CONCLUSIONS of a Meeting of the Cabinet held at
10, Downing Street, S.W.1., on WEDNESDAY,
February 2nd, 1927, at 3.30 p.m.

PRESENT: -

The Right Hon. Stanley Baldwin, M.P.,
Prime Minister. (In the Chair).

The Right Hon.
Sir Austen Chamberlain, K.C.,
M.P., Secretary of State for
Foreign Affairs.

The Most Hon.
The Marquess of Salisbury,
K.G., G.C.V.O., C.B., Lord
Privy Seal.

The Right Hon.
Sir William Joynson-Hicks,
Bt., M.P., Secretary of
State for Home Affairs.

The Right Hon.
Sir Laming Worthington-Evans,
Bt., G.B.E., M.P., Secretary
of State for War.

The Right Hon.
Sir John Gilmour, Bt., D.S.O.,
M.P., Secretary of State for
Scotland.

The Right Hon.
Sir Philip Cunliffe-Lister,
K.B.E., M.C., M.P., President
of the Board of Trade.

The Right Hon.
W.E. Guinness, D.S.O., M.P.,
Minister of Agriculture and
Fisheries.

The Right Hon.
Sir Arthur Steel-Maitland,
Bt., M.P., Minister of Labour.

The Right Hon.
Sir Douglas Hogg, K.C., M.P.,
Attorney-General.

THE FOLLOWING WERE ALSO PRESENT: -

Sir Philip Sassoon, Bt., G.B.E.,
C.M.G., M.P., Under-Secretary
of State for Air.
(For Item 1).

Sir M.P.A. Hankey, G.C.B. ................. Secretary.
1. The Secretary of State for Foreign Affairs informed the Cabinet that the telegram containing the text of Eugene Chen's statement to Mr. O'Malley explaining his refusal to sign agreements in regard to Hankow and Kiu Kiang unless we refrained from landing a military force in Shanghai was now being deciphered at the Foreign Office but was not yet available. He thought it important, before taking a decision, to learn the views of Sir Miles Lampson. In the meanwhile he did not feel in a position to make proposals to the Cabinet, and suggested that the question should be adjourned.

The Secretary of State for War raised the question as to whether the Battalion of the Suffolk Regiment, due in a few days at Hong-Kong, should proceed to Shanghai or be disembarked at Hong-Kong. In this connection attention was drawn to telegram No.1316, cipher, of February 3rd, from the General Officer Commanding at Hong-Kong in which the Officer Commanding Shanghai Volunteers was quoted as stating that no emergency now existed at Shanghai.

The Secretary of State for the Colonies reported that he had information to the effect that the Governor of Hong-Kong felt some anxiety owing to the efforts of the Cantonese to stir up trouble in that Colony, and would be glad of additional troops in Hong-Kong.

The Cabinet agreed —

(a) To postpone consideration of Mr. O'Malley's telegram No.35 until the Secretary of State for Foreign Affairs should ask for the question to be discussed.
(b) That the Battalion of the Suffolk Regiment, due shortly at Hong-Kong en route to Shanghai, should be disembarked at Hong-Kong, and the Indian Battalion already at Shanghai should remain there:

(c) That a decision regarding the destination of the Indian Mixed Brigade, the first units of which are due shortly at Singapore, should be reserved for a few days pending developments:

(d) To take note of the Memorandum by the Chief of the Air Staff regarding the provision of aircraft in China (Paper C.P.-23 (27)):

(e) That the Cabinet should hold themselves in readiness for an emergency meeting if and when the Secretary of State for Foreign Affairs considers it necessary.
3. The Cabinet had before them the Fourth Report of the Legislation Committee (Paper C.P.-32 (27)) covering the draft Trade Disputes and Trade Unions Bill amended in accordance with the instructions of the Cabinet and in a form approved by the Committee, subject to certain points reserved for the decision of the Cabinet.

The Prime Minister pointed out that the preliminary draft of the King's Speech contained a statement of the desirability of clarifying and amending the law relating to Trade Unions, and that proposals to this effect would be laid before Parliament. He suggested that the draft Bill required fuller consideration than could be given on this occasion.

The subject was adjourned.
3. The Cabinet had before them a Memorandum by the Minister of Labour (Paper C.P.-35 (27)), prepared in accordance with the Cabinet's decision, giving information showing how far members of Trade Unions have contracted out of the political levy, together with a Memorandum by the same Minister (Paper C.P.-28 (27)) setting forth some tendencies of Trade Union opinion.

The Cabinet took note of both Memoranda.
4. The Cabinet had before them a Memorandum by the President of the Board of Trade setting forth the general lines of the legislation which he desired to introduce with a view to an increase in the production of British films (Paper C.P.-29 (27)), particulars of which are summarised at the end of his Memorandum as follows:

(i) Blind booking will be prohibited, i.e., no film may be booked until it has been trade shown.

(ii) There should be some limitation on block booking, probably 12 months from the date of trade showing.

(iii) All films to be registered — British and foreign films being distinguished.

(iv) A quota would be imposed on the renters, beginning in the year 1928 at $7/3/4 and rising progressively in each year.

(v) A quota would be imposed on exhibitors beginning 6 months or a year after the renters' quota. The exhibitors' quota, in both time and amount, will always lag behind that of the renters.

(vi) Administration will be in the Board of Trade, fees to be charged to cover expenses, i.e., a registration fee on films and a licence fee on theatres.

(vii) An advisory committee will be established consisting of representatives of exhibitors, renters and producers, with an independent chairman, and possibly an independent element, to advise the Board of Trade in the administration of the Act.

(viii) The penalty for failure to comply with the quota would be a fine and/or the revocation of the licence.

(ix) A British film would be defined as a film made by British nationals or by companies registered in the British Empire and British controlled, and the scenario at least should be the work of a British author. The film should be produced in the British Empire by a personnel predominantly British.
The Cabinet were reminded that the preliminary draft of the King's Speech contained a statement that measures would be introduced to encourage the production and exhibition of British films.

The proposals of the President of the Board of Trade were generally approved as the basis for draft legislation which would be examined by the Committee of Home Affairs and the Cabinet in accordance with the usual procedure.
5. The Cabinet had before them the Second Report of the Leasehold Enfranchisement Committee, stating that the Committee are not yet in a position to submit a draft Bill, but urging that, in the King's Speech on the Opening of Parliament, mention should be made of the intention of the Government to legislate on the subject of landlord and tenant (Paper C.P.-33 (27)).

The Cabinet took note that the preliminary draft of the King's Speech contained a statement to the effect that proposals would be made for the amendment of the law relating to leasehold premises so as to secure to an outgoing tenant proper compensation for the loss of his goodwill and unexhausted improvements.
6. The Cabinet had before them a Memorandum by the Minister of Agriculture and Fisheries (Paper G.P.-20 (27)) proposing that a Royal Commission should be set up, with Lord Bledisloe as Chairman and with the following Terms of Reference:

To inquire into the present law relating to Land Drainage in England and Wales and its administration throughout the country, to consider and report whether any amendment of the law is needed to secure an efficient system of arterial drainage without undue burdens being placed on any particular section of the community, and to make recommendations, having regard to all the interests concerned.

The Minister of Agriculture and Fisheries assured the Chancellor of the Exchequer that in drafting the Terms of Reference there had been no intention of placing any burden on the public exchequer, and that the evidence of his Department would contain no proposal of the kind.

The Cabinet agreed —

To approve the proposals of the Minister of Agriculture and Fisheries as summarised above.
7. The Minister of Labour was asked to give the Cabinet at their next Meeting some impression as to the length and the probable demand on Parliamentary time of the Bill required to give effect to the recommendations of the Blanesburgh Committee on Unemployment Insurance.
The Cabinet had before them a Memorandum by the Secretary of State for Scotland stating that, with the authority of the Cabinet, he had announced that the Government proposed to legislate at the earliest opportunity to legalise retrospectively the relief given in Scotland, which had been pronounced illegal by the Court of Session: that this proposal had been received in Scotland with vigorous, widespread and increasing opposition; and setting forth alternative proposals for meeting the situation thus created (Paper C.P.-34 (27)).

The Secretary of State for Scotland recognised that the Treasury had not had time to consider his proposals, the examination of which by the Cabinet was postponed until Friday’s Meeting.

2, Whitehall Gardens, S.W.1.
February 2, 1927.