CABINET 24 (31).

Meeting of the Cabinet to be held at No. 10, Downing Street, S.W.1., on WEDNESDAY, April 22nd, 1931, at 10.30 a.m.

AGENDA.

1. FOREIGN AFFAIRS. (If required).

2. IRON AND STEEL TRADE RE-ORGANISATION.

   (Reference Cabinet 23 (31) Conclusion 5).
   Memoranda by the President of the Board of Trade.
   (C.P. 66 (31) - already circulated);
   (C.P. 90 (31) - already circulated).

3. THE COAL SITUATION. (If required).

4. EXPORT OF WAR MATERIALS AND WARSHIPS.

   (Reference Cabinet 23 (31) Conclusion 3).
   Report of Cabinet Committee.
   (C.P. 87 (31) - already circulated).

5. THE SITUATION IN PALESTINE - POSITION OF Mr. BENTWICH, THE ATTORNEY-GENERAL.

   (Reference Cabinet 22 (31) Conclusion 11).
   Memorandum by the Secretary of State for the Colonies.
   (C.P. 67 (31) - already circulated).

6. THE USE OF BRITISH HONDURAS AS A BASE FOR THE ILLICIT LIQUOR TRADE.

   Memorandum by the Secretary of State for the Colonies.
   (C.P. 92 (31) - already circulated).
7. **MATERNAL MORTALITY.**

(Reference Cabinet 23 (31) Conclusion 6).

Memorandum by the Minister of Health,
(C.P. 63 (31) - already circulated).

8. **SCIENTIFIC TREATMENT AND UTILISATION OF COAL.**

Joint Note by the Lord President of the Council and the President of the Board of Trade,
(C.P. 97 (31) - already circulated).

9. **PRIVATE MEMBERS' BILLS FOR FRIDAY, APRIL 24th, 1951:**

(i) Workmen's Compensation Bill (Report stage);
(ii) The Sharing-Out Clubs (Registration) Bill,
     (Second Reading);
(iii) The Summary Jurisdiction Appeals Bill,
      (Second Reading);
(iv) The Retail Meat Dealers Shops (Sunday Closing)
     Bill (Second Reading).

(Signed) M.P.A. HANKS,
Secretary, Cabinet.

2, Whitehall Gardens, S.W.1.

20th April, 1951.
CABINET 24 (31).

Meeting of the Cabinet to be held at No. 10, Downing Street, S.W.1., on TUESDAY, April 22nd, 1931, at 10.30 a.m.

ADDITIONAL ITEMS TO THE AGENDA.

(a) EXPORT CREDITS.

(Question to be raised by the President of the Board of Trade).

(b) LONDON PASSENGER TRANSPORT BILL.

Memorandum by the Minister of Transport.
(C.P. 99 (31) - to be circulated).

(Signed) M.P.A. HANKEY,
Secretary, Cabinet.

2, Whitehall Gardens, S.W.1.
21st April, 1931.
CONCLUSIONS of a Meeting of the Cabinet held at 10, Downing Street, S.W.1, on WEDNESDAY, April 22nd, 1931, at 10.30 a.m.

PRESENT:—

The Right Hon. J. Ramsay MacDonald, M.P., Prime Minister. (in the Chair).

The Right Hon.
Arthur Henderson, M.P., Secretary of State for Foreign Affairs.

The Right Hon.
Lord Passfield, Secretary of State for the Colonies.

The Right Hon.
Lord Sankey, G.B.E., Lord Chancellor.

The Right Hon.
W. Wedgwood Benn, D.S.O., D.F.C., M.P., Secretary of State for India.

The Right Hon.
A. Greenwood, M.P., Minister of Health.

The Right Hon.
Christopher Addison, M.P., Minister of Agriculture and Fisheries.

The Right Hon.
W. Graham, M.P., President of the Board of Trade.

The Right Hon.
William Adamson, M.P., Secretary of State for Scotland.

The Right Hon.
Herbert Morrison, M.P., Minister of Transport.

The Right Hon.
J. H. Thomas, M.P., Secretary of State for Dominion Affairs.

The Right Hon.

The Right Hon.
J. R. Clynes, M.P., Secretary of State for Home Affairs.

The Right Hon.
Lord Amulree, G.B.E., K.C., Secretary of State for Air.

The Right Hon.
Margaret Bondfield, M.P., Minister of Labour.

The Right Hon.

The Right Hon.
George Lansbury, M.P., First Commissioner of Works.

The Right Hon.

Colonel Sir M. P. A. Hankey, G.C.B., G.C.M.G. Secretary.
1. The Secretary of State for Foreign Affairs informed the Cabinet that, the agreement of the Dominions having been obtained, full recognition was about to be accorded to the new Spanish Government.

(Previous Reference: Cabinet 22 (31), Conclusion 6).
2. The Secretary of State for Foreign Affairs said that up to the present time he had not received the French proposal for a settlement of the outstanding difficulty in the Franco-Italian negotiations. He hoped to receive it later in the day, and after conferring with the Prime Minister and the First Lord of the Admiralty he thought it possible that he might be in a position to put something before the Cabinet at the outset of their Meeting on Friday.
3. The Cabinet had before them a Memorandum by
the President of the Board of Trade (C.P.-90 (31))
covering a brief summary of a meeting with the
representatives of the Iron and Steel industry who
co-operated with Mr Bruce Gardner in the preparation
made of his Report. In this summary it was clear that
the lines of re-organisation suggested in the Report
are acceptable to representatives of the great bulk
of the iron and steel industry. Considerable
finance, however, would be needed to put the various
schemes into operation, and the President of the
Board of Trade was informed that the leaders of the
industry see no likelihood of obtaining the money
from the investing public. If money were advanced
by the Government or the City it could only be on
the terms that no payment of interest or repayment
of capital could be made unless and until profits
were earned.

The President of the Board of Trade made a full
report to the Cabinet not only on the meeting with
the representatives of the Directors of the principal
iron and steel concerns in the country, but also
with supporters of the Government in Parliament
representing constituencies that would be affected,
and with representatives of the Trades Unions
concerned. So far as the employers were concerned
the two main points were that they were in agreement
with Mr Bruce Gardner's plan but that they would not
undertake it unless assured of the home market.
He gave particulars of the bad state of the industry
and of the extent to which imports have recently
exceeded exports. He explained that it was impossible
to deal with dumping without first denouncing existing
Treaties that were to our advantage. The President
of the Board of Trade advocated doing what was possible to stimulate both private firms and public authorities to exercise a voluntary preference in the use of British iron and steel on lines already in operation in the shipping industry. Care was necessary, however, to avoid any form of compulsion which could be represented as an evasion of Treaty commitments. While favouring in principle some plan for giving legislative effect to the Bruce Gardner Report, the President thought that in the circumstances of the case the best plan would be to create a large public utility company, which would operate in three or four main groups. The finance of such a plan would require working out in detail, and for this purpose he proposed to invite the co-operation of one or two business men and an accountant.

He asked the Cabinet to give him authority to describe the position of the Iron and Steel industry, and the urgency of some early re-organisation, to the Liberal leaders and to explain to them his plan of a public utility company.

In the course of the discussion it was pointed out that this was the first proposal for the constitution of a public utility corporation for an industry in competition with corresponding industries abroad, and that the finance would differ widely from such undertakings as the Port of London Authority or the one to be set up by the London Passenger Transport Bill. A difficult question would arise as to the raising of the money: i.e., whether it should be found by the Government or raised under Government guarantee, for there appeared to be no prospect of raising it by an unguaranteed appeal to the public.
Further difficulties were pointed out in respect of labour. The Cabinet were informed that already some 90,000 persons out of 260,000 workers in the industry were unemployed. That number might be increased by a process of rationalisation. It would be impossible to saddle the rationalised industry at the outset with this burden, and public opinion would hold the Government responsible for this large figure of unemployed.

The Cabinet were told that if the figures were studied it would be found that in 1929 our iron and steel industry had shown improvement. In 1930 it had deteriorated, but the corresponding industry in Germany and the United States of America had suffered even more severely, and in Belgium as severely. It was suggested, therefore, that the difficulties of the industry were due more to the world depression than to any local cause.

The Cabinet were generally in favour of the President of the Board of Trade's plan for doing everything possible to stimulate the use of British iron and steel by individual firms and by public authorities, and agreed —

(a) That the President of the Board of Trade should examine fully into the finance of his proposal for the creation of a public utility company with a view to the rationalisation of the Iron and Steel industry, and make a further report to the Cabinet;

(b) That the President of the Board of Trade should be authorised to take the Liberal Industrial Committee into the confidence of the Government as to the present parlous condition of the Iron and Steel trade: giving them all the facts: pointing out the difficulties which were encountered in every proposal, and explaining to them that his aim was to consult and exchange views as to what should be done, but that he was not in a position to
commit the Government as to the remedy which was to be adopted:

(c) That the President of the Board of Trade should also discuss the question with Sir Alexander Walker.
4. The Cabinet agreed —

(a) To approve a proposal of the President of the Board of Trade that the Export Credits (Cabinet) Committee should be authorised to hold a meeting with three representatives each of the Federation of British Industries, the Trades Union Congress General Council, and the Russian Trade Delegation, in order to ascertain definitely what proposal the latter had to offer for placing Russian orders in the United Kingdom:

(b) That a representative of the Foreign Office and a representative of the Treasury should in addition be present at the above meeting.
5. The President of the Board of Trade stated that the Cabinet Committee would present a Report in the near future, and that they would probably have to ask for a Special Meeting of the Cabinet to discuss the whole of the coal situation, including the position that would arise in July.
6. The Cabinet had before them the Report of a Cabinet Committee (C.P.-57 (31)) on the Export of War Materials and Warships, the conclusions of which are summarised in the Report as follows:

1. The Committee are unable to recommend the Cabinet to promote legislation for the repeal of the provision in Section 2 of the Trade Facilities Act, 1921, prohibiting the application of the Export Credits Guarantee Scheme to export transactions in respect of the sale of munitions of war.

2. The Committee, however, do not consider that this prohibition extends to aircraft or other articles or parts thereof, which are unarmed, which contain no armament fittings, and which are capable of being used for civil purposes.

3. The Committee are awaiting a further Report from the First Lord of the Admiralty and the President of the Board of Trade on enquiries instituted by them in the case of Messrs Baring Brothers and other financial houses, regarding the possibility of financial assistance being given by those institutions to the armament firms in respect of foreign orders for warships and other munitions of war.

The First Lord of the Admiralty reported that, thanks partly to the assistance of the Foreign Office, the British armament industry had secured orders from Portugal to the amount of £1,906,000 out of a total expenditure of £3,096,000, the balance of the order having been placed in Italy. The orders included four Destroyers, two of which would be assembled in Portugal, and two small sloops, as well as the armament, equipment and fire control for the whole of the ships, including those to be built in Italy.

The Secretary of State for Foreign Affairs said that he was satisfied with this position.
The Cabinet agreed —

To approve the Report of the Cabinet Committee and to await the further Report from the First Lord of the Admiralty and the President of the Board of Trade referred to in Conclusion (3) above.
7. The Secretary of State for the Colonies said that he had conferred with Dr. Weizmann, who had agreed to do what he could to try and stop the evictions in Palestine referred to at the Meeting mentioned in the margin. The High Commissioner reported, however, that he did not expect that Colonel Kisch would be able to prevent them. The Secretary of State read to the Cabinet telegram No. 104 from the High Commissioner of Palestine, sent in reply to his own suggestion that the Bill agreed to in London with the representatives of the Zionists, which would enable him to prevent evictions, should be introduced. The High Commissioner's telegram, however, was somewhat ambiguous, as in one part he expressed apprehension as to the political consequences of the evictions, and in another suggested the deferment of publication until the High Commissioner's return to England in May.

The Cabinet agreed —

That the Secretary of State for the Colonies should draw attention to the ambiguity of the High Commissioner's telegram and wishes, but should be authorised to defer publication of the Bill until the High Commissioner's return.
PALESTINE.
The Wailing Wall.

(Previous Reference: Cabinet 48 (29), Conclusion 9.)

8. The Secretary of State for the Colonies said he had telegraphed to the High Commissioner in Palestine to suggest that the publication of the Report on the Wailing Wall was desirable before the Permanent Mandates Committee met in June. He had not yet received a reply.

The Cabinet agreed —

That, before taking his final decision, the Secretary of State for the Colonies should await the return of the High Commissioner, who is leaving for England in about a week.
9. The Cabinet again had before them the Memorandum by the Secretary of State for the Colonies (C.P.-87 (31)) on the subject of the Attorney-General of Palestine.

The Cabinet agreed —

That the Secretary of State for the Colonies should be authorised to extend Mr Bentwich's leave from April 30th to June 30th, and that he should discuss the question with the High Commissioner on his return.
10. The Cabinet had before them a Memorandum by the Secretary of State for the Colonies (C.P.-92 (31)) covering copies of a Secret Despatch sent to the Governor of British Honduras on the subject of the use of British Honduras as a base for the illicit liquor trade, together with his reply. The gist of the reply is contained in the last paragraph, which is as follows:

"It is my considered opinion that I should receive no support from the majority of the Council in any measure aimed at regulating the export of liquor, but rather that every possible step would be taken in opposition to such a course. I regret that short of a change in the Constitution I am unable to suggest any method of bringing pressure to bear on the Council with a view to securing the adoption of measures to restrain the trade. I consider that to change the Constitution for this purpose would lead to a political crisis and intense local feeling against the Government which would render it extremely difficult to maintain efficient administration, and I am unable to advise the adoption of such a step."

In his covering Memorandum the Secretary of State expressed the view that at the present time it would be very difficult to press the Governor further in the matter, although he was not in agreement with the tenor of certain paragraphs of the Governor's Despatch. He was not prepared to threaten Imperial legislation unless the Cabinet had made up their minds to have recourse to it, if necessary.

The Cabinet took note of the Secretary of State's Memorandum.
The subject of Maternal Mortality, raised in the Minister of Health’s Memorandum C.P.-83 (31) was continued on the Cabinet Agenda.

(Previous Reference: Cabinet 23 (31), Conclusion 6).

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The Cabinet had before them a Joint Note by the Lord President of the Council and the President of the Board of Trade (C.P.-97 (31)) on the Scientific Treatment and Utilisation of Coal, covering a Memorandum by the Secretary for Mines prepared in its scientific and technical aspects in consultation with the Department of Scientific and Industrial Research.

The Conclusions of the Secretary for Mines, which were supported by the Lord President of the Council and the President of the Board of Trade, are as follows:

**Low Temperature Carbonisation.**

(a) Direct financial assistance by the Government not to be given to the development of these processes except in so far as it may be practicable to take advantage of the provisions of the Development (Loan Guarantees and Grants) Act, 1929.

(b) Further large-scale research work to be carried out at the Fuel Research Station mainly directed to the treatment of the tar oils, at an estimated capital cost of £37,500 and £5,000 per annum on maintenance. A sum of £17,000 for capital expenditure and say £2,500 for running charges to be made available during the financial year 1931-32. In addition financial assistance to be offered by the Department of Scientific and Industrial Research to Tar Distillers upon the usual conditions of grant to Research Associations if suitable schemes of research are submitted.

(c) Government Departments which purchase solid fuel to use a proportion of low temperature carbonisation fuel wherever it can be obtained at a price comparable, value for value, with the price of coal, and the Ministry of Health to endeavour to persuade local authorities to help on the same lines.

(d) Statistical information to be collected annually from low temperature carbonisation concerns so as to provide a measure of development.
Pulverised Fuel.

(a) Work now being carried on at Fuel Research Station to be continued.

(b) An endeavour to be made with the shipping industry to secure a thorough test under sea-going conditions of the various systems of pulverized fuel. Should it appear clear that some Government assistance is necessary to secure the carrying out of such tests on a proper basis, proposals will be submitted to the Treasury for consideration.

General.

That the Secretary for Mines should be authorised to make an announcement of the Government's policy in regard to fuel treatment and to deal at the same time with the closing down of the Richmond Experiment in low temperature carbonisation.

The Lord President of the Council drew attention to the technical Report by the Advisory Council, signed by Lord Rutherford, which is appended to the Memorandum by the Secretary for Mines, and explained that he did not ask the Cabinet to commit themselves to the particular figures of cost of the continued experiments inserted in the Report, which should be a matter for adjustment with the Treasury.

In the course of the discussion reference was made to the negotiations with Imperial Chemical Industries on the subject of Hydrogenation of coal.

The Cabinet were informed that at the request of Imperial Chemical Industries the next meeting had been postponed until next Monday, and that in these circumstances the Committee could hardly hope to report next week.

The Cabinet agreed —

(a) To approve generally the Conclusions of the Secretary for Mines, as set forth above, on the understanding that the question of cost, referred to in Conclusion (b), was a matter to be settled by the Departments concerned with the Treasury.
(b) That the terms of the announcement of the Government's policy, which is to be made at the same time as the announcement of the closing down of the Richmond Experiment in Low Temperature Carbonisation, should be subject to the approval of the President of the Board of Trade and the Prime Minister.
13. The Cabinet had before them the Workmen's Compensation Bill, introduced by a Private Member, which is down for Report Stage in the House of Commons for Friday, April 24th.

The Home Secretary stated that a conference was to take place the same day on the subject of this Bill between the Parliamentary Under-Secretary of the Home Office and the Solicitor-General. Agreement was probable on the subject of the Bill, and the Report Stage and Third Reading were likely to be passed on Friday. He did not ask for any guidance as to the Bills which had been put down for Second Reading and mentioned in the margin.

THE SHARING-OUT CLUBS (Registration) BILL.

(Previous Reference: Cabinet 66 (30), Conclusion 18.)

THE SUMMARY JURISDICTION APPEALS BILL.

THE RETAIL MEAT DEALERS SHOPS (SUNDAY CLOSING) BILL.
14. The Cabinet had before them a Memorandum by the Minister of Transport (C.P.-99 (31)) in connection with the London Passenger Transport Bill, reporting that as a result of prolonged discussions he had been able to reach a basis of agreement which Lord Ashfield was prepared to recommend to his Board and to the stockholders, and which the Minister of Transport was equally ready to recommend to his colleagues and to Parliament, in regard to the terms for the acquisition of the Underground Group of Companies. Full details of the proposed terms were given in a separate Note attached to the Memorandum. The Minister of Transport asked for assent to conclude the agreement with Lord Ashfield's Companies, subject to confirmation by Parliament, and to make the necessary detailed amendments to the Bill, subject to the concurrence of the Treasury on points in which they were concerned.

As the above Memorandum had only been circulated late on the previous evening the Minister of Transport made a full statement to the Cabinet on the subject, dwelling more particularly on the financial aspects of the proposed agreement. He explained that the Treasury had been kept informed of the financial aspects of the negotiations and offered no opposition, though he himself took responsibility for the agreement. In making this agreement he and Lord Ashfield had been handicapped by the fact that they had no knowledge of the Chancellor of the Exchequer's intentions as to the taxation of petrol. He had felt, however, that the taxation of a particular year, in so much as it was liable to alteration in subsequent years, was not a basis on which a permanent agreement ought to be fixed. There were possibilities
also in the direction of the use of Diesel engines with heavy oil, which might affect the question.

The Minister of Transport was invited to give special consideration to the objections of certain Trades Unions against the elimination of the National Wages Board under the Railways Act of 1921 from the scope of the new plan.

On learning from the Minister of Transport that a decision was a matter of great urgency if the agreement were to be implemented, the Cabinet agreed --

To adopt the Report of the Minister of Transport and to ask him to complete the agreement.
15. The Secretary of State for Air informed the Cabinet that towards the end of the previous week he had sent to the Secretariat a Memorandum on Airship Policy, for distribution to his colleagues. At the request of the Treasury, however, he had agreed to withhold it from the Cabinet until he had had an opportunity to discuss it in its financial aspects with the Chancellor of the Exchequer.

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2, Whitehall Gardens, S.W.1,
April 22, 1931.