Memorandum by Secretary for Mines.

It is quite clear that, whatever reception is given to the Report, and whatever the course of events may be, it will be necessary for the Government to come to a very early decision whether or not they are going to adopt the views of the Commission about the discontinuance of the Subsidy. A decision on this point is essential before any definite pronouncement can be made on the question whether the Government accept the Commission's recommendations generally. For the views which the Commission express about the continuance of the subsidy and the means of meeting the situation that will then arise form a very important part of their recommendations.

What they propose, put bluntly and briefly, is that the subsidy should in no circumstances be continued and that wages should be reduced; that is to say that the minimum percentage of 33 \( \frac{1}{3} \) on standard, agreed in 1924, must go. This, they say, does not necessarily mean a return in all districts to the previous minimum of 20 per cent. In some districts less may be needed, in other districts more. But in all districts the present wages are too high as a minimum.

The Commission have been at pains to make clear that they are fully alive to what this recommendation means. The miners in the exporting districts - though they could not be asked to accept wages reductions heavy enough to make good the whole of the present deficit between costs and proceeds...
must nevertheless suffer substantial reductions; the owners for their part will on the average still have a loss to face; and it is inevitable that a certain number of collieries must close.

Acceptance by the Government of the Report, therefore, means that, though fully realising the consequences, they have determined that the industry must be left to its own resources on the 1st May. Can they stand to this?

It is difficult to estimate with any precision, in terms of figures, what the actual issue from the miners' point of view will be, because it is impossible to forecast what the reception of the Report generally will be, and in particular what reductions in wages the owners would insist upon.

All that it is possible to say is that, if the districts are looked at separately, the position is relatively easy in the Eastern Division and the district of Lancashire and Cheshire and N. Staffs., serious in Scotland, and very serious in Northumberland, Durham, South Wales.

The Eastern Division could pay even the present rate of wages and make a small profit. Lancashire, etc., could almost pay it without loss. In these Districts therefore the negotiations of a reduced minimum percentage should not be insuperable, if the men are willing to enter into such negotiations at all.

In Northumberland and Durham and South Wales the gap between present wages and present proceeds is in the neighbourhood of 2/6 per shift and even a reduction of wages by about 1/- per shift (to the 1921 minimum) would leave a deficit of 1/3 - 1/5 per shift, or approaching 2/- per ton. It is difficult to believe that the owners in these districts will not insist upon a reduction below the level of 1921.
It is equally difficult to believe that the miners would accept a reduction to such an extent.

In Scotland the position is only less serious than in the other exporting districts. A reversion to the 1921 minimum would mean a reduction of about 1/- per shift in wages and still leave a loss of about 6d.

The Commission had before them figures of this kind when they reached their conclusion that the subsidy should nevertheless cease. It is indefensible, they say, that the shipwright and the fitter earning about 56/- or 57/- per week should be taxed to enable coal hewers to earn an average of about 76/- per week.

On the other hand arguments will no doubt be advanced that the subsidy should be continued in some form for a period. It may be urged on the ground that there is not time between now and 30th April for the report to be fully considered by the parties and a new wages agreement made; or that the industry ought to be carried by the Government until the measures of re-organisation proposed by the Commission can have effect; or that the Government having held the industry for so long so far above its economic level ought not to let it fall with a bump; they ought to put it down gently.

There is not very much in any of these arguments. Given the will, a new wages agreement could be made in six weeks; if the will is not there, six months would be insufficient; and if the subsidy is continued the will would certainly not be there.

As regards the second argument, the measures of re-organisation are such that it is quite impossible to estimate when they will have any effect or what that effect will be, and an undertaking to carry the industry pending their fruition would not only directly in the
face of the Commission's recommendations, but would necessarily have to be of indefinite duration.

That the "bump" from subsidised wages to economic wages is in many districts a severe one cannot be denied. There would be no difficulty in devising a form of subsidy, as was done in 1921, the cost of which would be capable of being estimated in advance, to ease the fall over a period of two or three months. But no such offer would be in the least likely to avert a stoppage in May if one would otherwise take place, and the only object in making it could be to set the Government right with public opinion. If the Government should consider that they may have to take that step, it would clearly be better for them to take it at once than to endeavour to avoid it at the risk of having to give way later.

G.R. LANE-FOX.

Mining Department,
March 10th, 1926.