CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Wednesday, 20th August, 1952, at 3.30 p.m.

Present:

The Right Hon. Winston S. Churchill, M.P., Prime Minister (in the Chair).

The Right Hon. Lord Woolton, Lord President of the Council.

The Right Hon. R. A. Butler, M.P., Chancellor of the Exchequer.

The Right Hon. the Earl Alexander of Tunis, Minister of Defence.

The Right Hon. Lord Leathers, Secretary of State for Co-ordination of Transport, Fuel and Power.


The Right Hon. Sir David Maxwell Fyfe, Q.C., M.P., Secretary of State for the Home Department and Minister for Welsh Affairs.


The Right Hon. Oliver Lyttelton, M.P., Secretary of State for the Colonies.

The Right Hon. Sir Walter Monckton, Q.C., M.P., Minister of Labour and National Service.

The Right Hon. Lord Cherwell, Paymaster-General.

The following were also present:

The Right Hon. Antony Head, M.P., Secretary of State for War (Item 6).

The Right Hon. Selwyn Lloyd, Q.C., M.P., Minister of State.

The Right Hon. the Earl of Home, Minister of State, Scottish Office (Item 4).

Secretariat:

Sir Norman Brook.

Mr. G. Mallaby.
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1. The Minister of Housing and Local Government made a report to the Cabinet on his visit to Exmoor, where he had inspected the havoc caused by the heavy floods of the previous week, particularly at Lynmouth.

The Minister said that at Lynmouth the immediate need was to build up some protection against the heavy tides which would shortly be experienced. For, if this were not done quickly, much of the remainder of the town would be swept into the sea. He was satisfied that this and other emergency work was now adequately organised and co-ordinated. Ample assistance was being given by the military; and, in addition, he would ensure that all necessary technical advice and assistance was afforded by the central Government.

The problems of reconstruction fell under two heads. First, there was the relief of individual hardship and compensation for loss of property and chattels. The insurance companies were likely to meet the bulk of the claims by tradesmen and householders under comprehensive insurance policies. This would substantially relieve the burden which would otherwise fall upon the relief fund which had been opened by the Lords Lieutenant of Devon and Somerset. Nevertheless there would still be many claims on that fund, both by persons not fully covered by insurance and also in respect of loss and hardship which lay beyond the scope of insurance. Relief would be afforded from the fund, not only to local inhabitants, but also to holiday-makers from other parts of the country. He recommended that as a practical demonstration of their sympathy for the individual loss and suffering caused by this disaster, the Government should make a suitable contribution towards this relief fund.

Much larger expenditure would, however, be involved in the reconstruction of roads, bridges, houses and local services of all kinds. The local authorities concerned had already made it clear that these tasks would be far beyond their resources, even though the normal rates of Exchequer grant were taken into account. Here the first need was to make it plain that the central Government would see to it that all necessary work was carried through without delay, irrespective of the final apportionment of cost between national and local funds; but it would be helpful if it could be stated at the same time that the Government recognised that something more than the ordinary rates of Exchequer grant would be required.

The Chancellor of the Exchequer said that he was in broad agreement with the statements and recommendations made by the Minister of Housing and Local Government.

The Cabinet—

(1) Invited the Chancellor of the Exchequer to arrange for an immediate Government contribution of £25,000 to the fund opened by the Lords Lieutenant of Devon and Somerset for the relief of individual loss and suffering caused by the recent flood damage in those counties.

(2) Authorised the Minister of Housing and Local Government to announce at a Press conference later in the day the decision recorded in Conclusion (1) above, to declare the Government's intention to play their full part in the necessary work of reconstruction at Lynmouth and other places where serious flood damage had occurred, and to make it clear that, while the final apportionment of cost between national and local funds would be determined later, something more than the normal rates of Exchequer grant would be available for this work.
2. The Cabinet had before them a memorandum by the Minister of State (C. (52) 285) reporting a further conversation between Her Majesty's Chargé d'Affaires in Teheran and the Persian Prime Minister regarding the Anglo-Persian oil dispute. They also had before them a note by the Secretary of the Cabinet (C. (52) 286) covering an exchange of telegrams on this subject between the Prime Minister and the President of the United States.

The Minister of State said that in this latest conversation Dr. Mussadiq had made three proposals. First, he had offered that the question of compensation should be submitted to arbitration by the International Court. This offer should certainly be followed up. If it could be agreed that the submission would be sufficiently wide to cover the whole question of compensation for the abrogation of the 1933 Concession, we could accept arbitration by the International Court. Secondly, he had asked for immediate financial aid from the United Kingdom. Although we could relax some of the existing restrictions on our trade with Persia, we were not in a position to make any financial grant. But the United States would doubtless be willing to provide interim financial aid to Persia; and we need raise no objection to this once we had secured a satisfactory basis for discussing the outstanding issues in the oil dispute. Thirdly, Dr. Mussadiq had asked that the Anglo-Iranian Oil Company should discuss ways and means of restarting the flow of oil from Persia; and the company were willing to open such discussions as soon as an acceptable basis had been found for an arbitration on the question of compensation.

The Minister of State said that progress could be made on the basis of Dr. Mussadiq's latest proposals provided (i) that the arbitration covered the whole question of compensation for the loss of the 1933 Concession and (ii) no arrangements were made for future sales of Persian oil which would secure for Persia terms more favourable than those enjoyed by other oil-producing countries in the Middle East. These provisos would safeguard two of the three objectives which we had kept in mind from the outset of this dispute. We no longer had any hope of securing the third of our original objectives, viz., assurances of the efficient management of Persia's oil industry in the future. The Minister added that, once the question of compensation had been submitted to arbitration, we should no longer be able to maintain the interim embargo on current sales of Persian oil. It would, however, become increasingly difficult to maintain this embargo in any event; and the company thought it unlikely that any substantial traffic would be resumed while the arbitration was proceeding.

The Cabinet's discussion turned mainly on the messages exchanged between the Prime Minister and President Truman. The Prime Minister said that, since receiving the President's telegram of 18th August (C. (52) 286) he had sent him a further message (Foreign Office telegram to Washington No. 3403 of 20th August) suggesting that they might join in sending a personal message to Dr. Mussadiq. He had also prepared a draft indicating the lines on which such a joint message might be framed. This was read to the Cabinet. In discussion there was general agreement that a message on these lines might be helpful. It would, however, be important to ensure that neither President Truman nor Dr. Mussadiq misunderstood the reference to Persia's nationalisation of the oil industry. It could be made plain to the Americans that we no longer sought to challenge, before an international tribunal, the validity of the Persian nationalisation law. But we should be careful to preserve our right at arbitration to claim compensation for Persia's unilateral abrogation of the 1933 Concession. It was agreed that the opening paragraph of the draft message to Dr. Mussadiq should be so amended as to avoid ambiguity on this point.

The Cabinet—

(1) Approved the terms of the draft message, as amended in the light of the discussion.
(2) Took note that the Prime Minister would send this draft to President Truman for his consideration (see Foreign Office telegram to Washington No. 3419 of 20th August).

3. The Cabinet had before them a memorandum by the Foreign Secretary (C. (52) 281) reporting the steps which he had taken to secure a satisfactory jurisdictional status for members of United Kingdom forces in Japan.

The Minister of State said that, by virtue of their Security Treaty with Japan, the United States had obtained extra-territorial privileges for members of their Forces in Japan. These would lapse in May 1953. The United Kingdom had been unable to secure the same treatment for members of their Forces, but the Foreign Secretary had decided to make one last effort to achieve it and, if this failed, to negotiate an agreement based on the N.A.T.O. model which would secure for members of United Kingdom Forces immunity from local jurisdiction while on duty. It would be made clear to the Japanese that we should only accept this if they released members of our Forces now held in prison and agreed that minor offences should be dealt with by us.

The Cabinet—

(1) Took note with approval of the line of action proposed by the Foreign Secretary.

The Minister of State explained the latest proposal for securing the release or two naval ratings from H.M.S. Belfast who were now lying in a Japanese prison. A Japanese citizen would offer bail for the two sailors, who would then be released and, by agreement with the Japanese Government, sent out of the country immediately. Arrangements would be made for the repayment of the bail to the private individual, possibly by the Japanese Government. Any arrangement by which the two sailors, after release on bail, were later returned to the Japanese was unacceptable. If the Japanese refused to accept this proposal, then the two sailors would remain in prison until the determination of their appeal, which might result in suspended sentences. If the sentences were confirmed on appeal, they would have to wait for release until the conclusion of the general agreement according N.A.T.O. status to members of United Kingdom forces in Japan.

The Cabinet—

(2) Took note of this statement by the Minister of State.

4. The Cabinet had before them memoranda by the Minister of Housing and Local Government (C. (52) 282) and the Chancellor of the Exchequer (C. (52) 283) on the amendment of the financial provisions of the Town and Country Planning Act, 1947.

The Minister of Housing and Local Government said that the distribution of the whole sum of £300 millions before 1st July, 1953, in accordance with the terms of the existing Act, would have an inflationary effect and be a heavy charge upon the Exchequer. He and the Chancellor of the Exchequer therefore agreed that compensation for loss of development rights should only be paid as and when justifiable claims arose—i.e., when permission to develop was refused, or when land was compulsorily purchased. The issue between them was whether development charge should continue to be levied. In existing circumstances little land was being offered for development and, so long as the charge was continued, it would be very difficult to make any progress with the private building of unsubsidised houses. The charge was widely disliked and regarded as a restrictive
and arbitrary tax; and he was in favour of abolishing it entirely. Early legislation would be needed in any event. It would be possible to introduce a short stand-still Bill before 1st July, 1953, but this would be politically embarrassing if it were not accompanied by legislation embodying the Government's long-term intentions.

The Chancellor of the Exchequer said that the abolition of development charge would destroy the whole financial basis of the Act and would deprive the Exchequer of a considerable revenue. Moreover, a Conservative Government would be liable to very damaging political criticism for restoring site values to landlords. He would therefore prefer a solution by which the development charge would be retained but reduced to a lower figure, e.g., 60 per cent.

In discussion the following points were made:—

(a) The Act was based on the assumption that, when all development rights had been acquired by the State, land would change hands at its value for existing use. In practice this had not happened. Little land was in fact being sold for development; and what little was being sold was commanding a market value higher than the existing use value. The only way to hold the 1947 values would be to insist that all sales of land, even between private owners, should be negotiated by a system of compulsory purchase. That was undesirable as a general system. It might, however, be possible in extreme cases to prevent exploitation by landlords by applying compulsory purchase for purposes of private development.

(b) It would hardly be practicable to retain development charge but exempt from it all land bought for the building of private houses and small shops, since these represented together about seventy per cent. of all development.

(c) Although the Conservative Party had in their Election manifesto advocated the modification of the development charge rather than its complete abolition, many individual supporters of the Government had pledged themselves to its abolition, and it was believed that among Opposition Members also there would be some support for this course.

The Prime Minister said that this problem should be further considered by the Ministers principally concerned so that agreed recommendations might be submitted to the Cabinet. It was preferable that any legislation on this subject in the coming Session should be so devised as to make the least possible demands on Parliamentary time. It would be helpful if means could be found of deferring major legislation on this subject for two or three years.

The Cabinet—

Invited the Chancellor of the Exchequer and the Minister of Housing and Local Government to reconsider the question of development charge, in consultation with other Ministers principally concerned, and to report further to the Cabinet.

5. The Cabinet had before them a memorandum by the Home Secretary (C. (52) 274) reporting the results of his review of the emergency powers currently in force.

The Home Secretary said that it had not proved possible to make much progress towards the fulfilment of the pledge, which the Conservative Party had given at the General Election, that emergency powers should be reduced to the minimum required for current purposes and that these should be incorporated in new statutes requiring annual renewal. Before the end of the year a few of these powers could be finally abandoned, and a Bill could be introduced to make permanent some miscellaneous provisions which should now form part of the statute law. But it was clear that the Government
could not in the near future dispense with the main bulk of the remaining emergency powers, on which they relied for their general control over the national economy; and, in the current congestion of the Legislative Programme, there was no practical prospect of converting these into new statutes requiring annual renewal. In these circumstances the Government would have no alternative but to ask Parliament in December to renew the bulk of the emergency powers, in their existing form, for a further year.

The Cabinet—

Took note of the position described in the Home Secretary's report (C. (52) 274).

6. The Cabinet considered a memorandum by the Minister of Defence (C. (52) 278) proposing a system of tax-free educational allowances for officers and men in the Armed Forces who were liable to be moved frequently from one place to another, whether at home or abroad. The object of these allowances would be to enable Service parents to send their children to boarding schools.

The Minister of Defence and The Secretary of State for War said that there was greater need for some such system now that so large a proportion of the Army was serving overseas. Officers in the middle ranks were finding it increasingly difficult to provide for the education of their children, and many of them were leaving the Services on that account. It was false economy to spend large sums on training officers and then, for the sake of a relatively small additional expenditure, allow them to leave the Services because, in the middle ranks, they could not afford to provide for their children's education.

The Prime Minister said that Service parents were not alone in this difficulty: all middle-class parents were finding it increasingly difficult to send their children to boarding schools by reason of the high level of taxation. The proposal in C. (52) 278, though it might cost a small amount of money, raised a large question of principle. Was it right that the effects of high taxation should be mitigated, by tax-free allowances, for particular sections of the community who were paid by the State? Should not the Government aim rather at reducing taxation to a level which would enable people to meet their obligations out of taxed incomes?

The Chancellor of the Exchequer agreed that he could not consider in isolation the difficulties which Service parents found in providing boarding education for their children. Members of the Colonial Services had similar difficulties, on which he had recently been approached by the Colonial Secretary. And representations had also been made to him, on behalf of the public schools, regarding the difficulties of middle-class parents generally. He was disposed to view this problem sympathetically, but he must look at it as a whole. The solution might be found to lie, not in the grant of tax-free allowances to public servants, but rather in some form of income-tax relief in respect of expenditure on children's education.

The Cabinet—

(1) Took note that the Chancellor of the Exchequer would confer with the Minister of Defence and the Colonial Secretary on the extent to which any plans which he might be able to devise for assisting parents to provide boarding education for their children would meet the special problems of parents in the Armed Forces and the Colonial Services.

(2) Invited the Minister of Defence to arrange for the Prime Minister and the Chancellor of the Exchequer to be provided with statistical evidence of the extent to which serving officers in the middle ranks were leaving the Armed Forces because they were unable to provide for the education of their children.
7. The Secretary of State for Co-ordination of Transport, Fuel and Power said that the National Union of Mineworkers were urging that the local arrangements by which fare-concessions were made to miners who had to travel long distances to their work should be embodied in a national agreement. If this were done there would be much greater risk of demands for similar treatment for workers in other industries and, if these demands were met, the policy of wages restraint would be undermined. He and the Minister of Labour therefore proposed to resist this pressure from the Miners' Union.

The Cabinet—

Took note with approval of the course of action proposed by the Secretary of State for Co-ordination of Transport, Fuel and Power and the Minister of Labour.

8. The Minister of Labour warned the Cabinet that, owing to the dispute over the redundancy of meter men in electrical undertakings, the Electrical Trade Union might order a stoppage of work on 23rd August, or a week later, which would affect some power stations.

The Cabinet—

Took note of this statement by the Minister of Labour.

Cabinet Office, S.W. 1,
21st August, 1952.