WAR CABINET, 157.

Minutes of a Meeting of the War Cabinet held at 10, Downing Street, S.W., on Thursday, June 7, 1917, at 11.30 A.M.

Present:

THE PRIME MINISTER (in the Chair).

The Right Hon. the EARL CURZON OF KEDLESTON, K.G., G.C.S.I., G.C.I.E.

The Right Hon. G. N. BARNES, M.P.

The Right Hon. the VISCOUNT MILNER, G.C.B., G.C.M.G.

The following were also present:—

The Right Hon. LORD ROBERT CECIL, K.C., M.P., Acting Secretary of State for Foreign Affairs.

The Right Hon. the EARL OF DERBY, K.G., G.C.V.O., C.B., Secretary of State for War. (Minutes 1 to 9.)

Major-General SIR G. M. W. MACDONOGH, K.C.M.G., C.B., Director of Military Intelligence. (Minutes 3 to 7.)

The Right Hon. C. ADDISON, M.D., M.P., Secretary of State for Scotland. (Minutes 1 to 9.)

The Right Hon. R. MUNRO, K.C., M.P., Major-General SIR G. M. W. MACDONOGH, K.C.M.G., C.B., Director of Military Intelligence. (Minutes 3 to 7.)

The Right Hon. SIR A. H. STANLEY, M.P., President of the Board of Trade. (Minutes 17 and 18.)

SIR H. LLEWELLYN SMITH, K.C.B., Permanent Secretary, Board of Trade. (Minutes 17 and 18.)

Mr. GUY CALTHROP, Board of Trade. (Minutes 17 and 18.)

Vice-Admiral SIR H. F. OLIVER, K.C.B., M.V.O., Deputy Chief of the Naval Staff. (Minutes 3 to 9.)

Major the Hon. WALDOF ASTOR, M.P. (Minute 15.)

The Right Hon. R. MUNRO, K.C., M.P., Secretary of State for Scotland. (Minutes 15 and 16.)

The Right Hon. SIR G. CAVE, K.C., M.P., Secretary of State for Home Affairs. (Minutes 15 and 16.)

The Right Hon. H. E. DUKE, K.C., M.P., Chief Secretary for Ireland. (Minutes 15 and 16.)

The Right Hon. E. S. MONTAGU, Vice-Chairman, Reconstruction Committee. (Minutes 12, 13, and 14.)

The Right Hon. LORD DEVONPORT, Food Controller. (Minute 2.)

SIR R. H. REW, K.C.B., Permanent Secretary, Ministry of Food. (Minute 2.)

SIR G. YOUNGER, M.P. (Minute 15.)

Mr. ANDREW WEIR, Surveyor-General of Supply, War Office. (Minute 2.)

Lieutenant-Colonel SIR M. P. A. HANKEY, K.C.B., Secretary.

Major L. STORR, Assistant Secretary.

Mr. THOMAS JONES, Assistant Secretary.
1. THE attention of the War Cabinet was drawn to a letter from the Admiralty (No. C. 6/17/S. 4317, dated the 5th June, 1917), pointing out that a Department of State had recently taken steps to purchase a vessel for its use without reference to the Controller of the Navy, and that another Department under the direction of the Controller was simultaneously conducting negotiations for the purchase of the vessel in question.

The War Cabinet decided that—

The decision contained in War Cabinet 136, Minute 11, should be extended so as to make Vice-Admiral Sir Eric Geddes responsible for meeting the requirements of all other Government Departments requiring shipping, as well as those of the Admiralty, the War Office, and the Ministry of Shipping. They accordingly authorised the Admiralty to issue a circular letter to all Departments concerned, to the effect that, by a decision of the War Cabinet, the Controller of the Navy is charged with the duty of meeting the combined requirements of all Government Departments for vessels of all classes, and requesting them in future to notify their needs to him, instead of endeavouring to satisfy them independently.

2. The War Cabinet had before them a Memorandum by Lord Derby (Paper G.T.-941) urging that prices should be fixed for this season's fruit, on the ground that the requirements of the War Office of fruit for the provision of jam for the troops rendered it essential that such fruit should be obtainable at reasonable prices. The price of fruit was rising day by day, and, owing to the warm weather, the fruit crop was likely to be earlier than usual. In the opinion of the War Office, a loss of £50,000 had already been incurred owing to non-fixing of prices, as they had been obliged to purchase at an inflated rate.

The Food Controller stated that he had, on the previous day, made arrangements for a Conference, to be attended by himself, by representatives of the fruit growers, and by representatives of the jam makers, with a view to fixing a reasonable price for this season's fruit. The Conference was to meet that afternoon, and he was confident that a satisfactory and amicable arrangement could be arrived at by consultation with the parties concerned, which would meet the case.

The War Cabinet left the question for decision by Lord Devonport, in concert with the Secretary of State for War, after Lord Devonport's interview with the fruit growers and jam makers the same day.

3. The Director of Military Intelligence reported the opening of a big offensive at 3 A.M. that morning on a 9-mile front, against the Wytschaete-Messines Ridge; all the immediate objectives had been reached and a large number of prisoners had been taken. He also reported that in the attack on the previous day on Greenland Hill, the operations, which were on a front of 1,500 yards, had so far been completely successful. General Mardonagh explained the situation in both areas on the map.

4. The Director of Military Intelligence reported heavy fighting on the Carso from Faithrib to the sea, in which the Austrians claimed, in the course of this fighting, the capture of 256 officers and over 10,000 men. The Officer temporarily in charge of the British
Mission at Italian General Headquarters, however, had telegraphed that the Italians had re-taken all the positions North of Grumarije from which they had been driven, but that South of that place they had been compelled to fall back, the maximum depth of their retirement being nearly a mile at a point North of S. Giovanni.

5. The Director of Military Intelligence reported that the reason of General Alexeieff's retirement appeared to be entirely political. General Alexeieff was known to be a strong disciplinarian with no political predilections, and the Provisional Government had some apprehensions that the measures he might take to restore discipline might cause them embarrassment. His place as Commander-in-Chief was to be taken by General Brusiloff. The Officers' Conference had dissolved without achieving much. According to the latest information, the hopes which had been lately entertained of establishing better conditions in the Army were not likely to be realised in the immediate future, and the recent impression of an improved moral was weakening. The Mission from the Black Sea Fleet to the Roumanian Front had not been a success.

6. The Director of Military Intelligence reported that another German division had recently been moved from the Eastern to the Western Front, making a total of eleven divisions moved since the 1st April from east to west, and nine divisions from the Western to the Eastern Front.

7. The War Cabinet had under consideration a proposal by M. Albert Thomas that two British batteries of 6-inch guns should be supplied to the Roumanian Army (Petrograd telegram No. 825, dated the 3rd June, 1917).
In consideration of this personal recommendation of M. Thomas, and of recent encouraging reports of the improved state of the Roumanian Army, the War Cabinet were disposed to favour this proposal, and desired that the War Office should examine it in a favourable spirit. Their final decision was postponed until the receipt of replies to the enquiries made of General Poole and General Knox (War Cabinet 133, Minute 4).

The Secretary of State for War undertook to draft a reply for the Prime Minister to send personally to M. Thomas.

8. The Deputy Chief of the Naval Staff reported certain activities of the Royal Naval Air Service in the Mediterranean area, as the result of which incendiary bombs had been dropped on the crops in Macedonia, and a munitions dump in Gallipoli had been exploded.

9. The Deputy Chief of the Naval Staff made his usual report of shipping losses during the previous twenty-four hours. The losses during the past two or three days had been above the average, but, on the whole, the monthly losses were well within the forecast which had been given in the early part of the year by Admiral Jellicoe to the War Cabinet.

10. The attention of the War Cabinet was drawn to certain new factors which had arisen within the last few hours, and which bore on the permission given to Mr. Ramsay Macdonald to proceed to
Russia and Stockholm, in accordance with the decision of the Cabinet. (War Cabinet 144, Minute 2)

In view of the fact that Mr. Henderson had not yet replied to the specific questions put to him as the result of War Cabinet 154, Minute 21, the War Cabinet authorised—

The Acting Secretary of State for Foreign Affairs to inform Mr. Ramsay MacDonald that unforeseen new factors had recently arisen, and that consequently he must not rely on being permitted to proceed.

The Acting Secretary of State for Foreign Affairs was authorised to ask for a postponement until the following day of Mr. Stanton's question in the House of Commons.

11. The Minister of Munitions stated that a question was down to be asked in the House of Commons by Mr. W. C. Anderson, M.P., relating to an individual named "Gordon," who was alleged to have been employed in a special section of the Ministry which had been established to investigate cases of sabotage and employment of aliens and other suspected persons under the Ministry. Dr. Addison stated that shortly after he had been appointed to his present post he had come to the conclusion that this Section was not competent to perform the duties allotted to it; he had accordingly given orders that it should be abolished, and he had requested Scotland Yard to undertake all such investigation in the future. All investigation into Labour unrest had been in the charge of Scotland Yard since December last, at the request of the Ministry. He said he had been asked by the Leader of the House to answer the question, but he considered that this duty came more appropriately within the province of the Attorney-General or the Home Secretary.

The War Cabinet concurred in this view, and instructed the Minister of Munitions to request the Attorney-General to reply to the question on behalf of the Government.

12. The War Cabinet had before them the Report on Joint Standing Industrial Councils, by a Sub-Committee of the Reconstruction Committee, together with a Memorandum by Mr. Montagu as to the procedure to be adopted in dealing with the Report.

The War Cabinet considered whether it was desirable to issue Reports of this type dealing with one aspect of the Government's industrial policy before they were able to consider that policy as a whole. There were difficult and unsolved questions connected with the future position of unskilled and semi-skilled persons who, during the war, had been employed on work closed to them before the war, and whom the Government could not ignore. On the other hand, it was urged that the prevailing industrial unrest provided a favourable opportunity for the ventilation of proposals like those agreed to by the Whitley Committee. Further, to set up the necessary machinery required to give effect to the proposals would take some time, and it was important that the Ministry of Labour should have such machinery in order before peace was concluded.

The War Cabinet decided that—

In the first instance, the Ministry of Labour should circulate the Report to the leading Trade Unions and Employers' Associations, and also to the Commissioners on Industrial Unrest, with a view to ascertaining their general attitude to the proposed Industrial Councils at an early date.
13. Mr. Montagu called the attention of the War Cabinet to the strain that will be imposed upon the Parliamentary machine in giving effect to any adequate programme of reconstruction and in winding up the emergency legislation arising from the war. It was not a matter which could be suitably dealt with by the Reconstruction Committee, but was one for the Houses of Parliament.

The War Cabinet decided that—

Parliament should be asked to appoint a Select Joint Committee of both Houses to consider the machinery of Parliamentary procedure in the period following the termination of the war, and it was arranged that the Leaders of both Houses should take the necessary action after consultation with Mr. Montagu.

14. Mr. Montagu put before the War Cabinet a suggestion emanating from the War Office that there should be set up a single authority to dispose of all Government stores at the end of the war. The War Cabinet approved the suggestion, and decided that—

The Stores Department of the Ministry of Munitions should form the nucleus of such an authority, to which should be added representatives of the War Office and the Admiralty; recommendations as to the composition of and reference to the authority to be made by conferences between representatives of the Departments concerned and the Reconstruction Committee.

15. With reference to War Cabinet 153, Minute 2, the War Cabinet further considered the terms of reference to the three Committees on the liquor trade, and adopted the following:—

The Government, having decided that it is necessary, as an urgent war measure, to assume control of the manufacture and supply of intoxicating liquors during the war and the period of demobilisation, and being of opinion that such control will involve the purchase after the war of the interests concerned in such manufacture and supply, have appointed the following Committees to enquire into and report at an early date upon the terms upon which those interests shall be acquired.

The Committees will also have to report on the financial arrangements for the period of control.

Sir George Younger asked whether the Government proposed to take control before the Committees had reported. It was agreed that this should not be done, but that control should be taken after the Bill incorporating the financial terms recommended had passed its Second Reading.

16. With reference to War Cabinet 153, Minute 2, the War Cabinet approved the following list of members for the Committees, whose terms of reference are set forth in Minute 15:—

Committee for England and Wales.

Lord Sumner

or

The Right Hon. Sir Charles Swinton-Eady, LL.D. (Chairman).
The Right Hon. Sir Thomas P. Whittaker, M.P.
Sir J. S. Harmood-Banner, M.P.
Sir William Plender.
Sir Arthur W. Chapman.
Sir Thomas Hughes.
17. The War Cabinet had a preliminary discussion on the "Ton for Ton" Policy (Paper G.T.736) and the instructions which should be given to the British representatives at the Conference of Allies, which the French Government have proposed should be summoned to consider a declaration on the subject.

The President of the Board of Trade stated that in their Memorandum of the 27th October, 1916, dealing with the Economic Desiderata in the Terms of Peace, his Department had suggested that, if the Allies were in a position to do so, they should insist on a surrender of enemy shipping at least equivalent in tonnage value and general character to the whole of the Allied ships sunk or destroyed as the result of belligerent action; they feared, however, that any such scheme might be frustrated unless precautions were taken in advance against the colourable transfer of enemy vessels to neutral flags. They accordingly suggested to the Foreign Office the desirability of the Allies safeguarding the position by making a joint declaration to the effect—

(a.) That they accept the principle that enemy merchant ships are liable for claims in respect of merchant ships destroyed by enemy action;

(b.) That they recognise no transfer of an enemy ship to a neutral flag which takes place before the final conclusion of peace and which is effected without their consent.

The Allied Governments were asked if they would agree to a declaration on these lines, and the French Government, while accepting the principle of the declaration, considered that it would be desirable for certain matters to be discussed at an Inter-Allied Conference before any such declaration was made. The Foreign Office had accordingly suggested to the Board of Trade that an Interdepartmental Conference should be assembled to consider these questions.

In the course of the discussion, the Acting Secretary of State for Foreign Affairs stated that Mr. Hurst, of his Department, was now in Paris discussing with the French Government various points in connection with this subject.

At the suggestion of Lord Robert Cecil, the War Cabinet decided that—

Further consideration of their policy in this regard should be deferred until the return of Mr. Hurst from France, and
they instructed the Acting Secretary of State for Foreign Affairs to raise the question again when he considered that it was ripe for their further consideration.

18. With reference to War Cabinet 114, Minute 2, the War Cabinet approved the scheme of compensation to coal-owners for the control of their mines, contained in the Memorandum of the President of the Board of Trade, dated the 1st June, 1917 (Paper G.T.—905) Appendix.

The War Cabinet rejected the suggestion to proceed by Bill, and authorised the President of the Board of Trade to obtain the assent of the Mining Association and to make the agreement binding on all owners by a Defence of the Realm Regulation, the agreement being announced to the House of Commons after the agreement with the Mining Association had been concluded.

2, Whitehall Gardens, S.W
June 7, 1917
APPENDIX.

Compensation to Coal-Owners for the Control of their Mines.

WITH reference to the Minute 2 of the War Cabinet of the 5th April, the Controller of Coalmines reports that he has now concluded his negotiations with a Special Committee of the Mining Association on the draft heads of Agreement regarding compensation for control.

The following are the chief points in the draft Agreement:

1. Coal-owners to retain 5 per cent. of their profits in excess of their pre-war profits (as compared with the 20 per cent. retained by other industries). No percentage standard to be allowed, as under the Finance Acts.

2. Compensation to be the amount of pre-war profits reduced by three-quarters of the reduction of the output, where output is not reduced by more than 30 per cent.

3. Below the 30 per cent. level the scale of compensation to cease to operate, and the amount of compensation per ton to be reduced where the fall of output is not due to action by the Controller.

4. Cost of maintaining in repair mines closed by order of the Controller and of reopening them after control to be met by an additional tonnage levy on the industry, the Controller contributing 40 per cent. of the sum required, but only so far as any surplus accruing to him after payment of the compensation and administration expenses will allow.

The question of the Agreement has been considered at a meeting of the Controller's Advisory Board.

The Owners' side of the Board stated that they looked upon the Agreement as being very drastic and severe on the owners as compared with any other controlled industry, and they believe the Agreement to be a favourable one to the Government.

The Miners' side of the Board expressed the view that it was the Government's own affair what Agreement was made with the Coal-Owners. They did not wish to be regarded as taking any responsibility for the Agreement. Their contention is that no Agreement can withhold from them the right to present a demand for increased wages to meet the increased cost of living, whether the ascertained values of coal justify such a course or the reverse.

If the above terms are approved by the War Cabinet, it remains to be determined what steps should be taken to give effect to the arrangement, and the following alternative methods are submitted for the consideration of the War Cabinet:

1. Proceed by Bill, to which the Agreement would be scheduled.
2. Obtain the formal assent of the Mining Association, and make the Agreement binding on all owners by a Defence of the Realm Regulation.

In the latter event, the question arises at what stage the Agreement should be communicated to the House of Commons. Should the draft be circulated as a White Paper, so that it can be discussed before it is finally settled, or should the Agreement be first concluded with the Mining Association and thereafter announced to the House?

A. H. S.

June 1, 1917.