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S E C R E T

C.F. (50) 255

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3RD NOVEMBER, 1950

CABINET

COAL SUPPLIES IN THE WINTER
1950/51

Note by the Secretary of the Cabinet

The Production Committee has recently considered two memoranda by the Minister of Fuel and Power on Coal Supplies during the Winter 1950/51. A copy of P. C. (50) 102 is attached for consideration in connection with the memoranda by the Foreign Secretary and the Chancellor of the Exchequer on Coal Exports (C. F. (50) 253 and C. F. (50) 252). A copy of P. C. (50) 104 is being circulated under cover of C. P. (50) 256.

(Signed) NORMAN BROOK

Cabinet Office, S. W. 1.,

3RD NOVEMBER, 1950.

Handwritten text at the top of the page, possibly a title or header, which is mostly illegible due to blurring.

A large section of handwritten text, likely a list or a series of entries, spanning across the upper middle part of the page. The text is too blurry to be transcribed accurately.

A smaller section of handwritten text located in the lower middle part of the page, possibly a separate entry or a note.

The bottom section of the page contains several lines of handwritten text, which are also illegible due to the same quality issues as the rest of the document.

Printed for the Cabinet. November 1950

[P.C. (50) 102

18th October, 1950]

CABINET

Production Committee

COAL SUPPLIES IN THE WINTER 1950-51

(MEMORANDUM BY THE MINISTER OF FUEL AND POWER)

I have just completed my coal budget for the winter which opens at the beginning of next month. The outlook disclosed is very disturbing. In preparing this budget I have been in close consultation with the National Coal Board who are in complete agreement with the conclusions which I have reached.

2. *Coal Production.*—Even on optimistic assumptions we cannot hope that deep-mined production will exceed last winter's figure by more than 800,000 tons, while opencast will be down by at least 100,000 tons. Total supplies at the most are expected to amount to 111.55 million tons, but if man-power continues to fall at its present rate we cannot be assured even of this amount.

3. *Inland Consumption.*—This is expected to exceed last winter's figure by 3.3 million tons (3 per cent.) even if we secure that the largest practicable use of gas oil is made by the gasworks and if we abandon (as I fear we must) all hope of doing something to increase supplies to the house coal market. The principal increases expected are in electricity and industry. The total consumption to be expected is 112.2 million tons.

4. *Stock Change.*—I anticipate that, having regard to the level of stocks to be expected at the end of this month and the minimum level (9 million tons) below which it would be unsafe to allow them to fall at the end of the winter, it should be possible during the winter to draw upon stocks to the extent of 6.8 million tons.

5. *Export/Bunker Availability.*—It will be seen therefore that total supplies (current and stocklift) are likely to exceed inland consumption during the winter by no more than 6.1 million tons. This therefore—as the National Coal Board agree—is the maximum quantity available for exports and bunkers. This means that, as compared with last winter when exports and bunkers amounted to 10.5 million tons, we shall be down this winter by 4.4 million tons. Of this difference, 2.7 million tons is due to the increase in inland consumption expected this winter, while the remaining 1.7 million tons represents the extent by which we helped exports last winter by depleting our stocks. The reduction in exports this winter is thus very substantial. Nevertheless, a reduction of this amount is indispensable if we are to avoid a widespread and prolonged fuel crisis in the early part of 1951.

6. *End-October Stocks.*—Our stock target for the end of the summer was a minimum of 16.5 million tons. At the present moment stocks amount only to 14.8 million tons and it cannot be expected that by the end of the month they will at the most have risen higher than 15.8 million tons. On the other hand, the lower prices scheme for house coal this summer has raised sales to domestic consumers to a level higher by more than 800,000 tons than in the summer of 1949; of this amount at least 300,000 tons now in the householders' cellars would almost certainly have not been bought if it had not been for the incentive provided by the scheme, and have not yet been burnt by the purchasers; they can therefore legitimately be regarded as part of our general end-summer stocks. Thus from the overall point of view, we are entitled to treat the end-October stock of about 15.8 million tons now expected

as being equivalent of a stock of 16·1 million tons. This means that we shall start the winter with stocks too low by at least 400,000 tons. This constitutes a serious danger in view of the unfavourable outlook for production and the certainty that inland consumption will be substantially higher than in the winter of 1949-50.

7. *Action Recommended.*—We must take every possible step to ward off the risk of a serious fuel crisis early in the New Year. There is nothing that we can do either to increase production above the level now expected or to reduce the level of inland consumption. The only action which we can take between now and Christmas is to alter the phasing of exports in November and December in such a way as to give inland consumers a larger share, and exports a smaller share, of such supplies as are available. Hitherto it had been proposed that out of the total of 6·1 million tons expected to be available for exports and bunkers during the winter, 2·5 million tons should be provided during the last nine weeks of the present year, an average of about 300,000 tons a week. I have discussed this question in detail with Lord Hyndley who agrees that in the circumstances the only possible course open to us is to reduce the provision for exports and bunkers during November and December by 50,000 tons a week. This should provide about 400,000 extra tons of coal for inland requirements by the end of the year and thus secure that our total end-December stocks amount to about 14 million tons, which both Lord Hyndley and I regard as the minimum level necessary to avoid a fuel crisis.

8. I must warn my colleagues that bad weather in November and December may prevent us reaching 14 million tons at the end of December. Further, even if we do reach the 14 million tons at that date, while it should be sufficient to avoid a fuel crisis, inland consumption is now at such a high level that, even if we had had larger stocks than those now proposed (14 million tons at the end of December, which is equivalent to 16·5 million tons at the end of October) there can be no certainty of getting through this winter without trouble.

9. The adoption of the course proposed should not in itself reduce the *total availability* for export and bunkers *during the winter* below the 6·1 million tons estimated to be available for that purpose. It does mean, however, that at best total exports and bunkers in *the present calendar year* will barely exceed 17 million tons. I am not at the moment in a position to say whether the reduction of exports and bunkers to an average of 250,000 tons in the months of November and December will render impossible the performance of commercial contracts which have already been entered into, but it may well do so. Lord Hyndley is examining this aspect as a matter of urgency and has promised to furnish me with a report on it within the next few days.

10. If it is found that breaches of contract will be inevitable, it will be necessary to protect the National Coal Board and the United Kingdom coal exporters by withholding export licences during November and December to such extent as may be required.

P. J. N-B.

Ministry of Fuel and Power,
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G.R.



