

PSF

Great Britain

1940, Oct.-Dec.

COPY

PSF: St Britain
H. H.

2 Wall Street

October 1, 1940.

Hon. Franklin D. Roosevelt,
The White House,
Washington, D. C.

My dear Mr. President:

When I last saw you I told you of the report being made on economic controls in England at the direction of the Prime Minister. I promised to see that you would have a copy of that report. However, it occurred to me that you would rather have that taken up with you by Ed Stettinius who framed the questions and I have, therefore, sent copies of the report direct to him.

You may be interested to know that, at the direction of the Prime Minister, seven men were placed at work on this report and they canvassed all the various departments in order to make it complete. It seemed to me that you might find many items of interest in this study.

Sincerely yours,

(Signed) Bill Donovan

PS Fish. Britain

J. B.
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THE WHITE HOUSE
WASHINGTON

October 2, 1940.

MEMORANDUM FOR

LORD LOTHIAN

Thank you for letting me
see the Stockholm messages.
Halifax is right. I am glad he
recognizes attempted seduction
when he sees it!

F. D. R.

PSF: Lt Britain B.

Letter to FDR from Morgenthau--~~Oct~~ 3, 1940 attaching copy of report and covering letter 10/2/40 prepared by Sir Walter Layton at direction of British War Cabinet----report presents to US Gov general picture of the British Supply Position and is to supplement in detail the orders that have been transmitted to the British Purchasing Commission

See: Morgenthau-Drawer 1-1940

For Previous orders referred to in the above
See: Raw File (War Dept folder) Misc drawer-----1940

THE WHITE HOUSE
WASHINGTON

*File
Personal
Y.B.
4*

Oct 4, 1940

10-4-40

MEMORANDUM FOR THE PRESIDENT:

Lord Lothian is leaving here Tuesday night on a mission of which the President is already aware. I have put him down for an appointment for Tuesday, October 8th, the time to be determined by the President Tuesday morning.

E. M. W.
E. M. W.

10-5-39

15F Great Britain

The Ambassador in the United Kingdom (Kennedy) to the Secretary of State, London, October 5, 1939

Letter of Winston S. Churchill to Ambassador Kennedy forwarding a summary of a conversation between Kennedy and Churchill to be sent to the President and the Secretary of State.

Published in : Foreign Relations of the United States, 1939, Vol. V, The American Republics , pages 85-86.

October 8, 1940

MEMORANDUM OF IMPORTANT POINTS RELATING TO PRODUCTION PROBLEMS
CONTAINED IN THE BRIEF OF THE "SURVEY OF BRITAIN'S WARTIME
ECONOMIC ORGANIZATION".

Contracts.

During rearmament the contract procedure was too long and detailed which led to the practice of giving an "order to proceed" in advance of final contract.

The shift from competitive bidding to negotiated contracts was necessitated by the need for employing all available industry for war production. A satisfactory basis for negotiating contracts exists in the machinery in Government Procurement Agencies for Cost Accounting.

Finance.

During rearmament inadequate appropriation and too rigid control delayed the placement of orders and the construction of plants and factories. It was found that smaller sub-contractors are not usually provided with sufficient liquid finance.

Machine Tools.

Machine tools are one of the most urgent problems. Firms with small automatic machines should be utilized for the manufacture of small parts. Steps should be taken to manufacture gauges by precision machine tools operated by semi-skilled labor. New forging practice has eliminated boring shell.

Production Bottle Necks.

Industry lacked adequate organization. Small firms were not coordinated so that their combined capacity could be utilized. To avoid over or under production of parts, etc., sub-contracting should be planned from the beginning. There was shortage of capacity for fabricating raw materials and an inadequate directing staff with knowledge of production of munitions and lack of sufficiently trained inspectors. It was found necessary to break down processes to reduce the number of skilled men required. It is impossible to adjust production arrangements for difficult items rapidly if policy changes.

Shortage in machine tools, jigs, fixtures and labor caused delay in production in new plants. Difficulties were

experienced in conversion of plants because of age and type of machines and unsuitability of highly specialized industry, such as the motor car industry, to conversion. Experience has indicated that new aircraft facilities should be used for final assembly only. It has been found necessary to place orders for fabrication of unusual special material and of important raw and semi-finished components at the same time orders are placed for the principal items.

Requirements, Designs, Specifications.

There was a lack of suitable designs and failure to consult production prior to adoption of designs. Designs were too frequently altered, their components were not standardized and there was a lack of uniformity between services. There was initial necessity to begin production on many items before the test of pilot models. Requirements should be presented on long term basis.

Priorities.

Steps were taken early to effect the distribution on the basis of allocation and the grading of contracts. Few conflicts arose during the early part of the war but difficulties have since arisen because the relations between the two systems of allocations and grading of contracts have not been worked out thoroughly. Since May 1940, the War Cabinet and the Production Council have established and enforced priorities within the limitations of existing priority machinery. Alternate new proposals for priority machinery are now under consideration.

Labor.

There were no effective steps taken to relieve skilled labor shortages until after the collapse of France.

Trade Union rigidity and the resulting shortage of skilled labor make necessary provision at the outset for an extensive apprentice training program. It was found necessary to break down processes and to upgrade skilled and semi-skilled workers, and that employers were dilatory in so doing, and it was found necessary to transfer skilled workers from non-munitions industries to munitions and to redistribute skilled workers within the munitions industry. As a conservation measure it is necessary to reserve skilled workers from military service. Special measures are required to reserve apprentices because of their ages and to reserve key men whose loss might be disastrous to a plant. Unrestrained wage competition caused extensive migration of labor and interfered with production.

Since the beginning of war there has been close co-operation between Government, labor and industry but in accordance with the recommendations of a Consultative Committee in May 1940 machinery has been set up for the compulsory arbitration of disputes.

The power now existing to direct any person to perform any specified service is used sparingly and there is little necessity for its exercise. The existence of the power to compel makes it easier for the Ministry of Labor and National Service to persuade.

Measures have recently been taken to increase the supply of skilled labor. All men under 65 qualified in scarcity categories not wholly employed on Government work are required to register with Employment Exchange. Steps have been taken to employ satisfactory, friendly alien skilled workers. The transfer of all labor from one employer to another must be effected through the Employment Exchange. Increase of facilities for training at all levels is under way.

Amortization.

Amortization and depreciation are determined on a basis of what is fair and reasonable in each case. Since the Excess Profits Tax was raised to 100 per cent amortization is a live issue.

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BRIEF OF SURVEY OF BRITAIN'S WARTIME ECONOMIC
ORGANIZATION FORWARDED BY NOTE BY HONORABLE
ARTHUR GREENWOOD, MINISTER WITHOUT PORTFOLIO,
29 AUGUST, 1940.

Prepared in O.A.S.W.
10-7-40

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Main Choke Points in
British Rearmament

1. WHAT WERE FOUND TO BE THE MAIN CHOKE POINTS IN THE BRITISH REARMAMENT PROGRAMME?

Organization of Industry. (Ministry of Supply:-)

Industry lacked adequate organization in the beginning. It was found necessary, even in the clothing and boat industries when there was, in fact, much capacity, to set up on short notice special organizations in order to effect rapid production. Leather, for example, had to be controlled. Existing buildings suitable for adaptations as armament factories were not available. There was a lack of coordination of small firms which would have permitted use of their considerable combined capacity. The only satisfactory way to keep certain types of munitions in production is by means of continuous orders. The Supply Department should have authority to place minimum orders to keep firms in production, even though such orders may exceed the approved requirements at any given time. The stipulation early in the rearmament program that exports were not to be interfered with had the effect of largely excluding some of the best firms from the munitions program. (Ministry of Aircraft Production:-)

As being among the most urgent problems the Ministry states that (1) Sub-contracting should be planned from the beginning and not proceed too quickly otherwise it may be found that certain components are produced in greater numbers than are necessary, while other components are short, (2) planning for limiting the use of new aircraft factories to final assembly only, all components to be sent in from a ring of sub-contractors who will specialize in different parts of the work.

Finance. (Admiralty:-) A too rigid system of control delayed placement of orders. Money ration spread over three years which caused program thought necessary by Services to be reduced below safe limit. (Ministry of Supply:-) Reduced scale of program and of financial provision up to late stage in rearmament program which resulted in delay in laying down plants and factories; in sufficiency of orders to provide for creation of new capacity on wide enough basis; contracting procedure in the beginning too long and detailed. This led to practice of giving an "order to proceed" in advance of making formal contract. (Ministry of Aircraft Production:-) Necessary to increase factory space many fold. Initial expansion through creation of shadow factories and by extension of private facilities financed by companies themselves. Air Ministry agreed early (under terms of the capital clause) to "a Measure" of ~~authorization~~; further necessary extension of private aircraft facilities undertaken at Government expense. Ministry of Aircraft Production has found that the smaller sub-contractors were not usually provided with the liquid finance on the scale required for rapid production.

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Raw Materials. (Admiralty:-) An insufficient reserve. (Ministry of Supply:-) (See also Q. 17) The main difficulties encountered arose more from shipping than from shortage. (Ministry of Aircraft Production:-) Have found different bottle necks at different times in recent years (most important now is capacity for fabrication of light alloy extrusions); shortage of raw materials, particularly of virgin aluminum and capacity for the fabrication of raw materials; states that the importance of planning raw material production simultaneously with planning for expansion of aircraft factories cannot be too highly stressed - fabrication of light alloys, alloy steels and steel tubing, aluminum, magnesium, brass, ply wood, aircraft spruce, artificial glazing materials, oil resisting rubber, rubber materials for self sealing tanks; that of the most urgent problems to be worked out in the beginning is such provision for material requirements as will provide a margin for all contingencies, and the setting up of a Material Control which will allocate materials in order to prevent competition therefor which, itself, would permit the larger firms obtaining larger supplies than necessary while other firms have difficulty in obtaining requirements, another urgent early requirement is the solution of the problem of supply of unusual or special materials including consideration of alternative materials and the provision for adequate capacity.

Labor and the Inspection Staff.(Admiralty:-) Trade Union rigidity which results in shortage of skilled labor, regards as necessary provision at outset for an extensive apprentice training program. (Ministry of Supply:-) Because of policy of disarmament in recent years there was (a) an inadequate supply of trained directing staff with a knowledge of the production of munitions and (b) an equal lack of skilled labor; (c) lack of sufficiently trained inspectors. Unregulated competition through the offer of higher wages resulted, for a long time, in skilled workers migrating from factories less able to pay high wages with consequent ~~had an~~ adverse effect upon production in the latter class. (Ministry of Aircraft Production:-) To meet the shortage of highly skilled workers various methods have been employed (in recent months): the breaking down of processes to reduce the number of highly skilled men required, the upgrading of skilled and semi-skilled men to more important posts, the introduction of dilution by the employment of unskilled men and women; the transfer of skilled men from commercial work, railways, etc.; redistribution within the munitions industry of its skilled labor. Inspectors of the Ministry of Labour and National Service visit works to insure that dilution is carried out and that skilled labor is properly employed or released for transfer.

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Machine Tools. (Admiralty:-) Shortage of machine tools, and shortage of capacity for producing due in part to dependence upon foreign countries from which the supply was subsequently cast off. Domestic capacity should have been developed. (Ministry of Supply:-) (See also Q 3) Necessary to look to the United States in the beginning for special machines for the war program because Britain normally produced only standard types of machines. (Ministry of Aircraft Production:-) finds the most urgent problems in the beginning of any expansion of aircraft production to be (1) provision for sufficient extrusion presses, rolling mills, etc. for the fabrication of light alloy because the production of such machines requires a long time; (2) provision for adequate machine tool capacity for the production of jigs, fixtures, press tools, gauges, etc. and for production machining; regards as important an early census of all machine tools so they can be brought into operation as program develops; that provision of machine tools and tooling enables unskilled labor to be employed on a large scale, but has found that companies are slow to make such provision, preferring to retain as many skilled workmen as possible; recommends that machine tools required by sub-contractors be furnished through parent aircraft firms in order to ensure that tools are fully employed; that main aircraft assembly firms should try out and maintain at least one set of the main jigs, etc. which are used by sub-contractors in order to be in position to give technical advice to sub-contractors; recommends that the numerous firms having small automatic machines be given orders for the large quantities of standard nuts, bolts, etc. which are required.

Requirements, Designs and Specifications. (Ministry of Supply:-) There was a lack of necessary and suitable designs, and a tendency not to consult production prior to final adoption of a design. Samples should be carefully studied by Production Engineers at the inception of the design. Designs were too frequently altered; components were not standardized. There were too many specifications for both materials and finished articles; specifications were sometimes peculiar to the Services when specifications in common use would have served equally well. Inspectors performed their functions too rigidly. Requirements:- The first essential of a satisfactory munitions program is a clear and stable policy of the scale of military preparations. It is impossible to adjust production arrangements for difficult items, such as major munitions requirements, rapidly if policy changes. Requirements should be stated in as definite form as possible and should be on a scale which permits the formulation of a long term program. (Ministry of Aircraft Production:-) Regards as the most urgent problem in connection with the expansion of aircraft production (1) the working out of requirements for materials, and tools (2) the placement of orders for such equipment as instruments, wireless equipment, etc. simultaneously with the placement of orders for aircraft.

Merchant Vessels. (Admiralty:-) Because of the rigidity of financial control and limitation upon appropriations, largely, adequate provision was not made for arming merchant vessels against aircraft attack.

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2. TO WHAT EXTENT WAS THE SHADOW PLANT IDEA FOR OBTAINING RESERVE CAPACITY FOUND USEFUL? WHAT WERE THE DEFECTS IN THIS SYSTEM THAT SHOULD BE GUARDED AGAINST?

(Admiralty:-) Has had little experience of production from shadow plants, i.e., self contained factories erected at government expense; the increased capacity required has been obtained in the main by expansion of existing works which enabled ancillary services and expert supervision available in the parent works to be used to the full. The few shadow factories for shell and fuses are only now commencing production; two relatively small shadow factories started before the war were not completed at the outbreak. Completion was accelerated to bring them into immediate production. (Ministry of Supply:-) Except in the field of explosives there was no industry which produced stores analogous to the munitions needed, therefore the shadow plant system has been applied principally in the field of explosives. The Director General for the production of tanks and transport considers that a shadow scheme would be suitable for tanks and for their main components, engines, transmissions, tracks, etc. Generally speaking for both the manufacture of explosives and of plant for their production private industry is better than government departments because of its greater experience and technical knowledge. When the rearmament program began the government and private production capacity for propellants was extremely limited. The first stage in the expansion of propellant production was to commission a leading firm, erect adjacent to their factory a cordite plant of 300 tons a week capacity, and that plant was almost complete when war broke out. It was put into production in very short time by reason of the fact that orders placed with the parent firm during two years prior to the outbreak of war and their large general experience in explosive manufacturing made it possible to train a staff of workers for the new plant promptly. The same Company erected and brought into production promptly plants for tetryl sodium azide and special grades of black powder. The manufacture of T.N.T. is much simpler than the manufacture of propellants but at the beginning of the war the country was largely dependent upon two private firms for high explosives. However, in a few months Royal Ordnance T.N.T. factories came into production and now produce the bulk of requirements.

Shadow factories for the manufacture of ammonium nitrate and ammonia were established before the outbreak of war and were entrusted to private industry.

The shadow plant system did not play as large a part in the case of other munitions. Plans were made for the use of the system for ammunition manufacture but the plants were necessarily put into full production as soon as their capacity became available.

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(Ministry of Air Craft Production:-) In general, the shadow aircraft and aero-engine factories in the motor car industry have proved definitely successful after the initial difficulties were overcome. (See below.) Later, some professional aircraft and other firms have been financed upon the same general lines to create and operate factories at government expense. (Managing firms were to keep cost accounts and were responsible that cost of plants, cost of materials, and of subcontracts ~~were~~ kept down. Such costing data as have emerged suggest that the cost of shadow production approximates fairly closely to that of commercial aircraft factories.) Where, however, a firm can provide some capital, even if only the working capital required, commercial management has been preferred.

Weaknesses and difficulties encountered:-(1) Managerial personnel, which come principally from the motor car industry, had to learn aircraft technique which delayed initial operations; (2) the original intention in setting up shadow factories in the motor car industry to train motor car firms in aircraft production could not be carried out because (a) labor engaged in motor car production could not be trained in aircraft standards; (b) continuous orders would have been required after the educational period in order to keep the trained labor together; (c) current motor car production prevented the immediate utilization of motor car factories for air frame and aero-engine work; (d) straight production is below capacity because shadow factories have been used to meet bottle necks elsewhere in some cases. (3) Financial Difficulties:-(a) the desire of some motor car manufactures to continue motor car production in order to be ready for post war commercial business has bearing on financial and other inducements to the companies to undertake aircraft factory management; (b) there has been a tendency for the managing companies to undertake more expensive forms of construction and plant than would have been the case if the costs were to be met by private finance; and, in some cases, have wished to continue post affiliations in the purchase of materials, subcontracting, etc.; (c) In some cases the cost accounting system has failed, in others it has been maintained. Efforts to correct accounting weaknesses were frustrated by emphasis on the overriding need for production. Early schemes had incentive for economy but their efficacy depended upon quick efficient accounting.

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3. TO WHAT EXTENT WERE MACHINE TOOLS FOUND TO BE A CHOKE POINT AND WHAT METHODS WERE UTILIZED FOR OVERCOMING IT?

(Ministry of Supply:-) In addition to looking to the United States for special machine tools (see Q1,5) measures were taken (1) to expand the machine tool industry by bringing in additional firms, extensive subcontracting, provision for additional plant; (2) elimination of unnecessary finish; (3) diverting machine tools into machine tool industry to increase production over bottle neck machines; (4) before the war steps were taken to manufacture gauges by precision machine tools operated by semi-skilled labor; (5) for shell - eliminating boring or machining by adopting a forging practice which gave a finished cavity forging, and by adopting, wherever possible, a simplified design of machine which could be produced by non-machine-toolmaking firms with adequate equipment for producing a particular design needed.

4. TO WHAT EXTENT WERE MASS PRODUCTION OPERATIONS IN AMMUNITION MANUFACTURE BROKEN DOWN INTO SIMPLE OPERATIONS BY SEMI-SKILLED LABOUR AS COMPARED TO UTILIZATION OF SPECIAL HIGH-PRODUCTION MACHINE TOOLS OF A COMPLICATED CHARACTER?

(Ministry of Supply:-) Shell production, in all cases, has been broken down into simple operations; machines amply powered; Tungsten-Carbide tools used to full advantage; tool operators and tool setters are semi-skilled. Fuze production: Reliance has been placed on well known makers of Automatics and Capstans since, having regard to the somewhat complicated nature of the modern fuze, the 1914/18 method of making by a single operation would have caused difficulties, particularly in assembly. Cartridge Cases: Modern plant has been installed throughout, including automatic annealing and pickling lines.

5. WHAT METHODS WERE EMPLOYED FOR OVERCOMING THE SHORTAGE IN HIGH SKILLED WORKMEN, LEADING MEN, DESIGNERS, AND OTHER SEMI-TECHNICAL CLASSIFICATIONS?
6. TO WHAT EXTENT WAS THE DILUTION OF LABOUR CARRIED IN MUNITIONS PLANTS BY THE INTRODUCTION OF UNSKILLED WORKERS, MALE AND FEMALE? WHAT METHOD WAS USED IN TRAINING THIS UNSKILLED LABOUR?

Need for meeting problem of labor supply. (Admiralty:-) Admiralty experience has shown need for grappling with the problem of labor supply by such positive steps as dilution, training, etc., at an early stage. Although it was commonly accepted in

Machine Tools as a
Choke Point

Breakdown of Ammunition
Manufacturing Operations

Dilution of Labour in
Munitions Plants

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the beginning of 1940 that there was a big shortage of skilled labor, effective steps were not taken until the collapse of France. In the meantime, all sorts of troubles arose - the execution of programs has been interfered with; employers have "poached" skilled labor from each other by inducements such as higher wages. Experience has also shown that it is necessary to conserve existing supplies of labor; one of the best ways is an effective scheme of reservation of skilled men from service in the armed forces. In certain vital munitions plants it has been found that the loss of even one or two key men may have a disastrous effect upon the output. The training of apprentices is the one sure source of obtaining an increase of fully trained skilled men, and there is danger that the ages of reservation will be drawn above their heads, leaving them to be called into military service. (Ministry of Labor and National Service;-) Although agreements between the Amalgamated Engineering Union and the Engineering and Employers National Federation had been reached in September 1939 providing for the employment of semi-skilled labor where skilled workers were not available and for periodic review to ensure that the object of preventing restriction of production would be fulfilled, it became apparent that other steps would be necessary. This situation arose because of (1) the reluctance on the part of many employers to carry out dilution to the extent necessary, (2) competition for the available skilled labor which had reached the point of hampering production because employers with the greatest financial resources secured an undue proportion of the available labor through offer of higher wages; because some firms were reluctant to introduce night shifts in the fear that their labor would be more readily tempted to go to employment with other firms engaged in day work; and because employers were reluctant to undertake training schemes for fear that trainees would be enticed away as soon as they were trained. Because of these conditions the Government decided to exercise drastic powers and therefore issued, on May 22, 1940, an Order in Council under the Emergency Powers (Defense) Act of 1939 and 1940 (Documents 3 and 4) which vested in the Minister of Labor and National Service the control and use of all labor. (See also Q.23).

Policies, organization and operations of labor supply control agencies. (Ministry of Labor and National Service:-) The powers conferred by the Order in Council May 22, 1940, are intended to enable the Minister of Labor to ensure that dilution is carried out to the fullest possible extent by introduction of unskilled men and women, by upgrading of existing workers, by redistribution of skilled labor.

The Production Council of the War Cabinet draws up from time to time lists of relative priorities which govern when the distribution of the available supply of skilled labor is not adequate to meet all demands.

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It is the announced wish of the Ministry of Labor and National Service to achieve the desired results without resort to compulsion and various appeals to industry have been made with that object. (See Document 8, letter, July 4, 1940, to management signed by the First Lord of the Admiralty and the Ministers of Supply and Aircraft Production). A letter has also been sent by the Engineering Employers Association to its members.

The Industrial Registration Order issued August 7, 1940 requires all men in a number of "scarcity" categories but who are not wholly engaged on Government work to register at an Employment Exchange, and requires the registration of all men under 65 years of age who have been employed in these specified occupations for as much as 12 months at any time within the past 12 years. Arrangements have been made for the return to industry of suitable superannuated members of the A. E. U., and appeals have been made to local authorities to release men from maintenance shops, to chauffeur mechanics and garage mechanics and to handicraft teachers to volunteer for industrial work. Steps have also been taken to have satisfactory friendly alien skilled workers placed in industry, and to accomplish this there has been established an International Labour Branch of the Ministry.

The machinery for distributing the labor supply consists of (1) the well developed Employment Exchange Service (which did not exist in the last war) which continues to carry out the executive functions involved in the provision and distribution of labor; (2) a labor supply organization which may be regarded as ancillary to the Employment Exchange Service; and (3) an inspectorate of munitions labor supply, the primary purpose of which is to ensure the efficient use, training and distribution of labor for the manufacture of munitions.

Under the Employment Exchange Service the United Kingdom is divided into 11 Divisions, each of which is under a Divisional Controller responsible for the work of the Employment Exchanges and Local offices of the Ministry. Where no Labor Supply Committee exists, Exchange Managers decide questions pertaining to the release of labor when Inspectors of Munitions Supply and managers are unable to agree.

There is set up in each of the 11 areas corresponding to the Ministry of Labor Divisions an Area Board composed of an independent chairman, the Divisional Controller (Employment Exchange Service) and the chief Local Representatives of the Admiralty, Ministry of Supply, Ministry of Aircraft Production, and of the Board of Trade, and of representatives of industry and Trade Unions. The Area Board decides priorities when there are local conflicts over the available labor supply between firms working for different departments on products which have equivalent priority.

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The labor supply organization consists of (1) a Labor Supply Board (composed of the Minister of Labor, chairman, Parliamentary Secretary, Permanent Secretary, Deputy Secretary, Chief Industrial Commissioner, officer in charge of the National Service and Military Recruiting Department, the four Directors of Labor Supply, other officers as required; (2) Four Directors of Labor Supply (two from employers and management, two from Trade Unions); (3) Labor Supply Committees now established or being established in the more important areas of munitions production (number on August 7, 1940 was 27). (Composed of a Chief Labor Supply Officer, chairman; the Employment Exchange Manager; two other Labor Supply Officers; the Local Welfare Officer; the Factory Inspector.) (The Chief Labor Supply Officer and Labor Supply Officers are drawn from both management and Trades Unions).

The organization of the inspectorate of munitions labor supply: A Chief Inspector of Munitions Labor Supply and a small staff of higher grade inspectors; 11 territorial Divisions each under a Divisional Inspector, who is an experienced engineer with a good practical knowledge of industry, and who functions under the control of the Divisional Controller (Employment Exchange Service); and, as of August 7, 1940, 229 Inspectors and Assistant Inspectors (drawn from management and Trades Unions).

The functions of the various agencies:

The Labor Supply Board is responsible for surveying the general situation in relation to the demand for and use of labor. It receives information of the priority to be given to products and then determines the priorities to be accorded to demands for labor, and measures necessary to meet demands.

Labor Supply Committees working in conjunction with Local Officers (Employment Exchange Service) and assisted by Inspectors of Labor Supply, are concerned with the general field of labor supply in their areas (except labor for dock work), and their duties are (1) to survey the labor situation in their areas in the light of returns made by management (under Statutory Rules and Orders 1940, No. 818 (Document 5), and in the light of other information available locally, e.g., Inspectors Reports; (2) to secure the best use of skilled labor by arranging, through Labor Exchange machinery, for transfer as required and to secure where possible the employment of additional unskilled labor, including women; (3) to stimulate arrangements for welfare, lodging, billeting; (4) to stimulate training by ensuring full use of training facilities. The Committee determines finally whether labor is to be released, if the Inspector of Munitions Supply and management are unable to agree.

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The Chief Inspector of Munitions Labor Supply maintains contact with Inspectors in the field and advises on general questions pertaining to their work. His small staff of higher grade Inspectors undertakes special investigations as found necessary.

The Inspectorate, in conjunction with the Labor Supply Committees, is the direct contact between the Employment Exchange Service and the factories, although executive action is taken by the Employment Exchange Service. The main duties of Inspectors of Munitions Labor Supply are (1) to examine demands for labor made by firms and to determine whether they are justified; (2) to determine to what extent a firm can meet its own needs for skilled labor by redistribution, upgrading, subdivision of processes and to adjust the firms' demands accordingly; (3) to inspect firms, determine to what extent skilled labor should be released and to undertake to reach an agreement with management pertaining thereto (see Labor Supply Committees); (4) to stimulate training by employers and by full use of local facilities in technical institutes, etc.; (5) to investigate alleged infringement of the Undertakings Order (Restriction on Engagement) (Document 6) June 5, 1940 which requires employers to obtain workers through local Employment Service offices and requires a worker to obtain employment through such offices; (6) investigate departures from trade practice prescribed in the Conditions of Employment and National Arbitration Order (Document 7) July 18, 1940. This order sets up the National Arbitration Tribunal for the purpose of preventing interruptions to production through trade disputes.

General: Transfer of labor from one employer to another is made only through and by Employment Exchanges. Inspectors notify the Exchanges of agreements concerning labor to be released.

It is too early yet to report the extent of dilution achieved, but the recommendation of Inspectors for the transfer of skilled workers, and the scrutiny by Inspectors of demands for additional skilled workers are having a valuable effect in encouraging employers to undertake dilution and in reducing demands for skilled workers.

The widespread upgrading of labor from lower to higher levels leaves many gaps to be filled by training at all levels.

Training: Four avenues for training are employed: by employers; by Technical Colleges and Technical Schools of the Local Education Authorities and other Technical Institutions; Government Training Centers operated by the Ministry of Labor

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and National Service; short courses given by garages, maintenance shops and other workshops not fully engaged on war production.

Employers: A substantial amount of training has always been in operation as the principal source of supply; and by far the greater amount of training must be done now by the employer in the factory. Probably training has been substantially increased in recent years owing to increase of workers in munitions production. Special efforts are now being made to induce employers to expand training programs, viz., by special broadcast speeches and appeals through the press by the Minister of Labor; by the preparation by the Ministry of a Manual on Training for Wartime Work in the Engineering Industry (Document 10); through the issuance of a letter of instructions by the three Ministers in charge of Production Departments to the 9000 firms engaged on Government contracts; through appeal by the Engineering and Allied Employers National Federation to its members for the training of their own semi-skilled workers (Document 11); by personal direct efforts of Local Labor Supply Committees, Inspectors of Labor Supply and Factory Inspectors. There is a wide variety of methods of training employed by employers, but in general they fall into two main groups. The most general method is one under which training is imparted in close association with production - first by watching, then by themselves carrying out the operations, the trainees are gradually brought to the necessary degree of skill to commence production, after which they gradually acquire facility. This system is carefully arranged in well conducted works - both skilled worker teachers and trainees are carefully selected and supervised by a member of the staff. The second method, in general only adopted by large firms, is by the use of a separate training shop with a special staff of instructors. In these, training is the primary object, although a certain amount of production is carried on. The separate training shop may be used for training for first training and for training at higher levels.

Technical Colleges and Technical Schools: They have always made a considerable contribution. The Ministry are now, in association with the Education Departments, extending greatly the use of Technical Colleges through arrangements financed by the Government. In general these provide courses of six to eight weeks according to agreed curriculum. It has recently been decided to extend the courses to women. It is hoped that these arrangements will reach an annual rate of output of 50,000.

Government Training Centers: They have recently been increased to 19 and now have 16,000 civilians under training and it is planned by use of the shift system to increase the number to 35,000 which will produce an annual output of 100,000.

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The Government intends to increase the number of centers to 40 which under full operation will double the output. Training is given in fitting, machine operating, instrument making, sheetmetal work and panel beating, electric and oxy-acetylene welding, and draftsmanship. The training period for draftsmen is 9 months, and in general for the others does not exceed four months. Special arrangements have been made to bring in as students workers who already have a considerable degree of skill of some kind - such as printing workers, woodworkers, garage workers, and chauffeurs - who are given a shorter period of training. The Centers aim at producing a man whose training has been carried further than single process work and who, soon after employment in a factory, can take his place at one of the higher levels of skill. A special technique has been developed with a view to the needs of the employer.

Garages, Maintenance Shops, Other Shops: The extent to which this method can be carried out will depend largely on the extent unused capacity is taken up for production purposes.

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7. TO WHAT EXTENT WERE EDUCATIONAL OR TRIAL ORDERS USED AS A PRELIMINARY TO PRODUCTION ORDERS?

(Admiralty:-) The normal method of enlisting the services of a new firm is to place a bulk order of reasonable size then if performance is satisfactory even larger orders can be entrusted. Earlier deliveries under that system might be called "educational," but educational and trial orders have not been placed generally except for experimental designs of paravane, torpedo, and mining apparatus for which small orders have been placed to ensure utilization of commercial methods to highest degree possible.

(Ministry of Supply:-) Educational orders were employed extensively: (1) All orders to sub-contractors to Royal Ordnance Factories were in the nature of trial orders because of the limited number of items the Factories were required to produce; (2) Educational orders were used to large extent to create production capacity for guns, carriages and instruments. Capacity cannot be created without them generally, though difficulty was experienced because orders were not of sufficient size to develop capacity on wide enough basis; (3) the scheme was used almost exclusively in the development of the tank program although orders were not large enough to attract a number of bigger and more efficient firms; (4) in the development of the ammunition program educational orders developed into full production program. It was originally intended to close the plants as shadow factories; (5) the original orders for equipment and stores were of an educational or trial character where new productive capacity was being sought. The staff were employed to advise and instruct producers as found necessary. (Ministry of Aircraft Production:-) Educational orders were placed in many instances particularly for equipment of a specialized kind, but, for main items such as air frames and engines, expansion was so rapid that orders placed with firms undertaking aircraft production for the first time had to be substantive orders, and these in most cases were increased when war broke out. Where a firm receives an educational order for a new type remuneration is on the basis of cost plus fixed profit, for later orders a fixed price is negotiated whenever possible.

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Freezing of Armament
Designs

8. WERE THE DESIGNS FOR ARMAMENT FROZEN AT THE BEGINNING OF PRODUCTION OR WERE FREQUENT CHANGES PERMITTED IN THE HOPE OF INCREASING OUTPUT? TO WHAT EXTENT HAD DESIGNS BEEN PREVIOUSLY PROVEN TO SHOW THEIR ACCEPTABILITY FROM QUANTITY PRODUCTION STANDPOINT?

(Admiralty:-) Designs for ships and armament were largely frozen and specifications were carefully investigated to cut down all non-essential work in wartime. Six months before the war some simple designs of ships, particularly destroyers and small craft, were selected with a view to rapid reproduction. The acceptability of a design from a production point of view (capacity and available machine tools) was always kept in mind. War experience required minor alterations. Much greater care is necessary in respect of production point of view; the association of production engineers with designers is essential. The detailed designs for guns and mountings are worked out by the firms who are thus in close association with their own producers. Inspection must be watched to see that it is not too meticulous. (Ministry of Supply:-) (1) Designs were initially frozen in Royal Ordnance Factories but changes were made at the instance of the Services; situation since changed, modifications now made to attain rapid production. (2) Designs of guns, carriages and instruments were frozen when production began, but many alterations have been made as being essential to the Services or to assist production. Designs had not been proved but urgency required they be accepted immediately the pilot model had been shown to be serviceable. (3) In practically no case was tank design suitable for quantity production because of necessity of bringing in heavy engineering firms (such as locomotive manufacturers) who normally did not deal in mass production. Designs were not frozen because it was necessary to go into production while the prototypes were under trial. Changes have been made in order to increase output and to improve fighting qualities. (4) Many new designs of ammunition were introduced at the beginning of the rearmament program, lack of orders made test of suitability for mass production difficult. Some new designs of modifications have been introduced. In majority of cases only minor changes permitted, prevent delay in output. (5) For explosives it has been found necessary to relax a number of specifications to increase output. (6) Signal equipment normally developed after test of prototypes; designs are only frozen to prevent changes which would delay production. (7) Equipment and Stores:- Not so far divorced from articles in ordinary civilian use as are munitions stores. Close collaboration with industry has caused frequent changes in design which facilitate production. (Ministry of Air Craft Production:-) Not practicable to freeze aircraft design because changes may be required for operational or safety reasons; however, it has been a rule to limit changes to those that were essential. Owing to the urgency it was necessary to order aircraft before the design had been finally completed and before prototypes

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had flown. No opportunity, therefore, of proving suitability for production, although attention to this aspect was given during design stage. The fact that manufacture started with production of a few from limited number of tools caused small changes in design to facilitate production; later it became more difficult to introduce modifications.

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9. WHAT WAS THE GENERAL METHOD OF ESTABLISHING PRIORITY BETWEEN THE VARIOUS CLASSES OF WORK UNDER THE REARMAMENT PROGRAMME AND THOSE NECESSARY TO MEET THE OTHER NATIONAL REQUIREMENTS? HOW WAS THIS PRIORITY SYSTEM ADMINISTERED?

During Rearmament:- Competing claims for limited resources were worked out in some detail on the basis of (1) allocations, (2) the grading of contracts into priority categories on the general lines employed at the end of the World War. (1) Allocations of materials (steel, timber, non ferrous metals, wool, cotton, etc.) were based upon the plan to bring all such materials under Government control, and could be made on basis of estimated requirements against known quantities of available supplies; allocations of productive capacity were made after collating the surveys of capacity in war time which had been made by the Departments concerned with rearmament, and were made to one Department exclusively or to two or more in agreed proportion; allocation of labor supplies was not contemplated at this stage, although a Schedule of Reserved Occupations was published which exempted all men or men above certain ages in particular occupations from military service. (2) A priority system was set up which contemplated that certificates should be issued in three Classes A, B and C and contemplated that contractors and others would be required to give due regard thereto. (See Documents 12, 12a and 12b, "Priority of Work" September 3, 1939.)

Since the Outbreak of War:- The relation between the two systems of allocations and of priority grading have not yet been worked out thoroughly. Partly because it was desired to avoid the situation reached in 1918 when priority certificates became practically meaningless and partly to give the export trade a proper place in the productive effort no priority certificates were issued but the system of allocations was utilized for determining conflicts between competing claims. A Committee of the War Cabinet was charged with the settlement of disputes as to allocation or priority, however no conflicts arose during the early months of the war which could not be settled at lower levels. In the early months of 1940 when production expanded difficulties began to arise. These difficulties arose because (1) it was found impossible to meet in full all estimated requirements in some of the more important materials; (2) allocations of productive capacity proved inadequate to solve the dilemma of many firms who found themselves carrying a mass of orders for different Departments of the Government, and who asked for Priority Certificates; (3) Departmental Officers, without authority, began to tell firms that their work was entitled to Class A Priority. These difficulties were just coming to a head in May 1940 when events on the Western Front gave new impetus to the drive for war production.

Since May 1940:- The Government was given sweeping powers of control over all materials and labor which made possible complete planning for the use of the productive resources. The Production

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Council (composed of the Ministers of War, Navy, Air and Labor, the President of the Board of Trade and, as Chairman, a member of the War Cabinet - the Minister without Portfolio). The President of the Board of Trade is interested in export and home civil needs. Although a separate Department is now under contemplation for the former the Minister of Supply is responsible for the control of raw materials and machine tools and other services common to production generally as well as being responsible for the Army program.

The Production Council works through an organization, most of which was existing before the Council itself was formed, viz: three main Sub-Committees each composed of senior officials of all Departments concerned under a junior Minister as Chairman. These Committees endeavor to reach agreement on all questions of conflict, only referring to the Production Council in case of necessity. These Sub-Committees are (1) The Production and Materials Committee which deals with the allocation of productive capacity and materials and which receives estimates of the more important civil needs (housing, transport, etc.), miscellaneous home requirements, and of export as well as estimates for war production. It makes allocations on the basis of the policy laid down by the War Cabinet. In some cases a sub-control and sub-allocation scheme is set up, i.e., certain alloy steels. The Committees administration is carried out by a Control Priority Department staff composed of officers taken from the Committee of Imperial Defense, Civil servants, and men with specialized experience taken from the outside since the beginning of the war. These officers are able to settle many minor questions of allocation; (2) the Man Power Committee deals with the allocations of man power and labor resources. The executive work is performed by the Ministry of Labour; (3) the Works and Building Committee which settles the order of priority for items in the Government building program (factories, aerodromes, etc.) and allocates materials accordingly. The work of this Committee has been of special importance lately because of the great demand for home defense works.

The War Cabinet lays down the general policy for priority on broad strategic grounds, thus the Production Council were for obvious reasons instructed that for the summer of 1940 special priority was to be given for the production of articles which could be used against the enemy in the very near future - in particular aircraft and anti-aircraft equipment. As a result the Production Council issued a General Priority Directive specifying in broad terms the categories of work to which special priority should be given. As a short-term measure this policy of redirection and action were justified by the results, but except as a short-term measure such a policy has serious shortcomings. General directives can be misinterpreted by contractors or departmental representatives anxious to push their own programs; they do not give the contractor correct guidance as to the order in which he should tackle the jobs on his order book; they may lead to the production of uselessly large quantities of some particular component while causing disturbance to the main flow of production.

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The Production Council have still refrained from seeking a solution of the general issue of Priority Certificates and from strengthening the Central Priority Department to provide for the efficient working of such a system. Departments directly concerned with production are opposed to such a course on the ground that certificates issued by a control authority could only give the same kind of guidance as that given by a general Direction and that the result would not be an orderly flow of production.

On August 24, 1940 consideration was being given to two alternative proposals for modifying the procedure of the last few months:

The first proposal: to continue to place in contractors' hands a General Priority Direction specifying the order of priority attached to specified main categories of work. It is claimed that this procedure would remedy the shortcomings of existing system by preventing improper extensions of the terms of the Direction and by giving the Central Priority Department discretion to relieve temporary bottle necks by certifying any particular contract outside the specified categories as possessing priority equivalent to a certain class.

The second proposal: A general statement of priority would be issued to the Production Departments, to the Committees concerned with allocation and to Area Boards - not to individual contractors. Reliance would be placed mainly in the allocation of materials and labor. Contractors in doubt as to priority to be given would obtain instructions from the local officer of the Production Department concerned or from the Local Area Board.

The above notes do not cover the machinery used by each Department within its own sphere.

See also the Tenth Report of the Select Committee on National Expenditure for a general account.

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10. WHAT METHOD WAS USED IN CONTROLLING PRICES AND WHAT SUCCESS WAS ATTAINED?

(Treasury:-) See Second Report of the Treasury Committee on Contract Procedure (Document 13).

11. HOW WAS THE QUESTION OF PROFITS TAKEN CARE OF IN CONTRACTS FOR MUNITIONS?

(Admiralty:-) See memorandum on Price Checking and Prevention of Profiteering (Document 14).

Note: See Appendix 1 to this brief for summary of Document 14.

Price Control

Profits and
Munitions Contracts

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12. WHAT METHOD OF AMORTIZATION OF THE COST OF PLANT AND EQUIPMENT PROVIDED BY PRIVATE CAPITAL IS UTILIZED?

(The Treasury:- Quoted in full)

"At the beginning of the rearmament programme, a special arrangement was adopted (known as the "capital clause") to facilitate the financing of plant extensions by private firms. This arrangement provided that in cases where capital expenditure was incurred by a contractor in financing plant extensions and after the end of an assumed rearmament period (subsequently extended and to be extended as necessary), it could be shown that, having regard to the amount of work available over a given period of two years, the plant as expanded was in excess of that required for execution of orders then available from any source, the contractor could submit a claim for compensation in respect of the difference between the cost of the capital assets written down by depreciation at income tax rates (or any higher rates allowed in Government contracts) and the market value of the assets at the end of the two-year period mentioned above. The above arrangement was freely used in the rearmament period before the war but has been little used subsequently.

There are no special rates of amortization and depreciation used in determining costs and prices for production for Government orders. Those adopted are those considered "fair and reasonable", and normally follow depreciation rates permitted for income tax purposes.

As regards Excess Profits Tax, there are special arrangements, the broad effect of which is that private firms who have themselves financed the provision of buildings, plant or machinery since 1st January, 1937 can obtain relief for Excess Profits Tax purposes in respect of the deficiency which will arise if on a date to be appointed by Parliament the buildings, plant or machinery have wholly or partially become obsolete or redundant and the value is less than the net cost, or if the buildings etc. are sold before the date in question at a price less than the net cost, provided that the deficiency is wholly or mainly ascribable to conditions prevailing as a result of the war. No such date has yet been fixed but the Commissioners of Inland Revenue, if satisfied that any buildings etc. are of such a character that it is likely that the above conditions will be fulfilled, may forthwith make provisional allowances not exceeding 10 per cent. of the net cost."

(Admiralty:-) (Quoted in full). "Since the Excess Profits Tax was raised to 100 per cent. this is becoming a live issue. A number of firms equipped themselves with additional plant and machinery at their own cost during the re-armament period with the obvious intention of writing down its value out of profits at a more rapid rate than is normally allowed for Income Tax, etc. purposes. While the Finance Act No. 2, 1939, promises special consideration of surplus plant after the war, there is still a great deal of

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doubt how this is going to work. Obviously each firm's position is different, according to the date on which the plant was installed and how the profits they are earning compare with their standard. No doubt the position will be clarified as Inland Revenue procedure is clarified and made known, but, in the meantime, the smaller firms particularly are perturbed in view of experience at the end of the last war. Two firms who had put in hand extensions on their own initiative and at their own expense have subsequent to the raising of E.P.T. to 100 per cent. approached the Admiralty for a substantial contribution towards the capital expenditure."

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13. WHAT IS THE GENERAL ORGANIZATION OF THE TOP CONTROL OF THE MUNITIONS PROGRAM AS NOW OUTLINED? WHAT WERE THE DEFECTS IN THE SYSTEM IN USE BEFORE THE BLITZKRIEG STARTED THAT HAVE SINCE HAD TO BE REMEDIED?

(Ministry of Supply:-) The War Cabinet is responsible for matters of ultimate policy. The Production Council (a committee of the War Cabinet is composed of a member of the War Cabinet, chairman, the Minister of War, Navy, Air and of Labor and National Service and the President of the Board of Trade) correlates the work of the three Production Departments, the problems of labor and the requirements of the export trade. The Production Council has attached to it three inter-Departmental Committees. One deals with priorities in the field of production, another--the Works and Building Committee, is concerned with the Government's building program, the vast proportion of which is at present related to production. The Third Committee--Industrial Capacity Committee, covers the general problem of bringing the industrial capacity into line with war requirements. (Ministry of Aircraft Production:-) In May 1940, because of the paramount importance of aircraft production, the Air Ministry was relieved of and the newly created ministry of Aircraft Production was made responsible for the production of aircraft and equipment, making intensive aeronautical research and development, and of providing for an efficient repair organization. (Ministry of Supply:-) The Ministry of Supply is responsible, in addition to the duties pertaining to production outlined in the following paragraph, for the control and supply of the country's raw materials, except food, coal and oil; for the control of machine tools; for research in the field of raw materials and finished munitions stores. These duties are performed by the Head of the Raw Material Department, the Controller of Machine Tools, and the Director of Scientific Research respectively. (Ministry of Supply:-) The Ministry of Supply is broadly responsible for the Army Supply Program, but also has certain limited duties in connection with the Supply Program of the Navy and Air force. The latter Programs are cared for respectively by the Admiralty and the Ministry of Aircraft Production. Each Department has its own organization for production problems.

The control organization within the Ministry of Supply:- The Minister presides over a Supply Council comprised of all the Directors General (who stand at the heads of the different Production Departments,* the head of the Raw Materials Department, the Director General in charge of Finance, the Director General of Programmes (who forms the link between the War Office statement of Requirements and

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* "Production Departments" as used here means branches of the Ministry of Supply.

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Control of Munitions
Program

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the potential output of Production Departments, a high military expert to advise on Military and Service problems, and the head of the Secretarial organization of the Ministry. The Supply Council meets weekly and thus ensures that common problems of the various Production Departments* are discussed at regular intervals. Each *Production Department is headed by a Director General who is charged with the executive responsibility for his Department's production program. The allocation of production between the respective Production Departments* is as follows: "The Director General of Ordnance Factories is responsible for the production of the Royal Ordnance Factories as well as for their control and administration, and the Factories under his control include - (1) Gun and mounting making Factories; (2) Small Arms making Factories; (3) Explosives Factories; (4) Filling Factories; (5) Ammunition Factories. The Royal Ordnance Factories are, in effect, the Government Munitions Factories. Department of Guns, Carriage & Instrument Production - Production of guns, machine guns, small arms, instruments, optical glass, etc. Department of Ammunition Production - Production of shells, cartridge cases, fuses, etc. Department of Explosives and Chemical Supplies - Production of explosives and related chemical materials. Department of Tanks and Transport - Production of tanks, mechanised vehicles, transportation equipment, etc. Department of Equipment and Stores - Production of clothing, equipment, general stores, etc." The Director General of Ordnance Factories derives his Production Program from the related *Production Departments.

Changes in the Ministry of Supply Since May 1940:- A Director General of Ammunitions Production has been set up; formerly ammunitions production was a responsibility of the Director General of Munitions Production. The post of Director General of Programme was created in order to assure an overall view of programs and progress. A Tank Board was set up in May 1940 with the object of standardizing tank production to a greater extent. The Board includes two War Office representatives who focus Army views on the question of tank design. The Area Organization has been further developed. The purpose of the Area Organization is to decentralize the control of production into the various regional areas.

* "Production Departments" as used here means branches of the Ministry of Supply.

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Production from New
Munitions Plants

14. WHAT WERE THE CHIEF CAUSES OF DELAY IN OBTAINING PRODUCTION FROM NEW MUNITIONS PLANTS ERECTED TO SUPPLEMENT CAPACITY ALREADY IN EXISTENCE? APPROXIMATELY WHAT PROPORTION OF PRODUCTION HAD TO BE OBTAINED FROM THE CREATION OF NEW FACILITIES?

(Ministry of Supply:- Quoted in full.) "Causes of Delay in obtaining production from new Munitions Plants. (1) Difficulty in obtaining suitable machine tools, (especially special tools such as gun barrel machining and heavy boring machines for tanks), jigs (owing to lack of jig making capacity and skilled labour), and tools and gauges. With regard to delay in getting small tools and cutters, it is considered now that all makers should have been rationalised at an early stage and one maker should have concentrated on one type of cutter instead of a dozen makers producing each one twelfth of the quantity. (2) Difficulty in obtaining and training labour for this type of work. (3) At the time the programme was started, practically no designs were available for the modern equipment required. Work had therefore to be commenced in nearly all cases on designs which had not been fully approved and in which the production aspect had been given insufficient weight. As a result much delay has been caused due to essential modifications. Proportion of Production Obtained from the Creation of New Facilities. It has not proved possible to make an estimate here, except in the case of explosives and propellants. In the case of most munitions, existing facilities needed to be expanded many times over. In the case of explosives and propellants the estimated ratio of new facilities to old is 15 to 1."

(Ministry of Aircraft Production:-) "So far as aircraft factories are concerned, no chief cause of delay can be given. The main time-lags experienced were due to provision of machine tools, and the manufacture of jigs, tools, and fixtures. As the output from the aircraft industry before expansion was relatively small, by far the greater proportion of the increased production comes from newly created facilities." -- (Quoted in full.)

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15. WHAT ARRANGEMENTS WERE ADOPTED FOR PROTECTING KEY MUNITION PLANTS AND OTHER INSTALLATIONS FROM BOMBING ATTACKS?

(Air Ministry:-) Basic Principles of British Air Defense: The air defense system is a composite whole in which fighter aircraft, heavy and light anti-aircraft guns and balloons are coordinated. Efficient and economical employment depends upon an elaborate intelligence system provided with speedy communications. The Fighter Force is deployed to cover the country as a whole; its organization flexible to permit concentrations in threatened areas in the air (by moving fighters from widely separated bases), or on the ground (by the movement of base facilities from one location to another.) Although the fighters have proved to be the most effective of available air defense weapons they cannot be expected to stop every enemy bomber, therefore local defenses are deployed around vital points. An Inter-Service Sub-Committee receives information from Government Departments, railways and other transport agencies concerning vital points, examines and prunes them, grades them in order of importance and then allocates balloon and gun defenses as necessary. The list is kept continuously under review. Defense deployment is adjusted as necessary also in accordance with the enemy's plan of attack. Special additional protection is provided at certain classes of vital points, e.g., munitions magazines, landing fields adjoining aircraft factories.

(Ministry of Supply:-) Different forms of defense are organized against different forms of attack, viz: (1) An attack-bombing, machine gunning, gas attack by high or low spray; (2) Air borne troops - parachutists or air borne troops; (3) ground troops - i.e. invasion; (4) sabotage - i.e. action by Fifth Column. The organization for countermeasures are as follows, taking the four in order:

(1) A responsibility of the Air Officer Commanding in Chief, Air Defense of Great Britain. He has RAF units at his disposal and also has the control of the operations of guns and searchlights (which are maintained by the War Office.)

(2) A responsibility of the Factory Branch in the Ministry of Supply (which maintains liaison with the War Office), with control over Home Guards organized into Factory Sections recruited from factory personnel.

(3) A Department of Passive Air Defense is organized in Ministries of Supply and Aircraft Production and in the Admiralty. The primary object of passive air defense is the protection of workers and of vital plant, but is also concerned with preventive measures (obscuring lights, etc.) and with lighting and ventilation in the interest of continuity of production. Responsibility for organizing passive air defense measures at vital factories is placed with the Admiralty, Ministry of Supply or Ministry of Aircraft Production on the basis of the major user. Air raid precaution services are provided at each factory. Two manuals epitomize the theory and practice of the defense ("A.R.P. for Government Contractors," and

Protection of Munitions
Plants from Bomb Attack

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"Passive Air Defense for Royal Ordnance and other vital Factories."
Documents 15 and 16).

(4) To counter sabotage as special organization is set up at the Ministry and at factories. They constantly watch the situation in conjunction with special branches of the Home and War offices.

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16. WHAT WERE THE CHIEF DIFFICULTIES FOUND IN CONVERTING EXISTING MANUFACTURING PLANTS TO THE PRODUCTION OF MUNITIONS?

(Ministry of Supply:-) The main difficulties were (1) provision of balancing plants; (2) age and type of machines failed to work to required tolerances. Almost no conversion of plant was possible for explosives and propellants except for minor items which were assigned to existing explosive works. (Ministry of Aircraft Production:-) The question of converting existing manufacturing plants which were unsuitable did not arise to any great extent. In bringing a highly specialized industry such as the motor car industry into aero-engine production the primary difficulty has been the very limited part of their plant that has been suitable. The system generally followed in order to employ surplus plant capacity on aircraft production has been to get full details of their labor, plant, capacity, machine tools, etc. then employ technical men in allocating capacity according to its usefulness for the performance of certain work, e.g. - engine machine work, other machine work, sheet metal work, sub assembly, forgings, etc. and then furnish the information and recommendations to main aircraft and other firms in order that they can take steps to use the capacity on sub-contract work.

Converting Existing
Plants to Munitions
Plants

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17. WHAT DIFFICULTIES WERE ENCOUNTERED IN OBTAINING MATERIALS REQUIRED FOR THE MUNITIONS PROGRAMME, PARTICULARLY THOSE THAT HAD TO BE IMPORTED? WHAT STEPS WERE TAKEN TO PROVIDE STOCKPILE RESERVES AND TO RATION THE DISTRIBUTION OF THESE MATERIALS? HOW WERE THESE STOCKPILE RESERVES FINANCED?

(Ministry of Supply:-Quoted in full) "The main difficulties encountered in obtaining materials for the munitions programme arose more from shipping than from shortage of supplies. The difficulty was, of course, most marked in bulk commodities requiring large shipping tonnage, e.g. iron ore and timber. In the case of all essential materials, Controls have been instituted under which licences to purchase or consume such materials are required; in this way supplies have been diverted to war stores and civilian consumption has been reduced to a minimum. Before the war, reserve stocks of key materials, e.g. ferro-alloys, aluminium, magnesium, were built up on Government account, while in the case of other materials, e.g. bauxite, abrasive materials, the trade were induced to carry at their own expense much heavier stocks than normally. Since the war started, every effort has been made to accumulate stocks of all essential materials and in this the methods of control referred to above have materially assisted. In general, the Government have become the sole importers and consumers of these materials."

(Ministry of Aircraft Production:- Quoted in full.) "The difficulties encountered in obtaining materials for aircraft manufacture were due fundamentally to the fact that the expansion of the Royal Air Force coincided approximately with the change from wooden types of aircraft to types built in light alloys. Despite a vast increase in the capacity of the light alloy industry, undertaken at its own expense, the volume of fabricating capacity would have been insufficient without expansion at Government expense. This necessary programme of further expansion was undertaken by the Government but, owing to the length of time required to make the heavy plant necessary for light alloy fabrication, e.g. rolling mills, extrusion presses, the plants were not ready at the outbreak of war. Imports of fabricated light alloys, principally from the United States of America, have been arranged to bridge the gap, but the fabrication industry in the States did not have much surplus capacity from which to meet British requirements. Reserves of light alloy sheet and of aluminium and magnesium had been built up. The distribution of these reserves is entrusted to Controls, who have ensured that the materials have been issued for essential Government work only."

Obtaining Necessary
Munitions Materials

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18. HOW, IN GENERAL, IS THE PROBLEM OF FOODSTUFFS ADMINISTERED AND WHAT DEGREE OF SUCCESS HAS BEEN ATTAINED BY THESE METHODS?

(Ministry of Food:-Quoted in full) "(1) Plans for food control were drawn up before the war and a general outline was published in the report of the Food (Defence Plans) Department in 1938. There have, of course, been certain departures from these plans, but they have, in general, been closely followed. (2) The principal objects of maintaining supplies and preventing a sharp rise of prices at the outbreak of war have been achieved. Price control, by means of Orders prescribing maximum prices, has been extended to all the important foods for which there was any tendency for demand to outrun supply. The staple foods of which the supply is below the normal are rationed; those now subject to rationing are butter and margarine (jointly rationed), cooking fats, meat (excluding port, poultry and all edible offals), bacon, sugar and tea. The distribution of the rationed foods and of certain others is controlled by the Ministry. (3) Retail prices of food have risen by about 20 per cent, but the rise would have been greater if certain foods were not being subsidised in order to keep their price down. The principal subsidies at present are on bread and flour, meat and bacon. (4) The causes of the rise in prices of imported foods are increases in rates of freight, insurance and, in certain cases, in f.o.b. prices; for home-produced foods farmers are receiving higher prices designed to stimulate production and to cover increased costs. (5) In order to stimulate the consumption of liquid milk by nursing and expectant mothers and children under five and to prevent the hardship which would otherwise have resulted from the rise in the retail price, a scheme has been introduced under which these classes can obtain 1 pint per head daily at a reduced price, or free in the case of families below a certain income limit. (A scheme for providing milk at reduced price for school children was already in operation.) (6) The Ministry is the sole purchaser of foodstuffs amounting to nearly 90 per cent of total imports of human and animal foods. Imports of the remainder are controlled by a licensing system. The home-produced foods of which the Ministry, or its agents, are sole buyers include livestock for slaughter, milling wheat, and sugar-beet. The marketing and utilisation of milk is controlled by the Ministry through the existing Milk Marketing Boards. (7) The most recent account of the Ministry's work is given in Parliamentary Debates, House of Commons, July 18th, 1940. (See Document 17.)

Problem
of
Foodstuffs

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19. HOW HAS THE CONTROL OF OCEAN SHIPPING AND LAND TRANSPORTATION BEEN ADMINISTERED; ALSO SHIPBUILDING?

Control of Ocean Shipping. (Admiralty:-) The control of ocean shipping has been administered by the Admiralty and the Minister of Shipping working in cooperation. For the Admiralty control is centered in the Trade Division, which exercises it through Naval Control Service Staffs and Consular Shipping Advisers stationed at the principal ports of the world which are not in enemy territory. Within limits prescribed by the Admiralty, Naval Commanders in Chief abroad exercise control within their commands. (Ministry of Shipping:-) Shipping generally (ocean and coastwise) is under the control of the Ministry of Shipping, although for safety purposes it is within the jurisdiction of the Admiralty. The first system adopted for controlling merchant shipping used in the United Kingdom until early in 1940 was one of licensing. The licensing system did not require that a ship should perform a particular voyage; it merely assured that the voyages upon which she was engaged were approved. Voyages for which licenses were sought and the time at which they were sought were within the discretion of the owner. It was therefore impossible for the Ministry to plan ahead and ensure the execution of a large shipping program. Another defect in the system was the fact that freight rates for Government cargo were fixed at a flat rate - these rates which would provide only a reasonable profit on a modern and expensive ship might be too high for an old and inferior vessel. As the import programs of Government Departments assumed greater importance the system of licensing rapidly developed into one of direction under which ships were directed into essential trades and licenses were granted only for voyages which fitted in with the import program, and a system of controlled rates for full Government cargoes. The Ministry of Shipping still lacked control necessary to plan its shipping programs well ahead with a sufficient degree of certainty, and a good deal of time was still wasted by owners planning for voyages for which licenses had to be refused. It had become necessary as early as October 1939 to requisition ships for the movement of iron ore, and in December 1939 tramp tonnage was requisitioned for the import of cereals by the North Atlantic route. It was decided early in January 1940 to requisition all United Kingdom and Colonial registered tonnage engaged in the deep sea trades. Tramp tonnage is requisitioned by the Ministry of Shipping on time charter terms and is allocated to the service of the Ministries of Food and Supply for their pre arranged import programs. Allocation is made after consideration of the suitability of the vessel for the trade in question. Voyages and cargo are under the direct control of the Ministry; the management of the vessel is left in the hands of the owners and as far as possible they continue to employ their own agents, thus full use is made of the owners' experience. Neutral tonnage which has been chartered by the Ministry is dealt with in a similar way. In the case of liners a special Liner Requisition Scheme takes account of the Characteristics of the liner business and makes full use of the

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permanent organizations of liner companies at headquarters and at the ports along each line. The ships are requisitioned and then returned to their owners who are instructed to run them in accordance with their normal practice but on Government account and subject to such directions as the Minister may give them from time to time. The Minister supervises and approves the programs of the lines or suggests alternatives which may appear desirable in the public interest. The Minister may require ships to be transferred from the trade in which they are normally employed to another, in which case they will be operated by one of the regular lines in that trade, although the upkeep, manning and storing of the ship remain the responsibility of the owners. The Government pay hire for the vessels at rates which have been agreed upon by the owners. Voyage accounts for each ship are kept. Any balance of profit is paid to the Minister and any balance of loss is paid by him to the line. Where liner companies maintain their own organizations the Minister reimburses them for the net costs. Contact is maintained with the liner companies through the agency of the various conferences to which they belong. Control of tankers, other than those required for the Services is exercised by a licensing system, which is operated by a special Committee set up by the Minister of Shipping. The Committee includes representatives of the oil companies, the Petroleum Department and of the Ministry.

Coasting vessels whose voyages are too short to be controlled by a centralized system in the main operate under a decentralized licensing system. The licensing control is exercised by nine Area Committees under the general supervision of the Ministry of Shipping.

Ships required for Naval, Military and Air Force purposes have been requisitioned from the beginning of the War. The Ministry of Shipping requisitions the ships and prepares them for service before delivering them to the Services. Vessels required for fighting a continuous service with the Fleet are requisitioned on a demise charter and are manned, stored and run entirely by the Government. Other ships required for transport of troops or military supplies are requisitioned on a gross form of charter. See Memorandum on Wartime Financial Arrangements between His Majesty's Government and British Shipowners (Document 18).

Control of Inland Transport. (Ministry of Transport:-) Inland transport including Ports is under the control of the Ministry of Transport.

Ports. To coordinate the interests of many Departments interested in some phase of port operation a port and Transit Organization has been formed. It is composed of senior officers of the Departments concerned including the Admiralty, Board of Trade, Customs and the Ministries of Shipping, Mines, Petroleum, Food, Supply, Labour and National Service and Transport. The P. and T. organization is assisted by nine officers each of whom is intimately ^{acquainted} ~~acquainted~~ with the group of ports with which he is in daily communication. Port Emergency Committees have been set up at each of the forty-eight principal commercial ports

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composed of representatives of the interests concerned with the operation of the Port. These Committees are in close liaison with local representatives of the Departments.

At a daily meeting the Port and Transit Organization, assisted by the nine officers in charge of groups of ports, examine the list of incoming ships and nominate a suitable port after considering size and draft, future movement and destination of cargo. When a port is nominated each Department immediately takes appropriate action to secure that the ship is quickly discharged and the cargo distributed. The Port Emergency Committees have wide powers to secure that ships are quickly turned around, that goods pass rapidly through the Ports, and that no congestion occurs at important bottle necks.

Railways. The Ministry of Transport took control of the principal railway companies and of the London Passenger Transport Board at the outbreak of war and appointed a Railway Executive Committee to be his agents for the purpose of issuing directions to the controlled railroads. The Committee is composed of Sir Ralph Wedgewood, Chairman, recently a General Manager, the Chairman of the London Passenger Transport Board and the Vice President or General Managers of the four railway companies. The primary purpose of the Railway Executive Committee is to secure the operation of the controlled railroads as a unified system in the interest of the war effort. A senior officer of the Ministry, known as the Railway Control Officer, is the channel of communication between the Minister and the Railway Executive Committee.

The financial terms on which the Government exercises control are indicated in outline in Ministry of Transport Government Control of Railways Cmd. 6168 (Document 19). This agreement provides for the payment of a minimum sum which for the railroads will equal the average of their net revenues for the years 1935, 1936, 1937 and for the London Passenger Transport Board the net revenue for the year ended June 30, 1939. Provision is made for maintenance and renewals on the basis of average costs in the basic periods subject to adjustment to altered conditions, the cost of restoring war damage up to ten pounds annually, and the handling of receipts and expenditures in respect of requisitioned privately-owned cars. It provides for the setting up of machinery to adjust rates, fares and charges to meet variations in working costs and conditions arising out of the war; permits the adherence of other railways to the agreement; and makes provision for revisions.

The general instructions under which the controlled railroads are now working are set forth in "Instructions to General Managers of Railways as to the Control of the Railways and the working of Essential Traffic thereon during a Major Emergency." R.E.C. 1. (Document 20) SECRET. The instructions provide for the appointment of railway officers on Regional Transport Committees to secure close touch and cooperation between the railways and other forms of transport.

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Road Transport. (Trucks:-) In peace time commercial road transport was controlled through a licensing system by commissioners appointed in each of twelve areas. The same Regional machinery has been adopted for the purpose of control and organization of Commercial road transport in war time. There are now twelve regions and two sub-regions under Regional Transport Commissioners. The regions have been divided into 86 districts, under District Transport officers, and these into 476 sub-districts. Each Regional Transport officer has an Advisory Committee which includes representatives of operators of goods, vehicles, labor and the railways. Permits issued by Commissioners under a simplified procedure have been substituted for licenses. Control, however, is chiefly exercised by the rationing of liquid fuel to commercial vehicles. The ration system operates as follows: The 420,000 goods vehicles are organized into about 9500 groups (on a functional basis) and each group is under the charge, for rationing purposes, of a Group Organizer chosen by the owners. The Groups in a sub-district are rationed by a Sub-District Manager chosen by the Group Organizers. He has a Civil Servant attached to him who issues the coupons and is responsible for accounting. A basic ration is issued unconditionally for each vehicle in commission sufficient to give all approximately the same mileage, (about 170 miles per week). Applications, when justified, are approved for additional rations of fuel up to the limit of small reserves held by Sub-District, District and Regional Transport Officers.

Public Service Vehicles.

Because public vehicles services are less affected by war conditions than are freight vehicles, and because they are controlled by a comparatively few operators it has been possible to adopt a simple system of rationing which is administered direct through Regional Headquarters. Each operator receives a proportion of his prewar consumption as a basic issue and supplementary issues in accordance with the degree of public utility or necessity of the service.

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The Ministry of Transportation controls through the Regional Organization the transfer of vehicles from one locality to another, and has machinery for making transfers to meet emergencies. The Regional Organization is responsible for seeing that essential needs for road transport are met. The Services and certain other Departments have power to requisition vehicles, but they make requisitions through the Ministry's organization. The general object of the scheme is to exercise as much control as may be necessary to secure economy in the use of fuel and the availability of transport to meet essential needs, while, at the same time, leaving as much freedom as possible to operators of road transport.

Canals and Inland Navigations: Transportation on canals and inland waterways in Great Britain is of relatively small amount, and the operation and management of canals and canal transport has been left with the Canal Companies and the Canal Carriers.

In the case of special commodities, e.g., petroleum products, and supplies for factories served by canals, special arrangements have been made to organize canal transport through the usual Canal Carrying Firms.

While the commercial management remains with the Companies, a Standing Central Canal Advisory Committee and Regional Canal Advisory Committees have been set up under the Ministry of Transport to advise upon measures to secure that the most effective use is made of canal transport in the national interest.

Shipbuilding. (Admiralty:-) The Government imposed control on the Shipbuilding industry upon the outbreak of war. No vessel could be built for private account without license from the Board of Trade and licenses were granted only for vessels useful in war time.

Control passed from the Board of Trade on the 20th October, 1939, to the Ministry of Shipping and on the 1st February, 1940, to the Admiralty. These changes were for convenience of organization only. The policy of all three Departments has been to obtain the greatest possible output with the utmost economy of material and labor. Transfer to the Admiralty simplified the problem of priority - in relation to capacity, materials and labor - as between the needs of the Navy and the Mercantile Marine.

Responsibility for assessing the needs for different types of merchant shipping passed from the Board of Trade to the Ministry of Shipping with the control of the shipbuilding industry and has since remained with that Department which is re-

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sponsible for organizing carriage of goods to and from the country. The function of the Admiralty is to meet these needs as rapidly and economically as possible.

The Government ^{has} ~~have~~ not sought to hamper shipbuilding for private account and ship-owners have been encouraged to order ~~vessels~~ ^{vessels} of useful types provided the responsible Department ~~were~~ ^{was} satisfied that the specifications of the vessels were simple and economical of material and labor.

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Use of Substitutes for
Imported Materials

20. TO WHAT EXTENT WAS THE USE OF SUBSTITUTES ENFORCED TO REPLACE IMPORTED MATERIALS? WHAT SUCCESS WAS ATTAINED IN SUCH SUBSTITUTES?

Substitution of Raw Materials. (Ministry of Supply:-)

Owing to the difficulty in the supply of certain materials, Raw Materials Controllers have had to take steps to induce consumers to use substitutes or inferior materials where possible. The Controls have experts on their staffs for this purpose. Aluminum affords a good example; a large number of uses have been found for secondary material where formerly virgin aluminum was used. Scientific research is organized and conducted for the development of substitutes. Controllers of raw materials have research members on their staff in many cases. The Ministry of Supply has a Directorate of Scientific Research who has conducted experimental and development work and in several cases has made recommendations which have been adopted for Service purposes. In the case of chemicals and explosives new processes have been developed using alternative raw materials. In the case of metals, broadly speaking, the tendency has been for the substitution of zinc base alloys, steel and cast iron for copper and aluminum and their alloys. To widen sources of supply basic steel has been approved for shell of all calibers and trials are being given to determine the acceptability of basic steel in guns. Attention has been given to the use of plastics in the place of metals, porcelain, wood, etc. (Ministry of Aircraft Production:-) For the conservation of virgin aluminum a scheme has been evolved for the recovery of scrap aluminum and for the use of the refined scrap for certain purposes.

Substitution of Materials in Finished Stores. (Ministry of Supply:-) In tanks and transport cast iron and steel have been substituted for aluminum; concrete for timber. In explosives there has been practically no recourse to substitutes. However, a large variety of grades of cotton have been accepted and arrangements have been made to use wood pulp if necessary. Ammunition: As substitute materials are proved specifications are amended to require their use, but the use of substitutes is limited. Mazak is now being used instead of brass in certain fuses, development work is being carried out in steel cartridge cases. Equipment and Stores: Cotton has been substituted for flax; home grown timber and other materials have, so far as practicable, replaced imported soft woods. Plastic materials have been resorted to in substitution for metal, Aluminum and copper have been or are being eliminated so far as possible; various substitutes for galvanizing have been introduced. The results of these substitutions have been generally satisfactory. (Ministry of Aircraft Production:-) Choice of substitutes is very limited; some success has been obtained in their use - e.g. plastics - in those parts of aircraft which are not required to bear heavy stresses.

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21. WHICH ONES AMONG THE IMPORTANT ITEMS NEEDED FOR THE MUNITIONS PROGRAMME CAUSED THE GREATEST DIFFICULTY IN PROCUREMENT? WHAT CAUSED THIS SITUATION?

Difficulties were experienced in the procurement of the following important items for the reasons shown (Ministry of Supply:-)

(1) Guns, carriages, instruments:

Instruments and mechanical fuses, because of the number of firms employed and their dependence upon imported machine tools.

Guns and Small Arms, because special purpose plant was required.

Gun carriages and mountings of the mobile type, because of the stringency of specifications as regards weight and finish due to the high degree of mobility, accuracy and reliability required.

(2) Ammunition Production:

Machine Tools,

9.2 shell, because of difficulty of finding suitable forging and machining capacity.

Armour Piercing Shot, because of difficulty of discovering the most suitable steel and correct heat treatment.

(3) Explosives and Propellants because of the manufacture of special large presses and special pumps to operate them.

(4) Tanks and Transport:

Armour plate and stampings, because of late realization that such large output would be required.

(5) Signal Equipment:

Search lights, sound locaters, special explosives, because there had been no commercial demand and firms therefore had no experience.

Instruments, field cables, rotary transformers, ball bearings, search light carbons, because the ordinary commercial capacity was insufficient.

Diamond dies, iron dust, manganese beaonite, ceramic condensers, concertina wire for obstacles, because the normal source of supply was from the continent-namely France and Germany.

(6) Equipment and Stores:

Cotton and woolen textiles, because of the enormous yardage and because plant and machinery had to be modified. Web equipment was a particular difficulty.

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Books and knitwear, because of dimensions and the necessity for adapting machinery.

General store items of steel and timber, because of a shortage of raw materials.

Steel helmets, mess tools and cookers, hand tools and edged tools, were particularly difficult.

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22. HAS ANY NECESSITY BEEN FOUND FOR THE COMPULSORY ACCEPTANCE OF MUNITIONS ORDERS ON THE PART OF INDUSTRY?

(Admiralty:- Quoted in full). "Although the existence of compulsory powers in the background serves a useful purpose, it has not been necessary to employ them to ensure acceptance of any Admiralty orders for Naval Armament Stores."

(Ministry of Supply:- Quoted in full). "During the rearmament period, Purchasing Departments had no compulsory powers and the policy during the pre-war period was to avoid, as far as possible, interference with normal trade."

"The Ministry of Supply Act which came into force on 1st August, 1939, gave powers to investigate costs of production. It also gave the Department powers to instruct firms to proceed with the manufacture of necessary stores, and if terms could not be agreed they were to be settled by arbitration. Arbitration was however a slow process and in fact the compulsory powers were not exercised."

"Although the Department has now powers, not only of investigating costs and of instructing firms to undertake work, but also of fixing prices, the policy is still to secure results by negotiation as far as possible."

"Compulsion has however been exercised under Defense Regulations in a number of cases. Requisition has been freely resorted to in order to obtain necessary plant or material; directions have been given in a number of cases, and some undertakings have been taken completely under control. In addition, compulsion has been used to cause vital firms in a danger area to move farther inland."

(Ministry of Aircraft Production:- Quoted in full). "Not so far as the Ministry of Aircraft Production are concerned. The knowledge that compulsory powers exist tends, of course, to remove difficulties that might otherwise be made by a small minority of firms."

Compulsory Acceptance
of Mun. Orders by Ind.

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23. HAS ANYTHING IN THE NATURE OF INDUSTRIAL CONSCRIPTION OF LABOUR BEEN ADOPTED AND IF SO WHAT METHOD OF ADMINISTRATION IS UTILISED?

(The Ministry of Labour and National Service:-Quoted in full)
"The Minister of Labour and National Service has power to direct any person in the United Kingdom to perform any specified service*. Ordinarily, the Manager of the Employment Exchange exercises this power on the Minister's behalf. For this purpose he holds a document appointing him a "National Service Officer". Only National Service Officers can exercise the power. The purpose of this power is not merely to simplify the task of finding workers to fill vacancies in employment. The ordinary vacancy work of the Exchange continues on a voluntary basis as in peace-time. But where a job is really important and there seems to be no other way of getting a suitable worker, the Exchange Manager uses his compulsory power and directs someone to do the work. For example, he might direct a skilled worker to move from one factory to another which is doing more important work, or he might direct workers to remain at their jobs in time of danger, or he might direct people to build fortifications in a hurry. But before using his power he always tries to obtain volunteers. No doubt his power to compel makes it easier for him to persuade. Normally, the Employment Exchange selects the most important job for each unemployed man, keeping back any others which the man might prefer, and there is no need to use the power to compel.

The National Service Officer normally gives his directions in writing. If this were not possible he would give them orally, having a witness present, and would afterwards make a record of the directions. The directions must specify the work to be done. The wages and conditions of service must be up to the standard of any agreement which is generally observed in the district or, if there is no such agreement, up to the standard observed by good employers. Generally the National Service Officer obtains a promise from the employer that he will engage the worker on the appropriate terms and will not discharge him, except for misconduct, without first obtaining the Minister's consent.

A person who fails to observe the direction is liable on summary conviction to imprisonment for a term not exceeding three months, or a fine not exceeding 100 lbs, or both. There are heavier penalties for conviction on indictment.

Labour Supply Committees and Inspectors:- For the purpose of advising National Service Officers in the use of their powers and more generally for the purpose of advising Employment Exchanges in their ordinary work of placing people in employment, the Minister has appointed Local Labour Supply Committees and Inspectors of Labour Supply. The Committees are composed of officers of the Ministry who are expert in labour matters. The Inspectors are people who have a practical working knowledge of industry. They are appointed to the staff of the Ministry. Most of them are concerned only with munitions: some

* Reg. 58A of Defense, 1939; Document 21.

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deal only with the building trade, others with port labour and others with shipyard labour. See also answer to questions 5 and 6.

Travelling and Lodging Allowances:- Workers whom the Ministry transfers away from their homes to work of national importance may receive travelling allowances and lodging allowances, whether they have been transferred on a voluntary or compulsory basis. The travelling allowances include the cost of the journey and 5s. for travelling time or 10s. if the journey lasts for more than 4 hours. Lodging allowances are paid to married workers, whether men or women, and to unmarried workers who have similar responsibilities. They are at the rate of 3s. 6d. per night and are paid as long as the worker maintains his home at a distance from his place of employment. Workers who are entitled to receive travelling allowances or lodging allowances from their employers under customary practice or agreement do not receive such payments from the Ministry. There is a reciprocal arrangement between Great Britain and Northern Ireland by which workers transferred from one country to the other receive free travelling vouchers from the country they are leaving and lodging and travelling allowances from the country to which they transfer. There are separate schemes for dockers and for workers in the Building and Civil Engineering Industry.

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24. WHAT METHOD IS UTILIZED IN PREVENTING LABOUR DISPUTES?
HOW HAS THE GENERAL LABOUR POLICY BEEN DETERMINED?

(Ministry of Labor and National Service:-) (Quoted in full).

"The answer to this question requires some explanation of the normal peace-time methods. The wages and working conditions of a large proportion of workpeople in Great Britain are settled by a system of voluntary collective agreements. In some cases the agreements are the result of ad hoc negotiations between federations, associations or groups of employers and the similar bodies representing the workpeople. In others they are made by standing joint bodies representing employers and workpeople. Although the methods and machinery adopted for reaching collective agreements have certain common features, the character, scope and functions of the joint machinery present wide variations corresponding to the great variety of conditions in the industries themselves. In many cases the existing joint arrangements represent the results of a slow and long-continued evolution whereby the machinery has been closely adapted to the circumstances of the trades concerned. In some industries national settlements, or at least settlements covering a wide area prevail, whilst in others the principal part is still played by regional machinery. But even in industries where national agreements define the conditions of employment with great precision, district or local agreements may exist side by side with them. Many collective agreements, and also the rules of joint negotiating bodies, set out in detail arrangements for dealing with industrial disputes.

"This widespread system of industrial self-government is based on good organization of both employers and workpeople, and is the result of developments extending over very many years.

"Even in industries that are less well organized in which it has been found necessary to introduce some form of statutory regulation of wages and working conditions, representatives of employers and workers in the industries concerned are directly associated with the wage-fixing machinery, which in that sense is modelled upon, and permits of the adoption of, methods closely approximating to those employed in voluntary collective bargaining.

"At all times the policy of the State in regard to the regulation of wages and the prevention and settlement of disputes is to avoid unnecessary intervention and to encourage both sides to reach settlements by mutual agreement. Until recently the Minister of Labour exercised no compulsory powers in these matters, and could refer trade disputes to arbitration only if there had been a failure to obtain a settlement by means of any agreed arrangements that existed in the trade or industry concerned, and then only with the consent of both sides.

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"At the outbreak of war the Government's policy, with the general agreement of employers' organizations and trade unions, was that joint machinery should continue to operate freely under war conditions unless and until circumstances arose in which it was evident that some form of regulation or control was desirable. It was felt that there was no good reason to impose new forms of state regulation and control upon a system which had been proved and tested over many years and shown itself well adapted to deal with the widely varying problems that had arisen in good times and in bad, or to disturb the conditions that were understood by and touched so closely many millions of workpeople. Employers and workers alike were therefore encouraged to continue to carry out their existing functions in this sphere as trustees of the national interest and acting with a full sense of responsibility.

"At the same time it was felt that wages were only one aspect of a vast problem involving the bearing of wages, prices, profits and the cost of living on the national financial position, and that the State could best play its part by controlling prices and profits and avoiding as far as possible a situation in which claims might be made for wage increases owing to the rise in the cost of living or owing to a desire to participate in extra profits resulting in certain industries from the artificial prosperity created by war conditions.

"This general policy has been fully justified by the peaceful conditions which have existed under the stress and strain of war. Although increases of wages have resulted in a large number of cases, the admitted increase in the cost of living since war began made some general increase in wages almost inevitable. This policy has also justified itself by the way in which special problems thrown up by the war, such as payment for time lost owing to air raids or air raid warnings and the relaxation of trade customs and practices to supplement skilled man-power, have been dealt with in each industry by the normal methods of that industry without Government interference.

"Since the beginning of the war there has been close co-operation between the Government and organized employers and workers, and in the field of industrial relations the Government has acted in consultation with a National Joint Advisory Council of the British Employers' Confederation and the Trade Union Congress, which has advised the Government on matters in which employers and workers have a common interest. During the critical period of the war which developed in May, when the Government was reconstituted on a national basis, the National Joint Advisory Council passed the following resolution:-

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"That this National Joint Advisory Council, representative of the British Employers' Confederation and the Trades Union Congress General Council, having heard the Minister of Labour and National Service on behalf of the Government, and recognizing the gravity of the situation, resolves whole-heartedly to co-operate in the steps necessary to secure the protection of the country and an Allied victory. We further appoint a Consultative Committee to advise the Minister of Labour and National Service on all matters arising out of the legislation passed by Parliament.

"This Consultative Committee was immediately invited to consider the best means of removing wages problems from the field of controversy and of settling all war-time disputes without a stoppage of work. As a result the Consultative Committee unanimously recommended

- (a) that the machinery of negotiation existing in any trade or industry for dealing with questions concerning wages and conditions of employment shall continue to operate;
- (b) that matters in dispute which cannot be settled by means of such machinery shall be referred to arbitration for a decision which will be binding on all parties and no strike or lock-out shall take place;
- (c) the appointment of a National Arbitration Tribunal of an authoritative character as a final court of settlement of differences which the machinery of industry had failed to settle, or differences in sections of industry where no satisfactory machinery existed;
- (d) that the Minister should take power to secure that the wages and conditions of employment settled by machinery of negotiation or by arbitration should be made binding on all employers and workers in the trade or industry concerned.

"An Order giving full effect to these recommendations was drawn up in close consultation with the Committee, and with the full approval of the National Joint Advisory Council was brought into operation on 18th July, 1940. (See Documents 22 and 22a)

"It has been agreed between all concerned that the Order shall be reviewed at the end of 1940, and if experience suggests the need amendments will be made in consultation as before with the National Joint Advisory Council."

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25. TO WHAT EXTENT HAS THE COMPULSORY USE OF NATIONAL EMPLOYMENT EXCHANGES BY INDUSTRY BEEN REQUIRED? WHAT OTHER METHODS OF BRINGING THE JOB AND THE WORKMAN TOGETHER HAVE BEEN ADOPTED?

(Ministry of Labour and National Service. Control of Employment Act, 1939:-) (Quoted in full.)

"At the beginning of the war, it was realised that there would be a rapid increase in the demand for certain kinds of workers, particularly in the Engineering and Building Industries, and that, with one employer bidding against another, workers might move about frequently from one employer to another in search of higher wages. Such movement would tend to dislocate production and imperil the wage structure of industry. To deal with this danger, the Control of Employment Act, 1939, gave the Minister of Labour and National Service power to make Orders, each Order specifying a class of employers and saying that employers in this class:-

- (1) Shall not advertise for workers without the consent of the Minister.
- (2) Shall not engage workers without the consent of the Minister.

Before making any Order, the Minister had to put it before a Committee representing workers and employers from the industry concerned.

The purpose of the Control of Employment Act was to enable the Ministry to get full information about the movement of workers from one employer to another and to influence such movement so as to ensure, as far as possible, the best use of the workers in the national interest.

The Control of Employment Act failed mainly for the following reasons:-

- (1) It was negative in character and provided little that was constructive. It gave the Minister power to keep a worker out of less important jobs but it gave him no power to make sure that the worker accepted the more important job.
- (2) Certain Trade Unions feared that an Order might restrict too much the ordinary right of a worker to offer his services where he could find the best reward, and so they were reluctant to agree to any Order.

Bringing the job and
the Workman Together

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- (3) The Act provided that the Minister could not refuse consent to the engagement of an employee unless he notified to the employee at the time of refusal an opportunity of suitable alternative employment. The employee had the right to appeal to a Court of Referees constituted under the Unemployment Insurance Act, 1935, and, if that Court were satisfied that no opportunity of suitable alternative employment was available to the man, the Court could allow the appeal and award to the employee compensation in respect of any loss occasioned to him by reason of the refusal against which the appeal was brought. Any compensation so awarded had to be paid by the Minister. It was feared that, in practice, considerable difficulty would have been experienced in operating these provisions.

Only one Order was made under the Control of Employment Act and that merely prohibited certain employers from advertising for carpenters, joiners and bricklayers. Shortly after it was made, the whole position was fundamentally changed by the passing of the Emergency Powers (Defence) Act, 1940. Regulation 58A of the Defence (General) Regulations made under this Act gave the Minister very wide powers to control employment, and on 5th June he made the Under taking (Restriction on Engagement) Order, 1940.

THE UNDERTAKINGS (RESTRICTION ON ENGAGEMENT) ORDER, 1940.

The Undertakings (Restriction on Engagement) Order deals with the same problem as the Control of Employment Act dealt with, namely, the wasteful movement of skilled workers, but it deals with it in a different way. (See Documents 23 and 23a.) It selects three industries where the dislocation due to the movement of workers seemed to be particularly severe. These industries are:-

Building
Civil Engineering Contracting
General Engineering.

The Order provides that in these three industries

- (a) Employers shall not engage workers, or even try to engage them, except through an Employment Exchange, and
- (b) Workers seeking employment shall register at an Employment Exchange and obtain employment by being submitted by the Exchange to an employer.

The effect of the Order is that employers cannot advertise or seek by any other means to find workers except by telling the Exchange what they need. The worker retains his right to give notice

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and leave his job but on becoming unemployed he must register at an Exchange. Thus the Exchange has full information about the supply and demand for labour in the three industries and it has an opportunity of picking out the most important jobs and filling them at once by submitting whichever workers appear to be best qualified. The employer retains his right to refuse to engage the worker submitted; if he does, the Exchange will submit others.

Where a Trade Union has arrangements for placing workers in employment, the Minister may approve these arrangements and the Trade Union, as long as it observes the Minister's directions, is treated for the purpose of the Order as an Employment Exchange.

The Order does not touch men who are already at work and not looking for other work. But where such men are needed for more important jobs, the Employment Exchange can arrange for them to be transferred. In the last resort if they refuse to go, the Exchange Manager can use his National Service Officer powers to direct them. These powers are described in the answer to Question 23. In determining which jobs are most important and whether the transfer of a worker is justified, the Exchange Manager has the advice of the Inspector of Labour Supply and the Local Labour Supply Committees. The duties of these Inspectors and Committees are described in the answer to 23. It will be seen that the National Service Officer powers and the advice of the Inspectors and Committees strengthen and supplement the Minister's powers under the Undertakings (Restriction on Engagement) Order.

COALMINING AND AGRICULTURE.

The Undertakings (Restriction on Engagement) Order deals also with coalmining and agriculture. In these two industries, although there was no evidence of any undesirable competition between employers, there was a shortage of labour. Workers have been drifting away from the industries for many years past and since the war began there have probably been more opportunities for them to find well paid employment on other work near their homes. It was thought necessary to prevent any other workers from leaving the industries and to bring back workers who had recently left them. The Order accordingly provides that no employer outside these industries may engage any male worker attached to these industries. This does not apply, however, if the worker is submitted to an employer by an Employment Exchange. Thus, if there is temporarily a surplus of workers in either of these two industries, employers in other industries may engage the workers if they notify their vacancies to the Exchange.

THE CENTRAL REGISTER.

A Central Register has been compiled and is being operated to find men and women with scientific, professional, technical and higher administrative qualifications for posts of national importance as they occur. This Register began as, and still is in the main, a record of such men and women who have voluntarily offered themselves

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for work of national importance in their professional capacity. In some occupations, however, where demand is great (i.e. Engineers, Chemists, Physicists and Quantity Surveyors) registration has been required under statute (see Statutory Rules and Orders Nos. 1221 and 1293; see also Documents 24 and 25), as it was felt that, if the exercise of the Minister's powers to direct employment were to be made in this sphere, compulsion should be applied to persons selected from the whole of the occupations concerned and not simply from the people who have been voluntarily registered. So far no use of the Minister's powers to direct employment have been necessary as regards the Central Register classes. When the compulsory registration has been shortly completed the Register will contain some 200,000 names.

The Central Register is not a register of unemployed people, nor an employment finding agency; its task is to find the right candidates for important specialist jobs. Most of the people on the Register are already in work and a placing generally means a transference from a job of lesser importance to one of greater importance. The number of placings effected since the outbreak of war total over 7,000. Copies of the Register exist in the various regions and are available for filling regional posts.

The Register is operated with the assistance of the professional and scientific institutions concerned (e.g. the ^{Royal} Society and the professional engineering institutions) and panels of experts from these bodies help in the selection of personnel. When the names of candidates have been selected, an approach is made to them by the Register asking them if they are willing to be considered for the post in question and asking them to tell their employers, if they have any objections to their release, to send them to the Central Register. On the receipt of replies, particulars of candidates who are willing are sent forward together with their employers' observations. At this stage priority considerations are taken into account. If the post is a regional one the issue comes, in a case of doubt, before the Local Labour Supply Committee or the Area Board. If the post is a national one (e.g. at the Headquarters of a Government Department) the Department requiring the man settles the priority issue with the Department on whose work the candidate or the candidate's firm is at the time engaged.

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26. WHAT IS THE PRESENT ORGANISATION AND ACTIVITY OF THE MINISTRY OF ECONOMIC WARFARE?

(Ministry of Economic Warfare:--Quoted in full) "The Ministry of Economic Warfare is the Department charged with the general conduct of the "blockade" of the Enemy Powers. It is not in any way concerned with the finance or economics of the Allied War effort nor with problems of Allied supply or production.

During the first eight months of the war the two main activities of the Ministry of Economic Warfare were the exercise of Contraband Control and the negotiation of "War Trade" Agreements with European neutral countries. This work was done by the two main executive Departments of the Ministry, the Prize and Foreign Relations Departments, with an Intelligence Branch, responsible for the collection of all information, both about attempts at blockade evasion and conditions and trade in neutral countries and Germany. In addition it advised the Committees of the Chiefs of Staff on economic matters which might influence the strategy of the enemy or ourselves. The events of April and May completely changed the problems with which the Ministry had to deal. Hitherto Contraband Control had been exercised over a large number of ships approaching neutral countries in Europe mainly by easily controlled routes. Now few ships come forward, but the area which must be patrolled by the Royal Navy is vast. The Ministry of Economic Warfare has sought to reduce the Navy's task by ensuring that no ships come forward with undesirable cargoes. Hence the extension of the navicert system and the decision to make navicerts and certificates of origin compulsory. The navicert system is supplemented by export licensing in Allied territories. With the additional weapons of the direct control of a very large part of the available world tonnage and the denial of all facilities to shipping lines guilty of undesirable traffic, it is hoped to reduce blockade running to a minimum. The interruption of traffic with the enemy is however now only one side of the problem. The more effective the blockade, the smaller will be the markets for the great exportable surpluses of primary products overseas, which means in turn greater pressure on the blockade from outside and in addition political problems in the producing countries. The Ministry of Economic Warfare must therefore add to its primary task of stopping traffic with enemy-occupied Europe, constructive efforts to help other Departments of His Majesty's Government to mitigate the problems of overseas countries. The Ministry has been re-organized to meet these new tasks.

Under a Directorate consisting of the Minister, Parliamentary Secretary, Director General, two Joint Directors, with Diplomatic and Economic Advisers, the Ministry is organized in two main divisions. Very broadly, one continues the existing work of the Ministry, while the other covers its new work. Under the Director are two Contraband and Neutral Trade Departments, a Records and Statistics Department, and the Establishments and Legal Departments; under the other are a Commodities Department, an Enemy Transactions Department, an Enemy & Occupied Territories Department and a Shipping Department. A small Press Department is responsible direct to the Director General.

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The Contraband & Neutral Trade Departments combine the functions of the previous Foreign Relations and Prize Departments. They are organised in six geographical Sections covering between them all neutral countries. They are in general responsible for all negotiations and correspondence with neutral Governments on economic warfare matters. The possibility of limiting exports to the enemy by agreement with neutral Governments is of course now reduced, but maintenance of the blockade still involves much discussion with neutral Governments. (For this purpose and in connection with all economic warfare questions, the Ministry is authorized to correspond direct with the British Missions and Consulates abroad, the concurrence of the Foreign Office being obtained when political questions are involved.)

These two Departments take all executive action in connection with Contraband Control and with the authorisation or limitation of imports into European neutral countries. They collect or collate the information about trade in neutral countries, which is required for their work (apart from what is furnished by the Records and Statistics Department). A general section is responsible for the actual machinery of Contraband and Enemy Export Control, both inside the Ministry and abroad, and also for the negotiation of the numerous agreements concluded with individual firms, both neutral and British, and other general questions. A special Section is responsible for all questions affecting unoccupied France and the French Colonies.

A note on Contraband Control machinery is given later. (The organisation and administration of all Contraband Control Bases and of the patrols, etc. is the responsibility of the Economic Warfare Division of the Admiralty).

The Records and Statistics Department is responsible for all "Blockade Intelligence", that is, for all information required for the interruption of traffic between the enemy and neutral countries. For this purpose it uses two main methods, each relying fundamentally on the investigation of abnormalities. (a) The first method of detecting blockade evasion is to watch for abnormal movements of trade in a country as a whole. This is done by the Statistics Section, which records all available information about the movement of trade to and from the dangerous areas. In the absence of published statistics, its main source of information for current imports is the manifests received in the exercise of Contraband Control and licences issued by United Kingdom and Empire Authorities. The Section provides any statistical information required by other Departments of the Ministry and comments from the statistical point of view on all cargoes subjected to Contraband Control. It also records so far as possible exports to Germany from contiguous neutral countries. (b) In addition to the statistical evidence tending to show blockade evasion, it is of course necessary to obtain evidence of the enemy destination or origin of individual consignments, which are detected by investigating abnormal transactions. This is done by the Status Intelligence Section which watches the activities of

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firms in neutral countries suspected of engaging in traffic with the enemy or of other activities inimical to our cause. In collecting and sifting the vast mass of information about undesirable trade, it is natural that much evidence of subversive activities in neutral countries should come to light.

This Section prepares cases for consideration by a Committee which, where it considers that close enemy association or interest or enemy control has been established normally recommends names of such firms for the published Statutory List - that is, the list of persons specified as enemies under the Trading with the Enemy Act, so that it is a punishable offence for anyone to whom the Act applies to have any dealings with them. In certain cases where there may be special reasons for not specifying as an enemy, such as a lesser degree of enemy association or interest; or exceptional circumstances, the name is put on the so-called Black List, which is not published. There are no legal penalties for dealings with persons on the Black List, but much can be done to discourage them by administrative action.

A further task assigned to this Section is the control of firms with widespread branches whose headquarters are in enemy-occupied territory. In return for undertakings to sever all connections with their head office, branches in areas under Allied control are allowed to continue their activities.

Finally, this Department contains a third Section "Ships Records", in which are recorded the movements of all merchant shipping engaged in voyages coming within the purview of the Ministry and which thus provides the intelligence on which the work of the Contraband Control Committee and the Shipping Department is based. It naturally falls to the world wide Consular Service maintained by His Majesty's Government to report the movements of ships.

The Establishment Department is responsible for all staff questions, accounting, accommodation, etc.

The Legal Department consists of representatives of the Foreign Office and Procurator General to advise the Minister on legal questions with especial reference, respectively, to general International Law and to Prize law as administered in British Courts.

The Press Department is responsible for all contacts with the Press and for all publicity work in connection with the blockade and of course works in close contact with the Ministry of Information and the News Department of the Foreign Office.

The Commodities Department collects and studies all available information about all commodities which are important from the point of view of the blockade, their sources, movements, the distribution and amount of stocks, values etc. The Department is divided into

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Commodities Sections as follows: (1) Metals and Rubber; (2) Textiles, Chemicals, Non-metallic Minerals; (3) Agricultural Produce; (4) Petroleum; and (5) Miscellaneous. The Department is responsible for studying the whole problem of surpluses caused by the blockade in overseas producing countries and for formulating recommendations for dealing with the problem which these surpluses create from the point of view of economic warfare.

The Department also contains an Export Licence Control Section, which deals with all export licence questions in the United Kingdom and in the Allied Empires, and with cooperation with the Allied Colonial authorities in economic warfare matters. This Section also has representatives in the Export Licensing Department of the Board of Trade which scrutinises applications for export licences from the United Kingdom to dangerous areas.

Finally, there is in this Department a "General Control" section, the main task of which is all work in connection with pre-emption, particularly in the Balkans and the Iberian Peninsula, and with efforts to restrict the production of resources such as mines in areas to which the enemy has access. This Section works in close contact with the United Kingdom Commercial Corporation, the Government-financed company established to promote British foreign trade, especially with the Balkans, and also to carry through preemptive purchases on behalf of H.M. Government.

The function of the Shipping Department consists in the control of shipping in the interests of Economic Warfare policy. The Department works in close and constant contact with both the Ministry of Shipping and the Admiralty. Its functions are purely administrative in character. For its information it relies on the Records and Statistics Department of M.E.W., and on the Intelligence Records Department of the Ministry of Shipping. For the executive functions involved in the application of controls, it relies on the Ministry of Shipping, the Admiralty, Dominion, Colonial, Indian and other overseas authorities, in addition to other branches of M.E.W.

The machinery of the new policy is focussed around the Ship Warrant system, by which shipowners undertake that all the voyages of their ships to and from the war area will be covered by Ship Navigators and bind themselves to furnish such information about the activities of their vessels as may be required. In return they receive a Ship Warrant for each of their vessels which ensures access to all British-controlled commercial shipping facilities.

For convenience in administration, the Department centralises most of the aspects of economic warfare policy which impinge upon the shipping world.

The functions of the Enemy Transactions Department are, in gen-

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eral, to study the financial assets and transactions of the enemy outside enemy and enemy-occupied territory, and so far as possible to prevent those assets being converted to hostile uses, whether by way of payment for propaganda, spying or sabotage, or by the purchase of contraband goods.

Among the present time may be mentioned the following:-(1) To prevent the utilisation by the enemy of assets which are the property of individuals in the invaded country, where those assets have been stolen or where instructions regarding their disposal have been given by the owners acting under duress, action to this end being taken directly in this country, and wherever possible, by agreement with neutral Governments elsewhere. (2) In collaboration with the Status Intelligence Section to consider the degree of enemy interest in firms established in neutral countries who may be suspected of being, in fact, under enemy control. (3) To uncover those financial transactions of the enemy which are undertaken under the cloak of neutrals, and to prevent such transactions as are definitely un-neutral; in many cases the ultimate neutral party to such transactions is unaware of the enemy interest involved.

Finally, the Enemy & Occupied Territories Department is responsible for collecting and studying all information about conditions in Greater Germany, Italy and the territories occupied by the enemy. It is divided into four Sections, as follows: Industry, Food Rationing, Occupied Territories and General. It is on the work of this Department that the Minister relies for information about the progress and prospects of all forms of economic warfare and for advice on the weaknesses in the enemy's situation on which economic warfare should concentrate. It supplies the Chiefs of Staff with information needed both to appraise possible enemy intentions and also to detect weak spots in his strategical situation. It also advises on methods of damaging the enemy's capacity to fight and in particular it advises on bombing targets and for this purpose it works in the closest contact with the Air Ministry. As a corollary, the Department studies and collates the reports of damage done to the targets attacked.

To complete the account of the Ministry's organization a word should be said about the three Standing Committees which are an important part of the machinery of Economic Warfare - the Contraband, Enemy Exports and the so-called "Black List" Committees. These are composed of representatives of various departments of the Ministry and of certain other Departments of State e.g. the Admiralty, Foreign Office, Board of Trade, Colonial Office and Procurator-General, with in each case an independent unsalaried Chairman. The functions of the "Black List" Committee have been described above. The Contraband and Enemy Export Committees function in a quasi-judicial manner, and their task is to decide whether there is a prima facie case against suspect cargoes which justifies their being placed in prize.

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The above account of the organisation of the Ministry covers all sides of its activity. To sum up, its main task is on the one hand to interrupt traffic with the enemy, or where it cannot be stopped, to limit it so far as possible: and on the other, to attack his assets abroad and in foreign exchange, to prevent their replenishment by exports, and to prevent him exploiting the assets of conquered territories. German conquests have solved some of the enemy's economic problems and have provided booty which will alleviate others for some time to come. But there are still great weaknesses and the Ministry, while keeping up the maximum pressure at all points, concentrates on these weaknesses - certain minerals, ferro-alloys, textile materials, foodstuffs, especially fats, and above all oil. Finally the Ministry is responsible for keeping the War Cabinet informed on the economic position of the enemy and for advising the War Cabinet and the Service Departments on the economic aspects of strategy in the broadest sense.

Note on the Machinery of Contraband Control:- With the entry into force of the new policy announced by the Minister of Economic Warfare in his statement in the House of Commons on the 30th July (Document 26), the Navicert System has now become virtually the basis of the whole machinery of Contraband Control. The navicert procedure is as follows. All applications for navicerts (with a very few exceptions) are reported to London by telegraph by the British Mission or Consulate concerned. The applications are dealt with by a special Navicert Section of the Ministry, (subordinate to the General Section of the Contraband and Neutral Trade Departments) which is responsible for obtaining urgently the comments of the Statistics and the Status Intelligence Sections on them. Thus each application is examined from two points of view:- (a) to see whether it involves any abnormality in the trade of the country of destination as a whole; and (b) whether there is anything abnormal or objectionable about the individual transaction to which it refers. The comments of the two Sections are collated by the Navicert Section and passed for decision to the Geographical Section of the Contraband and Neutral Trade Department which deals with the country of destination of the consignment in question. If any point of importance arises, the application is usually referred to the Contraband Committee. The decision taken is then telegraphed by the Navicert Section to the post abroad which received the application. Full records of all Navicert applications are, of course, kept.

The procedure for the consideration of the cargo of a particular ship (which work will diminish in so far as ships are increasingly covered by Ship Navicerts) is as follows.

Information received in advance about a ship or her cargo is passed by the Ship's Records Section to the Secretariat of the Contraband Committee. The Secretariat arranges for a file to be started under the name of the ship and calls the attention of the

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appropriate Geographical Section to any advance information on which immediate action is necessary.

When the manifest, cabled summary or detailed information about the cargo is received either in advance or from a Contraband Control Base or other British authority by which the ship has been detained, the Secretariat instructs the Journal Section of the Ministry to prepare a "journal" for the cargo. In the journal the manifest or cargo advice is scrutinised and itemised. Items from the same consigner to the same consignee are collated. Consignments of the same commodity are grouped together. Weights are converted. Any navicerted items are marked by the Navicerts Section. The cargo for each individual country is set out on separate sheets. The manifest or cargo advice is thus reduced to an orderly form in which it can be easily examined.

Copies of the Journal are then sent for comment and record, as in the case of navicert applications, to the Statistics and Status Intelligence Sections. These comments are collated on the main copy of the Journal, which is then divided up by countries according to the destination of consignments and sent to the appropriate Geographical Sections. The Geographical Sections do any further work required and then draw up a draft Agenda for the Contraband Committee setting out any points requiring decision. The Secretariat of the Committee finally collates the Agenda for the whole ship and submits it to the Contraband Committee. The Committee's decisions about the cargo are carried out by the Geographical Sections which send any instructions required to the Contraband Control Bases or other British authorities. Any decision of the Committee about the ship itself is carried out by the Secretariat.

The procedure described in the two preceding paragraphs was designed when navicerts were not compulsory. It should now be radically simplified. It is hoped that in all cases either an advance manifest will be received or a full list of navicerted items will be telegraphed by the British Consular Officer who grants the ship navicert at the last port of call. If, however, all items in a cargo are navicerted and a ship navicert has been obtained no further decision by the Contraband Committee will in the ordinary way be required. The cargo will have been already approved through the Navicert procedure. Similarly if a ship is known to have sailed with unnavicerted items or without a ship navicert, no prolonged enquiries will now be necessary, and immediate instructions can be given to the Contraband Control Bases and to the Patrols. But in all cases the full cargo of each ship will continue to be scrutinised and recorded in the Ministry in the usual way.

The Machinery of Enemy Export Control is in all important respects similar to that of Contraband Control, and it therefore seems unnecessary to give any separate account of it.

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27. HOW IS THE SERVICE OF INFORMATION ORGANIZED AND ADMINISTERED? WHAT CONTROL IS EXERCISED OVER COMMUNICATIONS, RADIO, TELEGRAPH, ETC.?

(Ministry of Information: - Quoted in full).

"Liaison & Control. - The machinery for censorship and the issue of official news: Any newspaper in the country can publish anything it wants, on the understanding that anyone who publishes material likely to be useful to the enemy in connection with the war will be liable to prosecution. As a guide to the kind of information likely to be useful to the enemy, a list of subjects, described as Defence Notices, is drawn up and circulated confidentially to the Press. To publish information on a subject mentioned on the Defence Notices is not, in itself, an offence, but anyone who does so realizes that he acts at his own peril.

"Any newspaper which is in doubt as to whether a certain item of news may or may not safely be published is always free to submit that news to the Press Censors in the Ministry. Any news which has been passed by the Censor can, of course, be published without danger or further formality.

"All that has been said so far applies to news emanating from non-official sources at home or from abroad. But in war-time much of the most important news items come from official sources and it is the business of the Ministry to act as a channel by which such news is conveyed to the Press. Any official news which is released by the Ministry can be published without question of censorship. Attached to the Ministry are advisers from the three Service Departments, who give the Ministry technical guidance about the release or holding of news items relating to the various branches of war activities. They are entitled to the final decision on all questions of stopping news relating to service concerns. It often happens, of course, that before a news item is announced officially, the Press hear of it from non-official sources. If under these circumstances they publish the story without submitting to censorship, they will run the danger of prosecution if the news is useful to the enemy, while if they do submit the story, the censors may refuse to let it pass. Moreover, an official announcement does not necessarily make it safe for the press to publish other information related to the same subject but derived from non-official channels.

"All press material sent abroad by telephone, telegram or letter is subject to compulsory censorship and must be passed by a censor before it is allowed to go forward. (In the case of telephones, a censor listens in to the conversation with his hand on a switch.)

"The members of the News Division of the Ministry are always

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ready to give advice and guidance to members of the Press regarding the way in which the Ministry thinks that particular item of news should be handled, and the fact that all official news is given out at the Ministry means that journalists are frequently in the building, so that contact for the purpose of guidance is easy. All newspapers remain free to accept or reject such guidance at will. They also remain free to approach individual Government Departments direct. Press Conferences are regularly held at the Ministry and are conducted by various officials according to the subject of the Conference. General matters are dealt with by members of the Ministry's News Division, Military Affairs by the Military Adviser to the Ministry or, if necessary, by a higher officer from the War Office, etc.

"Radio: The British Broadcasting Company is a semi-independent body, but certain powers exercised over it by the Postmaster-General were, on the outbreak of war, transferred to the Minister of Information. This enables the Minister, inter alia, to prescribe broadcasting hours and to veto any broadcast material. In addition, the Director-General of the B.B.C. has consented to accept the guidance and advice of the Minister on all matters of political importance.

"The B.B.C. is, however, on the same footing as the Press with regard to the publication of news, i.e. voluntary censorship backed by the menace of prosecution if information of value to the enemy is published. This is in spite of the fact that the B.B.C.'s home programmes can be picked up abroad and can, therefore, be said to be sent abroad. It is fair to say that over 90 per cent of each news bulletin broadcast by the B.B.C. is taken from Agency messages which by voluntary agreement between the Agencies and the Ministry, are all censored before distribution.

"Contact between the Ministry and the B.B.C. both as regards what news is included in bulletins and the way in which it is handled, is closer than the corresponding contacts with the press.

"Films: There are satisfactory arrangements for the voluntary censorship of news-reels before they are shown in this country. The films are viewed on notice given to the Ministry and any Service Departments concerned. Moreover, the news-reel companies are in touch with the Ministry and are, in general, ready to accept its guidance as to the items included, even apart from questions of military security. Censorship of films is compulsory before export.

"Private Correspondence: Censorship applies to all cables and letters to and from foreign countries. The machinery of censorship is distinct from that of the Press Censorship but is also under the control of the Minister of Information.

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"Organization of the Ministry: (See document 27) (The organization is now under revision in the light of recent experience). The ministry of Information, as at present constituted is responsible for press censorship and the issue of news and for the presentation of the national case, at home and in allied and neutral countries, by all the available means of publicity. It has taken over the functions of the Foreign Publicity Department of the Foreign Office, which was set up in June 1939, and also certain powers exercised by the Postmaster-General in peace in relation to the B.B.C. The Minister is also responsible for the Postal and Telegraphic Censorship.

"The most effective form of publicity overseas is a quick, cheap and reliable service of news from British sources. Consequently, the Ministry is closely concerned in the machinery for the supply and the distribution of British news overseas.

"The main tasks of the Ministry in this field are:

- (1) To facilitate the supply and distribution of British news.
- (2) To ensure that all material favourable to the British case is given the fullest and widest possible publicity by all available channels.
- (3) To produce and to encourage the production of publicity in the form of films, photographs, newspaper articles, pamphlets, posters, broadcast talks, etc.
- (4) To ensure that enemy mis-statements are immediately and convincingly denied unless to do so would furnish information of value to the enemy.
- (5) To collect the information necessary for the preparation of publicity material.

"In the performance of these tasks, the Ministry works in close conjunction and collaboration with the Service and other Government Departments concerned and with the B.B.C., and wherever possible uses existing commercial or non-official agencies.

"Propaganda among the enemy is the responsibility of another organization not now controlled by the Ministry.

"Policy in regard to propaganda in the U.S.A.: The foregoing account of the Ministry's function in publicity overseas is

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broadly speaking true also for the United States, but in as much as the American press reaches its own public more widely and more effectively than is the case in any foreign country outside the United Kingdom, it follows that the Ministry's contact with the American correspondents in London is an important feature in the work of the American Division.

"The main tasks of the American Division of the Ministry in this field, therefore, are: -

- (1) To secure for the American correspondents, both of individual newspapers and of the news agencies, the freest possible access to all sources of news in the United Kingdom, whether in Government Departments, in the Military Commands throughout the country, in the Aerodromes of the R.A.F., and in the ships of the Royal Navy;
- (2) To offer the same facilities to the representatives of the American broadcasting networks;
- (3) To offer, to all American transmitters of British news, periodical opportunities of discussing with the experts of different Departments, e.g. Treasury, M.E.W., Board of Trade, etc., those matters in the War economic policy of Great Britain which are of popular concern to the United States;
- (4) With the co-operation of the Photographs Division, to secure adequate pictorial publicity on Britain at War for the American reader.

"Complementary to this is the work of the British Library of Information in New York, which exists primarily as the source from which all American enquiries can draw material regarding the life of Great Britain both in peace and in war. The official British staff both in Washington and in New York, has recently been strengthened for the purpose of answering such enquiries and of putting American newspaper editors, columnists, broadcasters, and others, in possession of the latest information regarding all British War activities, at the same time offering them an authoritative interpretation of various aspects of British policy whenever they stand in need of such assistance in interpreting the news from Europe.

The American Division co-operate with other Divisions of the Ministry in securing material for American use regarding such matters of common interest as the defence of the Overseas Empire,

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the progress and development of affairs in India and other cognate matters.

"It will be observed that 'propaganda' is hardly a correct term to use in relation to these activities. What the Ministry seek to do is to convey accurate news and considered British opinion.

"It is for the American Press, Broadcasters and others to determine what use shall be made of it. If it is to become propaganda in the strict sense, the Ministry is primarily concerned with America understanding fully the situation of Great Britain and the British Empire in world affairs from day to day."

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APPENDIX I.

Summary of Memorandum by Director of Navy
Contracts, Subject:- Admiralty Contracts - Price
Checking and Prevention of Profiteering (Document 14)
(Undated).

Contracting Procedure

History: Under normal peace time conditions one of the greatest safeguards against undue profits is the system of competitive bidding. Up to the outbreak of war, although increased requirements had necessitated considerable departure from competitive tender, the system was nevertheless still in force for a large range of stores purchased for the Navy. It is noteworthy that the conditions which obtained in the later part of the rearmament program represented a half way house and war conditions and were already resulting in a wider practice of dispensing with competition. The Treasury Committee on Contract Procedure in its Second Report dated August 10, 1939 (Document 13) recommended that the Directors of Contracts should be given wider authority to dispense with competition than had hitherto been the practice. Since this outbreak of war non-competitive contracts have been more numerous and have covered a wider range of stores.

Shift from Competitive to Negotiated Purchases:-

During the rearmament program there were several armament items which, owing to the extent of requirements or to the small number of suitable firms and the need of keeping multiple sources of supply available in emergency it was necessary to place orders with all or several of the available tenderers, e.g., torpedo engines, cartridge cases, fuses, certain shell, practice shot, mine sinkers, etc. The Admiralty contracts Advisory Committee considered and advised upon a number of cases before the war, including two disputes about prices, in both of which the Committee confirmed the Admiralty's view and settlement was made on the basis of the Admiralty's recommendation.

Under war conditions the need for employing all available firms is even more acute and competition is for the time being suspended in many armament items, all firms equipped for armament work are being fully employed by the Department to which their capacity has been allocated. Contractors without previous experience of the intricate work involved in many Admiralty contracts often find it extremely difficult to tender accurately. In such cases agreement upon prices follows the technical cast and accountancy investigation and until the initial manufacturing difficulties have been overcome and a normal manufacturing basis can be reached. This procedure has been followed in a number of cases including contracts for fuses, gun mountings and ammunition hoists.

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Control of Profits.

Before the rearmament program when orders were generally smaller in relation to firms' capacity the general rule was to allow a profit of not exceeding 10 per cent except in special cases, for example, experimental work for which 15 per cent was sometimes allowed. During the rearmament program special attention was given to the possibility of allowing a lower rate on the increased turnover, with particular attention to the relation of turnover to the employed capital.

It may be recalled that the Treasury minute on contract procedure (June 1936 See Document 13) by which purchasing departments were directed to govern themselves during the rearmament program states that it is impossible to prescribe a fixed percentage for profit on amounts agreed for labor, materials and on costs and that if possible profits should be assessed with reference to a fair percentage on the capital actually employed for the time it is employed. In assessing profits provision should be made for a reasonable incentive to economy and efficiency in production. Where it is impracticable to determine profits on the basis of capital employed the effect reasonableness of profit may be checked by reference to its probable effect on the contractors' balance sheet, which in turn depends upon other factors particularly upon the volume of Government business in relation to the firms' total business. In practice these principles are often difficult to carry out and the most that can then be done is to press for lower rates on profit on an increased volume of orders.

It is of importance that under the Defense Regulations powers exist to compel costing, but so far it has not been necessary to resort to compulsory powers in order to obtain desired facilities.

The percentage of profit allowed to main contractors on sub-contractors necessarily varies according to the service performed by the main contractor in respect of the sub-contracted items. The general practice is to aim at a lower rate of profit on sub-contracted work than the rate allowed to main contractors on work which they themselves carry out.

Experience and Costing Data Used in Determining Prices.

"The Admiralty have at their disposal a great amount of accumulated data regarding prices from past purchases and investigations, and very valuable technical advice upon prices is contributed by the Technical departments of the Admiralty. They are able in a large number of instances, especially in the case of items which are similar to commercial requirements, to give authoritative certificates that prices of the particular articles with which they are concerned are fair and reasonable. For example in the case of ships the Director of Naval Construction advises upon hull work, the Engineer-in-Chief upon machinery, the Director of Electrical Engineering upon electrical equipment, etc. Moreover the cost of manufacture in H.M. Dockyards is

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

also available in the case of certain classes of ships, e.g., Cruisers and Submarines, as a check upon prices tendered by contractors. The Admiralty maintain a close watch upon movements in wages and in levels of prices for materials, as a check on variations in price attributed to these causes."

"The general procedure is that the Technical Costs Section estimates the labour and material, and the Principal Accountant gives an estimated rate for Establishment Charges. The Principal Accountant's method is to ascertain the rate for the latest accounting period available and adjust it as necessary to provide for estimated increase in turnover, etc. An estimate of the cost of manufacture is thus obtained for comparison with the price quoted, and the final price is then negotiated by the Director of Contracts.

We have a further check upon prices of some guns and transferable mountings in the cost of manufacture at Woolwich, who however obtain their Gun Forgings from the trade."

"If the department has any reason to think that the prices quoted are unreasonable they are checked by accountancy investigation, or by technical costing, or by a combination of the two."

"The actual costs of production during 1937 and 1938 at the works of three firms have been ascertained by Admiralty Accountants and negotiations for settling prices of armour for which these costs are representative are nearing completion.

The Agreement with the Machine Tool Trades Association under which they allowed the Government a special discount of 5 per cent on standard tools was terminated on the 5th December, 1939.

There is now a Controller of Machine Tools at the Ministry of Supply, and following discussions with the Service Departments it has been agreed that costing of machine tools shall be centralised in the Ministry of Supply.

The latest position is given in the answers by the Minister of Supply to questions in the House on the 7th February, 1940, copy attached. (Appendix "D").

It is the standard practice in shipbuilding contracts and in certain other cases, e.g., important electrical gear, to require the main contractors to submit at least three tenders for the principal items sub-contracted. Under war conditions this is not always possible, but the prices are checked by information already available, e.g. prices paid previously when competition was obtained, or alternatively the sub-contracts are costed.

Moreover, there are many instances of sub-contracts for specialised items which main contractors place with firms who also supply the Admiralty direct either for Dockyard built ships or for replacements, or for direct issue to contract built ships. In such instances, we have

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a direct comparison of prices available and the direct contracts for supply to the Dockyards and sub-contracts through the ship-builders are frequently handled as a whole at the Admiralty.

Where technical costing is resorted to, the methods used are similar to those employed in the case of main contractors.

The percentage of profit allowed to main contractors on the sub-contracts necessarily varies according to the service performed by the main contractor in respect of the sub-contracted item. The general practice is to aim at a lower rate of profit on sub-contracted work than the rate allowed to the main contractors on work which they themselves carry out."

~~CONFIDENTIAL~~

PSF: *Gr Britain*

Letter to General Watson from Morgenthau--October 14, 1940

Encloses conf letter to him from Sir Walter Layton
10/11/40 with attached summary of supplies needed to complete British Army's program;
also document (Secret) containing information of very secret character--only 4 copies made--
one for FDR, Stimson Knox and Morgenthau. Asks that no others be made--this correspondence
is attached to a previous report of 10/2/40 which gives picture of British Supply
position and supplements in detail orders transmitted to British Purchasing Commission.

For the above corres-----See: Morgenthau-Drawer 1-1940 (Oct 14th letter)

PSF: Great Britain

*File
Personal*

COPY

Savoy Hotel,
London,
15th October, 1940.

Dearest Franklin:

Over here no one thinks that you can be beaten. We would hate to have any one but you in the White House. Do make Ray Atherton your next Ambassador at the Court of St. James's. Every one loves him, and above all, he loves us. We don't want millionaires ; they are no use and I think Ray was the best American we ever had - except of course Mr. Page. What does "seniority" matter in days like these! I wonder if any of you realize the sorrows we are suffering over here today? I doubt it.

My house has been bombed, and is quite uninhabitable: therefore I am now living in the Savoy Hotel. The courage, calm and confidence of all in these Islands is past human belief. Never a complaint of any kind - all cheerful, and all occupied.

Bless you -

Your ever affectionate

(Signed) MARGOT OXFORD

PSF: St. Britain

TELEPHONE,
MUSEUM 8464.


44, BEDFORD SQUARE, W.C.1.

Savoy Hotel
London 15th October
1940.

Dearest Franklin,

Over here no
one thinks that you
can be beaten. We
w'd hate to have me
me put you in the
White House. Do
make Ray Atterton your

next Ambassador at the

Court of St. James.

When we loved him,
above all, he loved us.

We don't want Millicaine,
they are too nice, & I
think Ray was the best
American we ever had -
- except of course Mr. Pale.

What does "Seniority"
matter in days like
these! - I wonder if any

TELEPHONE,
MUSEUM 6464.

2



44, BEDFORD SQUARE, W. C. 1.

Do you realize the
sorrows we are suffering
over here to day? - /

Doubt it.

My house has been
bombed, & is quite
uninhabitable: therefore
I am now living in the
Savoy Hotel.

The courage, calmness &
Confidence of all in

these islands in part
human being. never a
Complaint of any kind -
all cheerful, & all
occupied.

Ben Jon

V. con. offer

Mar 10 Oxford

Personal



To
The President of the United States of
America

The White House
Washington

U.S.A.

d.c.

COPY OF TELEGRAM

FROM THE PRIVATE SECRETARY TO THE KING

TO THE GOVERNOR GENERAL

PSF
Quot Britain West Britain
4

CYPHER "R.H."

LONDON, October 17th 1940

Following from the King to the Governor
General of Canada: Begins -

We hope that you will have a pleasant and
successful visit to Hyde Park, of which we have such happy
memories. Please give our best wishes to the President
and to all his family.

Ends.

(sgd) Private Secretary

For the original copy of the above message

See: Canada folder-Drawer 4-1940

PSF: *St Britain*

J. B. J.

DEPARTMENT OF STATE

THE SECRETARY

October 21, 1940.

PERSONAL AND STRICTLY CONFIDENTIAL FOR
THE PRESIDENT

Mr. Butler, the British Chargé
d'Affaires, came to see me this after-
noon and left with me the attached for
you.

CH

Message from London dated October 19th, 1940.

His Majesty's Government learn from an unimpeachable source that Hitler, who will be inspecting German troops in France, has asked Franco to meet him on the Spanish frontier. Franco has unwillingly agreed and the meeting will, it is said, take place on October 25th. His Majesty's Government have been informed from another source that the proposal for a meeting was made by Suner in Berlin to counter the unwelcome demands which were being made upon him by the Germans.

This intelligence, taken with the dismissal of the Spanish Minister for Foreign Affairs, is disquieting though His Majesty's Government have indications that the change in Spanish policy may be less than might be feared. Before these latest developments occurred His Majesty's Government were proposing to make a statement in Parliament within the next few days defining in friendly terms their attitude towards Spain and they are now likely to wait and see how the situation develops. Meanwhile His Majesty's Government will probably go slow with their economic discussions.

Telegram from the Foreign Office
to the British Embassy, Washington
dated October 21st, 1940

Following is a summary of reply of the
Vichy Government to our last communication. Begins.

(1) The French Government welcome British
overtures but make the following comments on the
points raised in the British note:

(a) France never has been or will be the
aggressor and the French Government do not understand
the British threat in the event of French aggression.
They will oppose with all their force any further
British attacks on, or support for, military action
against their ships or territory.

(b) The French Government agree that
conversations, when they take place, might profitably
be developed within the sphere of discussions between
the two Ambassadors at Madrid on September 27th.

(c) The French Government recognise
neither the cause nor the authority of General
de Gaulle. There is only one French Government
charged with the defence of the Empire and eventual
restoration of its integrity. Recognition of any
other authority or support of an attempt to detach
the French possessions from Vichy would deprive
[some words undecypherable] necessary basis of any
attempt towards appeasement between the two
countries. As His Majesty's Government shares the
desire of the French Government for a détente their
policy/

policy must be compatible with the honour, dignity, and interests of France.

(2) Before receipt of the British memorandum the French Government publicly and repeatedly declared their determination to retain control of their colonial empire and fleet. They have taken steps to ensure the respect of rights in this connexion recognised by the armistice.

(3) The French Government earnestly desire a modus vivendi as regards trade between France and the colonies.

(4) The French Government cannot accept the British interpretation of their attitude and consider themselves the offended party. They hope to reach the fruits of their policy of patience from which they have departed only recently and with regret. Ends.

2. His Majesty's Ambassador at Madrid has been instructed to convey orally to his French colleague the observations of His Majesty's Government on this note. Following is summary of his instructions. Begins.

(1) Although disappointed at the tenor of the reply, His Majesty's Government are still prepared to continue discussion on lines indicated in latest communication.

(2) His Majesty's Government remind the French Government that they intend to secure full restoration of independence and greatness of France. They have rejected all suggestions of a peace whereby Germany and Italy would be paid off with French territory. For this reason and on account of our own military requirements we must do everything we can to keep the French colonial/
colonial/

colonial empire and fleet out of the enemy's hands. Because the French cannot themselves safeguard their overseas territories we must continue to support any movement there for self defence against Germany and Italy for collaboration with ourselves.

(3) Except to such extent as may be agreed in discussion, His Majesty's Government must maintain the blockade which is vital to their war effort.

(4) His Majesty's Government welcome the French Government's determination to retain control of their empire and fleet and assume that this means that neither will be allowed to fall under enemy influence or into enemy hands. If the French Government can convince us that they can make this purpose effective there should be no fundamental difference between either, since we look forward to the unity of France and her empire when victory has been achieved. We feel pretty sure that victory will be achieved.

(5) If France attacked British territory, harbours or warships, His Majesty's Government would immediately retaliate against targets in unoccupied France. Even the seat of the Government would not necessarily be immune.

(6) If the above points are clearly understood, His Majesty's Government are willing to begin discussions at once at Madrid. They suggest that the question of trade between North Africa (including the Atlantic ports of French Morocco) and unoccupied France should be first reviewed. They would be glad to examine any concrete French proposals. Ends.

3. We are disagreeably impressed though not surprised with the Vichy Government's reply, but as
they/

they apparently do not wish to break with us, we should be glad to extract what we can from this situation. We think it well to pursue this exchange of views with the Vichy Government in the hope that they will find it to their interests to reach an accommodation with us. We realise that they are under the German heel and they cannot be regarded as free agents in anything that they do. We can hardly expect to receive binding assurances in writing from them which would not be approved by the Germans and they have so far given us little ground for confidence in any oral assurances they may give us in the circumstances but there is no other basis on which we can proceed, given the position in which they find themselves. The one safeguard we have is that if they go back on their undertakings, we can regard any arrangement we make with them as void and withdraw any advantage we have accorded to them.

The Way of the War—(Continued from page 139)

Hitler Goes on Tour

Four months after totally defeating France, Hitler, the great dictator of Europe, finds it necessary to go on tour; to visit Paris and to request a conversation with M. Laval. One might have expected the Head of the victim country to be ordered to visit the conqueror. Yet Hitler was content to talk matters over with a deputy and through him, we are told, to transmit an invitation to Marshal Pétain. Even more remarkable, perhaps, he makes the long journey to the Spanish frontier in order to meet General Franco.

In advance of full knowledge it is rash to speculate on what passed. General Franco has always admired Germany as a military machine. He will certainly have been interested to meet the dynamic Führer. Yet it is hard to escape the conclusion that Hitler requested the meeting because of his own urgent necessity. It will not be surprising to find that the main object was to present to the world a picture of Europe now well able to settle down happily under the new Nazi-Fascist Order; that only selfish Britain bars the path; that the United States will be prolonging bloodshed if they continue to back Britain; and a vote for Roosevelt is a vote for continued misery in Europe.

Mr. Kennedy and the President

All this by-play becomes more easily understandable when we know that Mr. Kennedy made up his mind some time ago to "get even" with Mr. Roosevelt. The ambassador feels that he has been slighted by the State Department and the White House. Instead of accepting without question Mr. Kennedy's reports on the way of the war Mr. Roosevelt has thought it prudent to send independent investigators to London. One of the most important was Colonel "Bill" Donovan, of whom I wrote in these notes at the time. Whereas Mr. Kennedy's reports had been blackly pessimistic about Britain's chances, Colonel Donovan thought we were "doing fine."

No useful point would be served by going into all the little matters which have led to a growing estrangement between the President and the ambassador of his earlier choice for the key position in London. Unfortunately, it now appears that Mr. Kennedy feels so keenly on the subject that he has insisted on returning to the States in time to cast his weight into the scales of the election against Mr. Roosevelt. Before he left England he had drafted the newspaper articles whereby he will justify this step and seek to secure Mr. Roosevelt's defeat.

On the day Mr. Kennedy left England a shrewd old judge of American electioneering said the betting had now shortened to even money in the race for the Presidency. Can Mr. Roosevelt, with his keen political sense and admirable radio personality stop the rot that has obviously set in? Can Germany pull another trick at the last minute to make his fight more difficult? If Hitler can do so he will; and it looks as though it would be a "peace in Europe if only selfish Britain would stop" move. We shall know the answers to these questions almost at once.

PSF Great Britain

*File
personal
K+J*

BRITISH EMBASSY,
WASHINGTON, D.C.

PERSONAL

November 12th, 1940

Dear Mr. President,

I have received The King's command to convey to you His Majesty's very cordial congratulations on your re-election for a third term of office as President of the United States.

I understand that His Majesty received Lord Lothian in audience on November 8th and is sending you through him a message of a personal and oral character.

Believe me,

Dear Mr. President,

Yours sincerely,

Harold Butler

The Honourable

Franklin D. Roosevelt,

President.

PS F Great Britain

Hyde Park, New York
November 22, 1940

My dear King George

I have been intending to write to you for a month and more but, as you know, my time before the elections was of necessity taken up with a series of speeches and inspection trips. Personally, I was much torn between the real duty to run for election again and a deep personal wish to retire. Therefore, it was gratifying that the majority was so large, if there had to be any majority at all!

Also, I think and hope that there will be definite benefit to your Nation and to this by a continuity of existing policies. There is absolutely no question that the appeasement element, the pro-Germans, the communists, and the total isolationists did their best for my defeat.

In regard to materials from here, I am, as you know, doing everything possible in the way of acceleration and in the way of additional release of literally everything that we can spare.

I think I realize a bit how splendidly all of your good people are standing up under these terrific air attacks -- but I have what we call a "hunch" -- not necessarily based on cold figures, that you have turned the corner and that the break of the luck will be more and more with you.

May I also tell you that you, personally, and the Queen have deepened the respect and affectionate regard in which you are held in this country by the great majority of Americans. All that is being done in Great Britain and the way it is being done make me feel very futile with respect to our own efforts.

At least the monthly production over here is speeding up and will continue to do so.

I am spending four days at home over Thanksgiving Day. Early in December I hope to get a bit of a holiday by going over to the Bahamas and several other prospective bases. That destroyer arrangement seems to have worked out perfectly. There is virtually no criticism in this country except from legalists who think it should have been submitted to the Congress first. If I had done that, the subject would still be in the tender care of the Committee's of the Congress!

My wife joins me in sending our best wishes to you and to the Queen.

Yours very sincerely

Franklin D Roosevelt

H. M. King George VI
Buckingham Palace

The following figures show losses by enemy action of Allied and Neutral merchant tonnage for the periods given. Vessels of all tonnage are included but no commissioned ships.

Week ended	British		Allied		Neutral		Totals: British Allied-Neutral	
	No.	Gr. Tons.	No.	Gr. Tons	No.	Gr. Tons	No.	Gr. Tons
June 2, 1940	28	79,415	5	25,187	2	4,875	35	109,477
" 9, "	13	49,762	8	22,253	4	14,750	25	86,765
" 16, "	15	60,006	10	40,216	6	23,170	31	123,392
" 23, "	16	91,373	12	81,742	12	39,159	40	212,274
" 30, "	6	30,377	4	13,627	5	19,322	15	63,326
TOTAL	78	310,933	39	182,972	29	100,786	146	594,691

Week ended								
July 7, 1940	14	75,888	4	18,924	5	21,968	23	116,780
" 14, "	10	40,469	5	13,159	7	24,845	22	78,473
" 21, "	12	42,463	2	3,679	7	13,723	21	59,865
" 28, "	18	65,601	2	7,090		NIL	20	72,691
TOTAL	54	224,421	13	42,852	19	60,536	86	327,809

Week ended								
Aug. 4, 1940	14	67,827	2	7,412	5	13,768	21	89,007
" 11, "	9	32,257	2	7,674	2	6,708	13	46,639
" 18, "	10	41,175	1	7,590	2	4,134	13	52,689
" 25, "	20	108,404	1	1,718	2	8,692	23	118,814
Sep. 1, "	12	62,921	5	15,038	5	18,460	22	96,419
TOTAL	65	312,584	11	39,432	16	51,762	92	403,778

Week ended								
Sep. 8, 1940	13	44,975	4	18,499	3	13,715	20	77,189
" 15, "	13	55,153	4	12,575	3	7,379	20	75,107
" 22, "	22	148,704	3	13,006	5	14,425	30	176,135
" 29, "	11	56,096	4	12,119	2	7,351	17	75,585
TOTAL	59	304,928	15	56,199	13	42,871	87	403,807

Week ended								
Oct. 6, 1940	8	30,686	3	5,742	1	3,237	12	40,815
" 13, "	10	52,663	3	17,527	4	14,544	17	84,744
" 20, "	24	154,279	7	24,686	6	24,314	37	207,769
" 27, "	4	9,326	2	6,274	1	2,230	7	17,830
" 31, "	13	39,999	4	8,222			17	48,221

<u>Week ended</u>	<u>British</u>		<u>Allied</u>		<u>Neutral</u>		<u>Total: British Allied-Neutral</u>	
	<u>No.</u>	<u>Gr.Tons</u>	<u>No.</u>	<u>Gr.Tons</u>	<u>No.</u>	<u>Gr.Tons</u>	<u>No.</u>	<u>Gr.Tons</u>
Nov. 10, 1940	11	69,110	2	10,236	2	8,617	15	87,963
" 17, "	15	57,977	3	15,383	1	1,316	19	74,676
" 24, "	19	75,560	3	12,415		NIL	22	87,975
TOTAL	45	202,647	8	38,034	3	9,933	56	250,614

Grand Totals to November 24th, 1940.

372 1668,941 105 419,734 92 312,517 569 2401,192

Notes: Week ended November 24th is the last full week for which details are available and from the nature of the circumstances must be considered provisional.

For the specified period the following commissioned ships of 500 gross tons and over (formerly merchant vessels) have been lost by enemy action: 20 vessels of 183,000 gross tons approximately.

COPY

PSF: *St. Brantley*

November 28, 1940

My dear Mr. President:

You will remember that I transmitted to the Crown Prince of Norway your message of November 22 through our Embassy in London. I have just now received the attached reply to your message. Do you wish me to arrange confidentially with Juan Trippe, of the Pan American Airways, for the accommodations desired by the Crown Prince so that there will be less chance of publicity?

Believe me

Faithfully yours,

Enc.

The President

The White House

For FDR's message of Nov 22nd to Olav and reply of Nov 28th from him.

See: Norway folder-D_{awer} 4-1940

134
THE WHITE HOUSE
WASHINGTON

PRIVATE

November 30, 1940.

MEMORANDUM FOR

LOED LOTHIAN

You might have the Duke of Windsor informed confidentially that I am very sorry that I shall probably miss him, and that I deeply regret to hear of his wife's operation.

According to schedules, which are almost impossible to change, I would have to be in Mayaguana Key on Thursday, December twelfth.

F. D. R.

BRITISH EMBASSY,
WASHINGTON, D.C.

November 29th 1940.

Dear Mr. President,

I received a telegram yesterday afternoon from the Duke of Windsor at Nassau stating that the Duchess has to undergo a major dental operation in Miami and that he proposed to accompany her. The telegram went on to say that the Duke and Duchess were planning to arrive in Miami by ship on December 10th and to leave again by ship on December 13th.

Believe me,

Dear Mr. President,

Very sincerely yours,

L. St. Julian

The Honourable

Franklin D. Roosevelt,

President of the United States of America,

Washington, D.C.

[11. 6. 40]

EMBASSY OF THE
UNITED STATES OF AMERICA

London, England, December 6, 1940.

No. 6359.

~~CONFIDENTIAL~~

Subject: Bomb damage in English cities.

The Honorable
The Secretary of State,
Washington, D. C.

Sir:

I have the honor to enclose copies of letters
received from the consular officers in charge at
Southampton, Bristol, Birmingham, Plymouth and
Liverpool/

Liverpool, reporting conditions in those cities
after recent bombing attacks.

Respectfully yours,

Herschel V. Johnson
Chargé d'Affaires ad interim.

Enclosures:

1.	Letter from Southampton,	November 25,	1940;	
2.	"	"	"	27 "
3.	"	"	December 1	"
4.	"	"	"	2 "
5.	"	"	"	3 "
6.	Report	"	Bristol,	November 25 "
7.	Letter	"	"	" 26 "
8.	"	"	"	" 27 "
9.	Report	"	"	" 30 "
10.	"	"	"	December 3 "
11.	Letter	"	Birmingham,	November 15 "
12.	"	"	"	" 23 "
13.	"	"	Plymouth,	" 28 "
14.	"	"	"	December 2 "
15.	"	"	Liverpool,	" 2 "

WCF/mos

Forwarded in quintuplicate.

CONF
800
GKD:MN

AMERICAN CONSULATE
Southampton, England.
November 25, 1940.

~~CONFIDENTIAL~~

The American Consul General,
London.

Sir:

Interim Air Raid Report. Bombing of Southampton
night of November 23/24, 1940

The German official communique covering operations
over England for night of November 23 reads as follows:

"Yesterday about 250 planes attacked harbour
installations, docks and warehouses at Southampton
dropping 250 tons of high explosive bombs and
thousands of incendiaries".

No objection is made to the above claims by the inhabitants
of Southampton. During a 5 hour attack on this port,
considerable damage was done and according to municipal
authorities (1) at least 60 persons were killed and 250
injured. Practically no part of the town escaped some
kind of damage. Two cinemas were destroyed, further
considerable damage was done to the civic centre building,
two ships, one of them a hospital ship, the LLANDOVERY
CASTLE, were sunk, and considerable damage was done to
private dwellings and business property on the main
business street. In fact, it was the worst raid that
Southampton has had so far.

The residence of the reporting officer was struck by
four incendiary bombs, and Mrs. Hunt, a clerk of the
consulate, has had to abandon her house, due to unexploded
bombs, as has also Mr. Pack, another clerk. There are four
bomb craters just in front of the consulate in the park,
and the premises of the Canadian Pacific Railway, just down
the street from the consulate were completely destroyed.
The main hotel in the town, the South Western, was badly
damaged. In fact, bombs were dropped everywhere.
Fortunately most of them were small, although two on the
civic centre are believed to have been very large ones.

The whole electric street car system of the town has
been put out of action and in many parts of the town
there is neither gas nor electric service.

Fire engines were brought from Portsmouth, Winchester
and other towns and the writer has seen several engines
completely destroyed by direct hits.

A map is enclosed on which is indicated the main
points of attack. Please note, however, that bombs fell
in practically every square block of the town.

Very truly yours,
(Signed) G. E. Donald
Consul General

Copied at Embassy,
London, December 6, 1940.
KOS

COPYAMERICAN CONSULATE
Southampton, England.

November 27, 1940.

~~STRICTLY CONFIDENTIAL.~~The American Consul General,
London.

Sir:

Air Raid Report: Week ended November 24, 1940.

The week under review was by far the worst yet experienced in Southampton. Although there were only 17 alarms, their duration was 61 hours and 38 minutes, a record. Final figures of casualties are not yet available, but they amounted to at least 425 of which 113 were killed and 197 seriously injured. The number of dead for the night of November 23 has already risen to 85 and more bodies are expected to be found.

All the bombings this week were during darkness and occurred on four days. The material damage done was considerable and large numbers of persons were rendered homeless. Besides dwellings, considerable business property - including large shops on the main business street - was destroyed; the civic centre, a new building and the pride of Southampton, was further damaged by two large bombs, one of which wrecked an entrance and the other seriously damaged the police section. Many fires broke out the night of November 23 and fire fighting apparatus was rushed from all neighbouring towns. Fortunately, there was little wind and the fire was prevented from spreading. The street car service, except in outlying districts, is still out of action and electric power and gas are lacking in many sections owing to cutting of mains. The main railway station - the Central Station - received direct hits and was partially destroyed.

All things considered, there was very little military damage done. The docks were hit by H.E.'s and incendiaries, two ships were hit and badly damaged, but the fires were kept under control and failed to spread.

Since the raid there has been a large exodus of people from Southampton, some going permanently, others sleeping out and returning to work each day. The population of Winchester, a town which has so far failed to receive a bomb, is said to be at least doubled and rooms are renting at a large premium.

As of possible interest, there are attached copies of reports of some of the Field Security Police, which, however, cover only a small area of the town. Please note that these reports are furnished to me in strict confidence. The F.S.P. are not even attempting to cover in their reports all the bombed property.

Very truly yours,
(Sgd) G.K.DONALD,
American Consul General.

COPY
gkd

AMERICAN CONSULATE
Southampton, England.
December 1, 1940.
Sunday, 3.30 p.m.

The American Consul General
London.

Bombing of Southampton night of Nov.30/Dec.1.

Sir,

For six hours steadily last night practically with no intermission high explosives and incendiaries rained on Southampton. It was a most harrowing experience, our residence being in one of the most bombed areas. According to a man who went through both Coventry and last night's bombing here, the latter was by far the more severe. (1)

I have made a walk of several miles today through the streets and I can truly say the town is in ruins, particularly the commercial section. I cannot begin to detail the damage done throughout the town, but will endeavor to give a limited picture.

Military Damage.

The large and important cable works of Pirelli and Company (previously hit) has now been completely burned out. This plant extends for a long distance down the Western Esplanade (see map attached) (2) Fortunately there were no fatalities here. (3)

The docks, both old and new, are almost entirely burned out. (2)(4) I spoke of the damage to Pirelli's to an official of the docks(5) and he replied: "That's nothing to what the docks got, all the buildings and sheds are complete wrecks." I was able partially to confirm this by personal observation. I also walked down to the General Motors Building at the far end of the new docks, getting as close as I could and as far as I could see, it appeared that it was completely gutted by fire, although the walls were still standing. It should be pointed out that General Motors itself is no longer there. The Canadian Government assembles trucks in part of the building and the Admiralty used the rest for the manufacture of some kind of torpedo nets.

The part of Thornycrofts shipbuilding plant on the old docks and the plant of Harland and Wolff have also been burned.

I have not yet received information as to the Woolston shipbuilding yards.

The Ordnance Survey, where all English maps are made, has been completely burned out (6)

Civilian Damage.

The two largest department stores are completely burned out. In fact, almost the whole of the retail shopping district has gone. The consulate was not hit,

but/

1. Source: Constable Dodd of the Southampton Borough Police.
2. Personal inspection.
3. Wife of an employee.
4. Major Fairweather, officer in charge Field Security Police.
5. Col. Short, Assistant Manager of the Southern Ry. Docks.
6. Several eyewitnesses.

but has some broken windows and a building next to it was completely destroyed as were many others in the neighborhood.

I spoke to the Southampton postmaster who said that he was able still to get out some telegrams but he did not know when the telephone service, which is completely dead, will be resumed. Last night couriers had to be sent out by motor cycles to neighboring towns for fire fighting assistance. (1) Fires were still burning at 3 p.m. today although many of them had burnt themselves out; it was an impossibility to fight all of them and only the most important were tackled first.

The Civic centre received further direct hits and the interior is described as a mess. It will probably be evacuated.

All taxicabs in town were sent last night to the New Forest for safety and no taxis were available today.

Almost all the sirens have been destroyed.

Time bombs are all over town and in front of my residence there are three. Three large high explosives fell in the grounds and missed the building by about ten feet, damaging it somewhat.

We were putting out incendiaries all through the raid. Everyone who can is leaving town this afternoon and in fact since last Saturday's raid hundreds of people drive out to the open country and sleep in their cars.

The staff is all safe.

I have not been able to get even a reliable estimate of casualties, but I fear they are heavy.

Many parts of town are without water, gas or electricity but the electric power plant has not yet been destroyed.

Very truly yours,

(Signed) G. E. Donald
Consul General

Copied at Embassy, London,

December 6, 1940.

MOS

COPY
gkd

AMERICAN CONSULATE
Southampton, December 2, 1940
Monday: 11.30 a.m.

The American Consul General,
London.

Bombing of Southampton night of
Dec. 1/2.

Sir:

We thought we would have a rest last night and that Southampton was sufficiently down to please even Hitler, but we have gone through the same thing as the night before. I would say that the town is completely finished as far as any business or commerce is concerned. The remaining large department store, which had enormous stocks of foodstuffs and general supplies (Edwin Jones & Co.) is completely burned to the ground; there is no newspaper here; Rank's Flour Mill, apparently the last building on the docks of any importance, was destroyed last night; there is hardly a shop left on the High Street. Strange to say, the electric power plant is still standing, although it makes a wonderful target.

My residence had two more high explosives fall within a dozen feet of the building and the largest crater I have ever seen is just across the street and every house to the corner has been destroyed. I mention this merely as an example. I understand that fire engines even came from London and Wells to fight the fire. I have been putting out incendiaries most of the night.

All the staff are safe. There is still no telephone service.

I am still unable to give any figures of casualties and I doubt whether there is any authority that knows. On my way down I saw them taking bodies out of a shelter that got a direct hit.

Very truly yours,

(Signed) G. K. Donald
Consul General

Copied at Embassy,
London, December 6, 1940.
MOS.

Enc. # 5

COPY

AMERICAN CONSULATE
Southampton, England.
December 3, 1940.
11.50 a.m.

~~CONFIDENTIAL~~

The American Consul General,
London.

Sir:

Supplemental report on bombings of Southampton
Nov. 30 and Dec. 1, 1940.

The accounts in the London papers and over the B.B.C. regarding the situation at Southampton are ridiculously inadequate. The whole center of the town is a mess of ruins. There is not a large shop left in the place; the consulate building is one of the few business buildings left in town and in short I have not words to describe the misery prevailing here. There is no water, gas or electricity in large sections of the town and the food situation may probably become serious. The telephone service is still dead.

The roads leading out of Southampton in the afternoon look like the pictures we have seen of French evacuees.

As far as the consulate is concerned I propose keeping it open in the mornings only for the next few days so that those of the staff who want to leave town for a night's rest may do so. Every bus leaving town is surrounded by a large mob of people and it is most difficult to get away.

I propose going to Fawley this afternoon to see what damage was done to the Agwi Petroleum Company's refinery and will submit a report tomorrow.

Very truly yours,

(Signed) G. K. Donald
Consul General.

Copied at Embassy, London,
December 6, 1940

MOS.

COPY

TELEPHONED REPORT OF THE AIR RAID DAMAGE TO BRISTOL,
BY CONSUL ROY W. BAKER - NOVEMBER 25, 1940 2. P.M.

Between 6.30 p.m. and 12.30 a.m., November 24th and 25th, Bristol suffered a fairly serious air raid. The impression in some parts is that about seventy planes, some of them Italian, took part although I believe that to be an under-estimate. Since hearing that figure I have talked with officials who have means of knowing what happened in different sections of the city and getting reliable information, and they are all agreed that the number was far in excess of that figure. At any rate, the damage can probably be said to be less than at Coventry from what can be gathered from press reports of the Coventry raid. All parts of the city were attacked, my house being just barely missed by a string of five or six bombs that wrecked property nearby, including my garage at the foot of the garden and the stenographer's home on the other side of the city having been almost demolished but without loss of life. But, the main attack was on the business centre of the city where property loss was most extensive. The Consulate was not damaged, the nearest bomb landing about the distance of one block away.

So far as I can learn few plants essential to the war effort were destroyed but the general slowing down of the effort will be appreciable. A large number of incendiary bombs were dropped followed by high explosive bombs and disastrous fires resulted. The water supply apparently in all parts of the city, has been cut off by damage to the system; the electricity supply was not affected. Travel by car is almost impossible within the city due to the many areas affected, and telephone communication is almost as bad. I have been unable, therefore, to get any reliable estimate of total damage, particularly as to loss of life. I will telephone such particulars as soon as I can.

As telephone service between here and London is apparently functioning I assume that the Embassy has obtained details of the Bristol raid from the Ministry of Home Security that I am unable to get under existing conditions and therefore I take it that the Embassy is covering the Bristol situation in its reports to the Department and I am not attempting to cable Washington. Please inform me if conditions as to news sources are such that I should report to the Department directly myself.

Since writing the above I have visited the neighboring business sections that were attacked and find long stretches that are utter desolation, with the buildings practically flat and the streets impassable with debris. The damage is apparently much more serious than when I wrote the first part of this short report. From what I can learn the sections attacked in Bristol are so much more extensive than those in Coventry that it seems that the two raids may be comparable in importance.

Communications are in a state of absolute chaos. Several important parts of the city are under the control of the military and are inaccessible for examination

because of delayed action bombs and falling buildings;
an estimate of damage is, therefore, extremely difficult.

One of the features that sticks out of the general picture in my mind is the presumable accuracy with which the raiders found the important streets of the city; it would seem that to have followed the important commercial lanes as they did, would require more than the good luck that it would appear military bombing from great heights must be attended by in order to be highly effective. The accuracy of last night's raiders was almost uncanny. I may add finally, that while I can find no one among the several ordinary well informed public officials with whom I have spoken who would venture upon a guess as to the loss of life, it is my feeling that the casualties here are comparatively small.

In closing, I want to emphasize my desire to be informed if news conditions are such that I should also report directly to the Department.

COPY

Supplemental.

Bristol, England. November 26, 1940.

Walter H. McKinney, Esquire,
American Consul,
1, Grosvenor Square,
LONDON, W.1.

Sir:

I have been trying for some time to get through to you by telephone to make a report supplemental to that of yesterday regarding the effects of the raid on Bristol Sunday night, and another last night directed against the Avonmouth Docks. There is a raid on at the moment however, and fearing that I may not be able to get through to you, I am sending by mail the report I had intended to telephone. It is as follows:

I am now able to give casualty figures for the raid made on Bristol on the evening of Sunday, November 24th, that are believed to be quite reliable. The dead up to the time of writing this are said to number 47; the seriously wounded 140, and the less seriously wounded 180.

It can be added that since making my report to the Consulate General yesterday I have been able to inspect more of the bombed areas of the city, and the more I see the more impressed I become with the systematic thoroughness of the raiders' work, and the unerring way in which they followed the main business thoroughfares of the city. The outlying sections were attacked in a hit-and-miss-fashion, but in the centre of the town the invaders followed the streets that had apparently been selected for attack in a way that suggests to me, at least, that they must have had some sort of help from the ground. There was certainly concentrated fire on the streets that were attacked and very little evidence of sloppy aiming.

Finally, one of the features that stands out is the imperturbability of the mass of the people. The streets of the bombed sections today have almost a holiday appearance.

Early yesterday evening there was another raid, apparently by a considerable force, directed at the Avonmouth Docks. I learned today that, although fires were started, the damage was not serious. The German radio announced that the National Smelting Company plant had been destroyed, but I was told at lunch today by the head of the Bristol Electricity Department that today the National Smelting Company was using its normal load of electricity current. The principal sufferer by the fire of last night, I was told by the same person, was a canning factory on the docks estate.

.....

Since writing the above regarding the accuracy of the invaders' fire, the clerk here, who is an auxiliary fireman, has told me that yesterday he learned from the police

themselves that they were looking for Fifth Columnists in connection with the Sunday night raid. He says that the policeman with whom he talked told him that the police authorities had a report that rockets had been sent up during the raid.

Respectfully yours,

Roy W. Baker,
American Consul.

P.S. I should also like to amend the impression I left in making my report yesterday that the Bristol damage was much less than that at Coventry. Inspection of the areas affected shows it to have been much greater than I had thought, and the opinion of the police and others claiming to be well-informed is that property damage is probably about the same.

COPY

Bristol, England, November 27, 1940.

Walter H. McKinney, Esquire,
 American Consul,
 1 Grosvenor Square,
 LONDON, W.1.

Sir:

With reference to my letter of yesterday concerning the Sunday night air raid on Bristol, I feel that I should prepare a supplemental report for despatch by mail in lieu of the telephonic report I shall make this afternoon if I succeed in getting through to you by long distance.

The figure of deaths mentioned in my letter yesterday, though coming from an official source, was badly in error. The correct one yesterday was 126 dead, and I have it today from a municipal officer receiving official information that it has now been reduced to 123, evidently through rescue or the finding of three persons previously supposed dead. I believe the figures for injured were substantially correct.

It may be interesting to cite what was told me this morning by Mr. R. Langford, an American, whose work has taken him through many of the other places that have suffered heavy attack, among others the East End of London, Coventry and Cardiff. Mr. Langford stated that the Bristol raid damage in the point of intensity was the worst he had seen.

I myself accept the figures on fatalities given above with a certain amount of reserve, after making a systematic round of the bombed areas this morning and particularly in the light of what I was told by a Post Office official today, namely, that of the Sorting Room staff of the Bristol post office, which numbers slightly above 300, it had been definitely established that 70 to 80 had been killed.

One of the strangest features of aerial warfare, as I see it on interviewing many sufferers from such warfare, is the disproportionately low number of casualties in heavily bombed sections. For instance, the city block that is bounded on one side by the small street on which my garage at the foot of my backyard faces, and which is built up in brick and frame houses of quite good quality, that is, not of the "jerry-built" variety at all, resembles a World-War picture of part of Rheims, the houses riddled and falling to pieces from the effects of the two high explosive bombs that dropped within the block, and yet according to my neighbors there was only one casualty, and that slight. And this in spite of the fact that some of the tenants of that block were in the open at the time the "stick" of bombs fell. This story is typical of the many that I have heard since the Sunday raid from residents of heavily attacked districts. It is

passed along to you, not because I feel it has any news value,
but because it seems to me to reflect the color of the
Bristol situation.

Respectfully yours

(Sgd) ROY W. BAKER,
American Consul.

COPYTelephoned by the American Consul in Bristol:

I have just heard from a person in the very best position to know the truth and whose word I have great confidence in that the total loss in Bristol as the result of the air raid last Sunday night is about £20,000,000 according to an estimate just completed by Board of Trade officials. It is calculated that the raiders dropped about 10,000 incendiary bombs and 300 tons of high explosive bombs during the course of the raid. As a result of the attack, the largest store of flour in the city, the size of which I am unable at present to state, was completely destroyed; the largest store of sugar was also destroyed, and practically all the important wholesale grocery houses and their warehouses were levelled and their contents lost. The results of this are plainly seen in local markets where today bacon, cheese and a number of other household staples are unobtainable. One of the many losses which will be a severe handicap to production was the destruction of the building which housed the records and accounts of the Bristol Airplane Company. The central offices of a number of other industrial establishments that were busy on war production were also lost. The number of plants where war production was actually in progress that were destroyed was not great, fortunately; the number could be placed at probably not more than four or five. Another fortunate feature of the raid was that little damage was suffered by the railway system.

November 30, 1940.

COPY

LONDON, December 3, 1940.

MEMORANDUM FOR MR. JOHNSON -

Consul Baker at Bristol has made two reports by telephone concerning the raid at Bristol last evening. The first call was received in the Embassy at 12.45 a.m. He said the raid began at 8.30 and ended about 10.30 p.m. Many fires had been started, homes destroyed and he believed a considerable number of persons had been killed and injured. It is understood that Temple Mead Station, which was missed in the previous air raid, was hit. He was unable to ascertain the extent of the damage. Bombs were freely scattered in the Clifton residential district where Mr. Baker has his home. Some of these fell fairly near. He added that he does not now get information from the local officers of the Ministry of Home Security or the Ministry of Information, as these officers report to London. He presumes that detailed information regarding the raid will go to the Embassy directly from the officials here.

Mr. Baker called again at 11. a.m. to supplement the above report. He pointed out that although weather conditions during the raid were bad as the result of fog and rain, the Germans apparently had the raid so well organized that the bombers were able to attack secondary targets which had not been bombed in the previous raid. These targets comprised the secondary industrial districts, the less important business streets and many residential districts. His own home suffered with a stone through the roof, and an incendiary bomb which fell through a window and burnt itself out. His basement windows were also broken. He was glad to report that the office had not been touched and all members of his staff had escaped injury.

W. H. McK.

C O P Y.

~~SECRET - CONFIDENTIAL~~

AMERICAN CONSULATE

Birmingham, November 15, 1940.

John G. Erhardt, Esquire,
American Consul General,
London, W.1.

Dear Mr. Erhardt:

At about 12.45 p.m. today I told Consul McKinney over the telephone that I had visited Coventry during the course of the morning. I stated to Consul McKinney that about three or four more raids such as that which took place last night at Coventry would just about finish the place off for all practical purposes.

The raid started last night at about 7 o'clock and continued until this morning at about 6 o'clock. The planes came over in groups. A very heavy anti-aircraft barrage was put up. The planes paid no attention to it, however. I stood on a hill not far from Leamington and, between the hours of 7 p.m. and midnight, watched the spectacle. It was perfectly evident from what I observed that the defences put up were of virtually no effect. The planes came over at intervals of about six minutes, dropped their bombs on targets which had been lighted by fires and flares. The noise was something tremendous. The house which was situated about six yards from my watching point was continually shaken by the explosions. The sky was lit up by two distinct groups of fires. These burned furiously until, I am informed, 6 o'clock this morning.

I arrived at Coventry at about 10 a.m. The trip from the city limits to a place near the city center took about one hour. The destruction and damage on all sides was general. Whole streets of working class houses were completely shattered and hardly fit for further human habitation. The streets had not been cleared of debris. My car was driven through winding clearances. On all sides was to be seen evidence of damage and destruction. Numerous houses were flattened out. The force of the explosions had, in many instances, torn down brick refuges. In some instances it was evident that direct hits had been scored upon shelters. For some five miles the scene was more or less the same; people with no places of abode to go, numerous air raid wardens and police giving directions, calm on all sides, no excitement, no manifestation of emotion, grim visages, determination.

At my destination the premises of the Unbrako Screw Socket Company, Limited, I found that the damage had been only superficial, that is to say, broken windows.

I/

I left Coventry at about 20 minutes past 10 a.m. and was piloted out of the city by an Unbrako company car. En route to Birmingham I picked up along the way, but at different junctures, four passengers. These people had found it impossible to obtain transportation from Coventry to Birmingham. All of them had spent the night in Coventry. One was a sergeant in the Air Force. According to this sergeant, the center section of Coventry had been flattened out. He stated that the following establishments had either been destroyed or substantially damaged: The Rialto Cinema; the Humber Motor Company works; and the Coventry plant of the (British) General Electric Company. According to one woman passenger, the night had been one of absolute horror. It was as bright as day and even in her shelter when its door was open a newspaper could be read by the glare of flares and fires. She stated that there had been no let-up from the time the raid started until it ended. From statements made by my passengers, and they had received their information from conversations with people whom they had seen during the course of the morning, about six hundred people were killed and several thousand wounded. It seemed to be agreed among them, and this was certainly the case at the Unbrako plant, that Coventry, after the raid, was without gas, electricity, water, or telephone services. They stated that all industry was at an absolute standstill and that workers who had reported for duty were, in most cases turned away from the places at which they are employed.

My own impression was not that there had been a sort of universal devastation but rather that the city as a whole had been severely shaken and in spots laid waste to. During the time I was en route from Coventry I saw numerous dwellings and public houses which had been, for all practical purposes, destroyed. Moreover, I saw numerous manufacturing plants which had been gutted. None of these, however, was I able to identify.

From what I saw during last night and early this morning, as well as from what I saw on the spot, I would say that if the Germans can do at other industrial places in this country what they did at Coventry, the war effort of the United Kingdom must be most seriously affected.

Today I was at lunch at the Midland Hotel with a well known Birmingham industrialist and a major in the Intelligence Service of the British Army. Both of these gentlemen seemed to be awe-struck with what they had heard had happened at Coventry last night. However, from conversations with these men, as well as from conversations I have had with others, it is apparent that people in this community wonder that what happened at Coventry last night has not happened there earlier. The consensus of opinion is that the Germans may, at will, nightly raid this area without any fear of effective defensive tactics. That is to say, all the Germans require, if they are to lay waste to the industrial sections of the Midland, is a sufficient number of bombers. It is universally admitted in this area that the British have thus far developed nothing to prevent the Germans from having their way as far as night raiding is concerned and that the only thing which will stop the Germans from bringing about devastation in this section of Great Britain is the lack of aircraft, pilots, and bombs.

I need hardly mention how enormously important Coventry is to Britain's war effort. In that city are situated plants engaged in the production of aircraft, of motor vehicles, of electrical equipment of all kinds, of guns, in fact of innumerable articles without which this country must lose the war.

Perhaps Coventry is a lesson. Perhaps not. But I can tell you this, without fear of contradiction, that if what happened at Coventry last night keeps on happening for a few weeks, it is a question how long this country will be able to avert defeat.

I know how important London is as a place for money changers. Coventry is different. So is Birmingham. So is Sheffield. So is Wolverhampton. So are other places in this area of England.

If the United States is in earnest about preventing a defeat of England, the United States had better get very busy sending to this country every possible instrumentality by which the Germans may be destroyed.

Very truly yours,

Signed: James R. Wilkinson
American Consul

Enclosure No. 12 to despatch No. of
from the Embassy at London, England.

C O P Y

QUINTUPLICATE

~~CONFIDENTIAL~~

AMERICAN CONSULATE

Birmingham, November 23, 1940.

Walter H. McKinney, Esquire,
American Consul,
London, W.1.

Dear Mr. McKinney:

The following is the substance of what I told Vice Consul Coyle over the telephone this morning in relation to the question of the danger to this office's personnel and the Government property in the Consulate from bombing:

If air raiding continues along present lines, on a basis of the law of probability, it is inevitable that the building in which the Consulate is situated will be destroyed or seriously damaged in the near future. It is not my intention to move the Consulate unless I am specifically ordered to do so by superior authority. (This completed what I told Vice Consul Coyle on the subject).

Bombing during the night November 22- 23, 1940, was worse at Birmingham than it has ever been before. The raid started at about 6.30 p.m. and lasted until about 6 a.m. on the following morning. The damage in the very center of the town is nothing as compared with damage in other parts of it. In the center of the town the Post Office and the Council House, both within one minute's walk of the Consulate, received direct hits and were much damaged. Part of the Council House is beyond repair. The consensus of opinion in Birmingham is that, relatively speaking, what has already happened in Coventry will, with continued raids, happen at Birmingham.

Very truly yours,

Signed: James R. Wilkinson,
American Consul

COPY

File 711
HBM:gdjAMERICAN CONSULATE
Plymouth, England.
November 26, 1940.

~~CONFIDENTIAL~~

Walter H. McKinney, Esquire,
American Consul,
London.

Sir:

Last night German air raiders came over Plymouth at 6.25 p.m. and continued to come in waves until 2.35 a.m. Numerous high explosive and hundreds of incendiary bombs fell within the city limits and suburbs. The anti-aircraft fire from local defenses was heavy and almost continuous until the "all clear" sounded at 2.35 this morning. Two Shell-Mex oil tanks, at a point called Hooe near Mount Batten air base, containing it is said fuel oil for use of the Navy, were hit early in the raid and are still burning intensely at 3 p.m., with great clouds of black smoke. From the suburbs half the city seemed to be ablaze, and it was surprising to note little damage on entering town this morning. The oil tanks are about 1-1/3 miles from the business center of the city. A considerable number of people, of the lower income groups, live near the tanks, but only ten are reported killed and few injured in the raid.

The Royal Marine Barracks, five-sixths of a mile from the business center, were also hit and two officers, six marines are stated to have been killed. The number of wounded, if any, is still unknown to me.

Although a great many bombs fell in the suburban towns, no casualties outside of the Plymouth city area have been reported.

This, the 207th raid, was the longest by one hour and the most intense since the beginning of air attacks on the Plymouth region five months ago - June 29, 1940.

Very truly yours,

(Signed) Henry M. Wolcott
American ConsulCopied at American Embassy,
London, December 6, 1940.
MOS.

AFY
File No. 711
HSM/gdj

AMERICAN CONSULATE
Plymouth, England.
December 2, 1940.

~~STRICTLY CONFIDENTIAL~~

Walter H. McKinney, Esquire,
American Consul,
London.

Sir:

Regarding air raids in the Plymouth area during the past week, although there was a warning accompanied by heavy fire from ground defenses in effect from 6.52 to 8.15 on the evening of November 26th, no serious incidents were reported until the raids of November 27th-28th, 6.26 to 2.35 a.m., reported in my letter of November 28th.

Early in this raid a direct hit was scored by a high explosive bomb on one of six fuel oil tanks owned by the Admiralty at Hoce. This is across the armlet of the sea known as Cattewater from the Cattedown section of southeastern Plymouth, and roughly a thousand yards east of Mount Batten Coastal Air Station. Although two adjacent tanks were emptied of oil and filled with water, and firemen fought hard to extinguish the flames, the fires blazed intensely throughout four nights, that is until the early morning of December 1st.

Thus the following German air raiders which came in waves through the night of November 27th-28th, and on the three subsequent nights, were aided by a beacon visible for many miles and lighting up the surrounding city and port. From towns ten to fifteen miles distant it seemed that a large section of the city of Plymouth was on fire. However, no extensive property damage was effected during the first night's raid, and according to reports made public only twenty people were killed and six injured, by the many bombs - high explosive and incendiary - which fell within the city and suburbs.

On the following day, November 28th, two reconnaissances were made by German planes in the morning and early afternoon, and from 9.17 p.m. to 12.55 a.m. numerous raiders came over, dropping further bombs on or near the oil fire and surroundings, and a so-called "land-mine" which fell in open ground near the Great Western Railway branch line running through the southeastern section of the city, near a number of other oil tanks said to contain gasoline, and also in the vicinity of the municipal electricity

plant/

plant and a fertilizer plant. This mine damaged some 650 houses occupied by working class families in the neighborhood, but left the railway line, bridges and oil tanks intact. The damaged buildings are low cost dwellings, some of fairly recent construction but chiefly old. The damage is mainly blown windows, holed roofs, and plaster stripped from walls and ceilings. One small paint factory was damaged, but has continued operation. Many families are now occupying their houses.

In view of the obvious force of the blast over a wide area, it seems incredible that there were no casualties, but such is the report. The shelters must have served the people well.

On the night of November 29-30th and December 1st-2nd there were further raids with heavy bursts of anti-aircraft fire and a number of bombs dropped on and around the oil fire, but no serious damage and no casualties were reported. The fire was extinguished early in the morning of December 1st.

Aside from the damage done to the Royal Marine Barracks mentioned in my letter of November 28th, some reported damage to buildings at Mount Batten Air Station, with a sunken Sunderland plane in the Cattewater and the damaged Admiralty oil tanks, no further property destruction in and around the city has been reported.

The morale of the people continues apparently unaffected. In fact, there seems to be a certain degree of elation among many of the people whose homes were damaged.

Very truly yours,

(Signed) Henry M. Wolcott
American Consul

Copied at Embassy, London,
December 6, 1940.

MOS

COPY
300 PH/EP

Enc. # 15

AMERICAN CONSULATE
Liverpool, England,
December 2, 1940.

~~CONFIDENTIAL~~
Walter H. McKinney, Esquire,
American Consul,
American Consulate General,
London, W.1.

Sir:

On the night of November 23-24 a German air attack was made on Merseyside, when bombs were dropped on Lower Bebington, which lies to the southeast of Birkenhead and adjacent to Port Sunlight. Two persons were killed, one seriously wounded and three slightly wounded. Two houses were demolished and the water mains were damaged.

From that night until November 28-29 there was no raid or alert in this area, but the lull was broken by the longest and most severe raid yet made on this part of the country, resulting in considerable loss of life and extensive and serious damage, although, so far as can be ascertained, apart from five Army huts at Mostyn near Chester, and minor damage to dock property at Liverpool, no objective of military or naval importance was hit. It is said that between three hundred and four hundred enemy planes took part in the attack, and high explosive and incendiary bombs and parachute land mines were used.

The full force of the raid was felt in Liverpool itself, high explosives being dropped within the central area and to the north and south of the city, mainly away from the docks, except at one point, where they did little damage. Of the one hundred and fifty deaths reported by the Regional Commissioner, one hundred and fifteen were caused by a direct hit on one public shelter, but subsequent local reports indicate a higher death roll, one hundred and sixty bodies now said to have been recovered from the public shelter, and rescue work still proceeding. The most extensive damage was to dwelling houses and gas and water mains; the Mersey Road and Cressington railroad depots were hit and the Riversdale Road bridge and permanent track were damaged and blocked.

Damage, some of it serious, was caused at Hale, Huyton, Litherland, Bootle, Great Crosby, Ford, Bold and Kirby, all lying near Liverpool. At Warrington a land mine struck the sewerage works and slightly damaged the power house, and damage was also caused at Widnes.

On the opposite bank of the Mersey River the effects of the raid were not so serious. In Birkenhead and Wallasey dwelling houses were demolished; at Rock Ferry a high explosive bomb struck the railroad track; damage was caused at Bebington, Neston, Barnston, Ellesmere Port, Mollington, Northwich, Delamere railroad depot, Lynton, Nantwich, and Runcorn; at Frodsham one person was killed and damage was caused to house and

farm/

farm property; Helsby Cable Works at Helsby was hit; in Chester the casualties included two dead, four seriously injured, and five slightly injured, and high explosive bombs fell on the works of the Chester Engineering Company, the railroad depot and tracks were damaged and blocked temporarily, and damage was caused to the Cathedral and two churches. At Mostyn, nearby, five Army huts were demolished and two soldiers were killed and some injured; at Crewe, an important railroad depot, a shed and a building were set on fire; at a tuberculosis colony at Tarvin, near Chester, eight deaths were caused, ten persons are missing and feared dead, fourteen were seriously and eight slightly injured; at Wervin, also near Chester, three persons were killed, one seriously and thirteen slightly injured; and in various other rural districts in Cheshire, mainly near Chester, damage and fires were caused.

A very large number of people in Liverpool and various other places were evacuated from their homes because of unexploded bombs. In the Sefton Park and Wavertree districts of Liverpool it is said that six hundred houses were damaged and four thousand persons evacuated therefrom.

There was another raid on the following night, November 29-30, on a much smaller scale, but Liverpool suffered again, houses being demolished and set on fire in the east and northeast districts. There were no deaths, but a few minor casualties.

At Barrow-in-Furness, Lancashire, incendiary bombs were dropped, houses were demolished, but there were no casualties.

The following figures, reported by the Regional Commissioner at Manchester, who furnished most of the foregoing data, show the casualties during the past week:

	Dead.	Injured, Including Persons Trapped. Seriously.	Slightly.	Evacuate ^a from homes because of damage and Unexploded Bombs.
* Liverpool.....	150	60	247	Over 4,000
Birkenhead.....	-	2	3	-
Bebington, Cheshire..	2	1	3	-
Wallasey, Cheshire...	-	-	-	225
Litherland, Liverpool	-	-	-	30
Bootle, Liverpool....	-	9	-	-
Chester.....	2	4	5	-
Hampton, Cheshire....	4	-	-	-
Frodsham.....	1	-	-	-
Mollington, Cheshire.	-	-	-	19
Middlewich, Cheshire.	-	-	1	-
Mostyn, near Chester.	2	some	-	several
Whitchurch.....	-	-	3	-
Tarvin, Cheshire.....	18	14	8	-
Bickley, Cheshire....	-	-	-	21
Gayton, Cheshire.....	-	-	-	120
Wervin, Cheshire.....	3	1	13	-

^aSee last paragraph on page one, indicating higher figures.

Very respectfully yours,
 (Signed) Philip Holland,
 American Consul General

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