CABINET 53 (58)

Meeting of the Cabinet to be held at No. 10 Downing Street, S.W.1., on MONDAY, 7th NOVEMBER, 1958, at 3.0 p.m.

AGENDUM

DEFENCE PROGRAMMES AND ACCELERATION.

(Reference Cabinet 52 (58) Conclusion 13)

Report by Cabinet Committee.
C.P. 247 (58) - circulated herewith.

Memorandum by the Secretary of State for Air.
C.P. 218 (58) - circulated herewith.

Memorandum by the Minister for Co-ordination of Defence covering extract from Minutes of the 333rd Meeting of the Committee of Imperial Defence, together with Memorandum prepared in collaboration between the Air Ministry and the Department of Overseas Trade.
C.P. 222 (58) - circulated herewith.

(Signed) E.E. BRIDGES
Secretary to the Cabinet.

Richmond Terrace, S.W.1.
4th November, 1958.
CONCLUSIONS of a Meeting of the Cabinet held at 10, Downing Street, S.W.1., on MONDAY, 7TH NOVEMBER, 1938, at 3.0 p.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. Malcolm MacDonald, M.P.,
Secretary of State for Dominion Affairs and Secretary
of State for the Colonies.
The Right Hon. Sir Thomas Inskip, C.B.E.,
K.C., K.P., Minister for
Co-ordination of Defence.
The Right Hon. L. Hore-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, K.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.
The Right Hon. The Viscount Runciman,
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. Sir John Anderson, G.C.B.,
G.C.S.I., G.C.I.E., M.P.,
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. The Earl Stanhope, K.G., D.S.O.,
M.C., First Lord of the Admiralty.
The Right Hon. Sir Kingsley Wood, L.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 De La Warr, President
of the Board of Education.
The Right Hon. Ernest Brown, M.C., M.P.,
Minister of Labour.
The Right Hon. The Earl Winterton, K.P.,
Chancellor of the Duchy of Lancaster.

Mr. E.E. Bridges, M.C. .................. Secretary.
1. THE PRIME MINISTER said that he thought his colleagues would be glad to know that the United States Government had agreed to the latest proposals which we had submitted for an Anglo-American Trade Agreement. He was sure his colleagues would wish to congratulate the President of the Board of Trade on this outcome of the negotiations.

The Treaty had not yet been signed. Indeed, it was probable that signature would not take place until the end of this week or the beginning of next week. It was therefore of the utmost importance that this news should be regarded as strictly confidential for the present.
DEFENCE PROGRAMMES AND ACCELERATION.

Report of Cabinet Committee.

(Previous Reference: Cabinet 52 (38), Conclusion 13.)

2. The Cabinet had before them the following most secret documents on the subject of Defence Programmes and Acceleration:

(a) The Report of the Cabinet Committee (C.P.-247 (38)) appointed on 26th October, 1938, in which they set out proposals put forward by the Service Departments and the Home Office, together with their recommendations thereon:

(b) A Memorandum by the Secretary of State for Air (C.P.-318 (38)) on Relative Air Strength and Proposals for the Improvement of this Country's Position, further consideration of which by the Cabinet Committee had been adjourned pending conversations between the Chancellor of the Exchequer and the Secretary of State for Air:

(c) A Note by the Minister for Co-ordination of Defence (C.P.-222 (38)) covering a Memorandum on the German Aircraft Industry, prepared in collaboration between the Air Ministry (Intelligence) and the Department of Overseas Trade (Industrial Intelligence Centre) (C.I.D. Paper No. 1472-B); together with the relevant extract from the Minutes of the 333rd Meeting of the Committee of Imperial Defence (Minute 9).

THE PRIME MINISTER stated that he thought it would be convenient if the Cabinet dealt with the position of each of the Services in turn.

The recommendations in the Committee's Report (C.P. 247 (38)) were accepted without alteration except where stated in these Conclusions. The Committee's recommendations as amended in discussion in the Cabinet are set out in full below.

THE MINISTER FOR CO-ORDINATION OF DEFENCE explained that a number of the proposals put forward in the Committee's Report could be met within the sum which had been allocated to the Admiralty for the last three years of the quinquennium covered by the Defence Loans Act (i.e. the three years April 1939 to March 1942).
The sum so allocated was £410 millions, this figure being a compromise between the figure of £443 millions asked for by the First Lord of the Admiralty, on the basis of the New Standard Fleet, and the Minister's provisional allocation of £355 millions.

Paragraph 2:

Escort Vessels.

With regard to the proposal to lay down at once a first batch of 10 escort vessels, the Minister explained that during the crisis the Admiralty had been impressed with the shortage of vessels for convoy and escort work. The First Sea Lord was most anxious that steps should be taken to remedy this deficiency. The ships could not be laid down until May, 1939, but steps could be taken forthwith to start collecting the necessary material.

The First Lord of the Admiralty said that under the Anglo-German Naval Agreement we were bound to notify any change in our Programme to Germany during the first four months of the calendar year. In effect, it would be necessary to give notice early in January, 1939, if we proposed to lay down the second batch of 10 escort vessels before May, 1940. As a result of further consideration the Admiralty thought that this latter date was too late. He therefore asked for authority to notify Germany early in 1939 of the proposal to lay down 20 escort vessels in all in the ensuing twelve months. If this was to be done, it would probably be necessary to inform the House of Commons before the Christmas Recess. He explained that the notification which was made to Germany at the beginning of the calendar year must include our whole programme for the year.
THE PRESIDENT OF THE BOARD OF TRADE stressed the importance which his Department attached to there being a sufficiency of these vessels. A shortage of vessels for convoy would seriously upset the arrangements made for control of shipping. It might result in convoys having to wait eight or ten days before they could sail.

THE SECRETARY OF STATE FOR FOREIGN AFFAIRS, asked by the Prime Minister as to the effect on Germany of an announcement that we proposed to lay down 20 of these vessels in the next financial year, said it was necessary to hold the balance evenly between what we needed for defence and the effect of our defence plans on Germany. It was imperative that Germany should be given no justification for saying that we were preparing for war against her and, on that account, for denouncing the Anglo-German Naval Agreement.

THE SECRETARY OF STATE FOR FOREIGN AFFAIRS said that he did not feel very strongly about the proposal to lay down these 20 escort vessels. Looking at our relations with Germany from a wider point of view the Secretary of State said that he thought that steps should be taken in the near future to prevent the Munich wax setting too hard before we had taken some further action towards implementing our policy of appeasement. He was not, at the moment,
in a position to make a definite suggestion, but he thought that we might tell Germany that we should like to know whether she had any suggestions as to how the outstanding matters should be discussed.

THE PRIME MINISTER said that he was not altogether happy about the proposal to increase our programme by laying down these 20 escort vessels. He had come to the conclusion, however, that the right course was to agree to this proposal, subject to its reconsideration before the end of the year if this should appear to be highly desirable from the point of view of the Secretary of State for Foreign Affairs.

This course was agreed to.

THE MINISTER FOR CO-ORDINATION OF DEFENCE then explained briefly the other proposals in the Cabinet Committee's Report relating to the Admiralty programme.

It was agreed that it should be considered whether the Southern Railway should be invited to bear some share of the cost of dredging Dover Harbour. The view was expressed, however, that the dredging would not be of much value to the Railway Company.
THE MINISTER FOR CO-ORDINATION OF DEFENCE explained that the main proposals relating to the Army dealt with A.A. defences. The so-called "Ideal Scheme" for the Air Defence of Great Britain had provided for 1264 guns of modern types. The present authorised scheme was for 928 guns, of which 320 would be the 3" guns re-lined. In passing, he observed that it was a mistake to regard the 3" guns as ineffective.

The present proposal was that the number of A.A. equipments authorised for the Air Defence of Great Britain should be increased to 1264, all modern types. In addition, another 50 or so guns should be provided for ports abroad, making a total of 686 additional guns of new types.

In order to obtain the additional guns, it would be necessary to create new capacity, and it was desired to place an order now for 300 guns to enable the necessary additional capacity to be built up.

The Minister also pointed out that, to some extent, the present proposal was linked up with the provision of capacity for field guns. At the present time, A.A. guns had absolute priority. It was, however, impossible to employ our capacity for gun manufacture indefinitely on the production of A.A. guns to the exclusion of field guns. The new capacity was therefore required in order to enable the additional A.A. guns to be produced without still further postponement of the provision of field guns. He thought that the present proposal would meet most of the criticism that we had not got enough A.A. guns.
In reply to questions, it was explained that it was proposed to create the new capacity by the extension of an existing factory. Possible labour difficulties had been discussed with the firm concerned (Messrs. Vickers Armstrong), who thought that they would be able to find the necessary labour. Broadly speaking, the additional guns ordered were required, not to protect additional areas, but to provide a thicker concentration. It was a fact that, at the present time, we had demands for guns of these calibre from other sources, within and without the Empire, which we were unable to meet.

THE HOME SECRETARY thought that the increase proposed was inevitable. His only doubt was whether the increase proposed was adequate. He suggested that when the proposals now under consideration had been dealt with by the Cabinet, it might be desirable that the Chiefs of Staff should again consider the whole question of Home Defence from the point of view of advising whether the programme as altered by the additions now proposed was properly balanced.

It was agreed that the Minister for Co-ordination of Defence should take the necessary steps to secure a further review of the Home Defence picture on the lines proposed by the Home Secretary.

The Committee's recommendations as to A.A. equipments were approved.

It was explained that the orders dealt with in paragraph 20 related mainly to shell of different types (mainly field gun shell) and that the additional order now proposed was not in excess of ultimate Army requirements, although it was in excess of what had already been authorised.

After discussion, the Committee's proposals in this paragraph were accepted.
THE CHANCELLOR OF THE EXCHEQUER said that he did not deny that cases such as those referred to in this paragraph might arise in which some concession would be necessary. He thought, however, that there was a great difference between adopting the procedure now proposed as a standard formula, and acting on the lines suggested in exceptional individual cases. He was afraid that if the former procedure was adopted, there might be cases where a civil customer and contractor would share the proceeds of the Penalty Clause. He thought it was most undesirable that the procedure suggested should be included in the authorised practice of Government Departments.

THE LORD CHANCELLOR suggested that it might be possible to deal with the matter by a Bill which provided that if a certificate of particular urgency was issued, the Government would have the right to require absolute priority, and that in such cases any loss sustained by the firm should be recouped.

THE PRESIDENT OF THE BOARD OF TRADE thought that this matter required very careful handling and he suggested that the few cases which had arisen should be dealt with ad hoc.
It was agreed to accept the recommendation made by the Committee, subject to the addition of the words "on the basis that each case is dealt with on its merits".

With regard to the Role of the Army, the MINISTER FOR CO-ORDINATION OF DEFENCE said that a long memorandum had been submitted making proposals to increase the effectiveness of the Army. The Committee had felt that, as a major question of policy was involved, it would not be within their Terms of Reference to deal with this memorandum, and they thought that the matter should be remitted to the Committee of Imperial Defence.

THE SECRETARY OF STATE FOR WAR said that the General Staff were very anxious that their views on this matter should be set on formal record. In their view, the Army was at present unable to fulfil certain of its obligations. He (the Secretary of State) added that he attached considerable importance to the proposals to increase the equipment of the Territorial Army and he thought that the best plan would be to take these two matters up at the Committee of Imperial Defence.

This course was agreed to.

(The First Lord of the Admiralty left the meeting at this point.)
THE MINISTER FOR CO-ORDINATION OF DEFENCE said that the Chancellor of the Exchequer and the Secretary of State for Air had conferred on this matter which had very serious financial implications. The Appendix to the Committee’s Report set out the stage reached in the discussions between those two Ministers at the time when the Committee’s Report had been submitted.

THE SECRETARY OF STATE FOR AIR said that he had found it necessary to circulate a lengthy paper, as he was anxious that his colleagues should have before them the position as seen by the Air Ministry. He wished to express his thanks to the Chancellor of the Exchequer for the attitude that he had adopted in their discussions.

He thought that it would be generally agreed that the air defences of this country occupied a position of very special importance. It was Germany’s strength in the air and the relative weakness in this sphere of the other Powers which was the main factor causing the unrest and anxiety which existed in the world to-day. Again, from the point of view of world appeasement, our own weakness in the air was obviously a serious handicap to our diplomacy. If our air strength could be increased, it would give strength to the Prime Minister in his further efforts for peace. It would also assist us in the efforts which we hoped to make to obtain limitation of armaments. It was only by strengthening our air position that we could give our diplomacy the help which it required.
From the domestic point of view, our weakness in the air was the cause of great anxiety to the country. The position of the Government in this matter was further complicated by the pledges which had been given in regard to our air strength. These were interpreted by people as meaning that we should attain some measure of equality with any aggressor who was in a position to attack us. This was a matter which was very difficult to deal with in the course of debate. The Memorandum which had been submitted by the Labour Party at the end of the Summer Session contained what appeared to be information obtained from the Air Ministry, including an estimate of the air strength of this and other countries.

These, said the Secretary of State for Air, were the main factors in the position which his Paper was intended to meet. He thought that the paper disclosed a serious state of affairs. He was sure, however, that it contained no exaggeration, and was certainly not based on any over-estimate of German strength. If anything, perhaps it under-estimated German strength and in particular the capacity of the German aircraft industry.

If we had had to engage in war in September, our position, so far as the air was concerned, would have been very grave. Our first line was weak, and so far as reserves were concerned, the position was highly precarious. We could only have continued an effective fight in the air for a very short period.
His colleagues might ask whether this state of affairs would not be remedied when the programme authorised in May last, when Lord Swinton was Secretary of State for Air, had been implemented. That programme, however, was not based on any measures of equality with Germany. Rather it was based on the principle of giving sufficient orders fully to occupy the aircraft industry for a given period. Indeed, when the present programme was completed, we should have made but a very limited advance in the direction of approaching German strength in the air. He invited attention in this connection to paragraph 35 of C.P. 218(38).

The position clearly called for some further action. He was confident that the further action to be taken should be founded on two principles: firstly, a considerable increase in our reserve strength and the further equipment of our force with the latest types of machines. The result would be to bring about a great increase in the real strength of the Air Force. We should add depth as well as length to the organisation. We should build up a Force which could continue to operate over a considerable period, and this involved the development of our productive capacity.

Secondly, we must concentrate on building up our fighter strength. He was glad to say that the Chancellor of the Exchequer did not dissent from these two proposals.
The Secretary of State then dealt with our bomber strength, which he regarded as our counter-defensive. Bombers were a very expensive item indeed, and any consideration of his programme from the financial point of view would naturally be largely concerned with this item.

The Secretary of State said that his own view, and that of the Air Ministry, was that while it was right that we should build up a strong force of fighters, nevertheless if our real aim was to prevent war, it was necessary that we should also have a sufficient bomber force to ensure that any country wishing to attack us would realise that the game was not worth the candle. In other words, the bomber force was the best deterrent to avoid war. Further, a heavy bomber programme afforded the best means of enabling this country to get on level terms with Germany. Germany's policy had been to concentrate on giving large orders for a limited number of types; also Germany did not make alterations in her programme until she had attained a substantial measure of strength. It was possible for this country, which came into the field later, to concentrate on heavier types, which were capable of inflicting a much greater degree of damage and which would thereby give us some advantage.

From the financial point of view, we could obtain a bomber force with a given bomb lift at less cost if we constructed heavy bombers than if we constructed medium bombers.

A considerable proportion of the aircraft industry was engaged in manufacturing heavy bomber types,
and it was impossible to contemplate discharges from the industry at the present time.

There was the further consideration that if we were to succeed in building up a reasonable productive capacity, it was necessary to place follow-on orders to take the place of the orders now being carried out.

The Secretary of State for Air said that he attached a special importance to the proposal in paragraph 34 of his Memorandum for the purchase of further jigs and tools and materials. He thought that if the worst came to the worst, then the action proposed under this head would enable us to meet the situation.

The Secretary of State then referred to a number of ancillary proposals contained in his Memorandum, e.g., the increase in the Royal Air Force, Volunteer Reserve and training facilities. He thought that these matters could be dealt with by the Chancellor of the Exchequer and himself in consultation, and that it would not be necessary for them to be discussed in the Cabinet.

The Secretary of State for Air then dealt with the presentation of these proposals, which was of the utmost importance, first from the point of view of their repercussions on Italy and Germany, and secondly from the point of view of Parliamentary opinion at home.

As regards the former aspect, he gave some particulars of a conversation which had taken place between the German Air Attache and the Chief of the
Air Staff that morning, as the result of a statement in the Sunday press that we were proposing to carry out an immediate large increase in the strength of the Air Force. This conversation, he thought, showed the importance of emphasising the defensive character of our programme.

The Secretary of State for Air proposed that any statement should make it clear that we intended to give highest priority to the strengthening of our fighter force and particularly in regard to reserves. So far as bombers were concerned, he proposed to say no more than that the Government's intention was to increase the reserves of our counter-defensive force and to make provision particularly for the large numbers of aircraft of special types indispensable for training.

The Secretary of State emphasised that he did not propose to make any announcement in regard to our reserve strength. Nor did he propose to make any statement as to our intention to concentrate on the heavy bomber type.

He also proposed to indicate that there would be a review of our overseas requirements, and that our overseas strength would be increased, if necessary, in the light of that review. He would also refer to the necessity for accelerating the training of the Royal Air Force reserve and of the Royal Air Force itself.
The Secretary of State also thought that, whilst it should be made clear that we did not withdraw any of our previous declarations in regard to our Air strength, it was important that we should now state our objective, namely that we must possess an Air Force adequate for our own necessities so that no country, by reason of our weakness, would be tempted to attack us.

Up to this point, the Secretary of State continued, his proposals in regard to presentation had been mainly directed to the position vis-a-vis Germany.

The other side of the picture was that it was necessary to reassure the country that a real effort was now being made so far as the Air was concerned. He proposed to say that we were increasing our first line Fighter strength by 30%. For the rest, all that could be said would necessarily be expressed in very general terms. He therefore proposed, in order to give the country some real measure of the steps we were taking, to express the position in terms of money. The figure stated should not be of such a nature as to provoke undesirable repercussions in Germany, but should give reasonable assurance so far as this country was concerned. He proposed that the public announcement on this point should be settled by the Prime Minister, the Chancellor of the Exchequer, the Foreign Secretary and himself, in consultation.
One difficulty in this connection was that if he gave the figure of additional cost resulting from the present proposals for the first year only, that figure would be comparatively small, although the programme now put forward represented a very real attempt by this country to make up for our deficiencies in the air.

THE CHANCELLOR OF THE EXCHEQUER dealt first with the effect of the present proposals on the country's finances. When the Cabinet Committee had started their deliberations they had decided that, while they would deal with particular proposals individually, their decisions in regard to those proposals should be subject to review when the picture could be seen as a whole. Owing to the time factor it had not been possible for the Committee to give any conspectus of their proposals as a whole.

The Chancellor reminded his colleagues that, two and a half years ago, the country had embarked upon a five years' programme of re-armament. The amount of the programmes to be met by borrowing had been fixed at £400 millions. Since the total of the programme was then put at £1,500 millions, the cost of the programme to be met by taxation was £1,100 millions over five years.

The second stage in the programme had been the review carried out by the Minister for Co-ordination of Defence. An allocation or ration had been fixed for the Admiralty and for the War Office, but no such allocation had been fixed for the Air Ministry.

The present proposals now altered the position substantially. It was certain that the cost of the Programmes as now presented would be over £2,000 millions, and it might well be £2,100 millions for the quinquennium.
In 1957 we had spent £262 millions on defence, including Air Raid Precautions. For 1958 the figure was £369 millions, making a total for the two years of £631 millions. If the cost of the total programme was now over £2,000 millions we should have to find something like £1,400 millions over the next three years. The Treasury estimated that on the basis of present rates of taxation we might manage to find £225 millions a year for Defence expenditure after meeting other charges, e.g., interest on debt and civil expenditure. This estimate assumed a continuance of expenditure on the social services at the present rate, but no increase.

On the basis of this calculation we could find £675 millions from taxation on the existing basis during the next three years to meet a total defence expenditure in that period of £1,400 millions. There was, therefore, £725 millions to be met either from borrowing and/or from an increase in taxation. Assuming that this sum was found by borrowing (and he looked forward with great anxiety to any efforts to raise any substantial part of this vast sum by increased taxation), the total defence borrowing over the quinquennium would be £176 millions borrowed in the financial years 1937 and 1938, plus £725 millions in April 1939 to March 1942, i.e., a total of £903 millions to be borrowed over the period of five years, as compared with £400 millions authorised in the Defence Loans Act.

The real question was whether this task was within our powers. He invited attention to the statement in paragraph 5 of the Appendix to C.P.-247 (38), which, he thought, was a very moderate statement of the results of excessive
borrowing. It was quite certain that this enormous sum could not be provided out of the savings of this country.

At the same time he did not suggest that purely financial considerations should have priority over vital defence needs. It was clear that we should have to be prepared to face financial arrangements which we should not ordinarily contemplate as tolerable. It was, however, of vital importance that we should not get into a position whereby we undertook a very large programme, and announced our intention of carrying it through, and then found that for financial reasons we were unable to do so.

The Chancellor of the Exchequer also referred to the cost of maintenance of the enlarged Air Force. There might be justification for borrowing in order to build up our forces, especially if the articles provided from borrowed money were likely to endure for some time; but he thought no-one would contemplate that we should borrow for the maintenance expenditure of the Defence forces. He had asked the Air Ministry to estimate the maintenance cost of the Air Force on the basis of the revised Programme. The figure had been tentatively put at £110 millions a year, which represented a large addition to previous estimates. He thought that this factor of maintenance costs was one which it was essential to bear in mind.
The Chancellor also referred to the difficulty which he had experienced in reconciling the very large figures of aeroplanes already ordered and which it was proposed to order under the new programme, with the figures of our first-line and reserve strength. He understood that the explanation lay mainly in the very high wastage rate, and in the number of machines required for training.

Turning to paragraph 30 of C.P.-218 (38), the Chancellor of the Exchequer said that the cost of the new Fighter programme there set out was £45 millions, and the cost of the Bomber programme £175 millions. These figures covered the cost of the machines only and made no provision for maintenance charges.

In regard to the proposal to concentrate on the construction of the very large bomber type, the Chancellor of the Exchequer pointed out that no single specimen of the types now proposed had flown. While he appreciated that these very big machines would carry armour, nevertheless he felt that there were important arguments both against and in favour of concentrating on heavy bombers. This consideration had reinforced his view that it was desirable that we should lay special emphasis on priority for the Fighter programme. Such a programme was manifestly defensive. He therefore proposed that special emphasis should be laid on the Fighter part of the programme, and that orders should be placed forthwith for one-half of the total fighter programme.
As regards Bombers the Chancellor thought that
sufficient orders should be placed to avoid substantial
dismissals in the aircraft factories concerned, and to
secure an adequate flow of production. Experience
showed that unless contractors were assured of a
sufficient volume of follow-on orders, it was difficult
to secure rapid completion of existing orders.

Some of the shadow factories were not yet in full
production, and it would be necessary to ensure that
there was a normal complement of employment in those
factories. For the time being, he thought that we
should proceed on this basis, and should not commit our­
selves to the vast outlay involved by the whole of the
heavy Bomber programme, which we might find it very
difficult to meet.

As regards the 2,400 "other types" referred to in
paragraph 32 of C.P. 218(38), the Chancellor said that
he was not clear why proportional increases were required
in Army co-operation machines and in the Fleet Air Arm.
He thought that this demand might be examined by the
Secretary of State for Air and himself in consultation.

As regards the proposed increase in Overseas Squad­
rons, he agreed with the Secretary of State for Air that
this matter might be remitted to the Committee of Imperial
Defence.

He thought that the Secretary of State for Air was
right in the great importance which he attached to the
 provision of jigs, tools and materials, with a view to
increasing potential capacity. He agreed that the
statement to be made in the House should include a refer­
ence to the fact that steps were being taken in this
direction.

The other proposals dealt with in C.P. 218(38)
he thought could easily be adjusted between the
Secretary of State for Air and himself.
To sum up, the Chancellor of the Exchequer said that his main point was that we should concentrate on the Fighter programme. As regards the Bombers he did not propose that the Cabinet should reach a conclusion which involved definite figures, but that we should authorise the placing of orders from Bombers as quickly as might be necessary to keep the factories in full work.

On the financial side he was by no means clear that if we were to adopt the programme now proposed we should get through without inflation. This would mean rises in prices, in wages, and in interest rates, and might well involve some real injury to our financial strength, which constituted a fourth arm of defence.

THE SECRETARY OF STATE FOR HOME AFFAIRS said that he was much impressed with the statement made by the Chancellor of the Exchequer. He suggested that consideration might be given in the near future to the question whether the Opposition should be taken into the Government's confidence, as had been done in the years immediately preceding the Great War.

Continuing, the Home Secretary said that he thought the programme could easily be explained to Germany, but that it would not be easy to explain to the House of Commons the real extent of the programme now proposed. To give an example, the Secretary of State for Air proposed to say that our first line Fighter strength, which everybody knew was now about 50 or 40 Squadrons, would be increased by 30 per cent. This would not convey to anybody an order for 3,700 Fighters. He asked whether it would not be possible for the Secretary of State for Air to give some figure outside the first-line strength.

The Home Secretary also wondered whether the Secretary of State for Air was not going rather too far in refraining from putting his goods in the shop window. After all, one main purpose of the
Royal Air Force was to act as a deterrent, and there was therefore much to be said for laying emphasis on the impressive size and strength of our Air Force.

Finally, the Home Secretary referred to the scientific aspect of air warfare. Much had been done by the Air Defence Research Committee. Air defence was now a matter of the utmost importance, and he thought that perhaps even more attention might be paid to this aspect of the matter.

THE SECRETARY OF STATE FOR AIR referred to paragraph 38 of his Paper, in which reference was made to scientific research. He said he would refer to this matter in his statement in the House of Commons. He had already taken steps to strengthen the staff concerned with scientific research.

On the point of presentation, he thought that the Home Secretary had put his finger on the real difficulty. He had considered whether there was any way, apart from expressing the programme in terms of money, of indicating that our real fighter strength would be increased many times by the programme now proposed. He was reluctant to disclose any figure of reserves, although he agreed that this argument was perhaps of somewhat less validity in regard to Fighters than in relation to Bombers. Another alternative would, of course, be to add to the first-line strength of Fighters.

THE SECRETARY OF STATE FOR AIR thought that it was a matter for consideration whether the position should be explained in somewhat more detail confidentially to the leaders of the Opposition parties and also to Mr. Churchill.
In regard to the manner of presentation the Secretary of State for Air said that he did not feel that it would be enough to say that whereas the Air Estimates for the current year were £120 millions, next year they would be £200 millions, since of that increase of £80 millions only £25 millions would be attributable to the proposals now under discussion. He thought that if he was asked to state how much of next year's expenditure was due to the new programme, he was bound to answer that question.

THE CHANCELLOR OF THE EXCHEQUER said that he would find difficulty in agreeing to a statement of the programme in terms of money related to a period further ahead than 1939-40. It would be disastrous if we announced that we intended to carry out a very large programme and later had to cancel part of the programme.

THE SECRETARY OF STATE FOR AIR, while appreciating this difficulty, repeated that he would be asked two questions: first, how far the Government's proposals achieved parity with Germany; and, secondly, what was the cost of the new programme. He thought it would be very difficult for him to answer the second question by saying that he was unable to give figures.

After further discussion it was agreed that the terms of the statement to be made in the House of Commons relating to the cost involved should be settled by the Prime Minister, the Chancellor of the Exchequer, the Foreign Secretary and the Secretary of State for Air, in consultation.
THE CHANCELLOR OF THE DUCHY OF LANCASTER observed that his experience confirmed what the Secretary of State for Air had said. The Opposition were in possession of information which would enable them to challenge any statement of the Government's programme which was not put forward with a considerable degree of frankness.

THE MINISTER OF HEALTH referred to the particulars given in C.P. 222 (38) as to the growth of the German aircraft industry. He thought that these figures were very disquieting. We were now, in fact, in a sort of "White War". He did not think that the figures comparing our production with production in Germany would be easy to defend. He wondered even now whether the figures of our own proposed production really represented the extent of the effort which this country ought to make. If we were unable to obtain parity, this would be the end of a long period of our history. It might be necessary that we should make a supreme effort in this direction even if it meant borrowing £1,000 millions. He pointed out that we were now in a period of falling prices. Further, we had one and a half million unemployed, which represented a potential source of untapped revenue if this labour source could be properly applied. He appreciated, however, that it would be hard to get this done without a supreme effort and perhaps without some radical change in the organisation of this country.

THE SECRETARY OF STATE FOR AIR said that so far as he understood the matter, Germany was greatly helped in paying for her armament programme by her export trade in arms which had given her the foreign exchange with which she paid for her imports of raw materials.
He enquired whether we ourselves could not again build up an export trade in armaments?

THE LORD CHANCELLOR said that he had paid great attention to the proposals put forward and the arguments used in discussion, and he was in agreement with the views stated by the Chancellor of the Exchequer. He thought that we should take steps to obtain the necessary material, jigs and tools, etc., so as to be in a position to carry out the full programme if need be. It might be that Germany would be able to continue to increase her productive capacity, but he rather doubted whether this would prove the case. He thought that we should be most ill-advised to take the risks referred to by the Chancellor of the Exchequer, until it was absolutely necessary that we should do so.

THE SECRETARY OF STATE FOR AIR said that he agreed with the Chancellor of the Exchequer that if we were involved in war, we must have sufficient financial strength to maintain ourselves. We no longer possessed the same financial assets as we had before the Great War. He thought that this consideration fully justified the adoption of the course proposed by the Chancellor of the Exchequer.

The new programme represented a very considerable effort on our part. He thought that the programme need give rise to no awkward repercussions in Germany; at the same time, if it could be properly presented, it should and would satisfy public opinion in this country.
THE PRIME MINISTER agreed that there were difficulties about the question of presentation. In our foreign policy we were doing our best to drive two horses abreast, conciliation and rearmament. It was a very nice art to keep these two steeds in step. It was worth remembering that it was not by any means certain that we could beat Germany in an armament race. Such a race was not merely a question of money, but also of industrial capacity and the labour force; in the latter respect Germany had the advantage over us.

As regards the proposals generally, he cordially agreed with the suggestion that our fighter strength should be increased.

As regards our bomber strength, he thought it was rather difficult to represent this part of our force as in any way defensive. Everyone would agree that we must have bombers, but he thought it was undesirable to stress this side of the programme.

The Prime Minister said that he thought he must say that he felt very uneasy about the proposal that we should concentrate on the type of very heavy bomber now proposed. He agreed with the Secretary of State for Air that there were weighty reasons in favour of starting this new type which would be extremely formidable. The Prime Minister recalled, however, the satisfaction which had greeted the first building of 'Dreadnoughts' by this country. It had been thought that by starting this new type of battleship we were gaining an advantage over all the other maritime Powers. Before long, however, other countries had started to build Dreadnoughts, and we had then been forced to rebuild the whole of our Battle Fleet. The
result had been that the whole level of naval armaments and of their cost had been raised. He could not help wondering whether the proposal that we should concentrate on the building of Manchesters and Halifaxes would not result in Germany producing a super Halifax.

The Prime Minister agreed that this was not a matter which could be settled by laymen, but he felt bound to express his uneasiness in regard to it, and he hoped that the Secretary of State would give further consideration to the problem before deciding which was the right course to adopt.

The Prime Minister said that he noted that one of these heavy bombers cost as much as four fighters. He agreed that concentration on the heavy type meant economy in crews and so forth. Nevertheless, the loss of one of these machines would represent a far more formidable blow than the loss of a smaller machine. He could not help feeling that it would be more difficult to grass the whole covey of small birds than to bring down one large bird.

THE SECRETARY OF STATE FOR AIR undertook to re-examine the problem afresh in the light of the discussion.

THE FOREIGN SECRETARY pointed out that if qualitative limitation of armaments was obtained, a start would probably be made by banning these very large bombers.

THE MINISTER FOR CO-ORDINATION OF DEFENCE said that no doubt they all felt the difficulty referred to by the Minister of Health as to presentation in Parliament. Surely, however, the real point was what was the right policy for this country? For his part, he did not think it was the right policy that we should try to match
Germany machine by machine. He invited attention to a statement in paragraph 15 of C.P. 216(38), in which it was stated that "to achieve equality in air striking power with Germany means that our striking force must be capable of delivering at least an equal load of bombs at the required range". Speaking as a layman, the Minister said that he disputed this statement. He thought that if we were in a position to deliver an attack on Germany in sufficient strength to create a deterrent effect, it did not follow that any increase in German strength must necessarily be followed by an increase in our own strength. The Minister also emphasised the importance in his view of the proposal in regard to jigs, tools and materials. This was a point which had been emphasised by all the experts.

THE SECRETARY OF STATE FOR AIR said that the Air Staff reply to the point made by the Minister for Coordination of Defence was, he thought, that this argument would be sound, provided we had sufficient fighter strength; but at the moment this was not the case. He hoped the Cabinet would reach agreement as the result of the present discussion. It was clearly understood that it would be open to the Chancellor of the Exchequer or the Foreign Secretary to come to the Cabinet at any time and say that the programme must be reviewed in the light of the financial situation or that it was no longer necessary by reason of the betterment of the International situation.

The Cabinet's decisions in regard to the Air Programme are set out in detail at the end of this Minute.
THE HOME SECRETARY, referring to paragraph 24 of C.P. 247 (38), said that certain questions were referred to which would involve legislation. He thought it would be better to deal with these proposals when the proposed Air Raid Precautions Bill had been prepared. For the rest, he thought that while the proposals erred, if anything, on the side of moderation, the Cabinet should accept them, subject to further consideration by the Lord Privy Seal.

THE LORD PRIVY SEAL said that he was in agreement with the proposals generally, but on one or two minor matters he might desire to suggest some modification.

Reference was made to the proposal in paragraph 24 (4) as to the provision of blast-proof shelters in existing buildings. There was some discussion as to the extent to which this proposal covered private houses. It was agreed that this matter should be examined when the Bill was in draft.

The Cabinet agreed to approve the proposals in paragraph 24 of C.P. 247 (38) relative to Air Raid Precautions, subject to any modifications which the Lord Privy Seal might think necessary or desirable to bring before the Cabinet.
The Cabinet agreed:-

(i) That the Admiralty should have authority for the immediate laying down of the first batch of 10 Escort Vessels, subject to the usual arrangements for obtaining Treasury sanction.

(ii) That the Admiralty should be provisionally authorised to include two batches each of 10 Escort Vessels in the notification to be made to Germany in January, 1939, of our shipbuilding programme over the next 12 months, subject to the proviso that the inclusion in this notification of the second batch should be subject to reconsideration if, in the meantime, this course should appear desirable from the point of view of the Secretary of State for Foreign Affairs.

(iii) That the Admiralty should have authority to obtain Treasury approval in the ordinary way for the construction of 12 small shallow-draught minesweepers, and for the expenditure of approximately £150,000 on immediate purchase of commercial trawlers.

(iv) To restore the fourth fast minelayer to the 1938 New Construction Programme, subject to the usual reference to the Treasury Inter-Services Committee.

(v) That the Admiralty should lay their proposals before the Joint Oversea and Home Defence Committee, with a view to the matter being brought before the Committee of Imperial Defence.

(vi) That the Admiralty should have authority to put in hand forthwith the dredging of Dover and Rosyth Harbours. The question of inviting a contribution from the Southern Railway in respect of Dover Harbour should be considered.

(vii) That approval should be obtained in the ordinary way from the Treasury Inter-Services Committee to the whole scheme for stiffening merchant ships.
Passive Defence. (viii) That the Admiralty request for the expenditure of an additional sum of approximately £1½ millions on the completion of the passive defence of Naval Establishments should be taken up direct with the Treasury. In the event of a difference of opinion between the two Departments the matter should be referred to the Committee of Imperial Defence.

Oil Fuel Storage and Ammunition Storage. (ix) That the Admiralty's proposals for accelerating the programmes of construction of underground storage for oil fuel and ammunition should be considered as early as possible by the Admiralty and Treasury in consultation.

Fleet Air Arm. (x) That the Admiralty and the Air Ministry should examine in consultation the deficiency in aircraft for the Fleet Air Arm revealed during the recent emergency.

Fleet Air Arm Aerodrome at Scapa Flow. (xi) That the provision of an aerodrome at Scapa Flow for the use of the Fleet Air Arm in war-time should be approved in principle, the details being taken up in consultation between the Treasury and the Admiralty.

New Signal School. (xii) That the Admiralty proposal for the provision of a new Signal School should be approved in principle, the details being taken up in consultation between the Treasury and the Admiralty.

Armour Plate. (xiii) That the Admiralty be authorised to place an order in Czechoslovakia for 2,200 tons of armour plate, subject to approval being obtained in the ordinary way from the Treasury Inter-Services Committee.

Recruitment of Skilled Ratings. (xiv) That the three Defence Services of Skilled Ratings should consider the Recruitment of Skilled Ratings conjointly in consultation with the Ministry of Labour.
WAR OFFICE

PROGRAMME.

The Cabinet agreed:

Anti-aircraft Equipments.

(i) That the number of anti-aircraft equipments at present authorised should be increased to the number specified in the "Ideal Scheme" for the Air Defence of Great Britain, and such additional numbers as might be agreed are required for ports abroad. See Conclusion A (v).

(ii) That the War Office should be authorised to create the capacity required for carrying out the increased programme, and to place immediate orders for additional equipments in so far as such orders were essential to the development of new capacity to reach the stage of production and delivery. Treasury approval for the proposals should be obtained in the ordinary way.

Light Anti-Aircraft Equipments.

(iii) To take note that the question of the possibility of obtaining from any source, British or foreign, deliveries of 1,000 light anti-aircraft equipments of any type is still under examination by the War Office.

Searchlights.

(iv) That the War Office should be authorised to place orders for such additional searchlights as are required up to a total of 600 (including approximately 50 which may be required at ports abroad - see Conclusion A (v)) on the understanding that before such orders are placed detailed arrangements are made with the Treasury.

Predictors, Heightfinders, Fuse Setters and Mechanical Fuzes.

(v) To take note that the War Office will get into touch with the Treasury if the need arises for increased financial provision for the purpose of placing orders for predictors abroad.

(vi) That orders for heightfinders, fuse setters and mechanical fuzes, should, if necessary, be placed abroad, subject to Treasury approval being obtained in the ordinary way.

Keeping Firms in Production.

(vii) That authority should be given for the placing of the additional orders necessary to keep in production until 31st March, 1940, firms which have been converted into munition firms, subject to approval being obtained in the ordinary way from the Treasury Inter-Services Committee.
Payment of Compensation in connection with Priorities.

(viii) That, with a view to securing the necessary priority for munitions production, the Treasury should give favourable consideration to any proposals for compensation to firms which the Service Departments may think it right to put forward to them, on the basis that each case is dealt with on its merits.

Role of the Army.

(ix) That the proposals of the Secretary of State for War, contained in his Paper entitled "The Role of the Army in the light of the Czechoslovakian crisis" should be considered by the Committee of Imperial Defence.

Review of Home Defence Arrangements.

(x) That the Minister for Co-ordination of Defence, in the light of the decisions recorded in these Conclusions, should arrange for a comprehensive review to be undertaken of Home Defence arrangements, with a view to determining what readjustments are necessary in order to secure a proper balance.
AIR PROGRAMME.

The Cabinet took note of the paper by the Secretary of State for Air on the air programme C.P. 218 (38) and of the Chancellor of the Exchequer's reservation as to its financial feasibility, and agreed:

(i) That approval should be given in principle to the full programme of 5,700 additional fighters and authority for the placing of orders as necessary for one-half thereof.

(ii) That efforts should be made to secure the maximum production of fighters within the period ending March 1940.

(iii) That the Secretary of State for Air should give further consideration to the policy of concentrating on the development and construction of the large high performance bomber capable of carrying a very heavy bomb load, in the light of the discussion at the Cabinet.

(iv) That, subject to (iii), approval should be given for the placing of sufficient orders for bombers to avoid substantial dismissals in the aircraft factories concerned and to maintain an adequate flow of production, and, in the case of any national factories designed for this work but as yet under-employed, to secure a normal complement of employment.

(v) That proposals for the increase in the overseas squadrons should be reviewed by the Committee of Imperial Defence with a view to making in agreement with the Treasury such additions as may be found necessary.

(vi) That the other requirements for miscellaneous aircraft should be examined by the Chancellor of the Exchequer and the Secretary of State for Air, who should if possible agree as to the orders to be placed for these. The Secretary of State should be authorised to state in the House of Commons that proper provision would be made in this connection, particularly as to training machines.
(vii) That in the placing of the orders referred to above the Air Ministry should consult with the Treasury with a view to keeping them apprised of the flow of commitments.

(viii) That commitments beyond 1939/40, so far as authorised by the above paragraphs, should be capable of termination in the event of necessity on the least onerous terms that can be arranged.

(ix) That, if and when orders placed on the foregoing principles begin to involve commitments in 1940/41 or later years which are prima facie beyond our resources, the question should be brought to the Cabinet for review.

(x) That the question of obtaining jigs, tools and materials with a view to increasing potential capacity should be reserved pending further discussion between the Secretary of State for Air and the Chancellor of the Exchequer, but that the Secretary of State should be authorised to state in the Debate that steps are to be taken in this connection so as to secure further and quicker provision of aircraft, should it be deemed desirable.

(xi) That ancillary matters such as those affecting the R.A.F. Volunteer Reserve should, if possible, be settled with the Treasury but that it is recognised that further steps will be necessary and that a general statement in the House can be made in this connection.

(xii) that the statement to the House of Commons relating to the cost involved should be settled by the Prime Minister, Chancellor of the Exchequer, the Foreign Secretary and the Secretary of State for Air in consultation.
The Cabinet agreed:—

To approve the following recommendations of the Cabinet Committee on Defence Programmes and Acceleration, subject to any modifications which the Lord Privy Seal may think it necessary or desirable to bring before the Cabinet.

(i) That the duty of organising air raid precautions should be left to the local authorities, but that powers should be taken in the forthcoming Air Raid Precautions Bill to deal with an authority which is clearly neglecting its duties, and also to strengthen, in quality and numbers, the regional inspectorate of the Home Office.

(ii) That a substantial cadre of the Air Raid Precautions Service should be recruited and trained on the basis that, in war time, the members of that cadre will be embodied, whole-time, as a paid Home Security Force. Care should be taken that the recruitment of this Force does not proceed on lines inconsistent with the Government's Man-Power plans.

(iii) That a statutory duty should be put on employers with establishments of more than a certain size to train their workpeople in fire-fighting, first aid and anti-gas measures.

(iv) That the provision should be made, through the local authorities, of blast-proof shelter in existing buildings, by a survey and by strengthening the roof of refuge rooms in peace-time, and assembling material of the right dimensions for immediate action in an emergency. It will be necessary to empower authorities to enter buildings for the purpose, and to pay compensation to the owner for disturbance of user.

(v) That the survey referred to in (iv) should be undertaken by the local authorities, under the guidance of expert advisers lent by the Home Office.

(vi) That the local authorities should be empowered to make bye-laws requiring new 'multiple' buildings to include A.R.P. features.
(vii) That employers should be required to take such action as is reasonable to protect their workpeople.

(viii) That the trench system begun during the crisis should be completed and extended gradually, both in open spaces and in gardens.

(ix) To take note that the Home Secretary, in consultation with the Chancellor of the Exchequer, the Lord Privy Seal, the Minister of Labour and any other Ministers concerned, would consider the practicability of giving work on trench digging to men in receipt of Unemployment Assistance.

Richmond Terrace, S.W.1.

7th November, 1938.