CABINET 26 (38)

Meeting of the Cabinet to be held at No. 10 Downing Street, S.W.1., on WEDNESDAY, 25th MAY, 1938, at 11.0 a.m.

AGENDA.

1. FOREIGN AFFAIRS.

2. FRANCE AND BELGIUM: STAFF CONVERSATIONS.
   (Reference Cabinet 22 (38) Conclusion 4)
   Memorandum by the Minister for Co-ordination of Defence, covering Report by the Chiefs of Staff Sub-Committee.
   C.P. 122 (38) - circulated herewith.

3. CIVIL AVIATION: GERMAN PENETRATION IN THE NEAR AND FAR EAST.
   (Reference Cabinet 23 (37) Conclusion 6)
   Memorandum by the Minister for Co-ordination of Defence, covering Joint Memorandum by the Secretary of State for India and the Secretary of State for Air, together with extract from Minutes of the 322nd Meeting of the Committee of Imperial Defence.
   C.P. 119 (38) - circulated herewith.

4. AIR PROGRAMME: ACCELERATION OF: MISSION TO THE UNITED STATES. - (If required)
   (Reference Cabinet 24 (38) Conclusion 15)
   Question to be raised by the Secretary of State for Air.

5. COTTON INDUSTRY: REORGANISATION OF.
   (Reference Cabinet 47 (37) Conclusion 10)
   Memorandum by the President of the Board of Trade.
   C.P. 120 (38) - circulated herewith.

6. TRING MUSEUM.
   Memorandum by the Chancellor of the Exchequer.
   C.P. 123 (38) - circulated herewith.
7. **AGRICULTURAL MARKETING SCHEMES: POWERS OF BOARDS TO IMPOSE AND RECOVER PENALTIES.**

(Reference Cabinet 17 (33) Conclusion 10).

Memorandum by the Minister of Agriculture and Fisheries. C.P. 118 (33) - circulated herewith.

8. **PORT OF LONDON AUTHORITY: PETROL STORAGE AT PURFLEET.**

(Reference Cabinet 18 (33) Conclusion 12).

Memorandum by the Minister of Transport. C.P. 121 (33) - circulated herewith.

9. **CONCLUSIONS OF HOME AFFAIRS COMMITTEE.**

9th Conclusions (33) of Committee of Home Affairs - to be circulated.

(i) Essential Commodities Reserves Bill.

(Reference Cabinet 18 (33) Conclusion 11).

Memorandum by the President of the Board of Trade, covering draft Bill.

H.A. 17 (33) - circulated herewith.

(ii) Young Persons (Employment) Bill.

(Reference Cabinet 16 (33) Conclusion 10).

Memorandum by the Home Secretary, covering draft Bill.

H.A. 18 (33) - circulated herewith.

(Signed) M.P.A. HANKEY,

Secretary to the Cabinet.

2, Whitehall Gardens, S.W.1.

20th May, 1933.
CONCLUSIONS of a Meeting of the Cabinet held
at 10 Downing Street, S.W.1., on WEDNESDAY,
the 25th MAY, 1938, at 11.0 a.m.

PRESENT:-

The Right Hon. Neville Chamberlain, M.P.,
Prime Minister.

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.
Lord Maugham,
Lord Chancellor.

The Right Hon.
The Viscount Halifax, K.G.,
G.C.S.I., G.C.I.E., Secretary
of State for Foreign Affairs.

The Right Hon.
Lord Stanley, M.C., M.P.,
Secretary of State for
Dominion Affairs.

The Right Hon.
Malcolm MacDonald, M.P.,
Secretary of State for the
Colonies.

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

The Right Hon.
Sir Kingsley Wood, 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 Stenhouse, K.G., D.S.O.,
M.C., President of the Board of
Education.

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

The Right Hon.
The Earl Winterton, M.P.,
Chancellor of the Duchy of Lancaster.


The Right Hon.
The Viscount Hailsham,
Lord President of the Council.

The Right Hon.
Sir Samuel Hoare, Bt., G.C.S.I.,
G.B.E., C.M.G., M.P., Secretary
of State for Home Affairs.

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.
Sir Thomas Inskip, C.B.E., F.C.,
M.P., Minister for Co-ordination
of Defence.

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

The Right Hon.
John Colville, 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.
Walter Elliot, M.C., M.P.,
Minister of Health.

The Right Hon.
E.L. Burgin, M.P.,
Minister of Transport.
1. The Secretary of State for Foreign Affairs said that he had already circulated all the information that had arrived since the Meeting of the Cabinet on Sunday afternoon.

The German Press were rather resentful of the suggestion that the restraint of the German Government had been dictated by British and French pressure. Credit had been given to His Majesty's Government in our own Press for firmness, and the French people in particular were grateful to us. Although the suggestion that the present corner had been turned owing to British firmness might have a certain value internally, he had told the Press that the last thing he desired was that this should be said, and that it would be much more helpful if they could say that the present slight détente was due to the helpfulness of all the nations concerned. He had also asked Sir Eric Phipps to suggest to the French Foreign Minister that he should try to get the French Press to take the same line. As suggested at the Cabinet, he himself had seen representatives of the British Press on Sunday evening, and he thought that the British Press had reacted well on Monday morning. He had informed the German Ambassador of what he had done, but had added that he was disappointed that the German Press was not behaving so well, and had warned him that this would be resented here. The Ambassador had been rather apologetic about the German Press, and had suggested that the Germans, after exercising so much restraint, rather resented the suggestion that the Czechs had been equally restrained. The Ambassador had admitted, however, that the statement made in the British Parliament on
this issue had been flawless, and he had undertaken, at the Foreign Secretary’s request, to telegraph to Dr. Goebbels reminding him that he had told Lord Halifax that he wanted above all things friendship with this country and asking him to co-operate.

The Secretary of State for Foreign Affairs then read to the Cabinet Telegrap No. 80, of the 24th May, from Prague, in which the British Minister had reported that the Czechoslovak President of the Council had had a two hours’ conversation on the previous evening with Herr Henlein and that the latter had promised to formulate his demands in writing by the end of the week. That gave the impression that the negotiations would be kept on the basis of a somewhat lower temperature for some time. He had, as yet, no news of the demobilisation of the Czechoslovak troops, though the French Government were pressing that something should be done. He had received from the War Office an explanation of the discrepancy between the information from the Military Attaché and that issued in a Czechoslovak official Communique as to the number of Classes called up in that country. The number of reservists in any one Class was 75,000. 1937 Class, being a lean year, numbered only 69,000, and the 1935 Class about 97,000. The Czechoslovak Government had therefore called up from these two Classes a number approximately equivalent to one average Class. This explained the various references by M. Bonnet and the German State Secretary to the calling up of two Classes. The total number of men called up was about 176,000 men, some of whom served in a semi-civilian capacity, e.g., air raid wardens. The reports of the visits paid by Military
Attaches in Berlin to the Czechoslovak frontier, which had been referred to at the previous Meeting, as well as reports of a visit by the Attache of the United States of America, indicated no great activity on the German side of the frontier.

The Secretary of State for Foreign Affairs, having dealt as above with the immediate situation concerning Czechoslovakia, gave the Cabinet a preliminary summary of the way his mind was working on future policy. If we had turned the first corner successfully, we ought already to be getting ready for the second. He recalled that the French Government were constantly talking of the dilemma in which they were placed between the risk of war and dishonour. The British view was that a war would be an unprofitable one, and that was the French view also. He recalled that the French engagement had been entered into many years ago in totally different circumstances, when Germany was still disarmed, and they had, so to speak, a back door approach to Germany through the Rhineland. It was desirable, therefore, if possible, to obtain a release for the French from their obligation and its contingent consequences. If the present negotiations went well and a permanent settlement was reached, amit questio. We could hardly dare hope, however, for that, and it was quite possible that things might become ugly again. It was true that a firm attitude on our part might conceivably be successful again, but if a really bad incident occurred and a number of lives were lost, there was the possibility of our finding ourselves in trouble.
He had been considering how the whole question could be liquidated. He did not think it was possible for His Majesty's Government to pledge themselves to support any particular solution of the Sudeten question in Czechoslovakia: they were not equipped with the necessary knowledge: and, in addition, such a pledge would bring us very near to a military commitment. Consequently, if at some point in the negotiations a strong demand should be made for a plebiscite, he doubted if it could well be resisted with sufficient support from public opinion here. On the other hand, he also felt that for Dr. Benes to concede a plebiscite under German duress would be very damaging to him. He (the Secretary of State) had been wondering, therefore, as to whether at some point Dr. Benes might not be well advised to make the best offer he could to the Sudeten Deutsch, but to add that he realised that the offer was no use if large blocks of the citizens of the country were to remain discontented, and, consequently, that he would be willing to put to them the question as to whether they would prefer the settlement he offered or the "Anschluss" with Germany.

A second point which he thought was worthy of consideration was as to whether Dr. Benes might not work for a provisional settlement for five years, with a plebiscite at the end. But, as Sir John Simon had pointed out in his Report on India, that kind of temporary settlement was apt to lead to agitation.

Continuing, the Foreign Secretary said that he did not feel that we could ask the French, the Czechoslovak or Russian Governments to denounce their alliances: he would, however, like to see the Czechoslovak State move into a position of neutrality which,
like the neutrality of Switzerland, would be witnessed by the big nations concerned. Under such a system the Alliances would automatically disappear.

The Secretary of State added that he was sending Mr Strang, of the Foreign Office, to Prague that very day to obtain some idea of the atmosphere in that city. Mr Strang was to go on to Berlin, where he would spend the second day, returning to London on Friday. In the meantime the Foreign Office would be examining the ideas of a plebiscite and of a system of neutrality. He asked for no decision, but he had wished the Cabinet to know the lines on which he was working.

In the course of a short discussion the plan of Czechoslovak neutrality, accompanied perhaps by a Cantonal system as in Switzerland, was commended. A plebiscite was felt to offer greater difficulties.

The Prime Minister appreciated the fact that the Foreign Secretary was thinking on these lines. His own mind had moved in the same direction. What he had been thinking of was that the Sudeten Deutsch should remain in Czechoslovakia, but a contented people. If the Germans could be satisfied with the Czechoslovak State from the point of view of their foreign policy, it might be possible to get a settlement in Europe. An indication that Herr Hitler might accept something of the kind was to be found in the account of his interview with the Aga Khan. He hoped, therefore, that the Foreign Secretary would follow up the idea.

In reply to a question as to whether the French themselves had any idea as to how to escape from their dilemma, the Foreign Secretary said that they had communicated nothing to him. He thought that M. Bonnet
would be glad of any suggestions. He would like to work on the subject during the present week, and, after Mr Strang's return, to consult the Prime Minister as to the next move.

The Chancellor of the Exchequer paid a tribute to the handling of the Czechoslovak situation by the Secretary of State for Foreign Affairs. He pointed out, however, that we were living in a shifting situation, which could not endure long unless something was done. He suggested, therefore, that it was necessary to impress on Dr. Beneš the importance of early action.

The Secretary of State for Foreign Affairs agreed. He said that the same afternoon he had arranged to see the Czechoslovak Minister, who was leaving for Prague tomorrow. He had information which led him to think that the Minister would be helped if he himself pressed him rather stiffly to represent to the Czechoslovak Government that we had aided them in the present difficulty, but that this made it all the more important that they should push on with a permanent settlement.
2. The Secretary of State for Foreign Affairs said that the Non-Intervention Committee would meet on the morrow. The Earl of Plymouth (Chairman) was rather more hopeful than on earlier occasions. He himself had pressed the principal Governments represented on the Committee to send helpful instructions to London. He had learned from the Italian Ambassador on the previous evening that the Italian Government had decided to press on with non-intervention. They did not think, however, that General Franco was ready to accept mediation. The Foreign Secretary had asked if it would do any harm if His Majesty's Government came into the open in favour of intervention, if only with a view to the education of public opinion. Count Grandi had replied that that would do no harm. He had added that the German representative was also likely to be helpful at the Non-Intervention Committee. The Foreign Secretary had reason to believe that the French Ambassador also was likely to be helpful.
3. The Secretary of State for the Colonies made a short statement about the present troubles in Jamaica. They had started from a strike in the docks. Unruly elements had tried to extend this to a general strike, but without very much success. Their efforts had not been countenanced by the responsible labour leaders in the Island, and the trouble was fomented by less responsible people. The control of order had got beyond the powers of the Police, and Special Constables had been enlisted. According to the latest reports the Military and the Police had the situation in hand, but a Cruiser had been ordered to proceed to the Island from Bermuda as an extra precaution.

Official reports were to the effect that two persons had been killed, but it was stated in the Press that a third had died. The ostensible object of the strike was an all-round increase in wages, although a Commission had been appointed by the Government to examine this very question and was due to report in the near future. This was one of a series of recent outbreaks in the West Indies, and he had no doubt that ultimately it was due to economic causes. We had done a good deal for the Island, but nevertheless there were causes for discontent. In addition, there was a good deal of racial feeling between coloured and white people, which had been much stimulated by events in Abyssinia and had now become serious. The employers had not always handled their labour very wisely. He thought it would be necessary to study this problem in its fundamentals. There was also a very likely to be a demand for a Royal Commission, but there was no object in appointing a Royal Commission unless the situation was such that some good result.
He did not think that the present troubles were mixed up with Constitutional questions, though there was a Constitutional problem in Jamaica. He felt it would be necessary to face the dilemma as to whether some remedy for the economic facts of the situation could be found or whether matters would have to be left as at present, in which case the situation might go from bad to worse. He was considering the whole West Indian question with his advisers, and would probably raise the matter again in the Cabinet.
4. The Cabinet had before them a Most Secret Memorandum by the Minister for Co-ordination of Defence (C.P.-122 (38)) covering a Report by the Chiefs of Staff Sub-Committee (C.O.S.-727) containing recommendations on the general form and scope of the proposed Staff Conversations with France and Belgium. In his Memorandum the Minister stated that it had not been found possible to refer the Report to the Committee of Imperial Defence prior to the present Meeting. It had therefore been circulated direct to the Cabinet as the Secretary of State for Foreign Affairs was anxious to proceed with the matter with reasonable despatch.

In the course of the discussion, apprehensions were expressed as to the suggestion in paragraph 8 of the Report of the Chiefs of Staff Sub-Committee that the scope of Naval Conversations should embrace an exchange of information with regard to 

"(a) Proposed dispositions for war."

It was recalled that in 1914 so far as there was a moral commitment arising out of the Staff Conversations that had taken place in previous years, it arose not so much out of the Military Conversations as out of the Naval Conversations, which had led to a concentration of French Naval forces in the Mediterranean. This had resulted in an exposure of the French northern coast unless they could count on British Naval co-operation.

It was pointed out, however, that Naval Conversations could hardly take place without an exchange of information with regard to the proposed dispositions for war. This had been the principal objection to having Naval Conversations, but once this had been agreed to, it was almost impossible to
exclude that topic.

The main discussion, however, was on the question of whether the Report made it sufficiently clear that His Majesty's Government were not committed to send even two Divisions on the outbreak of war. It was urged that it ought to be made quite clear to the French Military authorities that their plans must be made quite independently of the assumption of even this amount of co-operation. In this connection, it was pointed out that the Chiefs of Staff in their Report had quoted the following remarks by Lord Halifax that -

"Subject to a full appreciation of Mr. Chamberlain's statement on behalf of His Majesty's Government to the effect that they could not be under any definite commitment to send even two Divisions to France on the outbreak of war ......."

The Cabinet were reminded, however, that during the Conversations, French Ministers had pressed the Prime Minister and the Foreign Secretary very hard to go further and that it would be as well, therefore, to make quite clear in the Military Conversations that no definite commitment had been entered into to send even two Divisions.

The Cabinet were also reminded that the discussions would be on a purely technical basis: that they were wholly hypothetical and dependent on an ultimate political decision. As the Chiefs of Staff had made clear that "the scope of the Conversations should only cover the movement up to and including the assembly area" and that "there should be no question of arranging concentration areas", it was bound, at that point, to become clear that the French would have to make their initial plans on the assumption that at the outset of war they must occupy the whole of their front.
The Cabinet agreed:

(a) To approve the following conclusion of the Chiefs of Staff Sub-Committee:

"(i) We assume that the medium of the Naval, Army and Air Conversations with the French will be through Service Attaches and we recommend that our representatives in Paris should be instructed to resist any attempt on the part of the French to raise the contacts to a higher level, at any rate in the early stages. So far as the Navy is concerned we recommend that at no stage should the conversations reach the level on our side of higher than Directors of Admiralty Divisions."

(b) That with regard to the Army Conversations –

(i) Our Military Attaché should be instructed to make clear that only two Divisions could be available at the outset of war for despatch to the Continent if circumstances elsewhere permitted; that it had already been made clear, on the political side, that no commitment to send them could be taken in advance; but that he was prepared to enter on discussions on the hypothesis that such a decision might be taken. If the French were to ask for more Divisions, he should state that at the outset of the war no more Divisions would be ready, and that before reinforcements could be sent, there would be plenty of time to discuss the detailed arrangements.

(ii) That it would be permissible to enlarge the usefulness of the Conversations by including administrative reconnaissances at the ports of disembarkation by a few junior staff officers in plain clothes.

(c) Subject to the above decision, to approve the scope of the Naval and Army Conversations with the French as outlined in paragraphs 7-10 and 17-19 of the Report of the Chiefs of Staff Sub-Committee attached to C.P. 182 (38).
(d) To approve the following recommendation of the Chiefs of Staff Sub-Committee:

"(iv) We recommend that contacts with the Belgians, over and above those already existing between our Military Attaché in Brussels and the Belgian General Staff should be confined to conversations on the Attaché level on certain air questions summarised in paragraph 21. We submit that if conversations with the Belgians on the above limited scale are authorised, it should be possible with truth to say in any public statement by His Majesty's Ministers that

"normal contacts with the Belgian Military Authorities are being maintained with the Service Attaches."

(e) To approve the following recommendation of the Chiefs of Staff Sub-Committee:

"(v) We consider that there would be no advantage, from the military point of view, in entering into triangular conversations with the French and Belgians so long as the scope of the conversations is kept within the limits recommended in this Report."

(f) That the Minister for Co-ordination of Defence should call the attention of the Chiefs of Staff Sub-Committee to the following passage in paragraph 19 of their Report:

"If, on the other hand, the advanced air striking force and the field force have to operate in different theatres, additional units must be formed for which no provision exists at present."

The Minister should invite them to consider what action should be taken to correct this deficiency to which the representatives of the French General Staff are likely to call attention.
5. The Cabinet had before them a Note by the Minister for Co-ordination of Defence (C.P. 119 (38)) describing the consideration that had been given by the Committee of Imperial Defence to the subject of German civil aviation penetration in the Near and Far East since the Meeting referred to in the margin. The Minister attached to his Note a copy of a Joint Memorandum by the Secretary of State for India and the Secretary of State for Air (C.I.D. Paper No.1429-B), and an extract from the 322nd Meeting of the Committee of Imperial Defence (Minute 7).

The Minister for Co-ordination of Defence introduced the subject.

The Secretary of State for India made a short statement, in the course of which he proposed an amendment to conclusion (c).

In the course of a short discussion, it was suggested that the present position resulted from the fact that the Government of India had not developed its air routes.

The Prime Minister said that that was a larger question which, if raised, would have to be brought up as a separate issue.

After a short discussion, the Cabinet agreed:

To approve the following conclusions of the Committee of Imperial Defence (conclusion (c) of which has been slightly amended as in the passage underlined below):-

(a) That for the reasons stated in the Joint Memorandum by the Secretaries of State for India and Air (C.I.D. Paper No.1429-B) and in these Minutes, it would now be both impracticable and impolitic to attempt to prevent the Germans establishing an air line to Kabul, permission for which they had obtained from the Afghan Government.
(b) That it would, on balance, be to our advantage to grant the Germans the transit facilities for which they were asking on the usual route across India and Burma for an Air Service to the Far East.

(c) That the Secretary of State for Air should accordingly be invited to inform the Germans in reply to their official application of the 12th March, 1938, that His Majesty's Government would be prepared to grant the facilities for which they asked on the understanding that this concession carried with it a definite engagement on the part of the German Government to grant reciprocal facilities when required for the development of British Air Services in other quarters, and, in particular, to give any co-operation that they are in a position to give in the matter of reciprocal facilities between Imperial Airways and Burma in China.

(d) To invite the Secretary of State for India to inform the Government of India in the sense of paragraphs (a) to (c) above.
6. The Secretary of State for Air informed the Cabinet that further communications from the Mission sent to the United States of America and Canada had resulted in clearing up several of the points that had been raised at the last meeting of the Cabinet. For example, guarantees had been given for the delivery of 27 Lockheed machines before the 31st December, 1938, and of 15 a month thereafter, exclusive of the time required in this country for the fitting of turrets, bomb-racks, etc. It was also now established that the aircraft could on delivery in this country be modified to take British bomb-racks so as to carry British bombs. If we did not purchase these aircraft ourselves, it was almost certain that the Australians would wish to do so and if a start was once made with the direct sale of American aircraft to Australia, it would be difficult to recover the market for this country.

In the case of training types of aircraft, the following guaranteed delivery dates had been obtained by the Mission:

- 45 before 31st December, 1938,
- 20 in January, 1939,
- 30 in February, 1939,
- 35 a month thereafter,
- with the completion of the order by 31st May, 1939.

After consulting the Prime Minister, he had decided to invite the two American Companies concerned to send representatives to London to discuss details and they were sailing from America that very day. He had reached the conclusion on a review of all the circumstances that this opportunity ought not to be lost and that we must have these machines. He was also impressed by the possibilities of erecting a factory in Canada.
The Secretary of State for Foreign Affairs said that the idea of purchasing American machines with its implication that America was behind us had had a useful effect in Germany. There would be a certain contrary effect if we dropped the proposal.

The President of the Board of Trade, recalling what he had said at the previous meeting about the balance of trade, said that, if these aircraft were to be purchased, it would be a great advantage if it could be done quickly. This might help in the American Trade Negotiations.

The Minister of Labour warned the Cabinet that the purchase would be unpopular in some districts.

The Secretary of State for Air pointed out that the aircraft industry had as many orders as it could fulfil.

In the course of the discussion, the Cabinet were reminded that, as the representatives of the American manufacturing companies were only starting from the United States to-day, they could not arrive in time for the matter to be submitted to the Cabinet at their next regular weekly meeting. That would be followed by the Whitsun Recess. It was suggested, therefore, that arrangements should be made for delegating the authority for taking a decision.

The Cabinet agreed:

That authority to take a decision on behalf of the Cabinet should be delegated to the Prime Minister, the Chancellor of the Exchequer and the Secretary of State for Air.
7. In pursuance of the Conclusion mentioned in the margin, the Cabinet had before them a Memorandum by the President of the Board of Trade (C.P.-180 (38)) on the subject of the re-organisation of the Cotton Industry, in which he described a deadlock that had arisen in negotiations with certain sections of the industry. The President sought the authority of his colleagues to proceed with the drafting of a Bill, to be published as a basis of discussion, on the general lines of the revised proposals of the Joint Committee of Cotton Trade Organisations (a copy of which he attached to his Memorandum), modified wherever necessary in order to get the maximum of agreement. He proposed, however, to make a further effort to induce the different sections of the industry to try to reach some greater measure of agreement, as the result of such discussions should at least assist him in producing a Bill that would command as wide a measure of support as it was possible to obtain.

The President of the Board of Trade made a full statement to the Cabinet on the subject, in the course of which he emphasised the opposition that would be created either by accepting or rejecting the scheme, and pointed out that unless the Government were prepared to take some further step, the scheme was bound to fail and the responsibility would be placed on the Government. The only way he could see was to announce that the Government were prepared to proceed with the drafting of a Bill based on the general lines of the proposals of the Joint Committee: to state that, in the absence of an agreement, they were not accepting all the details; but that they were prepared to propose some modifications. He had seen the opponents of the Bill and he had thought it was not
impossible to reach agreement on the basis of some rather less elaborate and widespread arrangement, and to achieve this he proposed to use the occasion of the drafting of the Bill to try, through the instrumentality of a neutral Chairman, to reach agreement. He felt sure, however, that it would not be possible to reach agreement without some contribution from the Exchequer. In this connection, he urged that the need of the cotton industry was even greater than that of the Mercantile Marine at the time when his predecessor had succeeded in obtaining assistance from the Chancellor of the Exchequer of that day.

The Chancellor of the Exchequer, while not opposing the immediate proposals of the President of the Board of Trade, reserved his position completely as to any assistance that was proposed.

The Minister of Labour suggested that the discussions to be conducted by an independent Chairman should take place as a first step towards the drafting of the Bill and not after the Bill had been drafted.

The President of the Board of Trade said this had been his intention. His proposal for proceeding to draft a Bill was a means of arranging for discussions to take place.

The Secretary of State for Dominion Affairs supported the President of the Board of Trade in remarks he had made as to the bad effect politically and even more important psychologically of doing nothing. The cotton trade was going through difficulties in all parts of the world. The opposition to the Joint Committee's proposal was increasing. This was due to its Leader who, however, was an eminently reasonable man, and was unlikely to adopt a purely obstructive attitude.
The Prime Minister said it would be impossible for the Government to sit still in this matter. It was its duty to take positive steps to help these people out of their difficulties.

The Secretary of State for Scotland said that there was a small cotton industry in Scotland which was interested in this matter, but he was aware that the President of the Board of Trade had this in mind.

The Cabinet agreed:

To authorise the President of the Board of Trade to announce that he proposed to proceed with the drafting of a Bill on the general lines of the revised proposals of the Joint Committee of Cotton Trade Organisations, modified wherever necessary in order to get the maximum agreement, and to take at his discretion other action as outlined to the Cabinet and summarised above. He was asked to bear in mind the suggestion of the Minister of Labour mentioned above.
8. The Cabinet had before them a Memorandum by the Chancellor of the Exchequer (C.P.-123 (38)) seeking the authority of his colleagues for the preparation and submission to the Committee of Home Affairs of a Bill to enable the Trustees of the British Museum to accept, in view of its great scientific interest, a bequest by the late Lord Rothschild of his museum and collections at Tring, to be housed in situ. The Chancellor stated that he was willing to sanction the maintenance expenditure involved, which was in the region at present of about £4,000 per annum.

The Lord President of the Council said that he had been present at the meeting of the Trustees of the British Museum at which this matter had been discussed, and the experts had been unanimous as to the value of this bequest.

The Cabinet agreed:-

To authorise the Chancellor of the Exchequer to prepare and submit to the Committee of Home Affairs a Bill to enable the Trustees of the British Museum to accept the bequest by the late Lord Rothschild of his museum and collections at Tring.
9. In accordance with the Conclusion mentioned in the margin, the Cabinet had before them a Memorandum by the Minister of Agriculture and Fisheries (C.P.-118 (38)) on the question of the powers of Boards to impose and recover penalties in connection with schemes made under the provisions of the Agricultural Marketing Acts, 1931 and 1933. It seemed desirable to the Secretary of State for Scotland and himself that the question of procedure should be examined by their Departments with the other Departments concerned. At a recent Inter-Departmental Conference on the subject it had been agreed that Ministers should be advised—

(i) that the question should be remitted to a Departmental Committee comprising members with a knowledge of law, administration and industrial and agricultural organisation (including probably two or three Members of Parliament with these qualifications);

(ii) that the Terms of Reference might be:

"To enquire into the present arrangements for the imposition and recovery of penalties for contraventions of schemes established under Statute for the organisation of agriculture and other industries, to consider whether any modifications of these arrangements are desirable and practicable, and to make recommendations";

(iii) that in view of the general issues involved the Committee might be appointed by Treasury Minute.

The Secretary of State for Scotland and himself concurred in these recommendations and submitted them for approval. If approved, it was proposed that an early opportunity should be taken to announce in the House of Commons, by Question and Answer, that it was intended to appoint a Committee with the above Terms of Reference.
The Cabinet agreed:—

To approve the proposals of the Minister of Agriculture and Fisheries as set forth in C.P. 118 (38) and summarised above.
PORT OF LONDON AUTHORITY.

The Cabinet had before them a Memorandum by the Minister of Transport (C.P.-121 (38)) stating that the Port of London Authority had applied to him for confirmation of their By-laws, so amended as to allow ocean tankers to proceed to Purfleet (19 miles from London Bridge) instead of the present limit at Mucking (31 miles from London Bridge). After outlining the consideration which had been given to the question since 1936, the Minister of Transport found it no less difficult than his predecessors to assent to a proposal involving fire risks of the first magnitude and other special dangers, which would be still greater if all the Oil Companies in addition to the Anglo-American Oil Company availed themselves of relaxed By-laws. Nevertheless, if his colleagues were satisfied, in accordance with the view of the Committee of Imperial Defence, that the national defence aspect of the question overrode all other considerations, he was prepared, notwithstanding his doubt (which he believed to be fully shared by the President of the Board of Trade), to confirm the By-laws, on the clear understanding that it was a decision of His Majesty’s Government on grounds of defence and not that of an individual Minister.

After considerable discussion the Cabinet agreed that:

Having regard to the representations of the shipping and insurance interests, and the possible additional burden by way of increased fire insurance charges which would be thrown upon shipping interests and riparian owners owing to the increased fire risk, the Minister for Co-ordination of Defence should give further consideration to the proposed alternative of a pipe line from Purfleet to Thames Haven, and should report to the Cabinet at their next regular weekly meeting.

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11. The Cabinet had before them a Memorandum by the President of the Board of Trade (H.A.-17 (38)) covering the draft Essential Commodities Reserves Bill. The object of the Bill was to regularise certain purchases of essential commodities which had already been made, and to confer certain powers on the Board of Trade to make similar purchases in the future. The Conclusions reached by the Committee of Home Affairs thereon (H.A.C. 9th Conclusions (38), Minute 1), were as follows:—

"(1) To reserve for determination by the Cabinet—

(a) The question referred to at the Meeting of the Cabinet on the 21st July, 1937, (Cabinet 31 (37), Conclusion 9) whether fertilisers should be included within the scope of the Bill; and

(b) The desirability or otherwise of taking power to deal in the Bill with commodities which may be found essential other than the commodities specified in the Schedule to the Bill.

(2) Subject to the decisions of the Cabinet on (1)(a) and (b) above, to recommend the Cabinet to authorise the introduction forthwith in the House of Commons of the Essential Commodities Reserves Bill in the form of the draft annexed to H.A.-17 (38), subject to any drafting or other minor alterations that may be found necessary or desirable."

NOTE: As stated in paragraph 6 of H.A.-17 (38), fertilisers have been provisionally included in the Bill as drafted.

After a short discussion, the Cabinet agreed:

(a) That fertilisers should be included within the scope of the Bill.

(b) That power should not be taken in the Bill to deal with commodities which may be found essential other than the commodities specified in the Schedule to the Bill.
(e) Subject to the above decisions, to authorise the introduction forthwith in the House of Commons of the Essential Commodities Reserves Bill in the form of the draft annexed to H.A.17(58) and subject to any drafting or other minor alterations that may be found necessary or desirable.
12. The Cabinet had under consideration a Memorandum by the Home Secretary (H.A.-18 (38)) covering the draft Young Persons (Employment) Bill, the object of which was to give effect to the outstanding recommendations of the Departmental Committee on the Hours of Employment of Young Persons in Certain Unregulated Occupations: together with the following recommendation thereon by the Committee of Home Affairs (H.A.C. 9th Conclusions (38) Minute 2):—

"To authorise the introduction forthwith in the House of Lords of the Young Persons (Employment) Bill in the form of the draft annexed to H.A.-18 (38), subject to any drafting or other minor alterations that may be found necessary or desirable."

The Secretary of State for Scotland said that the Bill would apply to Scotland also.

The Cabinet approved the proposal of the Committee of Home Affairs as set forth above.

2, Whitehall Gardens, S.W.1.
25th May, 1938.