WAR CABINET 154 (44).

CONCLUSIONS of a Meeting of the War Cabinet held at No. 10 Downing Street, S.W.1, on Wednesday, 22nd November, 1944, at 3.30 p.m.

Present:
The Right Hon. WINSTON S. CHURCHILL, M.P., Prime Minister (in the Chair).
The Right Hon. Sir JOHN ANDERSON, M.P., Chancellor of the Exchequer.
The Right Hon. OLIVER LYTTELTON, M.P., Minister of Production.
The Right Hon. VISCOUNT CRANBORNE, Secretary of State for Dominion Affairs.
The Right Hon. L. S. AMERY, M.P., Secretary of State for India and Secretary of State for Burma. (Item 3).
The Right Hon. Sir STAFFORD CRIPPS, K.C., M.P., Minister of Aircraft Production.
The Right Hon. R. A. BUTLER, M.P., Minister of Education.
The Right Hon. BRENDAN BRACKEN, M.P., Minister of Information.
The Right Hon. LORD CHERWELL, Paymaster-General.
The Right Hon. VISCOUNT CRANBORNE, Secretary of State for Dominion Affairs.

The following were also present:
The Right Hon. L. S. AMERY, M.P., Secretary of State for India and Secretary of State for Burma. (Item 3).
The Right Hon. Sir STAFFORD CRIPPS, K.C., M.P., Minister of Aircraft Production.
The Right Hon. R. A. BUTLER, M.P., Minister of Education.
The Right Hon. BRENDAN BRACKEN, M.P., Minister of Information.
The Right Hon. LORD CHERWELL, Paymaster-General.
The Right Hon. W. WHITELEY, M.P.
Joint Parliamentary Secretary, Treasury (Items 1 and 2).

Secretariat:
Sir EDWARD BRIDGES.
Mr. W. S. MURRIE.
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1. The War Cabinet considered the revised drafts of The King's Speeches on the Prorogation and Opening of Parliament, which had been circulated under cover of a note by the Lord President of the Council (W.P. (44) 603). A number of drafting amendments were agreed to.

The War Cabinet—

Approved the revised drafts subject to the incorporation of the amendments agreed to. (Fresh drafts are being circulated to the War Cabinet under cover of W.P. (44) 570.)

2. The War Cabinet had before them a memorandum by the Minister of Labour and National Service (W.P. (44) 658) seeking authority to introduce legislation for the regulation of wages.

The Minister of Labour and National Service said that his proposals had been approved by the Reconstruction Committee, although in one respect he had modified them slightly since they had been before the Committee.

The main features of the proposals were:

(i) Trade boards would be renamed wages councils and their powers would be extended to enable them to fix minimum remuneration instead of minimum rates of wages, and to provide for paid holidays beyond one week.

(ii) If the Minister was of opinion that in any industry the voluntary machinery for the regulation of wages was likely to become inadequate and that a reasonable standard of remuneration would not be maintained, he might refer to an independent commission of enquiry the question of appointing a wages council. He would also be required to refer to an independent commission of enquiry any application made jointly by organisations of employers and workers for the establishment of a wages council. In either case the Commission might, after enquiry, recommend the setting up of a wages council, and the Minister would then have power to establish such a council, after giving notice of his intention and considering any objections.

(iii) For a period of five years after the war, employers in industries not covered by the statutory wage-fixing machinery would be obliged to observe the agreed terms and conditions of employment in force in the industry, and in the district, by virtue of agreements between employers' organisations and trade unions.

Both the British Employers' Confederation and the Trades Union Congress had agreed to the first and third proposals and the only objection to the second proposal came from the Confederation, who were really not representative of those types of employment, e.g., the distributive trades, where the proposed new powers were mainly required. In his view it was essential that he should be able to forestall any breakdown over the voluntary machinery rather than have to wait until it had taken place.

Proposal (iii) above was criticised by the Lord Privy Seal and the Minister of Information on the grounds that a provision of this kind would penalise small employers. Rates for the whole country were fixed in London with the result that in rural areas employers would be forced to pay rates which would be, in effect, based on the rates which large organisations could afford. This would hamper the
building up of new businesses. Another point was that the adoption of the proposal would lead to undue rigidity in rates of wages.

The Minister of Labour and National Service pointed out that the agreed terms and conditions of employment, which employers were obliged to observe were those ruling in the district. Different rates were invariably fixed according to the type of district, and there was nothing in his proposal which would compel an employer in a rural area to pay urban rates. His proposal was designed to preserve flexibility in wage rates after the war, and all that employers were obliged to do was to observe the terms agreed between employers’ organisations and trade unions, which could, in effect, be varied up or down in accordance with circumstances.

The Minister of Education said that, while he favoured the proposals, he thought that there might be considerable opposition to them in Parliament.

After further discussion the War Cabinet—
Approved the proposals for legislation for the regulation of wages in W.P. (44) 658.

3. At their meeting on the 16th June the War Cabinet had set up a Committee, under the Chairmanship of the Chancellor of the Exchequer, to carry out a detailed examination of the issues raised by the recommendations of the Commonwealth Communications Council in their report of the 10th May, 1944, as to the future organisation of telecommunications services throughout the Commonwealth.

The War Cabinet now had before them—
(i) A Memorandum by the Chancellor of the Exchequer as Chairman of the Committee (W.P. (44) 657).
(ii) A Memorandum by the Lord Privy Seal (W.P. (44) 659).

The Committee, with the exception of the Lord Privy Seal, recommended—

(i) That a decision should now be taken in principle in favour of adopting a public utility organisation in place of the present Cable and Wireless, Ltd., system.

(ii) That the Commonwealth Communications Council’s scheme for a series of public utility corporations in the United Kingdom, each of the Dominions and India should not be accepted. Instead, we should aim at an alternative arrangement on an effective Empire basis, to be worked out in consultation with the Governments and providing for the maximum local autonomy consistent with the requisite unification of policy and control.

(iii) That a mission should be appointed to visit the Dominions and India as soon as possible to put forward the United Kingdom Government’s views.

The Lord Privy Seal in his memorandum agreed that the scheme put forward by the Commonwealth Communications Council should be rejected. His recommendation, however, was that Cable and Wireless, Ltd., should be directed to put their house in order (this would include the appointment of a new Chairman), and should then be given an opportunity to negotiate a new set-up for the future with the Dominions.
The following were the main points in discussion:

(a) General agreement was expressed with the view that the so-called Anzac scheme, recommended by the Commonwealth Communications Council, should not be accepted.

(b) Discussion centred round the suggestion made by the Lord Privy Seal, and supported by the Minister of Information, that Cable and Wireless, Ltd., should be given an opportunity to put their house in order and thereafter to negotiate a new set-up with the Dominion Governments.

(c) In support of this point of view, it was urged that the business itself was fundamentally sound, and that the main difficulty lay in the personnel of the Board, which ought to be changed.

(d) It was stated that the rates on press messages charged by Cable and Wireless, Ltd., were only one-third of the corresponding rates charged by United States companies, that since about 1938 the Company had paid a good rate of dividend, and that its financial outlook was quite promising.

(e) On the other hand, it was pointed out that the rate of profit earned since 1938 by the Company was the result of war conditions, and that the Company themselves, in the scheme which they had put forward, contemplated a Government guarantee of interest on the stock of the new Corporation which they proposed should take the place of the present Company.

(f) It was also pointed out that the Company's financial position was threatened by such developments as fast and cheap air-mail, and by the direct wireless circuits which had been opened as a war measure between the Dominions and the United States, and were likely to be continued and extended. Moreover, the cable system, which was a very important asset of the Company and of the highest strategic importance, was financially much less attractive than, say, modern wireless circuits.

(g) From the point of view of Imperial unity, it was a matter of vital importance to ensure the continuance of a cheap and efficient Empire telecommunications.

(h) The War Cabinet were reminded that we were under an obligation to communicate to the Dominion Prime Ministers our views on the recommendations of the Commonwealth Communications Council. Cable and Wireless, Ltd., were extremely unpopular with the Dominions, and a proposal to send a representative from the Company to discuss matters with the Dominion Governments would be badly received.

(i) Difficulty was likely to be found in getting the Dominion Governments to adopt any form of single Empire organisation. These difficulties would be enhanced if the single Empire organisation was a Commercial Corporation with its Board based in London.

After some further discussion, the War Cabinet reached the following conclusions:

(1) The scheme recommended by the Commonwealth Communications Council should be rejected as unsatisfactory.

(2) A mission should be appointed to visit the Dominions and India as soon as possible, in order to put forward the United Kingdom Government's views.

(3) This mission should explain the reason why the Commonwealth Communications Council's scheme could not be accepted. The various alternatives to this scheme should be explored, including a suggestion on the lines recommended in W.P. (44) 657 for a public utility organisation in place of the present Cable and Wireless, Ltd.

(4) It should, however, be an essential part of any new public utility organisation that the Dominion Governments should be asked to contribute their due proportion.
(5) It was urgently necessary that changes should be made in the Board of Cable and Wireless, Ltd.

(6) A change should also be made as soon as possible in the holder of the office of Chairman of the Commonwealth Communications Council.

(7) The Chancellor of the Exchequer was invited to make the necessary arrangements, in consultation with the Postmaster-General, the Secretary of State for Dominion Affairs and other Ministers concerned, to give effect to the above conclusions.

Offices of the War Cabinet, S.W. 1,
22nd November, 1944.