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W.M. (40)

47th Conclusions.

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WAR CABINET 47 (40).

CONCLUSIONS of a Meeting of the War Cabinet held at 10 Downing Street, S.W. 1, on Tuesday, February 20, 1940, at 11.30 A.M.

Present :

The Right Hon. NEVILLE CHAMBERLAIN, M.P., Prime Minister (*in the Chair*).

The Right Hon. Sir JOHN SIMON, K.C., M.P., Chancellor of the Exchequer.

The Right Hon. VISCOUNT HALIFAX, Secretary of State for Foreign Affairs.

The Right Hon. Sir SAMUEL HOARE, Bt., M.P., Lord Privy Seal.

Admiral of the Fleet the Right Hon. LORD CHATFIELD, Minister for Co-ordination of Defence.

The Right Hon. WINSTON S. CHURCHILL, M.P., First Lord of the Admiralty.

The Right Hon. OLIVER STANLEY, M.P., Secretary of State for War.

The Right Hon. Sir KINGSLEY WOOD, M.P., Secretary of State for Air.

The Right Hon. LORD HANKEY, Minister without Portfolio.

The following were also present :

The Right Hon. Sir JOHN ANDERSON, M.P., Secretary of State for the Home Department and Minister of Home Security.

The Right Hon. ANTHONY EDEN, M.P., Secretary of State for Dominion Affairs.

The Right Hon. ERNEST BROWN, M.P., Minister of Labour and National Service (*Item 1*).

The Right Hon. LESLIE BURGIN, M.P., Minister of Supply (*Item 1*).

Sir HORACE J. WILSON, Permanent Secretary to the Treasury.

Secretariat.

Sir EDWARD BRIDGES.
Captain A. D. NICHOLL, R.N.
Mr. W. D. WILKINSON.
Mr. G. N. FLEMMING.
Mr. P. K. DEBENHAM.

WAR CABINET 47 (40).

<i>Minute No.</i>	<i>Subject.</i>	<i>Page</i>
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Man Power.

(Previous
References:
W.M. (40) 17th
Conclusions,
Minute 1,
and 40th
Conclusions,
Minute 1.)

1. The War Cabinet had before them the following papers :—
 - (1) Note by the Chancellor of the Exchequer, covering a Memorandum by the Minister of Labour and National Service (W.P. (G.) (40) 46).
 - (2) Note by the Chancellor of the Exchequer, covering a Memorandum by the War Office and the Ministry of Supply (W.P. (G.) (40) 49).

The Chancellor of the Exchequer said that these papers together constituted the first of the series of reports which he had been invited to prepare on the measures in operation, and those proposed, to promote an increase in man-power in the war industries.

The Chancellor drew attention to the main points in the papers. It would be seen that the Minister of Labour had discussed the problems of securing the required influx of labour into the war industries with representatives of employers and employed in the Engineering industry. Both had shown a helpful attitude, which led the Minister to conclude that there should be for the moment as little public reference to the question as possible. Nevertheless, employers might not at present be doing as much as possible in the direction of dilution for fear of causing friction with their work people.

The Chancellor of the Exchequer said the only comment he wished to make on these memoranda was that it was disappointing that there was no statistical material available to indicate what measure of progress had been achieved by these means in expanding engineering employment. It must be remembered that the programmes required an expansion in the engineering industries alone of 816,000 persons by July–September 1940—that is to say, from 1,300,000 persons to 2,116,000. They had no measure of what had been achieved. It might be that the War Cabinet would wish him to see what could be done to fill this gap in their statistical knowledge.

The Minister of Labour said that an exact picture of numbers employed, in the groups into which the insured population was divided, was provided by the exchange of books which took place every July. In other months they could only estimate changes in employment by having regard to known changes in the number of unemployed registered monthly and to the changes anticipated in the total insured population over the year. These estimates had often been belied by the event, even in peace time. To-day the difficulties in the way of estimating changes in employment were very much greater. A large number of insured men had been called up; unknown numbers of persons either not previously insured, or who had left insured employment, were entering insured employment; and there had been an unknown amount of transference from one industry to another within the field of insured employment. For these reasons, it was quite impossible to prepare a monthly estimate of the changes in employment in particular industries on the basis of the material at present available. At the outset of the last war the Board of Trade Labour Division had called for a return of employment from a number of employers. This return, known as the "Z 8" return, had been made at quarterly intervals, beginning in 1914; it was discontinued in 1920. It had covered all Government establishments; but in the case of other establishments, only a sample of employers, of varying completeness in different industries, had made returns. The nature of the return had been somewhat simplified in the course of the war. Even at the beginning of 1917, however, it had called for replies to 23 questions grouped under 9 different headings.

Labour
statistics.

The Prime Minister said that what the Minister of Labour had said disclosed a serious deficiency in our information. It was essential that we should have exact knowledge of what was happening. We ought to know by how much the engineering labour had expanded; from which industries this additional labour had been drawn; and in which industries pools of labour, which could be drawn upon, remained.

The Lord Privy Seal said that the need for such returns had become plain when the Ministerial Committee on Economic Policy had been discussing Lord Stamp's Memorandum on our National Resources in relation to our War Effort. Another point on which information was sadly deficient was the level of labour earnings, as opposed to wage rates.

The Minister of Labour said that he believed that the Minister of Supply had the necessary powers to collect this information, and it might be desirable for the Ministry of Labour to act as the agents of the Minister of Supply in this matter. His advisers took the view, however, that the statistics would only be of value if they were compiled on an occupational basis, so that they would be able to locate, for example, the skilled fitters employed in works not engaged in engineering production up and down the country. On the other hand, he believed that, apart from enabling Ministers to answer Parliamentary Questions, the Z 8 return in the last war had not proved of much value. In any event, a simpler return than Z 8 would be more suitable.

The Chancellor of the Exchequer agreed that only a simple return, which would give comparable results from month to month, would be required; but the scope of the return was a practical question which would be better discussed at a meeting called for that purpose.

Training.

In a general discussion on training of labour for skilled employment in the engineering industries, the following were the principal points made:—

(a) *Raising semi-skilled men to the ranks of fully skilled.*

Attention was drawn to the importance of providing training for this purpose, and for raising the fully skilled to even higher levels, as constituting the most economical means for providing the men required and as providing a flow of promotion which would make for smooth working.

The Minister of Labour explained that this form of training would require different instructors and different machinery from that available in the Government training centres and that it could only be undertaken inside the works themselves. He had already drawn the attention of the Trades Unions and the Employers to the matter, and was going to discuss it with the Employers' Federation in the coming week.

There was general agreement with the view that this form of training was primarily a matter for the employers, but that it also required to be encouraged and organized, and that there was therefore scope for Government action in the matter.

(b) *Provision of training in Government centres for persons already in employment.*

The Minister of Labour said that the great bulk of those who could be brought into these centres by present methods had already been secured, but that there were plenty of men employed in non-essential trades who could be trained for work of national importance. This, however, would immediately raise difficulties of the scale of allowances to be paid to them.

&c., and his Department was engaged on considering possible ways of overcoming these difficulties.

There was general agreement with the view that it was essential to make progress with this matter.

(c) *The use of the facilities available in Technical Schools, Approved Schools and Universities.*

The Minister of Labour said that this was being discussed with the Board of Education.

The Lord Privy Seal stressed the importance of making the greatest possible use of Universities in this connection.

The Secretary of State for War said that his Department also was making plans to use Technical School facilities for the training of skilled men required by the Army, and asked for this to be borne in mind in connection with any further proposals which might be put forward.

(d) *Training generally.*

The Minister of Labour said that, as a result of recent discussions, the Trades Unions had adopted a better attitude in the matter and that it would now be far easier to secure progress.

Recruitment of women.

Attention was drawn to the statement, in paragraph 6 of the Memorandum by the Minister of Labour attached to W.P. (G.) (40) 46, to the effect that it seemed that there was "for the moment no great demand for women in engineering, except in occupations for which they are ordinarily employed."

The Minister of Labour said that this meant that firms were, in fact, able to find the women they needed without any assistance from the Government. Tactful managers were securing the employment of very large numbers of women, but it was better not to advertise the fact too widely. Some delay had been caused by the fact that wage rates for women had not yet been settled.

Schedule of Reserved Occupations.

The Prime Minister asked whether there was a risk that, as more men were taken for the Armed Forces, the supply of semi-skilled men or of men available for training would be depleted.

The Minister of Labour said that this risk existed. The Schedule, however, covered the lesser skilled men as well as the highly skilled men. The present arrangements were flexible, and permitted of adjustments being made by administrative action as required, through the machinery of the Man-Power Committee. He thought that the balance was being held evenly between the needs of industry and of the Armed Forces.

Experience of the Ministry of Supply.

The Minister of Supply expressed the same opinion. The Minister, continuing, said that there was general shortage of skilled engineering labour in the sense that probably every big munition factory could use its machinery more fully and secure increased production if more men were available. For example, a shortage of 2,000 men had been reported at Barrow, and of 400 men at Woolwich, while at Coventry it was difficult to get men to work on the night shift, when there was day work available for everybody and when the night pay was at the rate of time and one-fifth instead of time and one-third. The problem, as he saw it, was first to ascertain the labour available, and then to get it into the industry where it was wanted. This had to be tackled locally, and it was for this purpose that Production Officers were being appointed for the various areas, their task being, in effect, that of securing the adoption of measures of dilution. Two Production Officers had already been appointed in the machine tool industry, and as a result twelve firms which had not previously been working a full night shift were

doing so. The general opinion of the Ministry's production staff was that there were no insuperable obstacles to dilution, but that it would be very difficult to quicken the pace of the progress. The progressive shortage of raw materials for producing civilian requirements would, he hoped, encourage men to transfer to the work of war production.

The employ-
ment of skilled
tradesmen in
the army.

The Secretary of State for War said that he had nothing to add to his Memorandum (Appendix "A" to W.P. (G.) (40) 49), which he had prepared only in order to show the efforts which were being made by the Army to remove any cause for criticism in the matter of its employment of skilled tradesmen.

The War Cabinet :—

- (1) Took note of the two Memoranda on Man Power by the Chancellor of the Exchequer (W.P. (G.) (40) 46 and 49).
- (2) Agreed that periodic returns of employment should be obtained, showing, if possible :—
 - (a) how fast the labour requirements of the industries affected by the Service programmes were being met;
 - (b) from what industries this labour was being drawn;
 - (c) in what industries pools of labour still remained on which further drafts might be made.
- (3) Invited the Chancellor of the Exchequer, in consultation with the Minister of Labour and National Service, the Minister of Supply, and other Ministers concerned, to devise suitable arrangements for achieving these objects.
- (4) Invited the Chancellor of the Exchequer, in consultation with the Departments concerned, to investigate the possibilities of a further development of facilities for training the skilled labour required for war purposes, and to report to the War Cabinet on the measures already adopted for this purpose, and on any further measures proposed.

**The Air
Situation.**

(Previous
Reference:
W.M. (40) 46th
Conclusions,
Minute 1.)

2. *The Secretary of State for Air* said that the weather during the previous 24 hours had been most unfavourable for air operations. On the previous evening, however, two Whitley aircraft had flown to Heligoland, one of which had reported three unlit vessels, thought to be destroyers, about 60 miles north of Terschelling. The other Whitley, which had experienced considerable A.A. fire, had located four heavy ships in a position half a mile to the north-west of Heligoland. Twelve vessels had also been sighted 60 miles north-west of Terschelling, with a number of other vessels in the vicinity which were showing lights. Ice extended from Borkum to a point a few miles west of Heligoland and thence north-eastwards. This report had not come through until 10.30 P.M. It indicated very difficult conditions; and, as by that time weather conditions in this country had considerably deteriorated, it had been decided not to send out further aircraft.

Some enemy air activity had been reported over the North Sea in the Shetland-Bergen area.

The War Cabinet took note of this statement.

The Naval Situation.

(Previous Reference: W.M. (40) 46th Conclusions, Minute 2.)

3. *The First Lord of the Admiralty* said that H.M. submarine *Salmon* at 8.10 that morning had reported German capital ships steering south from Heligoland.

The Secretary of State for Air said that the question of sending out a bomber force to attack the German battle fleet was under discussion at that moment between the Air Officer Commanding-in-Chief, Bomber Command, and the Air Staff.

Continuing, *the First Lord of the Admiralty* said that the outward-bound Norwegian convoy, which had been diverted to Kirkwall on the 18th February, would proceed later in the day. Suitable warship cover had been provided.

One ship and four trawlers had reported being attacked by aircraft off the Scottish coast on the previous day, but these reports had not been confirmed.

Shipping losses.

The following shipping losses had been reported during the previous twenty-four hours:—

S.S. *Odysseus*, Greek (4,577 tons), sunk without warning off Cape Finisterre. Crew saved.

S.S. *Banderas*, Spanish (2,140 tons), sunk off Cape Villano, following an explosion on the 18th February. Seven saved, 22 missing.

The week has seen serious shipping losses. Five British vessels, totalling 40,000 tons, and 15 neutral vessels, totalling 50,000 tons, had been sunk. This compared with peak weekly losses in April 1917 averaging 200,000 tons.

An intensive sweep against U-boats was being carried out by submarine-hunting units in the Moray Firth area and east of the Orkneys.

The damaged tanker *Imperial Transport*, escorted by a destroyer, was in tow west of the Hebrides.

The British ship *Hartismere* (5,498 tons), disabled since the 15th February, had been taken in tow by the armed merchant cruiser H.M.S. *Jervis Bay* in the Southern Atlantic. She would be escorted to Freetown by a number of French warships and submarines.

A mine had been exploded by a coil towing ship near the Sunk Light Vessel on the previous day.

The War Cabinet took note of this statement.

The Military Situation.

(Previous Reference: W.M. (40) 46th Conclusions, Minute 3.)
Western Front.

Finland.

4. *The Secretary of State for War* said that there was nothing to report from the Western Front.

In the Karelian Isthmus the Russian offensive appeared to be slackening. The Finnish forces had withdrawn from certain positions on the eastern side of the Isthmus without Russian interference. North of Lake Ladoga, the defeat of the 18th Soviet Division had been completed, and considerable quantities of materials had fallen into Finnish hands. Another Soviet division had been defeated on the Salla Front.

The War Cabinet took note of the above statement.

Assistance to Finland.

(Previous Reference: W.M. (40) 45th Conclusions, Minute 1.)

5. *The Secretary of State for Foreign Affairs* gave the War Cabinet certain further information on this question. The discussion which took place is recorded in the Secretary's Standard File of War Cabinet Conclusions.

Scandinavia.

Stoppage of traffic in Norwegian territorial waters.

(Previous Reference: W.M. (40) 46th Conclusions, Minute 9.)

6. In connection with the discussion on the preceding Minute, *the First Lord of the Admiralty* said that it was no use taking seriously the neutrality of so-called neutral Powers which were acting under duress. Very many Norwegian ships had been sunk, and the lives of many Norwegian sailors had been lost. Germany had, however, entirely ignored the Norwegian Government's protests. The action of the Norwegian Government in escorting through their territorial waters a ship containing 300 British prisoners was not the act of a free agent.

The Secretary of State for Air thought that the reply made by the Norwegian Government, as reported in the Press, was significant, namely, that they regarded the *Altmark* as a warship and that they saw nothing wrong in a warship with prisoners passing through territorial waters. If that was their attitude, it was one which we could not tolerate, and we should say so openly.

The Prime Minister entirely agreed with this view. The Norwegian Government apparently thought that, if any particular action was not expressly forbidden by international law, it was lawful. This, again, was a point of view which we could not accept.

The Secretary of State for Foreign Affairs said that he did not dissent from the view expressed by his colleagues, but he thought that it was important not to ignore the fact that, while United States opinion had accepted the action which we had taken so far *vis-à-vis* neutrals, that opinion was very reserved in regard to any future action which we might take. He had asked our Ambassadors at Washington and Rome to telegraph their judgment of opinion in the countries to which they were accredited.

The War Cabinet took note of this statement.

Italy.

Economic relations.
(Previous Reference: W.M. (40) 46th Conclusions, Minute 6.)

7. *The Secretary of State for Foreign Affairs* said that he had instructed His Majesty's Ambassador in Rome to inform Count Ciano of the answer which it was intended to give to that day's Parliamentary Question, asking whether German sea-borne exports of coal to Italy were liable to examination. He had added, for the Ambassador's private information, that the date which we had in mind for the stoppage of the German coal exports was the 1st March, unless the Ambassador felt that convincing reasons existed for giving the Italian Government longer notice (Foreign Office telegram No. 97 to Rome).

Sir Percy Loraine had replied that, in his opinion, the 1st March was a reasonable date. He regarded the consequences for Italy, both economic and political, as exceedingly grave. As regards the economic consequences, Sir Percy Loraine submitted that it would be very undesirable for *British* coal exports to Italy to be stopped (owing to that country's inability to provide the necessary foreign exchange) at the same date as the stoppage of German sea-borne coal. Means ought to be found of continuing our coal exports to Italy for, say, a month after the stoppage of German coal exports to Italy.

As regards the political consequences, Sir Percy said that he could not now venture to prophesy whether the consequences would be a change of attitude, in an anti-British direction, on the part of the Italian régime, or a mutiny against that régime (Rome telegrams Nos. 136 and 137).

The First Lord of the Admiralty drew attention to Rome telegram No. 139, reporting a conversation between the British Military Attaché and Signor Caproni regarding the latter's aircraft contract with us. Signor Caproni had said that the Duce had completely changed his attitude towards this contract between the 2nd February and the 8th February. On the 2nd February Signor Mussolini had read the contract, and had expressed warm satisfaction; but on the 8th February he had refused to allow the aircraft to be sold to His Majesty's Government. Signor Caproni had attributed the Duce's change of attitude to German threats.

The Secretary of State for Air said that an Air Force officer who had just returned from Rome, whom he had just seen, expected some modification of Signor Mussolini's attitude. Interested parties in Italy might be expected to bring great pressure to bear on the Duce to allow some of the British contracts to go through.

This officer had reported a rumour to the effect that the German Ambassador in Rome had been to see Signor Mussolini with a copy of our £20 million programme of expenditure in his hand.

The War Cabinet took note of the above statements.

Roumania.

Oil policy:
supply of equip-
ment and raw
materials.

(Previous
Reference:
W.M. (40) 46th
Conclusions,
Minute 7.)

8. *The Secretary of State for Foreign Affairs* said that he had now seen M. Tilea, who had handed him the answer of the Roumanian Government to our aide-mémoire of the 30th January. The Roumanian answer disclosed that the Roumanian Government had now undertaken to furnish Germany with 130,000 tons of oil a month (or 1,560,000 tons a year). These figures were inclusive of the oil supplies promised to Germany under the German-Roumanian Agreement of March 1939, which had provided that 25 per cent. of Roumania's total exports to Germany should take the form of oil. They were also inclusive of the oil which Roumania had promised to supply to Germany in payment for munitions of war. The new German-Roumanian arrangement provided that arrears of monthly deliveries might be made up afterwards, but that monthly deliveries could not be anticipated.

Should we, in the light of this information, lift the ban on the despatch of consignments of equipment and raw materials to Roumania? The Roumanian view was that they had done well in limiting exports to Germany to the figures of which we had now been informed. On the whole, he (the Foreign Secretary) was inclined to consider that our ban might now be removed.

The Minister without Portfolio informed the War Cabinet that a meeting of his Committee had been called for that afternoon to consider this information. His provisional view was that we could hardly avoid recognising as a fact Roumania's new arrangement with Germany, which we could not alter, but we must not acquiesce in it. In actual fact, Germany was not likely to import as much as 1,560,000 tons of oil a year from Roumania. If deliveries fell behind the schedule, Germany would certainly have great difficulty in making up arrears. We must continue to employ opportunist tactics to prevent Germany from obtaining the amount of oil provided for in the agreement.

The War Cabinet :—

Took note of the above statements, and authorised the Committee under the chairmanship of the Minister without Portfolio to reach a decision as to the continuance or removal of the present temporary ban on exports to Roumania.

**War Cabinet
Arrangements.**

9. *The Prime Minister* informed the War Cabinet that a Memorial Service for the late Lord Tweedsmuir was being held at 12 noon on Thursday, the 22nd February. It would accordingly be necessary to hold the Meeting of the War Cabinet on that day somewhat earlier than the usual time.

The War Cabinet were also informed of the arrangements made for the parade by the officers and men of H.M. Ships *Ajax* and *Exeter* on Friday, the 23rd February, on the Horse Guards Parade, where they would be inspected by His Majesty The King, prior to their march to the Guildhall. On this morning also it would be necessary to hold the Meeting of the War Cabinet at an earlier hour than usual.

The Prime Minister said that a notice would be circulated as to the hour of the Meetings on these two mornings.

*Richmond Terrace, S.W. 1,
February 20, 1940.*

