CABINET 3 (47)

CONCLUSIONS of a Meeting of the Cabinet held at 10, Downing Street, S.W. 1, on Tuesday, 7th January, 1947, at 11 a.m.

Present:

The Right Hon. C. R. ATTLEE, M.P., Prime Minister (in the Chair).

The Right Hon. HERBERT MORRISON, M.P., Lord President of the Council.

The Right Hon. ARTHUR GREENWOOD, M.P., Lord Privy Seal.

The Right Hon. Sir STAFFORD CRIPPS, K.C., M.P., President of the Board of Trade.

The Right Hon. LORD JOWITT, Lord Chancellor.

The Right Hon. VISCOUNT ADDISON, Secretary of State for Dominion Affairs.

The Right Hon. J. WESTWOOD, M.P., Secretary of State for Scotland.

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

The Right Hon. ANEURIN BEVAN, M.P., Minister of Health.

The following were also present:

The Right Hon. JOHN WILMOT, M.P., Minister of Supply.

The Right Hon. J. WESTWOOD, M.P., Secretary of State for Scotland.

The Right Hon. JOHN STREACHEY, M.P., Minister of Food.

Secretariat:

Sir NORMAN BROOK.

Mr. W. S. MURRIE.

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Subject

Coal and Electricity
The Cabinet had before them the following memoranda dealing with coal and electricity supplies:

C.P. (47) 6 by the Minister of Fuel and Power;
C.P. (47) 15 by the Minister of Transport;
C.P. (47) 18 by the President of the Board of Trade; and
C.P. (47) 17 by the Lord President of the Council.

The Minister of Fuel and Power said that, although coal production had risen steadily since the beginning of October, the estimates of consumption had been so far exceeded that a critical situation had arisen. Thus, the average consumption of coal for electricity during the summer of 1946 had been 446,000 tons a week, as against an estimate of 415,000 tons; and the average consumption during the winter period had been 607,000 tons a week as against an estimate of 567,000 tons and an actual consumption of 514,000 tons in the winter of 1945. On present trends of consumption, it would be necessary to increase deliveries of coal to power stations by 50,000 tons a week for the next six weeks in order to keep them in production. It would not be safe to rely on a total output of more than 3,600,000 tons of deep-mined coal and 120,000 tons of open-cast coal a week during this period, and he estimated that 2,270,000 tons of this would be required to meet the needs of public utilities, essential industries such as iron and steel, railways, bunkers and domestic consumption, leaving for general industrial consumption only 450,000 tons a week against a total requirement of about 760,000 tons. It was therefore essential that the coal allocations for industry should be revised. He was in general agreement with the proposals for this purpose which were outlined in C.P. (47) 18.

The situation would be eased if more drastic steps could be taken to give a higher priority for the transport of coal, both by road and by rail. The Coal Committee had discussed this aspect of the problem on the previous day, and their recommendations would be reported to the Cabinet by the Chancellor of the Exchequer. Even though ample supplies of coal were available it would be impossible to meet the increased demands for electricity for lack of generating plant. It was estimated that in the present winter there would be a deficiency of 1·2 million kilowatts, which would rise to 1·7 million kilowatts in the winter of 1947-48 and to 1·8 million kilowatts in the winter of 1948-49. It would not be possible to meet demand in full before 1950. He therefore considered that restrictions should be imposed on the supply and installation of machinery and appliances using electricity for power, heating or cooking, and that there should be some check on the consumption of existing machinery and appliances, both industrial and domestic.

The Chancellor of the Exchequer said that the Coal Committee had considered C.P. (47) 6 and C.P. (47) 15 on the previous day. They supported the view that it would be necessary to increase deliveries of coal to power stations at the expense of industry. They felt, however, that the alternative, mentioned in paragraph 8 (2) of C.P. (47) 6, of enabling power stations to cut off the supply of electricity to specified works for specified times, should also be pursued. With regard to the suggestion of an overriding priority for the movement of coal, corresponding to the priority given to military traffic before D-Day, the Committee had felt that such an unqualified priority might do more harm than good by interfering with the deliveries of other essential supplies. They had, however, agreed to submit the following recommendations:

(i) The movement of commodities, such as iron ore, which competed with coal should be delayed wherever there were adequate stocks in the hands of the consignees.
(ii) Save in exceptional cases, the movement of surplus Government stores should be stopped for a period of a month.
(iii) All road haulage vehicles which could be used for coal transport should be made available for this purpose.
Where road vehicles were used, they should not be required to travel long distances; opencast coal should be delivered to nearby consumers.

As much coal as possible should be carried by sea, and the Ministry of Fuel and Power should discuss with the Treasury means of overcoming any difficulties arising from the additional cost.

The Minister of Supply should take immediate steps to bring to the channel ports 28 austerity locomotives now in Europe, in order that the Minister of Transport might have them conveyed to this country.

The possibility of diverting capacity now used for the manufacture of locomotives and wagons for export to the repair of locomotives and wagons for British railways should be further examined.

Until further notice no special trains should be made available for sporting events.

There should be an urgent examination of the problem of reducing the amount of coal in transit; and the Minister of Labour and the Minister of Transport should, in particular, consider what steps might be taken to reduce absenteeism by railway workers and to induce them to work overtime to clear traffic congestion.

The Coal Committee had also considered the suggestions of the Minister of Fuel and Power for limiting the consumption of electricity, and they made the following recommendations:

- The production of machinery and appliances using electricity for domestic purposes should be diverted from the home to the export market.
- The possibility should be examined of dealing with the sale in the home market of electrical machinery and appliances for industrial purposes.
- The question of introducing a scheme for rationing domestic electricity consumption should be examined as a matter of urgency.

The President of the Board of Trade said that his proposals in C.P. (47) 18 were designed to meet the inequality in the availability of coal in the different regions. In the North-West region the situation was very serious, and in the Midlands deliveries had fallen to about 50 per cent. of requirements; but in the North-East there had been little difficulty, and elsewhere deliveries had been running at about 75 per cent. of requirements. He therefore recommended an over-all cut of about 40 per cent. in all industries, apart from iron and steel and coke ovens, for which the cut might be from 17\% to 20 per cent. This would provide a reserve which could be allocated among the several regions and distributed within each by the Regional Fuel Allocation Committee according to the special needs of the individual firms in the region. Cuts could not be made industry by industry, and in order to provide the necessary flexibility the Committees must be given power to distribute the available coal according to the circumstances of individual firms. The Committees must be given some guidance on priorities, and he suggested that the Lord President's Committee should be empowered to approve a revised list of priorities, which would have regard both to the importance of the products and to the importance of avoiding wholesale unemployment in industries using a small quantity of fuel. If such a scheme were adopted, industrialists would be able to plan ahead with a reasonable degree of certainty.

As regards the industrial consumption of electricity, it would be impossible for power stations to make selective cuts as between one firm and another, and he therefore deprecated the solution proposed in paragraph 8 (2) of C.P. (47) 6. He suggested as an alternative that firms should be directed to ensure that their monthly consumption of gas and electricity was reduced by a larger percentage of their November consumption. He also deprecated the proposal that the supply and installation of machinery and
appliances using electricity for industrial purposes should be limited, since this would be a retrograde step and it would often be impossible for firms to obtain alternative equipment using other fuel.

The Lord President said that for the short term he favoured adhering to the scheme for the distribution of fuel supplies which had been agreed with the National Production Advisory Council for Industry. This scheme, however, did not effectively restrain the consumption of electricity, and he suggested that it might be advisable to impose a penal flat rate surcharge on consumption in excess of the amount consumed in a suitable base period. Looking ahead, it was essential that all possible effort should be made to avoid a recurrence of the present crisis. Steps must be taken to secure an output of coal adequate both for home consumption and for some restoration of the export trade. The possibility of devising a new wage structure which would give miners an incentive to higher production should also be explored, and immediate steps should be taken to employ foreign labour in the mines. He understood that the National Union of Mine Workers were about to confer with the Trades Union Congress on this subject, and he thought it desirable that the Trades Union Congress should be authoritatively informed of the Government’s views. The Coal Committee should be asked to review urgently the estimated supply requirements of coal for the next few years and to examine various measures to increase production. On the question of electricity generation, he did not see how the Cabinet could accept an estimated deficiency of 1.8 million kilowatts as late as 1949, and he suggested that the Ministers of Fuel and Power and Supply should, as a matter of urgency, consider what measures could be taken to increase the effective capacity of the electricity system.

In discussion of the proposal made in C.P. (47) 18 by the President of the Board of Trade, the following points arise:

(a) The Minister of Supply supported these proposals.

(b) The Minister of Health suggested that any action to reduce deliveries on the scale proposed would lead to widespread unemployment and that a solution of the problem should rather be sought by taking every possible step to increase the output of coal and to distribute it more efficiently.

(c) The Foreign Secretary said that, while he agreed that it would be necessary to reallocate the available supplies among industries, he felt that in announcing this decision it was important that emphasis should be laid on the need for revised allocations rather than percentage cuts on existing allocations. There was general support for this view.

(d) The Minister of Works said that, while he did not dissent from the proposal, he hoped that the principle would be preserved of giving special treatment to firms engaged in the production of essential building materials, such as bricks and glass.

In discussion of the proposals in C.P. (47) 6, C.P. (47) 17 and C.P. (47) 18 for limiting the consumption of electricity, the following points arose:

(e) There was general agreement that it would be undesirable for the present to impose any further restrictions on the consumption of electricity for industrial purposes; or to limit the supply and installation of electrical machinery or appliances for industrial use.

(f) It was pointed out that an absolute prohibition on the sale of electrical appliances for domestic purposes would mean that it would be impossible to provide cooking and heating facilities in some new houses. It was also urged that to a large extent the use of electrical appliances enabled economies to be made in the consumption of domestic coal.
(g) The Minister of Health urged that all possible steps should be taken by way of propaganda, including in particular broadcast appeals at frequent intervals, to encourage domestic consumers of electricity to avoid consumption during peak hours.

Other points in discussion were:

(h) The Minister of Labour said that he had been considering whether, as a means of reducing the industrial consumption of fuel without creating unemployment, encouragement should be given to firms to adopt a five-day working week. It was pointed out that this would involve an increase in the industrial consumption of electricity at peak periods, and might also lead to a drop in production generally. For these reasons, it was the view of the Cabinet that this suggestion should not be pursued.

(i) The Minister of Fuel and Power said that the Lord President had suggested in C.P. (47) 17 the possibility of importing coal into the United Kingdom as a temporary expedient. Any such proposal would be strongly opposed by the European Coal Organisation. The United States were already behindhand in their deliveries to Europe. Imports from South Africa would be extremely expensive.

(j) The Minister of Labour informed the Cabinet that considerable progress had been made in securing agreement to the use of Polish labour in industries other than coalmining, and he had had an encouraging meeting with the National Coal Board and the National Union of Mineworkers on the use of Polish labour in coalmining. The National Union of Mineworkers were to meet the Trades Union Congress on 16th January to discuss this matter and he would arrange to put the Government's views to the Trades Union Congress before this meeting.

(k) The Secretary of State for Scotland pointed out that the North of Scotland Hydro-Electric Board had hoped to have been in a position to supply 150,000 kilowatts to the Scottish industrial area in the winter of 1948. Unless, however, it were possible to make available machinery from the United States and to give a higher priority for the constructional needs of the Scottish hydro-electric schemes, it would be impossible to adhere to this programme.

(l) The Minister of Defence undertook to take up with the First Lord of the Admiralty the question whether it might be possible in particular areas to supplement the supply of electricity by the use of the generating capacity of submarines.

The Cabinet—

(1) Agreed that the arrangements for the supply of solid fuel to industrial firms should forthwith be revised on the lines proposed by the President of the Board of Trade in paragraph 4 of C.P. (47) 18, with a view to the creation of a reserve of coal which could be allocated among the several Regions and distributed by the Regional Fuel Allocation Committees in each Region among individual firms. The new arrangements should be presented as a new system of allocations, rather than a percentage cut on existing allocations.

(2) Invited the President of the Board of Trade to prepare and submit for the approval of the Lord President's Committee draft instructions for the guidance of Regional Fuel Allocation Committees in discharging their task under (1) above.

(3) Agreed that for the present deliveries of coal to power stations should be so increased, at the expense of deliveries to industry, as to ensure their continued operation.

(4) Agreed that for the present no steps should be taken to impose any further restrictions on the consumption of
gas and electricity for industrial purposes or to limit
the installation of electrical machinery or appliances in
industrial premises.

(5) Invited the Coal Committee to arrange for officials of the
Departments concerned to consider, in the light of the
Cabinet's discussion, the possibility of securing econo­
mies in the domestic consumption of electricity.

(6) Approved in principle the suggestions (summarised in para­
graphs (i) to (ix) above) made by the Coal Committee for
improvements in the arrangements for the transport of
c coal and invited the Committee to arrange for the details
of these proposals to be worked out by officials of the
Departments concerned.

(7) Invited the Coal Committee to report what measures might
be taken to secure an adequate output of coal over the
next three years.

(8) Asked the Minister of Fuel and Power, in consultation with
the President of the Board of Trade and the Minister
of Supply, to examine and report to the Lord President's
Committee what steps could be taken to ensure a suffi­
cient supply of electricity-generating plant over the next
three years.

Cabinet Office, S.W. 1,
7th January, 1947.