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BRITISH EMBASSY,

WASHINGTON, D.C.

October 14th, 1940.

Dear Colonel Knox,

You spoke to me last week of the importance which the United States Government attached to work being started on the bases recently transferred to the United States as soon as possible. I have now consulted my Government and I am authorized to state that subject to the consent of the local Governors they are agreeable to the United States starting work at any base as soon as the site has been agreed upon between the United States Government., the British Government and the local authorities. It is clear that in a number of places a good deal more discussion will be necessary before the precise location can be defined and agreed to. Indeed it is certain that the final completion of the leases cannot be effected for several months at the earliest, if only because, as I told Mr. Hull and Admiral Greenlade, the completion of the leases must be effected in London where both the detailed information and the ultimate authority in regard to the Colonies are alone concentrated. But already it would appear to be clear that there is general agreement in Newfoundland that the main naval base and naval air station should be at Argentia near Placentia; that there should be a small naval base and army barracks at St. John's and a supply and training base at Argentia.

The Honourable

The Secretary of The Navy,

Washington, D.C.

Subject/



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subject, therefore, to final confirmation that there is agreement on these areas and to the United States agreeing, as far as possible, to use local labour, work there can be begun at any time.

In the case of Bermuda it is clear that no work can be undertaken until after Admiral Greenhalgh's further visit to the Colony, for reasons set forth in my letter of to-day's date. In this case also, the Bermuda Government attaches the greatest importance to the employment as far as possible of local labour.

In the case of the Caribbean Islands, ~~the~~ *island Trinidad & Tobago* preliminary survey seems to show that no insuperable difficulties in the way of agreement on the sites proposed is likely to arise though there are a good many matters of detail to be adjusted. There also, subject to final agreement, it would appear to be possible for the United States to begin construction work in the fairly near future, also on the understanding that as far as possible it will employ local labour. There is also the question of the form of lease. I think I ought to say that I am pretty certain that the draft form which you showed me the other day will not be acceptable. It goes well beyond what was provided in the exchange of letters between Mr. Hall and myself. It is quite one-sided and would allow the United States Government to exercise any kind of right in any part of Bermuda provided it could be brought under the heading of military control or operations, and this at the sole discretion of the United States Government. In my

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personal opinion at any rate this would give rise to an infinite number of legalistic disputes if not to litigation between our two countries. I am sure the shorter and simpler the lease can be made the more likely are things to go harmoniously, leaving the many minor detailed issues which are bound to arise between two countries engaging to live side by side in the same island to be left to common sense adjustment between the respective authorities on the spot, with provision for settlement by our two respective Secretaries of State where difficulties arise.

I hope therefore it will be satisfactory to you that wherever agreement is reached as to the sites, your Government should be free to begin work without waiting for the final leases to be completed. The only reservation I should have to make is that where it should become necessary to displace private interests these should be compensated within reasonable time and if necessary without waiting for the completion of the leases.

I am further instructed by my Government to say that they hope it will be possible for the United States Government to allow British or Dominion firms of repute to tender for some of the work concerned. There are many firms of international repute, such as John Jackson, Paulings and others, who would be prepared to cooperate for building and whose prices and workmanship would probably compare well with the best firms in the United States of America.