CABINET 53 (45).

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W. 1, on Thursday, 15th November, 1945, at 11 a.m.

Present:

The Right Hon. HERBERT MORRISON, M.P., Lord President of the Council (in the Chair).

The Right Hon. ERNEST BEVIN, M.P., Secretary of State for Foreign Affairs.

The Right Hon. HUGH DALTON, M.P., Chancellor of the Exchequer.


The Right Hon. J. CHUTER EDE, M.P., Secretary of State for the Home Department (Items 2-4).

The Right Hon. LORD PETHICK-LAWRENCE, Secretary of State for India and Secretary of State for Burma.

The Right Hon. J. J. LAWSON, M.P., Secretary of State for War.

The Right Hon. G. A. ISAACS, M.P., Minister of Labour and National Service.

The Right Hon. ELLEN WILKINSON, M.P., Minister of Education.

The Right Hon. T. WILLIAMS, M.P., Minister of Agriculture and Fisheries (Items 1 and 2).

The following were also present:

The Right Hon. LEWIS SILKIN, M.P., Minister of Town and Country Planning (Items 1 and 2).

Mr. GEORGE BUCHANAN, M.P., Joint Parliamentary Under-Secretary of State, Scottish Office (Items 1 and 2).

Secretariat.

Sir EDWARD BRIDGES.
Mr. NORMAN BROOK.
Mr. W. S. MURRIE.
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1. The Lord President informed the Cabinet of the business which it was proposed to take in the House of Commons during the following week.

It was hoped that the Second Reading of the Building Materials and Housing Bill would be taken on the 21st November. It was agreed that the Minister of Works should open and that the Minister of Health should reply to the debate.

Owing to the prospective congestion of legislative business later in the month, it had now been decided that the debate on foreign affairs should be held on the 22nd and 23rd November. It was agreed that the Foreign Secretary should open, and the Minister of State reply to, the debate on the first day, leaving the second day free for discussion of matters arising from the Prime Minister’s visit to Washington. The Prime Minister would speak during the course of the second day.

The Lord President informed the Cabinet that Opposition Leaders were considering whether they should table a Motion of Gratitude to General Eisenhower and other Commanders. He thought it right in this connection to inform the Cabinet that the suggestion had been put to him by Sir Ralph Glyn, M.P., that General Eisenhower should be received by Parliament while he was in this country at the end of November. The Lord President had thought it might be invidious to single out General Eisenhower for such an honour which had not been conferred on any other Supreme Commander; and the Prime Minister, whom he had consulted, shared this view.

It was generally agreed that it would not be expedient that General Eisenhower should be formally received by Parliament. It might, however, be possible to arrange for him to be invited to a dinner in the House of Commons attended by the Speaker and leading Members of both Parties. There were precedents for according such hospitality to distinguished foreigners, and an invitation of this kind would not, therefore, be open to the objection that it involved singling out General Eisenhower in preference to British Commanders. The Lord President undertook to discuss this suggestion with the Prime Minister.

2. The Cabinet considered memoranda by the Lord President (C.P. (45) 275) and the Chancellor of the Exchequer (C.P. (45) 278) regarding the proposals which had been worked out by a Ministerial sub-committee of the Lord President’s Committee for legislation on compensation and betterment.

The Lord President said that the general principles of the scheme annexed to C.P. (45) 275 had been laid down by a group of Ministers appointed by the Lord President’s Committee: detailed proposals based on those principles had then been worked out by officials of the Departments concerned: these proposals had then been further examined by the Ministerial group, and the final scheme was now submitted on their behalf to the Cabinet. Full agreement had been reached on all the proposed heads of legislation, except for the two following points:

(i) The majority of the Ministerial sub-committee recommended that the basic rate of compensation for loss of development value should be 40 per cent of the development value inherent in the land on the 31st March, 1939. The Chancellor of the Exchequer dissented from this recommendation. He urged that a decision on the amount of compensation should be deferred. Valuation over, say, the next five years would provide further data on which it might be possible to make a more exact assessment of the element of floating value and to judge what the true measure of compensation should be.

(ii) The majority of the sub-committee recommended that payment of all compensation for loss of development value should be made, as a single operation, on a date to be fixed by the Treasury,
being a date not later than three years after the Bill had passed into law. The Chancellor of the Exchequer, on the other hand, recommended that compensation should be paid only as and when development was frustrated by refusal of permission to develop.

The Lord President said that on both the disputed points he supported the majority view. It was the speculative element in development which had hitherto stultified planning. The object of the scheme recommended by the majority was to socialise development values by a single operation, so that thereafter the decisions of planning authorities could be taken by reference to considerations of planning, rather than finance, and public acquisition of land could be carried through on reasonable terms. He was satisfied that the difficulties which had made earlier planning legislation so largely inoperative could not be overcome unless the problem of compensation was dealt with boldly on the lines recommended in C.P. (45) 275. The Chancellor of the Exchequer said that he favoured bold planning and wished planning authorities to have full powers. He was, however, gravely concerned about the two points on which he dissented from the recommendations of the Ministerial Sub-Committee. The Government's programme for the present Parliament included a number of important projects involving very large financial operations; but during this period the Government would be confronted with a grave risk of inflation and economic instability, and they would be able to make a practical success of their programme only if they showed proper prudence in finance. Yet, on these proposals for compensation, one of the biggest measures now in prospect, the Government would have to admit to Parliament that they did not know, within a margin of error of some hundreds of millions of pounds, what the cost to the country would be. And these sums, the magnitude of which could not be estimated, were to be paid to landowners in respect of development values which in many cases would never have been realised. The basic rate of compensation proposed was 40 per cent.; but he doubted whether even 25 per cent. of the land in respect of which compensation was to be paid would, in fact, be developed.

On the question of timing, it was proposed that this compensation should be paid in a single operation three years after the legislation had passed into law. There were grave inflationary dangers in translating into easily negotiable securities, at a single stroke, development values which in the ordinary course would be converted gradually over a period of years and in some cases not at all. And it was difficult to imagine a worse moment for such an operation (which might cause a slump in gilt-edged securities and raise interest rates) than three years from the passage of the proposed Bill, when the present Parliament would be coming to an end and a General Election would be impending. He therefore recommended the alternative course of paying compensation as and when permission to develop was refused.

The Minister of Town and Country Planning said that, while it had not been possible to make a precise estimate of the cost of the present proposals, it was not the case that there was no limit to the amount of money which might be involved. It had been estimated in the Barlow Report that the value of development rights in undeveloped land in 1938 was about £400 million. In developed areas there was much less scope for changes from existing use; but, even if there was as much redevelopment value in developed areas as development value in undeveloped areas, the total for all development rights on the basis taken in the Barlow Report would be only £800 million. Even if a total figure of £1,000 million were assumed, the total limit of cost on a basic compensation rate of 40 per cent. would be about £500 million. He himself believed that the cost of compensation under the present proposals would be somewhere between £250 million and £500 million. Whether payment was made in a single operation, or as and when permission to develop was refused, that amount would in any event have to be found. The
Chancellor of the Exchequer hoped that, if his method were adopted, the payment might be spread over a number of years. But would it be so spread in practice? He believed that a very large majority of those whose land had development value would apply at once for permission to develop in order to secure their right to compensation. And under the existing law an application to develop which was not granted within two months was deemed to have been refused and a claim to compensation would lie. If this forecast were correct, the method preferred by the Chancellor of the Exchequer would not prevent the simultaneous payment of large sums in compensation. And it would bring the whole planning machine to a standstill by reason of the large numbers of applications which would be made simultaneously for permission to develop land.

The Minister of Town and Country Planning endorsed the argument that the object of the present proposals was to socialise development values. It was necessary that these values should be transferred to the community by a single operation so that the decisions of planning authorities in particular cases might no longer be frustrated by financial considerations. He did not suggest that planning could proceed wholly without regard to cost. The Government might well be justified in encouraging a more rapid rate of development if it were found that the revenue from betterment was lagging too far behind the outlay on compensation. That, however, was a factor to be taken into account in determining general planning policy: planning would be distorted if that balance had to be struck on each individual application to develop.

The Minister of Town and Country Planning therefore urged that the amount of compensation should be fixed at once and paid at a specified date in a single operation. He recognised, however, that the percentage proposed was not based on any precise calculation. And, in order to meet the views of the Chancellor of the Exchequer, he would be prepared to accept a lower percentage. In the Uthwatt Report it had been estimated that if the State purchased development rights at market value, the aggregate sum paid would be two or three times too high, owing to the element of floating value. On this estimate the basic rate for compensation should be somewhere between 33\(\frac{1}{3}\) per cent. and 50 per cent. He would be prepared, therefore, to justify to Parliament a basic rate of 33\(\frac{1}{3}\) per cent. He would also be ready to agree that payment should be made five years after the passage of the Bill. This was the period suggested in the White Paper on the control of land use (Cmd. 6537) presented by the Coalition Government in June 1944.

The Minister of Agriculture and Fisheries said that from the point of view of agriculture, it was important that the compensation should be paid in a single operation, so that planning could proceed thereafter without reference to compensation. It was the cost of compensation which had in the past deterred planning authorities from preventing the development of valuable agricultural land. If the Government now adopted the alternative of paying compensation as and when permission to develop was refused, he feared that planning authorities would continue to find it too expensive to prevent the development of land which ought in the national interest to be left to agriculture.

The Chancellor of the Exchequer said that if the basic rate of compensation were reduced to 33\(\frac{1}{3}\) per cent. and payment was not to be made until five years after the passage of the Bill, he would find it easier to accept the scheme annexed to C.P. (45) 275. He was, however, still concerned about the uncertainty of the financial commitment which this scheme involved, and he would like to have a further opportunity of discussing with the Minister of Town and Country Planning whether it was not possible to make some closer estimate of the total cost involved. In the light of that examination of the financial implications of the scheme, a further report could be made to the Cabinet.
In further discussion it was suggested that consideration might also be given to methods of reducing the number of claims to compensation, postponing payment on some classes of claim until the land was about to be developed, and introducing a graduated scale of payment for different categories of land. Thus, it might be provided that any person claiming compensation should be required at the same time to give an option to purchase to the planning authority or the land commission: if such an option had to be given, some people might hesitate to claim. As regards graduated compensation, it was pointed out that any single rate was bound to lead to hardship: for some people would receive less, and others more, than the true value to which they were entitled.

The Cabinet—

(1) Agreed that the basic rate of compensation under the scheme annexed to C.P. (45) 275 should be reduced to 33\% per cent.; and that payment of compensation should be made, in a single operation, at a date to be fixed by the Treasury, being a date not later than five years after the relevant legislation had been passed.

(2) Subject to these amendments, approved in principle the proposed heads of legislation annexed to C.P. (45) 275; and authorised the Minister of Town and Country Planning to proceed with the preparation of such legislation.

(3) Took note that the Chancellor of the Exchequer would consult with the Minister of Town and Country Planning regarding the possibility of arriving at some closer estimate of the total financial commitment involved by this scheme, and would arrange for a further report on this aspect of the matter to be submitted to the Cabinet in due course. In these consultations account would be taken of other suggestions made in the discussion for limiting the total amount of compensation payable under the scheme.

(4) Agreed that final authority to introduce legislation on the lines recommended in C.P. (45) 275 should not be given until after the Cabinet had considered the report to be made under (3) above.

3. The Cabinet considered a telegram containing the text of a statement (reproduced in the Appendix to these Minutes) which was to be issued in Washington later that day by President Truman, the Prime Minister and Mr. Mackenzie King, announcing the agreement reached in their discussions on the international control of atomic energy.

In discussion of this statement the following points were raised:

(a) The Foreign Secretary pointed out that the draft of any international agreement for the control of atomic energy should be so framed as to avoid attracting those provisions of the United Nations Charter which reserved a right of veto to the permanent members of the Security Council. The Commission proposed in paragraph 7 of the draft statement should be directed to pay particular attention to this point. It was not perhaps essential that this point should be mentioned in the public announcement: that question might be left for decision by the Prime Minister.

(b) The President of the Board of Trade pointed out that, while in paragraph 3 of the statement it was said that no system of safeguards would of itself provide an effective guarantee against the production of atomic weapons by a nation bent on aggression, paragraph 6 promised that detailed information concerning the practical industrial application of atomic energy would be shared with other nations "as soon as effective enforceable
safeguards against its use for destructive purposes can be devised.” In order to avoid the apparent inconsistency between these two statements, he suggested that the concluding words of paragraph 6 might be amended so as to promise the communication of detailed information to other nations “as soon as the procedure suggested in paragraph 7 can be carried through.”

c) The United States Government were apparently resolved not to disclose detailed information about the practical industrial application of atomic energy until satisfactory safeguards against its use for destructive purposes had been devised. Did this mean that, in the meantime, this country would be denied the means of exploiting the industrial potentialities of this discovery? If so, we should be put at a great comparative disadvantage in the development of this new source of industrial power.

It was explained that the present statement was confined to the disclosure to other countries of information possessed by the United States, Great Britain and Canada. The exchange of information between those three countries was governed by a separate agreement, concluded at Quebec in August 1943. This had contained clauses regarding the industrial exploitation of atomic energy which we now regarded as unduly restrictive from our point of view; and the Prime Minister had intended to negotiate with President Truman during his present visit to Washington a revision of these clauses. On this aspect of the matter the Prime Minister would no doubt report to the Cabinet on his return.

d) Some Ministers feared that this statement would not be well received by the Soviet Government, and might tend to increase the difficulties of securing full co-operation between Russia and the Western Powers in the establishment of an effective World Organisation.

The Foreign Secretary said that in his view the essence of the statement lay in the terms of reference of the Commission proposed in paragraph 7. The appointment of such a Commission should go far to remove the prevailing impression that the United States were intent on keeping this secret to themselves; and the terms of reference were sufficiently wide to show that the three countries envisaged a new approach to the whole problem of controlling the development and use of all major weapons designed for mass destruction.

The Lord President said that arrangements had been made for him to communicate to the Prime Minister by telephone, at 1 p.m. that day, any comments which the Cabinet might wish to offer on the terms of the proposed statement. He would put to the Prime Minister the points noted at (a) and (b) above. He would also suggest that the final text of the statement should be read in both Houses of Parliament immediately after it had been issued in Washington.

The Cabinet—

(1) Invited the Lord President to put to the Prime Minister the two points noted at (a) and (b) above, and to ask him to consider whether it would be possible to secure an amendment of the statement to meet the second of these two points;

(2) Took note that, subject to the Prime Minister’s views, the Lord President would arrange for the final text of the statement to be announced in both Houses of Parliament immediately after its issue in Washington that afternoon.
Ceylon.

(Previous Reference: C.M. (45) 46th Conclusions, Minute 4.)

4. The Cabinet had before them a memorandum by the Secretary of State for the Colonies (C.P. (45) 280) reporting that the State Council in Ceylon had carried, by a majority of 51 votes to 3, a Motion accepting, for the interim period pending the attainment of full Dominion status, the constitution offered in the statement of policy on constitutional reform embodied in the White Paper (Cmd. 6660) presented on the 31st October, 1945.

The Cabinet—

Invited the Secretary of State for the Colonies to inform the Ceylon Board of Ministers that His Majesty’s Government had learned with satisfaction of the acceptance of this Motion and had decided that the necessary steps should now be taken to give effect to their undertaking to grant a new constitution to Ceylon on the basis set out in the White Paper.

Cabinet Office, S.W. 1,
15th November, 1945.

APPENDIX.

COMMUNIQUE ON ATOMIC ENERGY.

THE President of the United States, the Prime Minister of the United Kingdom and the Prime Minister of Canada have issued the following statement:

1. We recognise that the application of recent scientific discoveries to the methods and practice of war has placed at the disposal of mankind means of destruction hitherto unknown, against which there can be no adequate military defence, and in the employment of which no single nation can, in fact, have a monopoly.

2. We desire to emphasise that the responsibility for devising means to ensure that the new discoveries shall be used for the benefit of mankind, instead of as a means of destruction, rests not on our nations alone, but upon the whole civilised world. Nevertheless, the progress that we have made in the development and use of atomic energy demands that we take an initiative in the matter, and we have accordingly met together to consider the possibility of international action—

(a) To prevent the use of atomic energy for destructive purposes.

(b) To promote the use of recent and future advances in scientific knowledge, particularly in the utilisation of atomic energy, for peaceful and humanitarian ends.

3. We are aware that the only complete protection for the civilised world from the destructive use of scientific knowledge lies in the prevention of war. No system of safeguards that can be devised will of itself provide an effective guarantee against production of atomic weapons by a nation bent on aggression [particularly since the military exploitation of atomic energy depends, in large part, upon the same methods and processes as would be required for industrial uses].* Nor can we ignore the possibility of the development of other weapons or of new methods of warfare, which may constitute as great a threat to civilisation as the military use of atomic energy.

4. Representing, as we do, the three countries which possess the knowledge essential to the use of atomic energy, we declare at the outset our willingness, as a first contribution, to proceed with the exchange of fundamental scientific information; and the interchange of scientists and scientific literature for peaceful ends with any nation that will fully reciprocate.

* It was later reported from Washington (Telegram Harvard 21) that these words had been omitted from the statement; by the time that this telegram was received, however, the statement, including these words, had been issued in London.
5. We believe that the fruits of scientific research should be made available to all nations, and that freedom of investigation and free interchange of ideas are essential to the progress of knowledge. In pursuance of this policy, the basic scientific information essential to the development of atomic energy for peaceful purposes has already been made available to the world. It is our intention that all further information of this character that may become available from time to time shall be similarly treated. We trust that other nations will adopt the same policy, thereby creating an atmosphere of reciprocal confidence in which political agreement and co-operation will flourish.

6. We have considered the question of the disclosure of detailed information concerning the practical industrial application of atomic energy. The military exploitation of atomic energy depends, in large part, upon the same methods and processes as would be required for industrial uses. We are not convinced that the spreading of the specialised information regarding the practical application of atomic energy, before it is possible to devise effective reciprocal and enforceable safeguards acceptable to all nations, would contribute to a constructive solution of the problem of the atomic bomb. On the contrary, we think it might have the opposite effect. We are, however, prepared to share, on a reciprocal basis with other of the United Nations, detailed information concerning the practical industrial application of atomic energy just as soon as effective enforceable safeguards against its use for destructive purposes can be devised.

7. In order to attain the most effective means of entirely eliminating the use of atomic energy for destructive purposes and promoting its widest use for industrial and humanitarian purposes, we are of the opinion that at the earliest practicable date a Commission should be set up under the United Nations to prepare recommendations for submission to the organisation. The Commission should be instructed to proceed with the utmost despatch and should be authorised to submit recommendations from time to time dealing with separate phases of its work.

In particular, the Commission should make specific proposals:

(a) For extending between all nations the exchange of basic scientific information for peaceful ends.
(b) For control of atomic energy to the extent necessary to ensure its use only for peaceful purposes.
(c) For the elimination from national armaments of atomic weapons and of all other major weapons adaptable to mass destruction.
(d) For effective safeguards by way of inspection and other means to protect complying States against the hazards of violations and evasions.

8. The work of the Commissions should proceed by separate stages, the successful completion of each of which will develop the necessary confidence of the world before the next stage is undertaken. Specifically, it is considered that the Commission might well devote its attention first to the wide exchange of scientists and scientific information, and as a second stage to the development of full knowledge concerning natural resources of raw materials.

9. Faced with the terrible realities of the application of science to destruction, every nation will realise more urgently than before the overwhelming need to maintain the rule of law among nations and to banish the scourge of war from the earth. This can only be brought about by giving whole-hearted support to the United Nations Organisation, and by consolidating and extending its authority, thus creating conditions of mutual trust in which all peoples will be free to devote themselves to the arts of peace. It is our firm resolve to work without reservation to achieve these ends.