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**WAR CABINET.**

**THE SHIPPING SITUATION.**

*Memorandum by the Lord President of the Council.*

THE Committee appointed in May to keep the shipping situation under review (W.P. (42) 192) have now submitted their first Report (W.P. (42) 293) reviewing shipping requirements over the period of eighteen months from the beginning of 1942 to the end of June, 1943.

On the assumptions set out in paragraph 3 of their Report they estimate that during this period non-tanker imports will total 35 million tons, of which 33 million tons will be imports of food and materials. If consumption policy remains unchanged, the net consumption of importable food and materials during this period will total 41.4 million tons. There is thus a deficiency of 8.4 million tons.

2. The Committee set out in their Report the measures which might have to be taken to close this gap if no further assistance were forthcoming from the United States and the deficiency had to be met wholly from our own resources. The import savings represented by these measures may be summarised as follows:—

<i>De-stocking.</i>	<i>Million tons.</i>
Running down stocks of food and raw materials ... ..	6.15
<i>Consumption economies: Food.</i>	
	<i>Tons.</i>
Increased food yield from 1942 harvest ... ..	500,000
Raising milling ratio to 90 per cent. ... ..	150,000
Dilution of bread by rye, barley and oats ... ..	560,000
Reduction of the reserve of meat on the hoof ... ..	100,000
	1.31
<i>Consumption economies: Raw Materials.</i>	
Cut in imports of fertilizers, at the expense of the 1943 harvest ... ..	400,000
Economies in steel and steel-making materials ... ..	400,000
Economies in materials other than steel ... ..	200,000
	1.00

These measures would close the gap, without taking into account such further savings as could be secured by economies in the use of shipping for military purposes and for civil imports to territories other than the United Kingdom.

3. The Lord President's Committee agree that, without additional American assistance, the prospects of our shipping situation over the next eighteen months would indeed be grave. If we were compelled to meet this situation wholly from our own resources, the drastic measures of retrenchment which we should be forced to take might damage national morale and limit our capacity to carry on the war with full vigour and efficiency. Moreover, the adoption of these measures would reduce us by mid-1943 to a condition in which our stocks of food and materials would be so far diminished that we should be unable to carry on the war without a measure of American assistance far in excess of any on which we have hitherto been able to rely. Stocks would have been run down to a point at which it would become essential to raise the rate of imports from  $9\frac{1}{2}$  million tons in the first half of 1943 to 15 million tons in the second half of that year—and for this sharp expansion of importing capacity we should have to rely almost entirely on American shipping.

4. It would be a mistaken policy, from the point of view of the common interests of the United Nations, to postpone an increase in the allocation to this country of new shipping from American yards until we had reached a point at which our capacity to carry on the war effectively was seriously jeopardised.

In these circumstances my Committee consider that the situation should, if possible, be met on the lines contemplated in paragraphs 21-24 of the Report of the Shipping Committee—*i.e.*, by a substantial increase in American assistance in the first, as well as the second, half of 1943, combined with measures of retrenchment (running down stocks, and reducing consumption, of imported food and raw materials) which, though substantial, will be less drastic than those which we should have to adopt if the prospective deficiency in importing capacity had to be met wholly by these means.

5. My Committee have reviewed the possible measures discussed by the Shipping Committee for reducing our consumption of imports. They feel that some of these measures would dislocate our economy to an extent which would not be justified in present circumstances. They could not recommend at this juncture—

- (a) The use of barley as a diluent in bread, at the cost of reducing beer supplies by half;
- (b) the reduction of the reserve of meat on the hoof;
- (c) any cut in imports of fertilizers at the expense of the 1943 harvest.

Further, they doubt whether the relatively small saving in wheat imports would outweigh the disadvantages of increasing the milling ratio beyond 85%. In any event they would not favour an increase above 90%.

The remaining measures suggested by the Shipping Committee might be expected to produce savings in imports of food amounting to a maximum of some 800,000 tons.

As regards imported materials consumption economies to the extent of about 600,000 tons could be secured without serious prejudice to direct war production—though the cuts involved would fall very heavily on services supplying civil needs.

Stocks might perhaps be reduced by 4 million tons, in place of the 6.15 million tons contemplated by the Shipping Committee.

There is no prospect of any substantial saving in civil imports to territories other than the United Kingdom. Some relief might be obtained through further economies in the use of shipping for military purposes; but the Lord President's Committee are not in a position to frame any quantitative estimate of the savings to be secured by this means.

It is clear, however, that, even though we make these substantial reductions in our demands on shipping and enforce every economy in our use of the ships available, we cannot hope to meet the prospective deficiency unless we can obtain from the United States assistance enabling us to bring in something not far short of an additional 3 million tons of imports before the middle of 1943. If assistance on this scale is not forthcoming we may reach the point at which it will become impossible to meet in full the urgent needs of the fighting Services for shipping without reducing imports below the minimum level required to maintain our war production and to supply our essential civilian requirements.

Large as is the planned output of United States new construction, their present high rate of shipping losses may not be reduced for some time, while demands on shipping involved in bringing United States troops to Europe are likely to be extremely large. In the absence, therefore, of some firm assurance from the United States Government, it is not safe to assume that they will be able to provide assistance of the proportions required.

6. My Committee therefore submit the following recommendations:—

(a) The facts of the shipping situation should be strongly represented to the United States Government. It should be made clear that, from our own resources and with the American help already available, we cannot meet the prospective deficiency in importing capacity without adopting a policy of retrenchment which would seriously impair our ability to carry on the war after the middle of 1943. American assistance will in any event be required on a substantial scale in the second half of 1943. But in the common interests of the United Nations as a whole it is preferable that we should receive in the early part of 1943 such a measure of assistance as will enable us to keep stocks and consumption at reasonable levels and thus obviate the need for a much steeper increase of imports in the second half of that year.

For these reasons the United States authorities should be pressed to increase the tonnage of shipping to be allocated in the first half of 1943 to areas for which we are responsible. We should make every effort to obtain firm assurances regarding the tonnage which can be made available during the whole of next year. It should be sufficient to enable us to bring in at least 3 million tons of imports during the first half of that year.

(b) The extent to which stocks, and consumption, of imported food and materials will have to be reduced in order to close the remaining gap cannot be calculated with precision until we know what additional shipping can be made available to us from American production. Provisional plans should, however, be prepared on the assumption that import economies totalling about 5½ million tons will have to be secured over the period of eighteen months up to the end of June 1943. Certain economies in consumption of imports may have to be introduced forthwith.

(c) Every practicable economy must be secured in the use of the available shipping. The Shipping Committee are making further enquiries into this aspect of the problem; and in consultation with the Minister of War Transport they will review all the possible means of securing a more economical use of the ships engaged in supplying civil and military requirements.

If, however, any substantial reduction is to be secured in the demand upon shipping for military purposes, it will be necessary to bring under review matters (*e.g.*, scales of maintenance and reserves) which raise issues of military policy outside the competence of the Shipping Committee. These aspects of the problem will, no doubt, be considered by the Defence Committee with a view to the issue of suitable Directives to the Service Departments.

J. A.

Great George Street, S.W. 1,  
July 14, 1942.







