th August, 1920.

Mr Lloyd George presents his compliments to Mr. Kameneff and begs to acknowledge receipt of his letter of August 11th covering a communication from Moscow stating that the representatives of the Russian Command had waited for the Polish armistice delegates since the evening of August 9th, but that the Polish delegation had not yet arrived.

Mr Lloyd George begs to inform Mr. Kameneff that he has just received from the Polish Government at Warsaw dated August 10th (9 p.m.) in which it is stated that the Polish Government had, up till that time, received no answer from the Soviet Government agreeing to the proposal of the Polish Government, contained in their radio addressed to the Soviet Government on August 5th, and finally accepted by the latter after three vain attempts of transmission, in which radio the Polish Government expressed their readiness to send delegates to negotiate an armistice and preliminaries of peace at Minsk.

The only intimation which had reached Warsaw to the effect that the Polish delegates were expected to arrive in Minsk on August 11th was a press telegram of the Havas agency from Bythe received in Warsaw on August 10th.

Mr Lloyd George wishes further to state that the representatives of the Russian Government in Warsaw have also reported that the Polish Government have repeatedly endeavoured to get into touch with Moscow by wireless, both direct and via Norway, and that the message had always been refused. They further inform him that the Polish officer in command on the section of the front beyond Minsk had just announced that a Russian peace delegation had just arrived on that part and had stated, on not finding the Polish delegates, that they would wait until 10 o'clock this morning (August 11th). The Polish Government are replying that a Polish delegation is proceeding to the front at once to meet them, and that, if the Russian delegates are still there, they will send their peace delegation at once to meet them. They further state that they are notifying the Soviet Government that they are prepared to send off their armistice and peace delegation to-night (August 11th).

Mr Lloyd George trusts that Mr. Kameneff will see that immediate instructions are issued for the reception and passage through the lines to Minsk of the Polish peace and armistice delegation, and that the Russian wireless stations are instructed to receive and transmit Polish messages without delay. He cannot help stating that this constant refusal to receive messages from Warsaw, while the Soviet army is steadily advancing, cannot fail to increase justifiable suspicion and is not conducive to a prompt and peaceful solution of the present crisis.
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Mr Lloyd George trusts that Mr. Kameneff will see that immediate instructions are issued for the reception and passage through the lines to Minsk of the Polish armistice and peace delegation, and that the Russian wireless stations are instructed to receive and transmit Polish messages without delay. He cannot help stating that this constant refusal to receive messages from Warsaw, while the Soviet army is steadily advancing, cannot fail to arouse justifiable suspicion and is not conducive to a prompt and peaceful solution of the present crisis.