CABINET 32 (37) and
CABINET 33 (37).

Meeting of the Cabinet to be held at No. 10, Downing Street, S.W.1., on WEDNESDAY, 28th JULY, 1937, at 11.0 a.m., and to be continued on THURSDAY, 29th JULY, 1937, at 10.0 a.m.

CORRIGENDA TO AGENDA.

(i) Item 6 should read as follows:

THE FLEET AIR ARM.

Note by the Secretary covering a letter from the Minister for Co-ordination of Defence to the Prime Minister, together with a Memorandum.

C.P. 199 (37) - already circulated.

Note by the Secretary covering a Supplementary Report by the Minister for Co-ordination of Defence.

C.P. 199-A (37) - circulated herewith.

(ii) Item 7 should read as follows:

AIR RAID PRECAUTION SERVICES: NEGOTIATIONS WITH LOCAL AUTHORITIES.

(Reference Cabinet 29 (37) Conclusion 7.)

Memorandum by the Home Secretary.

C.P. 201 (37) - circulated herewith.

(Signed) M.P.A. HANKEY

Secretary to the Cabinet.

2, Whitehall Gardens, S.W.1.
27th July, 1937.
Meeting of the Cabinet to be held at No. 10, Downing Street, S.W.1., on WEDNESDAY, 28th JULY, 1937, at 11.0 a.m.

Note: The Prime Minister asks Members of the Cabinet to hold themselves free for a further meeting, if necessary, on Thursday, 29th July, at 10.0 a.m.

AGENDA.

1. FOREIGN AFFAIRS.
   (a) Spain.
      (Reference Cabinet 31 (37) Conclusion 2.)
   (b) The Far East: Japan and China.
      (Reference Cabinet 31 (37) Conclusion 3.)

2. ARABIC BROADCASTS.
   (Reference Cabinet 31 (37) Conclusion 6.)
   Statement by the Minister of Health.

3. QUESTION OF THE TRANSFER TO THE UNION OF THE HIGH COMMISSION TERRITORIES IN SOUTH AFRICA.
   (Reference Cabinet 29 (37) Conclusion 5.)
   Memorandum by the Secretary of State for Dominion Affairs.
   C.P. 197 (37) - circulated herewith.

4. COAL POLICY: UNIFICATION OF ROYALTIES: LORD HASTINGS' SCHEME.
   (Reference Cabinet 22 (37) Conclusion 6.)
   Note by the President of the Board of Trade, covering Memorandum by the Secretary for Mines.
   C.P. 196 (37) - circulated herewith.
5. LONG TERM AGRICULTURAL POLICY.
   (Reference Cabinet 28 (37) Conclusion 3.)
   Draft White Paper prepared by Cabinet Committee.
   C.P. 195 (37) – to be circulated.

6. THE FLEET AIR ARM. – (If ready)

7. AIR RAID PRECAUTION SERVICES: NEGOTIATIONS WITH LOCAL AUTHORITIES.
   (Reference Cabinet 29 (37) Conclusion 7*)
   Statement by the Home Secretary.

8. NEW GOVERNMENT OFFICES IN WHITEHALL.
   (Reference Cabinet 7 (37) Conclusion 5.)
   Memorandum by the First Commissioner of Works.
   C.P. 194 (37) – already circulated.

9. ARRANGEMENTS FOR THE RECESS. – (If required)
   (Reference Cabinet 31 (37) Conclusion 15.)

TO TAKE NOTE OF:

10. PALESTINE: REPORT OF ROYAL COMMISSION.
    (Reference Cabinet 31 (37) Conclusions 12 to 14*)
    Memorandum by the Secretary of State for the Colonies.
    C.P. 200 (37) – to be circulated.

(Signed) M.P.A. HANKEY
Secretary to the Cabinet.

2, Whitehall Gardens, S.W.1.
23rd July, 1937.
CONCLUSIONS of a Meeting of the Cabinet held at
10, Downing Street, S.W.1., on WEDNESDAY,
the 28th JULY, 1937, at 11.0 a.m.

PRESENT:
The Right Hon. Neville Chamberlain, M.P.,
Prime Minister. (In the Chair.)

The Right Hon.
Sir John Simon, G.C.S.I.,
G.C.V.O., O.B.E., K.C., M.P.,
Chancellor of the Exchequer.

The Right Hon.
The Viscount Halifax,
Lord Chancellor.

The Right Hon.
The Earl De La Warr,
Lord Privy Seal.

The Most Hon.
The Marquess of Zetland,
G.C.S.I., G.C.I.E., Secretary
of State for India.

The Right Hon.
A. Duff Cooper, D.S.O., M.P.,
First Lord of the Admiralty.

The Right Hon.
The Viscount Swinton, G.B.E.,
L. Hore-Belisha, M.P.,
Secretary of State for Air.

The Right Hon.
Oliver Stanley, M.C., M.P.,
President of the Board of Trade.

The Right Hon.
The Earl Stanhope, K.G.,
D.S.O., M.C., President of the
Board of Education.

The Right Hon.
Ernest Brown, M.C., M.P.,
Minister of Labour.

The Right Hon.
The Viscount Halifax, K.G.,
G.C.S.I., G.C.I.E., Lord
President of the Council.

The Right Hon.
Anthony Eden, M.C., M.P.,
Secretary of State for Foreign
Affairs.

The Right Hon.
Malcolm MacDonald, M.P.,
Secretary of State for
Dominion Affairs.

The Right Hon.
Sir Thomas Inskip, C.B.E.,
K.C., M.P., Minister for Co-
ordination of Defence.

The Right Hon.
L. Hore-Belisha, M.P.,
Secretary of State for War.

The Right Hon.
Walter Elliot, M.C., M.P.,
Secretary of State for Scotland.

The Right Hon.
W.S. Morrison, M.C., K.C., M.P.,
Minister of Agriculture and
Fisheries.

The Right Hon.
Sir Kingsley Wood, M.P.,
Minister of Health.

The Right Hon.
E.L. Burgin, M.P.,
Minister of Transport.

THE FOLLOWING WERE ALSO PRESENT:
The Right Hon. Sir Philip A.G.D. Sassoon, Bt.,
(for Conclusion 11.)

Captain H. Crookshank, M.P.,
Secretary, Mines Department.
(for Conclusion 9.)

Colonel Sir M.P.A. Hankey, G.C.B., G.C.V.O., ... Secretary.
1. The Secretary of State for Foreign Affairs recalled that at the Cabinet Meeting on the 14th July, referred to in the margin, he had raised the question of extra-territorial rights in Morocco, and a short discussion had taken place at the Cabinet. He was now glad to report that the negotiations had been successfully concluded and that an Agreement would be signed on the morrow. It was satisfactory also to record that His Majesty's Government in the United Kingdom had secured all their desiderata. The French had been more accommodating to us than they had been to other Governments.

Satisfaction was expressed at the above report.
2. The Cabinet approved the following composition proposed by the Secretary of State for Foreign Affairs for the United Kingdom Delegation at the forthcoming meeting of the Assembly of the League of Nations:

DELEGATES.

The Secretary of State for Foreign Affairs.
The Secretary of State for Scotland.

SUBSTITUTE DELEGATES.

Viscount Cranborne, M.P., Parliamentary Under-Secretary, Foreign Office.
Mr R.H. Bernays, M.P., Parliamentary Secretary, Ministry of Health.
Miss Irene M.B. Ward, C.B.E., M.P.

Viscount Astor.
3. The Secretary of State for Foreign Affairs referred to a new Note which he had recently sent to the
(Previous Governments concerned in the Five-Power negotiations, and Reference: Cabinet 18 which had already been circulated to the Cabinet. He did not expect any rapid development of the situation to arise from this Note, but it would serve to keep the question alive and might bring about some progress.)
4. The Secretary of State for Foreign Affairs informed the Cabinet that the States represented on the Non-Intervention Committee had been asked to send in written comments on the Chairman’s scheme, and it was hoped that these would be received at the Foreign Office the same afternoon. The Non-Intervention Committee was to meet on Friday. The question would also be raised in Parliament on Friday, July 30th, and he wished to consult his colleagues as to the line he should take. He proposed to repeat what he had already said, that the plan must stand or fall as a whole and that we could accept no major changes. For example, we could not grant belligerent rights without the withdrawal of volunteers. That was a point by which we must stand. It was possible, however, that the plan might not be adopted. In that event some other nation might make fresh proposals. It was conceivable, for example, that it might be proposed to drop both belligerent rights and the withdrawal of volunteers and to adhere to the Naval patrol, reinforced by trawlers, as the German representative had once proposed, and by observers in the Spanish ports. Another possibility was that the whole scheme of non-intervention might collapse, though no-one desired that. In fact, the French Ambassador, who had recently visited Paris, had informed him that the French Government wished to avoid the abandonment of non-intervention. In the event, however, of a breakdown, it was impossible to forecast what the circumstances would be or what our attitude should be, and he did not want to be committed.

The Prime Minister said that the Opposition would demand pledges that there should be no grant of belligerent rights to General Franco unless volunteers were first or simultaneously withdrawn.

The Foreign Secretary agreed that that pledge could be given so far as the Chairman’s plan was concerned,
but we ought not to give the same pledge if the whole scheme should break down.

The Secretary of State for Air recalled that in the earlier discussions of the Cabinet the view had been that if General Franco should occupy more than half the country we might in any event accord belligerent rights. At that time the capture of Madrid was suggested as the test. He suggested that if General Franco captured Madrid, and perhaps extended his authority much more widely as the result, we should not exclude the possibility of according belligerent rights.

The Foreign Secretary agreed that that would be an entirely new situation.

The Prime Minister agreed that we should keep our hands as free as possible.

The President of the Board of Trade suggested that if the Government were to announce in the House of Commons that their pledge on the subject of belligerent rights must not be regarded as applying necessarily to a new situation, that might well be taken by the Dictator Powers as a hint of a change of attitude on our part. In that event they might work for a breakdown of non-intervention in order to secure belligerent rights for General Franco.

The Chancellor of the Exchequer thought this point a good one. He agreed that unless it was made clear that the according of belligerent rights was linked up with the withdrawal of volunteers the Dictator Powers might well take it as a hint.

The Prime Minister pointed out that there were all sorts of other considerations with which these points could be linked.
The Lord President of the Council suggested that the Foreign Secretary might take the line on this point that it was impossible to predict what new situation might arise or what would have to be done to meet it. He might suggest, also, that our policy was based on the maintenance of non-intervention and the avoidance of entanglements.

The Prime Minister suggested that the line to be taken by the Foreign Secretary should be to make clear that we should not agree to any modification in the plan which would destroy its balance, but that beyond that the Government could not tie its hands in circumstances that could not be foreseen. He thought it possible that in the Debate on Friday the Government might be asked to give a pledge that before according belligerent rights they would summon both Houses of Parliament to meet. The answer to that would be that this was a matter for the Government and that the House of Commons must trust them to summon Parliament if circumstances required it.

This was agreed to.
5. The Secretary of State for Foreign Affairs recalled that at the Meeting referred to in the margin he had reported that he had sent a telegram to Washington suggesting joint action with the Government of the United States of America with a view to averting war in the Far East. After some delay the American Secretary of State had made clear that he was not prepared for joint representations to China and Japan as he thought they would be liable to exacerbate the situation. He himself, however, had made his own representations to Peking and Tokyo. On the previous day, on receipt of grave reports from Peking, he had telegraphed to Tokyo to try and restrain the Japanese Government, and had asked the United States of America and some other Powers to take similar action. He gathered from the Press that the American Secretary of State had made representations to China as well as to Japan. He regretted to report that the outlook was now bad and for the moment he could suggest no further action that could usefully be taken.

The Prime Minister recalled that the American Secretary of State's refusal to co-operate had not been owing to an objection in principle to joint representations, but on the ground that it was not likely to prove useful on the present occasion. It was only fair that the Cabinet should note the distinction.

The Chancellor of the Exchequer recalled that at the time of the Shanghai affair the position had been reversed. The United States Government had made proposals to us for joint representations that did not commend themselves, and we had preferred to proceed independently.

The Lord President of the Council expressed the hope that if the crisis in the Far East developed unfavourably and it was suggested to bring the matter before the League of Nations, we should lose no time in making clear that we did not regard a reference to the League as useful.
The Foreign Secretary said that hints to this effect had already been given in reply to Questions in Parliament, and he did not think that a reference to the League of Nations would be pressed. He proposed, however, to see the United States Ambassador and to discuss with him as to whether any further useful action could be taken.

The Prime Minister expressed the view that joint representations by the British and United States Governments were likely to produce more results than simultaneous and parallel representations. It would be deplorable if any major war were to develop.

The Foreign Secretary reported that some of his experts considered it possible that there would be no major war, but a long period of skirmishes interspersed with parleys.
6. The Prime Minister said that as this was likely to be the last discussion of foreign affairs before the Parliamentary Recess, he would like to remind his colleagues of the exceptional pressure of work to which the Foreign Secretary had been subjected more or less continuously for a long time. He paid a tribute to the skill, patience and ability with which he had dealt with the situation, and expressed the hope that he would be able to take some holiday.

The Prime Minister's remarks met with unanimous approval.
The Minister of Health, as Chairman of the Cabinet Committee on Arabic Broadcasts, reported that the question was to be considered on rather broader lines than in the Papers laid before the Cabinet last week at Meeting referred to in the margin, and it had become necessary to send communications to India and elsewhere. In order to give time for these communications and adequate preparation, he had decided not to summon the Committee until mid-September.

The Foreign Secretary reported that the temporary scheme would be put in operation towards the end of August.

The Cabinet took note of, and approved, the above statements.
SOUTH AFRICA.

High Commissioners Territories.

Previous Reference: Cabinet 29 (37), Conclusion 5.

8. The Cabinet had before them a Memorandum by the Secretary of State for Dominion Affairs (C.P.-197 (37)) relating to the question of the transfer to the Union of the High Commission Territories in South Africa, viz., Basutoland, Bechuanaland and Swaziland. He recalled that at the end of his talks with General Hertzog during the Imperial Conference — in which the latter had charged His Majesty's Government in the United Kingdom with deliberate dilatoriness in carrying out that policy — he had promised to send to the General on his return to South Africa, a letter setting forth the Government's views on the subject and making suggestions as to means of implementing further the policy agreed between him and the then Secretary of State in 1935. The crux of the problem was how to reconcile the implication in Section 151 of the South Africa Act, 1909 (which successive Union Governments regarded as constituting in effect a pledge by the United Kingdom Government that the Territories would eventually pass to the Union Government) and the claims of the Union Government with the pledges given to the local populations and to Parliament. The Secretary of State attached to his Memorandum a/letter which he submitted as a first step in a policy of (i) endeavouring to restore the confidence of General Hertzog and his colleagues (most of whom were more reasonable in this matter) in the good faith of His Majesty's Government in the United Kingdom; (ii) of re-establishing constructive co-operation; and (iii) of doing anything else that could properly be done to help to bring about a situation in which, in the words of the Aide-Mémoire of 1935 (Cmd. 4948), "if transfer were to become a matter of practical politics, it could be effected with the full acquiescence of the populations concerned".
After hearing and discussing a verbal statement by the Secretary of State for Dominion Affairs, the Cabinet agreed —

To approve the general lines of the draft letter to General Hertzog, attached to CP.-197 (37), subject to the following:­

(i) Such alterations in the form of the letter or in its details as the Secretary of State for Dominion Affairs might deem advisable after communication with the British High Commissioner in South Africa:

(ii) On page 3 of the draft letter, consideration to be given by the Secretary of State for Dominion Affairs to the following words:

"the withdrawal, or relaxation, of the weight and other restrictions imposed in respect of the entry of cattle from the Territories into the Union",

in order to make it clear that "other restrictions" was not intended to refer to restrictions owing to the outbreak of contagious diseases:

(iii) Page 8, lines 16 to 23: consideration to be given by the Secretary of State for Dominion Affairs to a suggestion that the letter might contain a promise that British Officials in the Territories would be instructed to explain to the Native Chiefs the meaning of the document referred to in the paragraph.
9. The Cabinet had before them a Note by the President of the Board of Trade (C.P.-196 (37)) on the subject of the Unification of Coal Royalties, in which he stated that the Cabinet Committee on the Organisation of the Coal Mining Industry, at their Meeting on July 20th, had decided that the question of the attitude to be adopted by the Government towards a scheme which had recently been put forward by Lord Hastings should be referred to the Cabinet. Attached to the Note was a Memorandum by the Secretary for Mines, with which the President was in entire agreement, and a copy of Lord Hastings' draft scheme. After outlining the course of the negotiations with the Executive Committee of the Mineral Owners Joint Committee and describing the draft scheme, the Secretary for Mines suggested that both on political and financial grounds Lord Hastings' scheme, which would not fulfil the Government's policy of unification under public ownership, was quite unacceptable, and that he should be given authority to inform the royalty owners in that sense in a letter the terms of which might be agreed between his Department and the Treasury.

The Secretary for Mines said that he had received information that the Royalty Owners had met on the previous day and had approved Lord Hastings' scheme as a policy acceptable to them for carrying out the policy of unification of royalties, although they had not committed themselves to the details of the scheme. At the same meeting, however, the Royalty Owners had agreed that there would be no objection to their experts talking with the Government's experts on the details of the Government's plan, though their experts would not be allowed to commit their principals.
In reply to the Prime Minister he said that he still adhered to the view that Lord Hastings' scheme was politically impracticable and financially unacceptable.

The President of the Board of Trade mentioned that the Hastings Scheme had not yet been officially received from the Royalty Owners, which created a slightly awkward situation. A copy, however, had reached the Department unofficially, and as this might be the last Meeting of the Cabinet before the Parliamentary Recess he had thought it necessary to obtain a decision on the subject, for until the Royalty Owners had been informed of the Government's attitude towards the Hastings Scheme they would not negotiate on the Government's scheme. He understood that no amendments to the scheme had been made at the meeting of the Royalty Owners on the previous day. When the Scheme was received officially it would be necessary to explain to the Owners that the Government had had cognizance of it and had thought it best in the circumstances to take a decision on it before the Recess. He agreed in the views of the Secretary for Mines. He recalled that the principle of the Government's scheme had been proposed by the Owners themselves. After all that had happened it would be politically impossible for the Government to go back on the past and start again on a new scheme.

The Lord President of the Council agreed that both the Owners and the Government were too much bound up in the machinery of the past to go back. After explaining the difficulties which were liable to arise in the House of Lords, where various interests might well combine against the Government, he urged the following:

(1) That regard should be had to the importance attached by the Royalty Owners to the Hastings Scheme, and that for this reason the reply should be carefully framed so as to show that it had been thoroughly considered.
(ii) That the Government should go as far as possible to meet the main contention of the Royalty Owners, namely, that the ownership should not pass to a statutory owner until after the compensation due to each had been ascertained and paid.

The Secretary of State for India supported the Lord President of the Council in the view that a strong opposition would develop in the House of Lords. It was true that the Royalty Owners had agreed to the tribunal, but the "Greene" Award had come as a shock to them and they did not regard it as a fair one. He supported the Lord President's proposal that the reply to the Royalty Owners on the Hastings Scheme should be couched in as friendly terms as possible, more especially as a great deal of trouble had been taken in the preparation of the scheme. He agreed that the Scheme was not now a possible alternative, but was anxious that it should be shown how carefully the Scheme had been considered.

The Chancellor of the Exchequer agreed that the Hastings Scheme was utterly unacceptable and impracticable from a Treasury point of view. One reason why the Government's scheme appealed to the Treasury was that the money could be raised now at a cheap rate. They could not agree to a delay involving the raising of a large sum of money at a later period when the same rate might not be obtainable. Neither would it be practicable to raise the money now and keep it until it was required without having acquired the property which was to provide the necessary security. The Scheme, therefore, was not a practicable one. The Royalty Owners seemed to have forgotten the past history of the case. If the Award had been for, say, £120,000,000, the Royalty Owners would never have put forward the Hastings Scheme. He agreed that the terms
of the letter to the Royalty Owners must be friendly, but it must be made quite clear that the Scheme was impossible both from a practical and political point of view.

Coming now to the question of what could be done, he suggested that as the award gave the Government a good bargain they might consider whether some alleviation could be found. A possible plan to consider would be to give the dispossessed owners of royalties, as from the vesting in the State, interest on unpaid compensation at 6.66% (the rate corresponding to the "Greene" Award of fifteen years' purchase) instead of 4% down to a date like July 1, 1940. The essential matter, however, was not to depart from the principles of the Government's plan.

The Minister for Co-ordination of Defence urged that there must not be a hiatus in time during which the Royalty Owners would be deprived of interest on their property.

The Secretary of State for Scotland, quoting as a precedent the case of the Award of the Royal Commission on Tithes, which had subsequently been altered in favour of the tithes-owners, urged that the Government should not be too rigid.

The President of the Board of Trade agreed that the answer to the Royalty Owners should be courteous and considerate, but it must put beyond all doubt that the Government could not accept Lord Hastings' Scheme; first, owing to its defects in detail, and, second, because a position had been reached where both sides had agreed to a global payment, as suggested by the Owners, and it would be impossible to go back on this. He agreed with the
Lord President's proposals, for the reason that the Government had always hoped that they might be able to deal with Royalty Owners who were friendly to the scheme. If the "Greene" Award had been of a different character this might have been possible. Now, however, the Royalty Owners were hostile. So, while maintaining the main principles of the Government's scheme, he thought that the utmost should be done to meet the grievances of the Royalty Owners.

The Lord Chancellor said that he had never been in favour of unification of royalties. The Government would take the property and never give the owners its true value. The difficulty was that until compensation was assessed and scaled down to what was possible under the global figure, no-one would know what the interest amounted to. Consequently during this period the Royalty Owners could get no interest. He agreed that it would be very difficult to go back from the Government's scheme at the present stage. He warned the Cabinet, however, that it would be very difficult to get the Government's scheme through the House of Lords if the Royalty Owners were hostile. He thought, therefore, that the Government should do their utmost to mitigate their grievances.

The Prime Minister said that the Hastings Scheme was so different from the scheme on which the Government had been working that to adopt it would involve a total reversal of policy. That would be impossible. It should be recognised that the Royalty Owners had met with disappointments. Consequently the Secretary for Mines should put his reply in considerate terms. On the main issue, however, it was clear that the Royalty Owners were trying to get better terms than were provided in the award. The assessment in the award had proved smaller than the Government had expected, and even smaller than the Government themselves might have been
willing to pay. Consequently there appeared to be the possibility of a bargain; but care must be taken to avoid the criticism from political opponents that the Government were making concessions to their own friends. The details should be left to the Chancellor of the Exchequer, the President of the Board of Trade and the Secretary for Mines.

The Lord Chancellor asked that the Cabinet should record that they did not accept the Hastings' Scheme.

The Prime Minister agreed.

The President of the Board of Education urged that the Hastings Scheme should be rejected on merits and not on the ground that it was too late to retreat from the present scheme.

The President of the Board of Trade agreed that the Hastings Scheme must be criticised in detail, but urged also that it was essential to make the point that the present scheme had advanced too far for the Government to go back on it.

The Cabinet agreed —

(a) That Lord Hastings Scheme was not acceptable;

(b) That when the Scheme was received officially from the Royalty Owners, the Secretary for Mines, bearing in mind that the Royalty Owners had suffered disappointments, when rejecting the Scheme should do so in friendly and considerate terms. The letter should make clear that the Hastings Scheme had received careful consideration. The objections to it should be set forth in detail. The Royalty Owners should also be reminded of all that had passed on the subject, which made it impossible for the Government to withdraw from the position that had been reached;

(c) That the Chancellor of the Exchequer, the President of the Board of Trade and the Secretary for Mines should consider the possibility of reaching an agreed compromise with the Royalty Owners.

(The Secretary for Mines then withdrew.)
10. The Cabinet had before them the Report (C.P.-195 (37)) of the Cabinet Committee on Agricultural Policy, which had been appointed at the Meeting mentioned in the margin to consider the long-term agricultural policy of the Government and to make recommendations. After describing briefly the important measures already taken in regard to Meat, Cereals and Sugar Beet, the Committee attached to their Report recommendations on the Government's long-term milk policy, in the form of a draft White Paper entitled "Statement on Milk Policy" (Appendix I), which, subject to the approval of the Cabinet, it was proposed to lay before Parliament before the Adjournment: and conclusions in regard to bacon, in the form of a draft Answer to a Private Notice Question (Appendix II), which, if the Cabinet approved, it was proposed to give in the House of Commons before the Adjournment.

The Cabinet first discussed the draft White Paper entitled "Statement on Milk Policy". The discussion mainly concerned the Tables in paragraph 13 showing the rates of premium which the Milk Marketing Boards would be required to pay in respect of the various categories of quality milks and the Exchequer contributions thereto.

The Minister of Agriculture and Fisheries said that the Chancellor of the Exchequer in Committee had reserved his agreement to the last column of the Table. He had agreed that to give the long-term milk policy a fair start, there should, during the early years of the scheme, be a contribution from the Treasury which was to be of a diminishing character. He had pointed out, however, that the proposed Exchequer contribution in respect of Milk from Attested Herds (last column of the Table) was not
on a diminishing scale, and he had proposed that the Exchequer contribution for the fourth and fifth years should be substantially reduced. The Minister of Agriculture and Fisheries was afraid he could not accept the Chancellor's suggestions. The Milk Marketing Boards would say that the scheme represented too heavy a financial burden to be made up from the Pool, and that consequently they would oppose the scheme from the start. Even if they accepted the scheme with a bad grace, he suggested that during the early years of its operation they would think it necessary to build up financial reserves to meet the cost of the fourth and fifth years. That could only be done by raising the price of milk, which was open to many objections. It had been apprehended that the producers might even be led to revoke the milk scheme, which they had the power to do, and this would be a disaster of the first magnitude. In order to resolve this difficulty he suggested that the rates of premiums and Government contributions should stand as in the present table for all three classes of milk for the first three years, but this should be followed by a statement that for all three qualities, assistance would be continued for the fourth and fifth years. It should further be stated that the Government contemplate that the aggregate cost to the Exchequer in those years in respect of the three qualities would be on a diminishing scale. Subject to this, the incidence of premiums and contributions as between the Pool and the Exchequer would be determined by the appropriate Ministers, with the approval of the Treasury.
in the light of a Report to be made by the Permanent Milk Commission during the three years.

The Chancellor of the Exchequer expressed sympathy with the Minister of Agriculture and Fisheries in this complicated matter. He pointed out, however, that the proposal the Minister had just made was an entirely new one. The passage at the beginning of paragraph 2 of the draft White Paper explained that the Government desired to see the dairy industry of this country self-supporting and profitable and that it was with this object in view and in order to bring to full achievement the efforts that dairy farmers had themselves been making to improve the quality of their product, that they proposed to invite Parliament to provide additional Exchequer assistance. That paragraph had been inserted at his request and he was grateful for it. Paragraph 13 showed the application of the principle. The idea had been that the Exchequer contribution should taper off in the later years. This was well illustrated by the first and second columns (Accredited Milk and T.T. Milk) respectively, but in the third column (Milk from Attested Herds) his original proposal had been that in the fourth and fifth years, the Exchequer contribution towards Milk from Attested Herds should be 1\s{1}{4}d. and 1\s{1}{4}d. instead of 1\s{1}{2}d for each year as shown in column 3. That then would have illustrated the policy very well. A difficulty in the new plan of the Minister of Agriculture and Fisheries was that
his words seemed to hint at the possibility of the continuance of the Exchequer contribution after the five years.

The Minister of Agriculture and Fisheries read his proposal once more to show that this was not the case.

The Minister of Health suggested that the first two columns (Accredited Milk and T.T. Milk) might stand as in paragraph 13 and that the Minister of Agriculture and Fisheries' proposal might apply only to the third column (Milk from Attested Herds).

The Chancellor of the Exchequer thought that this would lead farmers to think either that the scheme was to end after three years or else that it might continue beyond the five years. He thought it would be better to show that the scheme would run out at the end of five years.

The Chancellor of the Exchequer then suggested that the difficulty might be met by re-editing the draft White Paper so as to leave the first two columns of the Table in paragraph 13 intact and to follow this by a separate paragraph dealing with Milk from Attested Herds and indicating that the Pool premium and the Exchequer contribution for the fourth and fifth years would be subject to prior enquiry.

The President of the Board of Education suggested that the need for such enquiry might be linked up with the question of how much progress had been made on the policy of cleaning up the herds.
The Chancellor of the Exchequer did not object to that proposal but wanted something to show that it was intended to continue the Exchequer contribution for the fourth and fifth years only.

The Minister of Agriculture and Fisheries agreed that the Chancellor of the Exchequer's proposal provided a way out, but he would prefer a statement on the lines that he had suggested.

The Prime Minister pointed out that in the case of column 2 (T.T. Milk), there was no taper after the third year. In column 1 (Accredited Milk), the taper was in the third year and the fifth year. He thought there would be less uneasiness in the industry if the first two columns were retained and showed the Pool premium and Exchequer contribution for the five years.

The Minister of Agriculture and Fisheries said that, in these circumstances, he would accept.

The question was raised as to whether Northern Ireland was to be included in the White Paper and the Cabinet were informed by the Chancellor of the Exchequer that the subject was under consideration departmentally and still had to be negotiated with the Government of Northern Ireland. It had been decided, in the circumstances, not to mention Northern Ireland in the White Paper.

(For Conclusions on the Milk Policy - see below.)

The Cabinet then discussed the proposals in regard to bacon and reached the conclusions given below.
The Cabinet agreed:

(a) To approve the Long-Term Milk Policy outlined in the draft White Paper, Appendix I to C.P. 195 (37), subject to the following:

(i) Paragraph 1, line 3 of the draft White Paper to be amended (as proposed by the Minister of Agriculture and Fisheries) by the addition after the words "of producers and" of the following words: "of others engaged in the industry and of":

(ii) The terms of paragraph 13 of the draft White Paper to be settled by the Chancellor of the Exchequer and the Minister of Agriculture and Fisheries and reported to the Cabinet at their meeting on the following day:

(b) That the Minister of Agriculture and Fisheries should have authority to arrange for copies of the White Paper (amended as decided above) to be available in the Vote Office on Thursday, July 29th:

(c) That, in the event of the question of the extension of the policy to Northern Ireland being raised in Parliament, the Minister of Agriculture and Fisheries should state that the subject was under consideration departmentally but had not been ready for inclusion in the White Paper:

(d) As regards bacon, to approve the policy indicated in the draft answer to a Private Notice Question (C.P. 195 (37) Appendix II), subject to the following amendments:

- line 12: for the words "a moderate degree of assistance" put "some assistance"
- line 20: for "enabling powers" put "changes"
- line 21: omit the last word of the line
- line 23: for the words "next Session" put "as early as possible"
(e) That the Minister of Agriculture and Fisheries should be authorised to give the answer on bacon policy amended as in (d) in the House of Commons on Thursday, July 29th.
The Cabinet had before them a Memorandum by the First Commissioner of Works (C.P.-194 (37)) pointing out that the need for proceeding with the building of the new Government Offices on the Whitehall Gardens site had become increasingly urgent: that the scheme would not begin to make any substantial demand upon the supply of skilled building labour until after the date on which it is assumed that the Defence Works programme will be approaching completion, when in all probability there would be an adequate supply of skilled building labour for the execution of the scheme; and that the Minister of Labour agreed that the scheme need not be further delayed on the score of his negotiations with the Building Industry. The First Commissioner therefore submitted that as the scheme was one of high priority, approval should now be given to a start being made upon it without delay.

The Secretary of State for Air said that he and the Home Secretary, who was absent on official duty, both considered that some further consideration should be given to the question of air raid precautions in the new Government building. It was true that the largest types of armour piercing bombs could penetrate to the bottom of the building, but it appeared desirable that fairly adequate precautions should be applied to reduce the risks from smaller bombs. It would be difficult for the Government to appeal to local authorities to adopt such precautions in the buildings they were erecting if a lead was not given in the new Government building.

Moreover, the criticism of the Government for providing new buildings instead of moving Government Departments
into the provinces would be strengthened if it could be pointed out that the Government building was not a central and threatened point in the event of war, and that proper precautions were not being taken. A certain amount was already being done in this respect but he thought the matter should be further considered.

The Minister of Health thought that the matter had been examined by the Cabinet Committee and that the idea of providing against air raids had been rejected after careful consideration.

The First Commissioner of Works pointed out that considerable precautions were being taken. There was to be an underground basement capable of holding 4,000 people for refuge purposes or 600 people at work, and which would be gas and splinter proof.

The Secretary of State for War raised the point that the new building would house some 4,000 people instead of 400 now housed on the same space. In corresponding buildings, the local authorities were empowered by recent legislation to provide parking places for motor-cars. He pointed out that the new building would attract large numbers of people in motor-cars, for parking which there would be no available space. He suggested that the First Commissioner of Works should consider converting the underground part of the building into a garage.

The First Commissioner of Works said that the policy of the Department was to discourage Civil Servants from coming to their work in motor-cars. There was sufficient parking space for visitors to the new building.
The Cabinet agreed:

(a) That the First Commissioner of Works should be authorised to carry out his proposal to make a start on the scheme for new Government offices in Whitehall without delay, as suggested in his memorandum C.P. 194 (37), subject to the following:

(b) That officials of the Home Office and the Air Ministry should discuss the plans of the new building with officials of His Majesty's Office of Works from the point of view of any alterations that might be desirable as regards air raid precautions: and

(c) That, if the suggested additions should be of such a character as to involve expenditure, the Treasury should be consulted.

(The First Commissioner of Works withdrew at this point.)
12. The Cabinet took note of a Memorandum by the Secretary of State for the Colonies (C.P.-200 (37)), in continuation of C.P.-193 (37), circulating for their information extracts from a further letter from the High Commissioner for Palestine to the Permanent Under-Secretary of State for the Colonies, on the situation in Palestine and Trans-Jordan, following the publication of the Report of the Palestine Royal Commission.

2, Whitehall Gardens, S.W.1.

28th July, 1937.