CONCLUSIONS of a Meeting of the Cabinet held in the Prime Minister's Room, House of Commons, S.W. 1, on Monday, 22nd February, 1954, at 4 p.m.

Present:
The Right Hon. Anthony Eden, M.P., Secretary of State for Foreign Affairs.
The Right Hon. Lord Simonds, Lord Chancellor.
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. 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. Peter Thorneycroft, M.P., President of the Board of Trade.
The Right Hon. Florence Horsbrugh, M.P., Minister of Education.

The following were also present:
The Right Hon. J. P. L. Thomas, M.P., First Lord of the Admiralty (Item 4).
Admiral of the Fleet Sir Rhoderick McGrigor, First Sea Lord and Chief of Naval Staff (Item 4).
The Right Hon. Geoffrey Lloyd, M.P., Minister of Fuel and Power (Item 3).

Secretariat:
The Right Hon. Sir Norman Brook.
Mr. G. Mallary.
Mr. R. M. J. Harris.
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1. The Foreign Secretary gave the Cabinet his impressions of the Four-Power Meeting in Berlin. One of the most noticeable features had been the extreme rigidity of the Soviet attitude towards European problems. There had been no yielding, even on Austria, where it might have been thought that the Russians could gain some public approval at little cost. This attitude was probably due to the fear that, if any concessions were made, others would at once be demanded. Thus, the Russians justified their retention of troops in Hungary because it was on their line of communication to Austria; and, if they had agreed to withdraw their troops from Austria, there would no doubt have been a demand for a withdrawal from Hungary. It had also been suggested that the dominating influence in Russian policies was now held by the military leaders, and that they had insisted that no positions in Europe should be sacrificed. If either of these explanations was correct, it was clear that Russian policy was dictated by a sense of weakness and was for that reason unlikely to change. He did not think, however, that the Russians had any real fear of the Germans in the immediate future or that they would regard the ratification of the European Defence Community (E.D.C.) as a serious threat demanding some form of military counter-action. It was even possible that M. Molotov had recognised that the E.D.C. was itself an insurance against future German aggression. On the other hand, there was no doubt that the Russians were genuinely alarmed by the development of United States bases throughout the world and by the large programme of airfield construction in Western Europe.

In general the discussions had not been marked by any bitterness and, even though little result had been achieved, there was no heightened tension in the relations between the Four Powers.

The relations between the Soviet Union and the Chinese People's Republic would need careful study. M. Molotov had shown himself most anxious to reach agreement on a Five-Power Meeting at Geneva. His attitude on this had been much less rigid: he had been prepared to negotiate on it. Mr. Dulles and M. Bidault had formed the view that the reason for this was that since Stalin's death the Chinese Communists were less ready to accept advice from the Kremlin and that the Russians feared that the Chinese leaders, unless treated with care, might entangle the Soviet Union in dangerous commitments.

M. Molotov had signally failed to cause any break or dissension among the Foreign Ministers of the three Western Powers. M. Bidault had retained his resolution despite Russian blandishments and bullying. Mr. Dulles had taken a considerable political risk in supporting the Five-Power Meeting at Geneva.

The Foreign Secretary said that the most urgent question was now the ratification of the E.D.C. In Berlin he had gained the impression from many Germans, from both political and business circles, that Western Germany was becoming impatient of the policy of the Western Powers. The Germans were once again growing prosperous, and with their prosperity had come a strain of arrogance. It was urgent, therefore, that France should ratify the E.D.C. and that the Bonn Agreements, which had been concluded nearly two years ago, should come into force at an early date. He had had further discussions with M. Bidault about United Kingdom association with the E.D.C. and there were certain proposals which he would like to discuss with the Minister of Defence before they were considered by the Cabinet. We could not give the French an assurance that we would retain British forces in Germany on a pre-determined level, especially as it was certain that once the E.D.C. had been ratified the Americans would reduce their forces in Germany. It might, however, be possible to find some means of earmarking for service with the E.D.C. some British troops, perhaps an armoured brigade group. There were technical difficulties about this proposal, but he would like to consider it.
The Prime Minister said that he was not surprised or disappointed by the results of the Four-Power Meeting. The agreement to hold a Five-Power Meeting at Geneva meant that negotiations on Far Eastern problems would be continued. In Europe the Russian attitude should help the French Parliament to proceed to ratification of the E.D.C. Public disappointment at the lack of political agreement on Europe would be greatly offset if we could secure American agreement to an expansion of East/West trade. It would be evidence that we were continuing to try to find peaceful means of living side by side with the Soviet Union. He agreed that the Foreign Secretary and the Minister of Defence should study further the suggestion that an armoured brigade group might somehow be attached to the E.D.C.

The Cabinet—

(1) Took note of the Foreign Secretary's statement on the Four-Power Meeting in Berlin.

(2) Took note that the Foreign Secretary and the Minister of Defence would consider methods of bringing about a closer association between the United Kingdom and the E.D.C. and would report on this to the Cabinet.

Kenya.

(Previous Reference: C.C. (54) 9th Conclusions, Minute 8.)

2. The Colonial Secretary said that the Parliamentary Delegation composed of six Members of Parliament drawn from both Parties had now returned from Kenya and he had undertaken to publish their report. Included in an appendix to this report were the precise terms of the Mau Mau oath. This was of such obscenity that he did not think it could be included in a Government publication which would be on sale to the public. On the other hand, there could be no more convincing evidence of the desperate violence and danger of the Mau Mau movement, and it would be valuable if this could be brought home to Members of Parliament and to the public.

It was the general view of the Cabinet that the terms of the Mau Mau oath should not be included in a Government publication. The appendix including this oath should, however, be made available in some convenient place in the Palace of Westminster, where it could be seen by Members of both Houses of Parliament and also by Lobby correspondents. It should also be communicated to newspaper proprietors by the most appropriate channel. If at a later stage strong Parliamentary pressure developed in favour of its being published, the position could be reconsidered.

The Cabinet—

Agreed that the terms of the Mau Mau oath should not be included in the report of the Parliamentary Delegation on the situation in Kenya, but should be made available to Members of both Houses of Parliament and, for their information and guidance, to Lobby correspondents and newspaper proprietors.

Persia.

(Previous Reference: C.C. (54) 4th Conclusions, Minute 4.)

3. The Foreign Secretary said that the United States State Department had suggested that the shares in the proposed consortium of the oil companies in Persia should be divided as follows: Anglo-Iranian Oil Company (A.I.O.C.) 35 per cent., United States Companies 35 per cent., Shell Company 30 per cent. This did not give the A.I.O.C. a sufficient share. He would have preferred that the oil companies themselves should decide their respective shares; but, if the Americans insisted that Governments should lay down the percentages, he would propose that the A.I.O.C. should receive 44 per cent., and that the other seven companies, including Shell, should
receive 8 per cent. each. If this proved unacceptable, he would be prepared to go so far as to suggest that the A.I.O.C. should hold 40 per cent., Shell 20 per cent. and the other companies (including the French) 40 per cent.

The Chancellor of the Exchequer endorsed this proposal. He would be unwilling to see the American share rise above 40 per cent., since any greater share would have a damaging effect upon our balance of payments.

The Cabinet—
Approved the Foreign Secretary's proposal and authorised him to arrange for the United States Government to be informed accordingly.

4. The Foreign Secretary said that a number of Argentine naval representatives, including the Minister responsible for the Argentine Navy, were about to make a tour of the disputed areas in the Antarctic in an unarmed naval transport. This expedition was doubtless being undertaken for publicity purposes, and he had been considering how we might best counter its effects. If we paid no attention to it, this would be taken as a sign of weakness. We might make a formal protest to the Argentine Government, but past experience suggested that this would evoke no satisfactory response. If we sought to prevent the visit by force, the Argentinians might feel obliged to retaliate, and they were in a position to bring up naval reinforcements more quickly than we could. It had therefore been suggested that we might make some show of naval force and welcome the Argentine party as our guests, thus demonstrating our claim to sovereignty over those parts of the area which we regarded as British territory.

In discussion the Cabinet were informed that a frigate would be arriving at Deception Island on the following day. If she could locate the Argentine transport, she would be able to anticipate her arrival in any of the disputed areas to which we laid claim and could make the appropriate offers of hospitality to the Argentine representatives.

The Cabinet—
(1) Agreed that in the circumstances described by the Foreign Secretary, British naval officers should receive the Argentine naval representatives as their guests in any territory over which the United Kingdom Government claimed sovereignty.
(2) Authorised the First Lord of the Admiralty to send instructions accordingly to the Captain of the frigate now in these waters, and invited him to settle the terms of these instructions, before despatch, with the Foreign Secretary and the Prime Minister.

5. The Cabinet had before them a memorandum by the Chancellor of the Exchequer (C. (54) 69) submitting for decision outstanding differences between Ministers on the level of guaranteed prices to be fixed in the forthcoming annual review of farm prices.

The Chancellor of the Exchequer said that reduction of the food and agricultural subsidies was one of the few possible means of alleviating the present heavy burden of expenditure. He hoped to submit to his colleagues in the near future long-term proposals for reducing the scale of subsidies to home food production; but his present report was confined to the issues raised by the forthcoming

Antarctica.
(Previous Reference: C.C. (53) 50th Conclusions, Minute 5.)

Farm Price Review.
(Previous Reference: C.C. (53) 51st Conclusions, Minute 5.)
annual review of farm prices. All the Ministers concerned agreed in principle that guaranteed prices should be reduced in total; but, whereas the Agriculture Ministers wished to restrict this reduction to £38 millions, the Minister of Food favoured reductions totalling £78 millions. So far as the disputed items were concerned, he himself doubted whether it would be expedient to reduce the price of milk by as much as 2d. a gallon, for farmers generally attached particular importance to their receipts from milk. The subsidy for eggs was getting out of hand, but he had agreed to discuss this further with the Agriculture Ministers and the Minister of Food on the following day. For cereals the right solution might be to make a reduction of 2s. a cwt. but not to introduce a sliding scale in addition. He expected that the Ministers concerned would be able to reach agreement on the fertilisers’ subsidy without undue difficulty. At present the farmers were genuinely apprehensive about their future prospects in view of the trend of world supplies and prices. If it should prove impossible to secure from the forthcoming review an adequate reduction in the total amount of the producer subsidies, he would have no alternative but to recoup the Exchequer so far as possible by further increases in retail prices of food—for example, of milk.

The Minister of Agriculture said that farmers were undoubtedly expecting to receive increased prices from this as from past reviews and there was no possibility of reaching agreement with them on any settlement which involved a net reduction. A settlement would, therefore, have to be imposed by the Government. To meet the Chancellor he had already gone as far as he possibly could and, indeed, further than he really considered to be justified. It must be recognised that the Government’s present difficulties were largely due to the success of their policy of expanding agricultural production. When farmers had responded so well to appeals to produce more food, they would feel justifiably aggrieved if they were now told that they were producing so much of certain commodities that prices had to be cut back severely. The cost of guaranteed prices to the Exchequer must clearly be reduced, but the reduction must be made gradually. It would be particularly unfortunate to make a substantial reduction in the guaranteed price of cereals in the very year when the world price of wheat had for the first time fallen below the guaranteed home price. It also seemed unwise to take action which might endanger the general level of agricultural production at a time when the balance of payments prospects appeared to be disturbing. The Government were in danger of incurring the hostility, not only of the farmers, but of those of their supporters in the House of Commons who took a special interest in agriculture.

The Minister of Food said that he accepted the need for a stable and prosperous agriculture and agreed that reductions in guaranteed prices must not be introduced too suddenly. On the other hand, if the reductions to be made in the forthcoming review were inadequate, there was a serious risk that the farmers would forfeit the confidence of the public and this might have much more serious consequences for the future of our agriculture. The fact was that we were maintaining arrangements, for example for eggs and liquid milk, which were justifiable under a siege economy but were quite indefensible at the present time. If the first approach to the farmers in the forthcoming review were based upon the price reductions which he favoured there would be opportunity to retreat, if necessary, towards the figures favoured by the Minister of Agriculture.

The Minister of Labour said that it would be most unfortunate if a failure to secure adequate reductions in the producer subsidies should make it necessary to increase the retail price of milk. A rise in the price of such a staple article of food, involving a rise of rather under half a point in the cost-of-living index, would not be understood at a time when the supply of milk was clearly plentiful and would be bound to have serious repercussions on current wage negotiations.
The Home Secretary said that milk and eggs were the two most important agricultural products from the point of view of the numerous small farmers in Wales and Northern Ireland.

It was the general view of the Cabinet that the proposed price reductions to be put before the farmers at the opening of the forthcoming review must be such as to leave it open to the Government to make concessions as the negotiations proceeded. At the same time, if reductions of the total amount favoured by the Minister of Food were put forward even at the outset, the result might be such a shock to farmers' confidence that further negotiations would be seriously prejudiced. The right basis on which to start the negotiations might, therefore, be a figure for total net reductions intermediate between those favoured by the Minister of Food and those favoured by the Minister of Agriculture.

The Cabinet—
(1) Took note that the Chancellor of the Exchequer would discuss further with the Ministers concerned the detailed arrangements to be adopted in respect of eggs and the subsidy on fertilisers.
(2) Subject to Conclusion (1) above, agreed provisionally that, at the forthcoming price review, negotiations with the National Farmers' Unions should be opened on the basis of proposals for price reductions amounting in total to about £58 millions.

6. The Cabinet had before them a memorandum by the Colonial Secretary (C. (54) 64) about the forthcoming visit of The Queen to Uganda.

The Colonial Secretary said that, during the course of her present Commonwealth tour, The Queen was due to spend from 28th to 30th April in Uganda, where she would be opening the Owen Falls Dam. The Lukiko had passed a respectful resolution asking that The Queen's visit to Buganda should be postponed and one Nationalist newspaper had suggested that, if it should take place, it should be marked by mourning. The Governor was fully satisfied, however, that these demonstrations would not in the event affect the warmth of the welcome which would be accorded to The Queen and the Duke of Edinburgh by all sections of the community, and he advised that the plans for the visit should be maintained, subject only to the omission of a brief engagement at Mengo, the headquarters of the Buganda Government. The Colonial Secretary endorsed the Governor's advice.

The Cabinet—
Agreed that the Colonial Secretary should advise Her Majesty that her visit to Uganda should proceed as planned, subject to the omission of the proposed engagement at Mengo, but invited him to keep the matter under review in the light of any subsequent developments in Uganda.

7. The Cabinet had before them a memorandum by the Colonial Secretary (C. (54) 72) submitting for approval the draft of a statement on the future of Uganda which he proposed to make in the House of Commons on the following day.

The Colonial Secretary explained that the object of his proposed statement, which would involve Her Majesty's Government in no fresh commitments, was to regain the initiative in handling the situation resulting from the deposition of the Kabaka.

The Cabinet—
Authorised the Colonial Secretary to make the statement annexed to C. (54) 72 in the House of Commons on 23rd February.
8. The Cabinet resumed their discussion of the method of financing compensation payments under the Bill to amend the Town and Country Planning Act, 1947.

The Minister of Housing said that a decision on this question was now urgently necessary. If the amending Bill were not passed this session, there would be no authority to pay compensation which had been outstanding in some cases for many years; and, if the Bill was to be passed this session, it should be introduced within the next few days. The Minister recalled that under the Act of 1947 the State was to have bought all development rights in a single operation, which was to have been financed by borrowing. Under the amending Bill compensation would only be paid when development was frustrated by refusal of planning consent, and the total cost of compensation over the next few years was not likely to exceed £75 millions. He had proposed that Parliament should be invited to agree that this sum of £75 millions should be borne on the Consolidated Fund and amortised by annual charges on the Votes. He felt justified in making this proposal because the amount of the compensation to be paid in any particular case was determined by the Bill as the amount of the admitted claim under the original scheme for the purchase of all development rights. Moreover, though payment was now to be made case by case as planning consent was refused, the operation was still essentially one of buying capital values and it seemed justifiable on that account to defray its cost by borrowing. There were also strong political arguments in favour of this course. The Government would be criticised for having destroyed the 1947 scheme, which had been designed to ensure that good planning would not be frustrated or distorted by a financial veto. He could not meet that criticism if it could be said that the amount of planning to be undertaken in any given year would be determined in future, not by the merits, but by the amount of money included in the annual Estimate. He believed that, after a few years, the course of planning administration and the cost of compensation would settle down to a routine; and, when it was seen that the amounts involved were not such as to offer special temptations to a Chancellor of the Exchequer seeking economies in times of economic difficulty, it would be possible to revert to the normal procedure of asking Parliament to vote the necessary money annually in Estimates. He recognised that, if the novel procedure which he proposed for the interim period could be regarded as a precedent, it would be a dangerous one. But he believed that this problem was unique, and that the solution which he proposed need not establish a precedent. First, the amount of the compensation to be paid in any particular case was pre-determined: it could not exceed the admitted claim. Secondly, it would not be possible to estimate the total amount to be paid, in compensation in any particular year, for no one could say in advance what planning consents would be refused in that year. Thirdly, for this service the common practice of reducing Estimates in search of economy would cause special damage. Ordinarily, if an Estimate was reduced, a benefit was deferred: but under this service, if planning consent had to be granted because money was not available to compensate a refusal, positive and lasting damage would be done in that building would be undertaken which, by the criteria of sound planning, should have been prevented.

The Minister said that he had been an advocate of planning for many years. He was convinced that, if it could be said that by this amending Bill planning would once again be dominated by financial considerations, all the old controversies over land values would be revived. If his proposal were accepted, it could be claimed that planning decisions would in future be made on their merits and that compensation would follow automatically on the basis of the proved claims.

The Chancellor of the Exchequer said that the Minister's proposal was contrary to the traditional principles on which
Parliamentary control of public expenditure was based. Ministers responsible for a service involving the exercise of a discretion had always been required to finance those services by monies voted by Parliament annually in advance under the Estimates procedure. No service involving a Ministerial discretion had ever been financed from the Consolidated Fund. In an attempt to meet the Minister’s difficulties, he had suggested that all the automatic payments under the amending Bill and all the claims which had accumulated since the 1947 Act was passed might be paid out of the Consolidated Fund. This would cover about £60 millions of the total which the Minister had mentioned. He must, however, insist that compensation payments arising from current administration in the future should be met from the annual Votes.

The Minister of Housing said that, for the reasons which he had already indicated, he could not accept this solution. The point which he was anxious to make clear to the public was that the future administration of planning would not be subjected to any financial veto. Therefore, his difficulties would not be lessened by any arrangement which distinguished in this way between past and future cases: indeed, they might be increased, for the distinction would tend to emphasise the extent of financial control over future administration.

In discussion the following points were made: —

(a) It was argued that under the scheme proposed in the amending Bill, the Minister’s discretion would be subject to definite limits. The amount of the compensation payable for loss of development rights in a particular case was determined by the Bill. Where planning consent had already been refused, compensation must be paid forthwith. And in future cases the decision would be taken on planning considerations alone, and compensation would follow automatically if planning consent were refused.

(b) It was also argued that, if a fund were created from which to meet claims as they materialised, the only discretion exercisable by the Minister would be to say whether the circumstances had arisen when the pre-determined payment should be made. This, it was suggested, differentiated this particular piece of administration from the services normally financed by annual Votes.

(c) Account must also be taken of the fact that this amending Bill was designed as an alternative to an earlier scheme which had as its object the removal of all financial obstacles to sound planning. If the amount of planning to be undertaken in any given year was to depend on the total included in an annual Estimate, or the further amount to be voted by a Supplementary Estimate, it would be more difficult for the Minister to claim that planning authorities would be free to take their decisions by reference solely to planning considerations.

The Cabinet—

Agreed to resume their discussion of this question at a later meeting.

Cabinet Office, S.W. 1.
23rd February, 1954.