

TNA CAB24/109

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SECRET. CP. 1648.

CABINET. POSITION OF CONTROLLED CANALS.

Note by the Chancellor of the Exchequer covering a Memorandum by Sir Hardman Lever.

I circulate a memorandum by Sir H. Lever in reference to Paper C.P. 1596, Position of Controlled Canals.

(Initialed) A*C

Treasury. S W

July 19th, 1920.

Mr, Chamberlain.

Non-railway Owned Canals,

Proposed financial assistance on termination of control under D.O.R.A,

(1) As you are aware, possession was taken of a number of non-railway owned canals during the War under the provisions of the Defence of the Realm Act. Agreements embodying financial guarantees were subsequently entered, into between the Government and the respective Canal Companies.

The emergency power of possession of these Canals, and with it the existing financial guarantee by the State, will lapse on the 31st August next, and the Minister of Transport is of opinion that the order made under the Defence of the Realm Regulations should be revoked, and present arrangements terminated, from that date.

(2) The Minister proposes, however, that in order to provide against the possibility of these Canals, or any of them, becoming derelict during the period that must elapse before the Government policy in regard to their future is formulated,

(a) he should take possession of canals under the Ministry of Transport Act, with a view to authorising an increase of tolls and charges;

(b) the State should be prepared to render financial assistance to these Canals, as may be necessary, until a definite policy in regard to them is adopted.

(3) It is possible that this policy might be followed without any increase in the existing estimate for the Canals Compensation Vote 1920-31, but I informed the Minister that in my opinion his proposals amounted to an entirely new line of policy, and should be submitted to the Cabinet, involving as they do the continuation of a subsidy to Canals in the absence of the emergency conditions, and powers, which were the occasion and justification of the existing subsidy.

(4) The Minister has accordingly Submitted a Memorandum to the Cabinet (C.P.1596) requesting approval of his proposals. The memorandum fairly and accurately sets forth the position.

(5) With regard to the proposals themselves I agree that it would be unfortunate if potentially useful canals should cease working owing to the withdrawal of State support pending the formulation of Government's policy in regard to them. I am not satisfied, however, that continued subsidization is required to keep such canals in being. The best of them (e.g. the Aire and Calder) would probably not become derelict if state support were withdrawn, while the experience of operation without the support of a subsidy would afford a good test of their relative usefulness.

I would further submit for your consideration that the withdrawal of State support from Canals might conceivably have useful consequences in regard to the Labour situation. I understand that Canal workmen are demanding considerable increases, which the Companies will certainly be unable to meet. A position may be created in which, in the absence of State support, Transport undertakings will be forced, by Labour demands, to close down. Such a situation would at least be instructive, and might well have a steadying influence on Labour, Continued financial support to Canals in the new circumstances would of course be.

inconsistent with declared policy in regard to the withdrawal of subsidies.

(6) If the Minister's proposals are adapted you may consider it desirable that attention should be directed to the following points:-

(a) The necessity of increasing tolls and charges at the earliest possible moment, so as to reduce the loss now falling on the Exchequer. If this is not done the 1919-20 estimate of £1,400,000 may be insufficient owing to increased wages etc .

(b) In any arrangements entered into for future financial assistance, care should be taken to assume the smallest possible obligation consistent with the continued working of the Canal. There should be no question of a general continuance of the existing Canal Control Agreements. Each case should be dealt with on its merits, and prior Treasury sanction should be obtained.

(c) It may be advisable to allow certain canals, which are now being kept open on the existing subsidy, to become derelict.

(d) The agreements should not extend beyond the 31st March, 1921.

(7) Although Sir Geddes' proposals do not necessarily involve an increase over the present subsidy, and it is anticipated that the estimate of £1,400,000 for 1920-21 will be sufficient to cover resulting charges for the full year (provided that rates are increased at an early date), it will no doubt be necessary to revote the amount required to meet charges to be incurred after the termination of the existing agreement. The finance Division of the Treasury concur in this view.

(8) The termination of the present control may have the effect of accelerating claims, if any, which the Companies may have in respect of deferred maintenance, abnormal wear and tear, and stores. There is, therefore a possibility that some liability in respect of these matters will fall to be met during the current financial year. This is not provided for in the estimate for 1920-21 of £1,400,000, and a Supplementary would be required to meet it, except to the extent that savings could be effected by an early increase in tolls and charges.

(9) No action is proposed by the Minister in regard to canals of which possession has not been taken under the Defence of the Realm regulations, (in which Government is not financially interested), nor in regard to private carriers (i.e. barge owners on canals), the emergency, agreements with whom terminated last month.

J Hardman Lever.

10th July 1920. '

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