

✓
Sawyer

P.A.
S%.

Spoke to



Chris Patton directly.

No meetings w/ Roy wish to set up.
10 DOWNING STREET

8.
9/11

Baum

✓
Roy Lyne (Notts
Mintros) has asked
Party Chairman to
arrange a meeting
for him with PM.

Are you aware of
any other requests
from Mr Lyne for
a meeting with PM?

S%.



Paul off

SECRETARY OF STATE FOR ENERGY
THAMES HOUSE SOUTH
MILLBANK LONDON SW1P 4QJ
01 238 2287

Paul Gray Esq
Private Secretary
10 Downing Street
LONDON
SW1A 2AA

CF

*This letter gone in
the box. P. MF*

11 August 1989

- 2 weeks to

check on how

get it back from

the PM!

Dear Paul

VIDEO ON COAL POWER AT BILSTHORPE

flap -

Blc 6 of 19

As requested in your letter of 4 August I am returning the video which Roy Lynk gave to the Prime Minister at their recent meeting.

It is a useful and well presented video. It would therefore be helpful if it could be retained by this Department after the Prime Minister has seen it.

Yours sincerely

K R Loader

K R LOADER
Private Secretary

PRIME MINISTER

Mtggs with ODM 'Sept 86.

YOU CAN GET YOURS FROM THE

UNITED STATES OF AMERICA

POSTAGE WILL BE PAID BY ADDRESSEE

NO POSTAGE NEEDED IF MAILED IN THE UNITED STATES

POSTAGE WILL BE PAID BY ADDRESSEE

NO POSTAGE NEEDED IF MAILED IN THE UNITED STATES

POSTAGE WILL BE PAID BY ADDRESSEE

NO POSTAGE NEEDED IF MAILED IN THE UNITED STATES

POSTAGE WILL BE PAID BY ADDRESSEE

NO POSTAGE NEEDED IF MAILED IN THE UNITED STATES

POSTAGE WILL BE PAID BY ADDRESSEE

NO POSTAGE NEEDED IF MAILED IN THE UNITED STATES

POSTAGE WILL BE PAID BY ADDRESSEE

NO POSTAGE NEEDED IF MAILED IN THE UNITED STATES

POSTAGE WILL BE PAID BY ADDRESSEE

NO POSTAGE NEEDED IF MAILED IN THE UNITED STATES

POSTAGE WILL BE PAID BY ADDRESSEE

NO POSTAGE NEEDED IF MAILED IN THE UNITED STATES

POSTAGE WILL BE PAID BY ADDRESSEE

NO POSTAGE NEEDED IF MAILED IN THE UNITED STATES

POSTAGE WILL BE PAID BY ADDRESSEE

NO POSTAGE NEEDED IF MAILED IN THE UNITED STATES

POSTAGE WILL BE PAID BY ADDRESSEE

NO POSTAGE NEEDED IF MAILED IN THE UNITED STATES

POSTAGE WILL BE PAID BY ADDRESSEE

NO POSTAGE NEEDED IF MAILED IN THE UNITED STATES

POSTAGE WILL BE PAID BY ADDRESSEE

NO POSTAGE NEEDED IF MAILED IN THE UNITED STATES

POSTAGE WILL BE PAID BY ADDRESSEE

NO POSTAGE NEEDED IF MAILED IN THE UNITED STATES

POSTAGE WILL BE PAID BY ADDRESSEE

NO POSTAGE NEEDED IF MAILED IN THE UNITED STATES

POSTAGE WILL BE PAID BY ADDRESSEE

NO POSTAGE NEEDED IF MAILED IN THE UNITED STATES

POSTAGE WILL BE PAID BY ADDRESSEE

NO POSTAGE NEEDED IF MAILED IN THE UNITED STATES

POSTAGE WILL BE PAID BY ADDRESSEE

NO POSTAGE NEEDED IF MAILED IN THE UNITED STATES

POSTAGE WILL BE PAID BY ADDRESSEE

NO POSTAGE NEEDED IF MAILED IN THE UNITED STATES

POSTAGE WILL BE PAID BY ADDRESSEE

NO POSTAGE NEEDED IF MAILED IN THE UNITED STATES





Sho

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

4 August 1989

VIDEO ON COAL POWER AT BILSTHORPE

I understand that your Secretary of State wanted a sight of the video which Roy Lynk of the UDM handed to the Prime Minister at their recent meeting. This is enclosed. I should be grateful if you could let us have it back in a couple of weeks' time; the Prime Minister herself has not yet had a chance to look at it.

BF

Paul Gray

Keith Loader, Esq.,
Department of Energy.

pl



TLE

PW

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

3 August 1989

**SUPPORT FOR THE UDM
AND COAL LIBERALISATION**

The Prime Minister has seen your Secretary of State's minute of 2 August. She was content with the action proposed on transport differentials and was content, also, that the limit on men working underground at licensed mines should be set at 150.

(ANDREW TURNBULL)

Stephen Haddrill, Esq.,
Department of Energy.

CONFIDENTIAL AND PERSONAL

Prime Minister

Yes 1. Content to with the action proposed on transport differentials?

PRIME MINISTER

SUPPORT FOR THE UDM AND COAL LIBERALISATION

2. The arguments against further liberalisation would reflect those set out in the DEn brief for the meeting with Mr Lynk. Content that the limit on new working underground stops at 150?

We had a useful meeting with Roy Lynk last week. I have no doubt of the need to ensure that British Coal does everything it can to minimise the impact on Nottinghamshire pits of any closure round resulting from the current negotiations with the Generators. I have already made this clear to Sir Robert Haslam and am confident that ways will be found to protect the UDM's position.

DM
-
2/6
Yes
not

Cecil Parkinson's minute to you of 14 June detailed the provisions in the ESI contracts package aimed at giving British Coal precisely the 'soft landing' being sought by Mr Lynk. In addition, I have examined the effect of the adverse transport differentials affecting Nottinghamshire pits that was mentioned at our meeting. This does not appear to be a major problem and I am confident that we should be able to ensure that the outcome of the negotiations meets this point. This could be dealt with either by British Coal moving to sell coal to the Generators on a delivered basis (as they would wish) or by moving to differential pithead prices that take account of differing profitability and transport costs. In either case I will explore with the Generators the possibility of their being prepared to pay a premium for the security of supply of UDM coal. I have already impressed on Lord Marshall our concern about the UDM and he is sympathetic to their position.

I have, as requested in Paul Gray's letter of 10 July, looked to see whether some further movement in our liberalisation proposals might be helpful to the UDM. However, in putting forward these proposals Cecil was very conscious of the decisions reached at your meeting on 27 September last year concerning how best to move towards the privatisation of the coal industry. In particular, he was mindful of your wish to avoid any major contentious legislation that would divert our energies from the implementation of our Manifesto commitments.

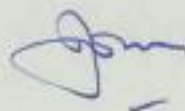
Within this overall constraint, he suggested increasing the present statutory limit on licensed opencast coal production from 25,000 tonnes to 250,000 tonnes and the limit on men working underground from 30 to 150. The proposed increase for opencast fully meets the wishes of the licensed operators and does not, I believe, bear on the UDM problem. I suggest therefore that we can put this on one side.

The proposed increase in the limit on the number of men underground will open up the possibility of significant expansion at existing licensed mines and will offer new opportunities to the private sector to work both larger and deeper deposits than presently possible and also to work remnant coal at closed, or closing, British Coal pits. I believe that the measure will be widely welcomed by the licensed deepmine operators. In pitching the limit at 150 we sought to preserve a clear distinction between the size of licensed operations and the size of the smallest deepmine operated by British Coal - currently some 250 men. While the limit could be raised above 150, I would not advise going beyond 200 men and I would see little advantage in going as far as this.

If we raised the limit significantly above this, so that British Coal could hand over one of their existing pits to a private sector licensee, perhaps one joined with the UDM, it would certainly be seen by both the Opposition and the other unions as a device to achieve back door privatisation. This would make the Bill much more controversial and would, I believe, bring coal privatisation back into the centre of the political stage over the next two years in the way that we have been trying to avoid. In any event, we could not ensure that only UDM pits were transferred to the licensed sector. The licensed sector operators are already established in the NUM-dominated peripheral coalfields such as Scotland and Wales and would be more likely to seek to expand their operations there rather than move into unfamiliar territory.

The main problem facing the industry at the moment is the need to reduce the excess capacity for its main product, power station coal. At present the taxpayer meets the majority of the costs associated with pit closures. If a closing pit is reopened by a private sector licensee then another pit somewhere else will need to close, to cut back on the excess capacity. That second pit could also be in a UDM area, but in any event it too would have redundancy costs, and the taxpayer would effectively pay twice for the required reduction in capacity.

I entirely understand Roy Lynk's concerns for the future; we must certainly do all we can to ensure that, both in the outcome of the negotiations and in British Coal's actions thereafter, the needs of the UDM are fully recognised. I believe that the best approach lies in working behind the scenes rather than in raising the licence limits further and I will be pressing British Coal actively to this end. Our liberalisation proposals are already a substantial and important step forward, but to go further would, I believe, be counterproductive.



Secretary of State for Energy

21. August 1989



FILE 2(a-e)
SUBJECT
ce Mater.

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

26 July 1989

Dec Stepler

PRIME MINISTER'S MEETING WITH MR. LYNK

Mr. Roy Lynk of the Union of Democratic Mineworkers (UDM) came to see the Prime Minister this morning. Your Secretary of State was also present.

I should be grateful if you would ensure this letter is given a strictly limited circulation to named individuals only.

Welcoming Mr. Lynk, the Prime Minister urged him to develop a working relationship with your Secretary of State as he had done with his predecessor. The Government was keen to offer whatever help it could reasonably give to the UDM. She invited Mr. Lynk to explain his worries.

Mr. Lynk said that there was major uncertainty at present about the impact of electricity privatisation. This was casting a shadow over the future scale of British Coal (BC) operations. This caused particular difficulties for the Nottinghamshire pits, which were adversely affected relative to the Yorkshire pits by the pricing arrangements between the coal and electricity industries. He wished to see a change to a position in which contracts would allow BC to quote a delivered price to the power stations. This would enable the Nottinghamshire pits to compete more fairly and avoid the position at present whereby, although production costs in Nottinghamshire were generally lower, this advantage was cancelled out by the pricing arrangements for transport costs.

Mr. Lynk also expressed concern about the prospect of a reduction of perhaps 15 million tonnes in BC production following electricity privatisation. This again would leave the Nottinghamshire pits particularly exposed. He did not advocate that uneconomic pits should be kept going indefinitely, but he was anxious for a period of adjustment to the new position. A five year adjustment period would provide the scope for a "soft landing". At present four Nottinghamshire pits were vulnerable, all of which he recognised must close eventually; but it was important to avoid closures in the near future which could take UDM membership below the 10,000 level.

Mr. Lynk said one particular possibility he wished to pursue was for UDM members to be given the opportunity to run any Nottinghamshire pits that BC wished to close. Blidworth currently faced the threat of closure, but the UDM considered it could be run at a profit in a joint venture with a private sector operator, on the basis of reducing the manning from 800 to 500. The Prime Minister questioned whether this was possible under the terms of the existing 1946 legislation. Mr. Lynk responded that an arrangement whereby the UDM and its private sector partner operated the pit under licence from BC, operating in effect as a sub-contractor, would avoid the legal difficulties. He thought similar arrangements might in due course also be possible for two other pits, Calverton and Gedling. More generally, Mr. Lynk hoped that BC would do all it could to minimise the impact on Nottinghamshire pits within whatever overall closure programme was judged necessary. Your Secretary of State suggested that, although a relatively fast closure programme would present short term difficulties, it might in the longer run be the better approach since it would achieve stability more quickly. Mr. Lynk accepted there was some merit in this argument, but reiterated his concern that there was always a risk of a closure programme bearing relatively heavily on UDM members. The Prime Minister and your Secretary of State said they recognised the desirability of avoiding that.

Discussion then turned to the issue of six day working. Mr. Lynk said the UDM had agreed to six day working at Margam, Asfordby and one other pit. Your Secretary of State said that, to the extent that greater flexibility of working practices of UDM members could be demonstrated, this would help in the achievement of the other goals Mr. Lynk sought. Did he therefore see the prospect of UDM members quickly agreeing to six day working at existing pits? Mr. Lynk said he recognised this point; he thought that about a year after operations started at Asfordby his members at existing pits would themselves see the attraction of moving to six day working. The Prime Minister wondered whether once the cost benefits of moving to six day working were achieved this would have the effect of more than off-setting the transport cost disadvantage for the Nottinghamshire pits that Mr. Lynk had described. Mr. Lynk said it was desirable in any event to change the nature of BC's existing marketing arrangements.

Mr. Lynk then raised the position at Bilsthorpe. He was enthusiastic about the prospects for reaching agreement on similar schemes linked to small power stations at a number of other sites in the Midlands. This offered the attractive prospect of cheaper electricity. He handed over a video of the British Coal venture at Bilsthorpe.

Mr. Lynk then said he wished to clarify the UDM's position on coal privatisation. The Union's public position had to be one of opposition. But privately the union leadership supported privatisation and saw it as an opportunity to build on the sort of joint venture approach at

Blidworth he had described. He had had encouraging exploratory talks with Tarmac and the Midland Bank had also assured the UDM that they would provide the necessary financial support for participation in privatisation projects. Possible links with other companies were also being explored. Mr. Lynk was confident that his members would support privatisation projects under which they moved to the position of shareholders.

Mr. Lynk said his impression was that the NUM leadership was planning a strike threat if the demand for a £30 a week pay rise was rejected. Such a strategy was likely to be supported by the NUM conference even though there was no enthusiasm among most NUM members for strike action. The leadership would, however, be likely to be able to engineer the conditions for a strike, and be minded to time this for around November. Discussion of the NUM position led on to Mr. Lynk expressing his dissatisfaction with the position under which NUM members were able to get the benefit of pay improvements that the UDM leadership had negotiated with BC. In the past he had explained a scheme to BC management which would have avoided this consequential: NUM members could be told that they were under no obligation to take the improvements that had been negotiated, and would be required individually to sign forms in order to receive the new terms. The BC management had however rejected this proposal.

Mr. Lynk's final point was to offer his services to the Government in any way it would find helpful on environmental issues. He mentioned the possibility of service on committees.

Summing up the discussion the Prime Minister reiterated her encouragement for Mr. Lynk to develop a working relationship with your Secretary of State, and said that the Government would carefully consider all the points Mr. Lynk had raised. Your Secretary of State invited Mr. Lynk to contact him again in the near future to arrange a meeting with him.

Yam.
Paul

(PAUL GRAY)

Stephen Haddrill, Esq.,
Department of Energy.

CCB/pt.

PRIME MINISTER

MEETING WITH ROY LYNK: 26 JULY

Roy Lynk of the UDM wrote to you last month expressing his concerns about various aspects of electricity privatisation and asking for a meeting. You agreed, and the meeting will now take place tomorrow at 1230. John Wakeham will be coming 15 minutes earlier at 1215 for a preparatory chat.

The papers in the folder below are:

Flag A - briefing for the meeting with Roy Lynk prepared by the Department of Energy and approved by Cecil Parkinson; (I agreed with the Department that it was sensible for them to send this material over on Monday, on the basis that John Wakeham would have a chance to put any points to you at the pre-meeting). The brief is in four parts which I have flagged; general points to make: the future of the coal industry, liberalisation of private sector mining and capital investment/re-construction;

Flag B - Roy Lynk's letter to you of 20 June;

Flag C - your reply to him of 7 July agreeing to tomorrow's meeting;

Flag D - my record of your last meeting with Roy Lynk in January 1988;

Flag E - a letter I sent to the Department on 10 July recording your request for the proposed private sector coal liberalisation measures to be looked at again with a view to pushing the process further, and specifically involving the UDM. I have not yet had a response to this, although the point is to some extent addressed

CONFIDENTIAL

- 2 -

in the briefing at Flag A;

Flag F - the earlier note by Greg Bourne which set out some of the possibilities for further liberatisation.

Handling

In the pre-meeting, you will want to see whether John Wakeham feels that the Department is adopting a sufficiently positive approach to its relations with the UDM. There is no doubt that Cecil Parkinson did make considerable efforts to develop a close relationship with Lynk, but some of the Flag A briefing seems to me to strike a slightly negative tone.

In the main meeting with Mr. Lynk I suggest your aim should be:

- to let him explain his concerns;
- to encourage him and John Wakeham to develop a close relationship;
- to avoid any firm commitments to Mr. Lynk, but to identify the issues on which you want further work done by the Department.

Paul

PAUL GRAY
25 July 1989

LOFAR



ce Bachup

RA

SECRETARY OF STATE FOR ENERGY

THAMES HOUSE SOUTH
MILLBANK LONDON SW1P 4QJ

01 238 2290

Paul Gray Esq
Private Secretary to
The Prime Minister
10 Downing Street
LONDON
SW1A 2AA

lt July 1989

Dear Paul,

I enclose briefing for the Prime Minister's meeting with Roy Lynk which follows the line proposed by Mr Parkinson.

*Yours ever,
Stephen.*

S HADRILL
Principal Private Secretary



CONFIDENTIAL

A

MEETING WITH ROY LYNK: 26 JULY

Points to make

- Pleased to have this opportunity to hear your concerns before decisions are reached on the outcome of the negotiations between British Coal and the Generators. Very conscious of the important contribution made by UDM and its members in the past. Anxious to ensure that UDM has fullest opportunity to contribute to the future success of the privatised coal industry.
- Generators and British Coal are currently in negotiation. Government has encouraged the parties to reach sensible outcomes that all can live with. Takes both a willing buyer and willing seller for any deal to be done.
- Would not wish to suggest that electricity privatisation is likely to result in only minimal changes for the coal industry. Should not be surprised if Generators want to diversify sources of coal supply, particularly if that reduces costs. But the Generators are realistic and will attach proper weight to security of supply of coal from UDM pits.
- Important for British Coal and UDM to respond positively to challenge set by electricity privatisation. Recent improvements in productivity are impressive and must continue if British coal is to become fully competitive.
- Government will continue to provide support for British Coal's restructuring efforts: substantial investment for best existing pits and restructuring grants to help deal



CONFIDENTIAL

with those displaced from pits unable to compete. The Industry will need to be fully competitive before it can be privatised.

- UDM has signed agreement for six-day working at the new pits at Asfordby and Margam. Would UDM be willing to extend six-day or similar flexible working arrangements to existing pits? Would be an important gesture which could help maintain UDM jobs and offset jobs lost at exhausting collieries.

DM2 (20JL



CONFIDENTIAL

FUTURE OF THE INDUSTRY

Points to make

Volume and price of sales to Generators

- Only realistic to expect some reduction of Generators' purchases from British Coal after expiry of present Joint Understanding. Must also expect British Coal's prices to move towards world prices - though not overnight. The extent and timescale of the adjustment required will only become clear when the negotiations are concluded. But I do not believe that the Generators will seek more rapid change than the industry can adjust to by its own efforts.

Pit closures

- Coal supply and demand must inevitably be kept in balance. Given likely trend in coal demand, together with rapidly improving productivity and lower sales' proceeds, more pit closures seem inevitable, over and above exhaustions. But recognise special position of UDM and importance of allowing your members every opportunity to play their part.

Coal imports

- Government has never set constraints on coal imports. Decisions on coal purchases - whether on the part of the Generators or any other consumer - must be for the commercial judgement of those concerned. Would be wrong



CONFIDENTIAL

to compel users to purchase from British Coal by denying the right to buy from supplier of choice.

Associated British Ports Bill

- Government neutral towards private Bills. British Coal must aim to become competitive with imports without relying on infrastructure impediments.

Discrimination by British Coal in favour of UDM

- Hope that British Coal would do all they can to favour UDM, given cooperative part you have played. But British Coal are constrained by statute from discriminating solely on account of membership of a particular trade union.

Background

1. Mr Lynk wrote to the Prime Minister on 20 June to express concern about the implications for the UDM of electricity privatisation (copy attached). He is worried that the absence of long-term contractual arrangements between the Distribution Companies and the Generators will mean that the Generators would not be able to enter into long-term contracts with British Coal, which will mean more pit closures. 60% of Notts output goes to power stations earmarked for Power Gen with no realistic alternative markets available if POWER GEN increases imports or oilburn.
2. Mr Lynk is particularly concerned about the vulnerability of UDM pits given current import prices viz-a-viz British Coal's current costs, the scope for imports via Humberside (especially if the Associated British Ports Bill proceeds), as well as the opportunities for coal imports and oilburn at Thameside power stations - the cumulative effect of which, amounting to 30mt a year, could put half the UDM pits at risk.
3. Mr Lynk believes that for the UDM, as a union, to be viable, UDM majority pits need protection from closures, time in which to become competitive and assurances on future sales to the Generators. He is in favour of a capital



CONFIDENTIAL

reconstruction of the industry together with early privatisation, with active UDM involvement.

4. The paper circulated under cover of the Secretary of State's minute of 14 June to the Prime Minister on Electricity Contracts indicated a possible package that might result from the negotiations between the Generators and British Coal. This involved British Coal's prices being brought down to a level related to the world market price over a five year period coupled with a reduction in the volume of coal sold to the Generators of some 15mt over a three year period. With the continuing increase in productivity this would require the closure of some 20-25mt of capacity in total (about one-third of British Coal's remaining deep mines). This loss of 15mt of sales would involve a reduction in the workforce of up to 18,000 men in addition to the loss of some 12,000 men which may occur over the period even if sales to the electricity industry are maintained at their present level.

5. In the present closure round British Coal have fallen over backwards to assist the UDM and in particular have maintained in existence relatively high cost pits in Nottinghamshire that would otherwise have been closed. Following the 4 July meeting, work is in hand with British Coal to consider how best to minimise the consequences for the UDM of the further rationalisation of the industry that will be required as a result of the likely outcome of the negotiations with the Generators.

6. Protection of the UDM is constrained, however, by the need for British Coal to become fully commercially viable in the run up to privatisation, and by the continued existence of the Independent Review Body procedure established in the wake of the 1984-85 strike. At the request of the unions, proposed closures can be considered in detail at an IRB hearing where British Coal would find it difficult to deploy publicly defensible arguments for closure of lower cost pits while keeping open higher cost UDM collieries.

7. Mr Lynk is also worried that Nottinghamshire coal faces higher rail charges than Yorkshire pits in the big power stations at Cottam and West Burton on the Lower Trent which account for 10mtpa of coal. Delivery costs are £1.40 per tonne (3%) higher at Cottam, and £0.70 higher at West Burton. As a result it is Nottinghamshire coal, not Yorkshire coal which is stocked when demand is slack. This could be overcome if the Joint Understanding is superseded next year by contracts which allow British Coal to quote a delivered price for its coals, or if British Coal adjusts its pithead prices to reflect the transport differentials.



CONFIDENTIAL

8. One particular aspect of discrimination in favour of the UDM is mentioned in the paper attached to Mr Lynk's letter, where it is argued that NUM members have got the benefit of the UDM's efforts in pay negotiations. Mr Lynk suggests that British Coal have not tried to find ways to pay wage increases to the UDM without automatically passing them on to the NUM.

9. The position is that the UDM is recognised by British Coal for bargaining purposes at each pit where it has a majority of members; and likewise the NUM though this union does not accept that it cannot negotiate for all mineworkers and therefore will not negotiate at all on pay. The UDM have members at pits in which the NUM have a majority and would naturally wish any deal to apply to such of their members. However, the employment legislation prevents British Coal from penalising a man on account of trade union membership. In consequence British Coal judge it necessary to pay all colliery workers at rates which reflect the nature of the job, regardless of trade union affiliation.

DM2 (20JL



CONFIDENTIAL

LIBERALISATION

Raising the Limits

If Mr Lynk raises the question of enabling British Coal to hand over pits to the UDM.

- British Coal is not free to license UDM to run existing deep mines given the statutory limit of 30 men underground. However, we have been looking at this and intend to raise the limit to around 150 men in legislation later this year. But we do see difficulties in going much beyond this.
- Raising the limit to a level at which it would be possible effectively to license existing deep mines would prejudice decisions we have yet to take on the future structure of the industry after privatisation. It would also be politically difficult to see pits close with large associated redundancy costs, the majority of which are met by the taxpayer, and then shortly reopen on a licensed basis employing the same people.
- It would also be difficult to ask British Coal to be co-operative in this area and they will remain the Licensing Authority. Given the present overcapacity in the market if one closing marginal pit is reopened on a licensed basis then another British Coal pit elsewhere would have to close with its associated redundancy costs. Thus the taxpayer would be asked to pay twice for the necessary reduction in capacity.
- There would also be a large number of practical issues to be considered eg how would a fair price be determined for the assets and could the UDM make such a potentially



CONFIDENTIAL

large investment? Who would take on the liabilities eg for subsidence or pensions etc.

- There would clearly be great risks associated with such a venture. Given the market pressures to reduce capacity, especially for power station coal, how could you be sure of selling the product? Any mines put forward for closure, and thus possible candidates for licensing, will be the most marginal by definition and therefore will carry the greatest risk. If such a venture failed the whole future of the union would be at risk.
- We believe lifting the limit to around 150 men should offer scope for some recruitment for you. We are also considering asking British Coal to remove the constraint in the licence terms which requires licensees to offer the same terms and conditions as are offered to NUM members in peripheral coalfields. This should again offer prospects for new members particularly in Scotland, Durham and Wales.

Privatisation

- Government committed to privatising the coal industry in the next Parliament. No possibility of doing this earlier given time needed for legislation and the reorganisation necessary before any sale could take place. But entirely open to suggestions for involvement of the workforce in the privatised industry.

Background

1 The 1946 Coal Industry Nationalisation Act limits the size of licensed mines to 30 men underground. British Coal's smallest mine is around 250 men underground. The licensed mine sector is in decline. It cannot cut its unit costs without investment and multi-shifting, and thus requires more men.



CONFIDENTIAL

2 Licensed coal mines are largely confined to the shallow coalfields of Scotland, Durham and Wales which are dominated by the NUM, although the UDM are represented in some mines. Raising the limits offers scope for the UDM to expand in these areas. But British Coal could help by removing the requirement in their licences that licensees must offer the same terms and conditions of employment as British Coal themselves offer in their own mines.

3 We have no reason to think that Mr Lynk will object to raising the limit from 30 to 150 men. But he may want to go further. He has had exploratory talks with Sir Eric Pountain of Tarmac (amongst others) about joint venture arrangements under which Tarmac would provide the management of a UDM mine and take the majority of the equity, the UDM having a limited stake. But this would depend on clear guidance from Government on the licensing regime we envisage beyond privatisation and the treatment of contingent liabilities, such as subsidence and pensions. These issues will not be resolved for some time. Joint venture proposals ahead of privatisation would certainly be radical: Ministers agreed last September that controversial legislation on coal would be best avoided in the current Parliament.

15/77



CONFIDENTIAL

CAPITAL INVESTMENT/RECONSTRUCTION

Points to make

Capital investment

- Government has endorsed plans for a small power station at Bilsthorpe. British Coal currently looking in detail at Margam project - much will depend on commitment of British Steel as regards volume and price. Precise timing of Asfordby may depend on outcome of ESI negotiations.

Capital reconstruction

- Government currently looking in detail at possibilities for capital reconstruction of British Coal that would result, amongst other things, in an easing of the debt burden. Hope to introduce legislation in Autumn, in light of outcome of ESI negotiations.

Background

1. There is scope for further investment in UDM pits: at the large new pit at Asfordby; at Margam in South Wales, a coking coal project whose viability is dependent upon a satisfactory contract with British Steel; at the small power station at Bilsthorpe where British Coal is involved in a joint venture, which should guarantee a future for that UDM colliery; and at existing profitable UDM pits with scope for further enhancement in productivity.

2. Mr Lynk may refer in passing to the militancy in the Selby coalfield. This reflects the transfer from closing Yorkshire pits after the 1984-85 strike of men who wished to remain in the industry. Industrial relations at Selby appear no worse than elsewhere in Yorkshire and flexible working practices have been introduced: but Mr Lynk would certainly be right in saying that the complex is not yet realising its full potential.



10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

10 July 1989

Further to my conversation with your secretary this afternoon I am writing to confirm your meeting with the Prime Minister on Wednesday 26 July at 12 noon.

As I mentioned to your secretary I would be grateful if she could give me a ring a day or two before the meeting to check the arrangements for your arrival at Downing Street.

(AMANDA PONSONBY)

Roy Lynk, Esq.

A handwritten signature in the bottom right corner of the page.



C

MJ

CefBarby

cc D/N

10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

7 July 1989

Dear Mr. Lynde,

Thank you for your letter of 20 June. I would be happy to meet you to discuss the concerns you raise.

Cecil Parkinson has been keeping me in close touch with developments in the coal industry and his discussions with you. Both of us are committed to a strong and viable British coal industry. The scale of the investment we are putting into the new super pit at Asfordby and the new venture which British Coal is developing with you at Bilsthorpe are marks of our continuing recognition of the positive attitude of the UDM. Your union's reputation for constructive industrial relations and reliability is well known to the electricity industry and is the best possible protection for your members.

My office will be in touch with yours to arrange a meeting.

Kind regards,

Yours sincerely

Raymond Walker

Roy Lynde, Esq.

VCS

PRIME MINISTER

The attached reply to Roy Lynk has been prepared in the light of discussion at your Tuesday meeting on electricity contracts. The Department of Energy advise that you should agree to see him but that the meeting should not take place until final conclusions on the Government's proposals have been reached.

Content to sign and for me to arrange a meeting with Roy Lynk (and Cecil Parkinson) around the end of this month?

Paul G.

Paul Gray

5 July 1989



UDM

B

UNION OF DEMOCRATIC MINeworkERS

THE SYCAMORES
MOOR ROAD
BESTWOOD
NOTTINGHAM
NG6 8UE

Telephone Nottingham 763468
Fax 0602 763474

Our Ref: RL:VR:DB1

20th June, 1989

Mrs. M. Thatcher
The Prime Minister
10 Downing Street
LONDON

R23/6

Please reply to:

Miners' Offices
Berry Hill Lane
Mansfield, Notts.
NG18 4JU

PG

Dear Prime Minister

It is with deep regret that I am writing this letter, but I feel that it is time for your personal intervention in the whole question of the Energy Situation.

You have spoken recently to the Nottingham Conservative M.P.'s, stating that the Nottinghamshire Miners in particular, have played a major part in your first Ten Years of Office. Michael Spicer has also just berated the Labour Party in the House for their lack of recognition of the U.D.M., and he went on to say that your Party was aware of the situation facing the U.D.M. (these are not his exact words). I take great comfort from these public shows of support, but I feel it is time that this support manifested itself into some positive action so that the U.D.M. can play an important part in the future of British Mining and also help the British economy.

I feel that not enough cognisance has been taken of the Political implications behind the run down of the Mining Industry. If the Government's object is to secure an Energy Supply for Britain without the threat of Union militancy disrupting that supply, then the plan fails to recognise that a smaller Industry virtually kills off the U.D.M. Pits and puts the coal production back in the hands of Arthur.

Without wanting to sound as though I know it all, there has not been enough thought given to the relationship between the privatisation of Electricity and the privatisation of the Coal Industry.

Having looked at the matter in some detail, it is evident that there is a common thread running through the piece, the thread being there is insufficient time for the plans of all the parties concerned in the privatisation of the Energy Industry, to reach a successful conclusion.

continued/...

All parties concerned in the privatisation issue require a period of adjustment. They require a minimum of five years, to enable all the efforts and planning to be successful. The Distributers are determined to ensure they have a stable source of electricity.

Because of the turmoil throughout the World, both in the stability of the different economies and the political instability of many Coal Exporting Countries, the Distributers are anxious to ensure that when they place contracts they maintain the maximum stability possible. You have only to look at the recent developments in China, a potential supplier of World Coal, and the current strike in the American Coal Industry, and also the threatened Dockers' Dispute in this Country, to realise that the placing of these Contracts is a very difficult decision to make. Because the Distributers are inexperienced in this new field, they are being ultra-cautious.

As a result of this caution, they are not placing long term orders with the Power Generators and the Power Generators are then in a position that they are totally in the dark relative to future demands for Electricity, so they cannot plan for future sources of energy generation. Because the Power Generators do not know the future demand situation, they in turn cannot place long term contracts with British Coal. Because British Coal has not received any long term orders for Coal, they have to examine their situation.

Because of the lack of orders and the need for the Coal Industry to break even, it follows that more pits will close and as a good proportion of these pits which may be closed could be U.D.M. Pits, we are back to a situation that Mr. Scargill will still retain a major influence over the Country's Energy Supply.

I have spoken to Lord Marshall in public at our Annual Conference, and invited him to make a joint approach to the Government on this issue. He agreed with my thoughts, but felt it was not the right thing to do. I also know that Sir Robert Haslam, Chairman of British Coal, also supports this view.

I enclose a synopsis relative to the Coal Industry and some of the problems facing it, which I hope will support my letter.

I believe the efforts of the British Miners, the U.D.M. Miners in particular, have indicated they are more than willing to meet any challenge that may confront them, if they are given the correct opportunity.

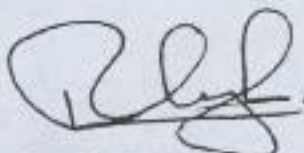
continued/...

To quote one of your famous predecessors, "Give us the Tools and We will Finish the Job".

In 1984 fate threw us together, and I have always comforted myself with the knowledge that the U.D.M. has a friend in the Prime Minister.

You have also indicated to me that if ever I had a problem I could always discuss the matter with you. I believe I have a problem of monumental proportion, which should be relatively easy to resolve. I am not asking for charity for the Mining Industry, just a chance, and I would welcome the opportunity of being allowed to discuss the matter with you at your convenience.

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'R. Lynk', written in a cursive style with a horizontal line under the name.

R. Lynk
National President/Secretary

Encs.

NEGOTIATION OF COAL CONTRACTS

British Coal is a large business by any standards, directly employing 107,000 people, or a little less than 1/2% of the Country's total workforce, and many thousands more indirectly, and sustaining a major export business in Mining Machinery. It produces about 104 million tonnes of coal per annum, including 84 million tonnes of deep-mined coal, which alone is about 25% of the Nation's total energy requirement.

Even in its post-strike, slimmed proportions, it is still economically, politically and socially emotive and important.

Britain will continue to need Coal in much the present quantities for a long time:

- ** The Coal-burning Power Stations are built and most have a life expectancy beyond the end of the century.
- ** Theoretically, these Power Stations could use a proportion of fuel oil, but any significant move in that direction would cause a substantial increase in the oil price.
- ** The use of natural gas in power generation is likely to be confined to a number of small, new combined-cycle plants.
- ** Nuclear Power is environmentally cleaner than coal, gas or oil, but it could only take over slowly and at very great cost; though statistically a small risk, a nuclear accident would be far worse than any possible accident with other sources of power.
- ** Renewable energy sources seem unlikely to be able to contribute much in the near future.
- ** Energy saving will theoretically reduce demand but this is difficult to forecast and in any case, is likely to be offset by upward pressure from economic growth.
- ** New, far more efficient and environmentally friendly means of producing power from coal are available for development - Grimethorpe, for example, must go ahead.

continued/...

Any coal which can be economically produced in Britain should be preferred to imports:

** Despite all the change brought about, Britain still shows a chronic tendency to slip into balance of payments crises whenever the economy grows quickly. This has once again become a critical issue.

** Coal imports for power generation have hitherto been virtually nil. However, for each 10 million tonnes imported, there would be introduced a permanent direct adverse cost to the balance of payments of some £300 million. This would increase if World coal prices rose or Sterling fell against the \$, both of which are possible. There would also be unquantifiable, but substantial indirect effects on the industry's private sector suppliers as the home Coal Industry shrank.

** There is a vital need to take a long term view of the case for UK Coal against imports since:

"sustainable" international coal prices expressed in sterling are likely to be significantly higher than has been the case recently, and

the UK industry has not only substantially reduced its costs, but has maintained the momentum of improvement, with further reduction still to come through.

There is thus a very good chance that in due course there will be a convergence between UK Coal costs and international prices.

** International coal has a history of extreme price volatility. The price has increased by 30% over the last 18 months. This volatility will continue as all imports have effectively to be bought on annual contracts. By contrast, UK coal can be made available at broadly stable prices.

All the evidence points to the need for the rebirth of a fully competitive, indigenous Coal Industry (like steel). This will require time and suitable "bridging" policies. The privatisation of electricity and coal should be undertaken with this objective (amongst others) in mind.

continued/...

Unfortunately, the rebirth of the Coal Industry represents all the problems so far experienced with renewing traditional industries, plus some more which result from its history. But it also presents a unique challenge and opportunity. The problems and the opportunity are inextricably entwined:

**** Stability of Supply of Coal**

No Government could be expected to put privatisation of electricity through without using it to ensure stability of fuel supply. The N.U.M. have been outside of any formal relationship with British Coal for nearly 5 years, and whatever the attitude of some of its members may be, its leadership shows no sign of commitment to the success and prosperity of the industry or of changing its attitude. On the other hand, the track record of the U.D.M., leaders and members, is the exact opposite and this policy will continue.

There are thus two quite different degrees of likely stability of UK supply, not one. The N.U.M. Pits cannot be relied upon, but the U.D.M. Pits can. We believe that this divide is critical and should be reflected in the Coal Contracts now to be concluded.

**** Price of Coal**

No Government could be expected to put privatisation of electricity and/or coal through without using them especially to secure the lowest possible coal prices. There are two angles to this:

Imports

It has been argued many times that World coal prices are now depressed below their long-term sustainable level. This has been partly proved recently when \$ prices have risen. Because there are no imports of coal for power generation now and the £ has been relatively strong, this has been unnoticed. If there were to be increased imports the \$ price itself would rise and if the \$/£ parity moved further in favour of the \$, the effect would be to cause a further large rise in the Sterling cost of imports. The present prices are theoretical and illusory. We would hesitate before committing any part of our future to imports on cost grounds.

continued/...

If pure current price considerations only were applied, perhaps over a period of 30 million tonnes of indigenous coal could be replaced by imports. If the proposed Humber Ports are proceeded with this will pose a particular threat to U.D.M. Pits. 40% of Notts output is supplied to the 4 power stations nearest to the proposed ports. In addition, an increase in coal imports and oil use in the Thames-side Power Stations would also reduce the demand for Notts. Coal in the Trent Power Stations since these stations would, in these circumstances, generate less power. In aggregate, therefore, half U.D.M. output could be at risk. This surely would be the supreme irony - to axe the coal which can be most relied upon. Even if the import level were to be significantly lower, say 15 million tonnes, the losses would still fall disproportionately heavily on U.D.M. Pits.

UK Output

The price of most UK coal output could be made fully competitive with likely future import prices, on two conditions:

If the industry were relieved of the cost of servicing and repaying current capital borrowings and put on a firm basis for the future. It is quite clear that with electricity privatisation all chance of paying off these loans will have gone, and if that did not occur, privatisation of coal would be impossible without writing them off; so let us do it now.

If that part of the industry which is stable and viable were to be offered to be bought by its workers on terms such that they would have an incentive to ensure that the remaining changes required to secure the improved efficiency needed were made. Much of the industry's present trouble must be placed fairly and squarely at the door of British Coal's unenterprising management. It is easy just to shut pits when trouble looms, as has been done in the past. There is much more that can be done and the U.D.M. want to get to grips with this as soon as possible before more closures make further decline inevitable. The U.D.M. has the track record for this to be taken at face value. Despite lack of enterprise, the impossible in terms of productivity has occurred since the strike - and it can occur again.

continued/...

**** Contracts with Privatised ESI**

Given their degree of market exposure, the U.D.M. Pits need the security of long term contracts with the privatised Electricity Supply Industry. This is particularly crucial with PowerGen. Some 60% of all Notts. output goes to Power Stations designated to PowerGen, but Notts. Coal has no realistic alternative markets, whereas PowerGen could readily reduce its need for Notts. Coal by importing coal or using more oil. The Notts. Coalfield is thus uniquely and extremely exposed to the fuel purchasing policies of PowerGen, with no real bargaining counters of its own. A further irony.

**** Unionisation**

Since the strike, the N.U.M. have progressed only by reason of a towline to the U.D.M., assiduously attached by British Coal. The U.D.M. have done all the negotiating and run all the risks while the N.U.M. have got the benefit of what we have achieved through British Coal's interpretation of the Employment Protection Legislation. We do not believe that British Coal have really tried to find ways to pay wage increases to the U.D.M. and not automatically pass them on to the N.U.M. Despite the clear message of history, they are still very much N.U.M.-orientated. So the U.D.M. has not achieved the rise in membership this would have brought.

The N.U.M. are in a position at any time to accept a Conciliation Scheme and then take over the chief role in negotiations without having to show any change of heart or commitment to the prosperity of the Industry. In practice, this cannot have much effect until the Autumn of 1990, because of the current two-year agreement, but if it did occur, it would be disaster. Amongst other things, on privatisation, no one would buy the industry, or any part of it where the N.U.M. are in the saddle. A way has to be found of splitting the Industry so that an economically viable U.D.M. Sector business is put up for sale separately. There are, of course, many other reasons for such separation, as well as some against.

continued/...

PRIVATISATION

It is well known that the U.D.M. would want to buy that sector of the Industry where they have their membership. However, no one would finance the U.D.M. to do this unless the sector was in every sense a viable business. In the negotiating of coal contracts, amongst other factors, attention needs to be given to the likely cost of coal produced indigenously after privatisation (see above), not present costs; to realistically likely import prices; to the balance of payments; to stability of supply and to employment. But economics cannot be the sole arbiter - a strong independent U.D.M. is an essential component of successful privatisation. To fill this role, the U.D.M. has to survive as an independent Trade Union; to survive the U.D.M. needs to retain a sufficient membership. That means not shutting U.D.M. Pits. Time will be required before these pits can take the degree of market exposure which seems likely. Given time, they can be fully competitive. Meanwhile, very clear assurances will be required on future sales to National Power and PowerGen. The U.D.M. are determined to build a successful enterprise round the pits they now have in membership. They can only proceed, however, if it is made commercially possible for them to do so. The same is bound to go for any other potential purchaser also.

In view of the above and seeing that the present stage has been reached, it would be politic, in the U.D.M.'s view, to proceed with Coal Privatisation, sooner rather than later, before the next Election, if possible.



SUBJECT
CE MASTER

SECRET AND PERSONAL



PMH AD 0

File 1.

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

26 January 1988

Dear Stephen,

Mr. Roy Lynk of the UDM, accompanied by Messrs. Liptrott and Kirby, came to see the Prime Minister yesterday. Your Secretary of State was also present.

Mr. Lynk gave the Prime Minister a discussion document on political and economic problems in the mining industry. He stressed the commitment of the UDM to building a continuing viable industry. The Union recognised the need for the introduction of flexible working practices to secure this, but he felt the Government should not under-estimate the continuing threat posed by the NUM. If the UDM were to help to resist the challenge there were various aspects on which they had to look to the Government and British Coal to act.

In response, the Prime Minister and your Secretary of State stressed that British Coal had taken a number of steps which were of particular help to UDM members, for example in the handling of back pay and the proposed treatment of Asfordby Pit. They agreed that it would be helpful for Government statements to stress the benefits of the adoption of flexible working practices, for example by indicating that those who co-operated in this were helping to secure the future of the industry. Your Secretary of State explained that he had already been emphasising the need for modern working practices to complement the extra funding by the taxpayer of investment in modern machinery.

In further discussion Mr. Lynk said he believed that, with appropriate support from British Coal, UDM members were well placed to ensure continued working in the event of any NACODs disruption. UDM members could provide safety cover as long as they had obtained the new style deputies' ticket, shotfirers gas and hearing ticket and a first aid certificate. Your Secretary of State said his understanding was that there was also a need for a statutory order to enable UDM members to carry out the safety functions. Mr. Lynk said he did not believe this was necessary and your Secretary of State agreed to look further into the position.

SECRET AND PERSONAL

Lo

The UDM representatives said they needed to develop the training of their members and officials. There had been some earlier discussions about this, but without any positive results so far. Again your Secretary of State agreed to look into the position.

Continuing, Mr. Lynk argued that British Coal should be encouraged to introduce single union agreements at the new pits. Such pits were the key to the future of the industry, and they could not work as effectively if they were manned jointly by UDM and NUM members. The benefits of UDM acceptance of flexible working practices and incentive packages were liable to be undermined unless they had single representation.

Summing up the discussion, the Prime Minister expressed her thanks to Mr. Lynk for the points he had raised. Mr. Lynk agreed that he would in future seek to develop more regular exchanges with your Secretary of State than hitherto.

*Yours,
Paul*

PAUL GRAY

Stephen Haddrill, Esq.,
Department of Energy.

THE RIGHT HON.
MARGARET THATCHER PM

DISCUSSION DOCUMENT

by

THE UNION OF DEMOCRATIC MINeworkERS

on

PROBLEMS WITHIN THE COAL MINING INDUSTRY
BOTH POLITICAL AND ECONOMIC
AND POSSIBLE SOLUTIONS

1. Our intention here is not to argue the case for or against privatisation of the Electricity Supply Industry, but to register the UDM's concern that when privatisation is carried out account should be taken of the long-term interests of British industry, the need to have a basic indigenous energy source. Obviously, we are concerned about the long-term future of British mining and the long-term future of the Union of Democratic Mineworkers.

2. British Coal currently sells over three quarters of its output to the Electricity Supply Industry. A five year 'understanding' exists between the British Coal Corporation and the Central Electricity Generating Board, which sets minimum tonnage commitments by the latter against the price guarantees by the former.

This arrangement has evolved because it was seen to be necessary by both parties to allow the efficient planning and operation of their industries.

The UDM contends that such an arrangement between the British Coal Corporation and the electricity producer will be just as necessary and just as much in the national interest after privatisation as before. We are concerned that if long-term considerations are ignored, the consequences could be damaging in the short term to our members and in the longer term to the economy as a whole.

3. There can be no doubt that coal will continue to be the major primary fuel for power generation in the UK for the foreseeable future. The question is where is that coal to come from?

Currently, International steam coal prices in sterling are only half the level in real terms of two years ago and only half the average level in real terms over the last ten years.

This has led to demands that British coal should immediately be replaced wherever possible with imports - and hence, indirectly, demands that substantial further cuts should be made in UK productive capacity. There is an analogy between our present situation and the position of the oil industry in the 1960s when unsustainably low oil prices led to an excessive dependence in Western Europe upon imported OPEC oil, which led to great economic disruption in the West when oil prices increased greatly in the 1970s.

Already nearly half steam coal requirement of the European Economic Community (outside the UK) are met by imported coal and there is considerable pressure for this proportion to increase further.

4. In spite of the huge productivity increases achieved since the NUM strike of 1984/85, the British coal industry cannot match for the bulk of its production the present prices available on the international markets. But, as demand increases, who can?

Current prices are just not high enough to maintain availability of steam coal for export. Mine closures are taking place in Australia, and South Africa and the USA are reducing their exports significantly. This is a clear signal that prices are in some cases not even covering operating costs from those 'low-cost' producers, and, therefore, prices are way below the level required to stimulate investment in new or replacement capacity, which will be required if world trade is to grow in the way that most experts predict.

5. If the Electricity Supply Industry were to purchase its coal at the Rotterdam spot price, at current levels up to perhaps 30 m.t. of British coal might be displaced within a short period of time. Displacement means closure, and closure is irrevocable.

We would regard this as a very short-sighted view of 'market forces' not only because the present spot price is not sustainable, but also because large scale additional UK imports would themselves increase prices further. (30 m.t. would represent a quarter of the present total world steam coal traded market.) As prices rose (further increasing balance of payment problems) there would be no way of expanding the indigenous industry instantly.

6. The conclusion then is that prices must go up. The present levels are not sustainable. This was recognised as recently as March 1987 in the Government's Decision Letter on Sizewell B. It was approved on the basis of a 'central' estimate of longer term international coal prices at twice today's level. The strategy for the coal industry also requires a long-term view to be taken. It would be quite wrong to judge the future policy on nuclear power on the basis of a sustainable long-run price of coal, but then determine the strategy for UK coal industry on the basis of the current depressed Rotterdam spot price.

7. It would be disingenuous to claim that the UDM does not have other more immediate concerns. A large scale and rapid contraction of the industry could not be managed in a selective way. It would affect not only high cost pits with limited life, but also pits with substantial reserves capable of operating profitably at long-term prices. Undoubtedly a significant proportion of additional job losses arising from rapid contraction would fall on the UDM membership.
8. The UDM is concerned with the proper role of the industry in the UK economy - not coal at any cost. To ensure that the proper role is fulfilled, we have an interest in technical progress and productivity. For example, in the Nottinghamshire Coalfield, the UDM has negotiated unique incentive schemes which have led the way to higher productivity at a more efficient cost to the industry. The success of the schemes has resulted in other Areas trying to compete with the Agreement reached between the UDM negotiators and British Coal Management. They have also enabled British Coal Management to carry out specialised contracts which in the past have been undertaken by private enterprise by utilising our own workforce in a much more economic way.
9. The UDM is the first Trade Union within the Mining Industry to grasp the nettle and commence negotiations with British Coal on the introduction of Flexible Working and new Working Practices within the Coalmining Industry. It should be appreciated that this was by no means an easy step to undertake, but if a six-day coal production system can be formulated in an acceptable way, then further increases in productivity and cost reductions are possible.

We are also concerned that the strides the Industry has made recently should not be placed in jeopardy, which would happen if the Industry were faced with a large and sudden loss of market. Apart from any other consideration, the demoralisation which would undoubtedly affect the remaining rump of the Industry would certainly have an adverse effect on the costs of that core. No one is claiming that the Electricity Supply Industry could import the whole of its coal requirement.

10. The UDM is of the opinion that Her Majesty's Government should give serious consideration to additional funding for Research and Development into the Coalmining Industry, to provide for techniques to be established for alternative uses of coal in the long-term.

Such projects as liquefaction, gasification and methane drainage along with the many by-products which can be produced from coal such as oil, gas, tar, nylon etc. These projects would ensure a long-term future for the British Coalminer in a lean and efficient industry geared to producing the needs and energy requirements of a country well into the twenty first century.

11. Turning to the present situation in the coal mining industry, I am sure we do not have to remind Her Majesty's Government of the significance of the 22nd January, 1988.

The Union is absolutely certain that this date could well be only second in significance to the 6th March, 1984, and we are certain that once again we will have the vision of the phoenix rising out of the flames and these flames will be emanating from the British Coal Industry unless the UDM is given the support it desperately needs to prevent Arthur Scargill embarking, once again, on the trail of chaos.

We defeated Scargillism in 1984 and if it is necessary we will defeat Scargill again in 1988. The UDM is further convinced, from its sources of information, that the NUM is now operating a "Union within a Union" principle as evidenced by the activities of the recent industrial action which took place at a large number of collieries within the Yorkshire Coalfield.

There is now a so called Panel which operates outside of the duly elected Officials within the NUM Yorkshire Area, and who were responsible for the co-ordinated campaign of flying pickets throughout the Area at that time and, who were not under the control of the Area Officials and Area Executive Committee Members within the Yorkshire Coalfield.

Even if a Trade Union Leader that recognised moderate views were to be elected in the future by the NUM, it is quite obvious that there has been such a major infiltration into the largest NUM Area within the Industry, that any reasonably minded Trade Union Leader could not operate without the continued sabotage principles of this large influential group of militant activists.

:

A previous Secretary of State for Energy did indicate that financial assistance might be available to assist this Union in its continuing fight for democracy and return to sensible negotiations to bring about stability within the Coalmining Industry. We reiterate we cannot do it from an isolated platform, but to use the words of a former elder statesman of this country "Give us the tools and we will do the job."

12. In the light of all those considerations, the UDM believes that in making arrangements for the privatisation of the Electricity Supply Industry, Government should provide that the major UK power producer(s) should have a contract or contracts with British Coal to provide the bulk of its coal supplies at prices competitive with the sustainable international coal price (not the current Rotterdam spot price) after allowing for the transport advantage of most British coal (since most power station coal is consumed at a dozen major sites on the central coal fields).

There is a strong parallel with the arrangements which have been suggested Government is to make to safeguard the future of nuclear power. The Government's own estimates of future coal prices used for the Sizewell B decision would be a useful starting point for the determination of these contract prices.

The arrangement could also provide for British Coal to compete at the margin with imports on a year-by-year basis, but only on that proportion of sales which could be readily imported with existing facilities. Such contract or contracts would have great advantages, not only of security of supply, but also in giving the Electricity Supply Industry predictable prices. UK electricity prices are the lowest in Europe. This type of contract would help to ensure that they could remain so.

13. If such a contract makes economic sense, why does Government need to play any part in its establishment? Will such an arrangement not result from simple commercial negotiation after privatisation? The fact is that whatever form of regulation is exercised over electricity prices in the absence of such a contract, the generators must be able to pass on fuel cost increases in their tariffs. In those circumstances, they can be indifferent to long-term fuel prices (though their customers will not be).

:

The Government has recognised that in the process of privatisation of the Electricity Supply Industry, its own role includes the consideration of the interests of the consumer (industrial and domestic) as well as of the supply industry itself. A coal contract with British Coal could guarantee the real price of the bulk of fuel supplies for power generation.

14. There would be a very real danger, not only in the UK but in the European Economic Community as a whole, should the member states become totally reliant on cheap foreign imports of energy. We saw the antics of the oil sheiks in the 1970s when prices spiralled to unprecedented levels which resulted in massive inflation and worldwide depression in industry generally. Surely, we are not going to allow ourselves to be dragged along the similar path in the 1990s and lay ourselves at the mercy of certain coal exporters, who it is well known cannot continue to produce and export their product at the present world spot price market for coal. It is, therefore, imperative that we establish monies for further development both in new mining techniques and in new mines to reduce our dependency on foreign imports and to maintain a good economic British Coalmining Industry. The UDM is not afraid of competition but simply wishes to compete on a fair basis.

15. Short term profit maximisation by the electricity producers can have other long-term effects. To protect themselves from being 'held to ransom' in the central coalfields by the indigenous coal producer after a decision to import substantially at the periphery, the generators would act to open up the power stations in the central block to large scale imports. (There are already two proposals for discharge terminals due to come before Parliament in the current session.)

These ventures could only go ahead if a high level of throughput could be guaranteed - and that means a long-term power station contract. Unlike the contract with British Coal which we envisage, however, there could be no long-term coal price guarantees, and the option to revert to indigenous supplies simply would not be there.

16. There is little doubt that a contract of the nature we envisage would result in some further loss of revenue, perhaps of the order of 10%, to British Coal (over and above the large reductions already made after the collapse of oil prices in 1986). It would be very undesirable if this led to a situation in which British Coal would once again incur substantial

deficits. In particular it could well prejudice the 'new realism' which the UDM have played a major part in fostering within the Coal Industry.

To avoid this, there is in the view of the UDM, a need for a radical reconstruction of British Coal's loan capital, giving rise to high fixed interest charges, is a serious anomaly, and does not do justice to the performance of the Coal Industry, which made a trading profit better than that of the British Steel Corporation last year.

Some write-off of British Coal's unproductive assets might be necessary (since some unsuccessful investment is inevitable in an extractive industry); but the major issue concerns the need to change the 'debt/equity' ratio. A ratio of one-third debt to two-thirds equity would be more appropriate for an industry operating in what is in effect an international commodity market. Such a change would give substantial relief on interest charges during this period of unsustainably low international prices. Such a strategy for the Coalmining Industry will allow Her Majesty's Government to provide for a much more attractive package should consideration be given to the future extension of privatisation policies.

17. In summary, the UDM suggests:

- * that international coal prices cannot and will not remain at the current low levels (and that Government has recognised that in its decisions on nuclear power);
- * that displacement of a substantial proportion of indigenous production with imported coal would be a shortsighted measure which would expose the Electricity Supply Industry to unnecessary risks on price and security of supply, would have an adverse effect on the balance of payments, and would cause the rapid and uncontrolled decline of the UK Coal Industry;
- * that long-term contracts between the Electricity Supply Industry and British Coal for the bulk of coal supplies would bring substantial benefits in terms of price stability, security of supply, employment and balance of payments;

18. Without such a policy based on long-term contracts and capital reconstruction, Electricity Supply Industry will place the future of the UK coal industry in great jeopardy. In a climate of rapid contraction, it would not be possible for the UDM to make its particular contribution, based on co-operation and realism, to establishing a competitive and secure source of energy for the Electricity Supply Industry.



10 DOWNING STREET

Prime Minister

WOM

1. Full briefing from D/En. enclosed.
2. Mr. Lyak will be accompanied by 2 of his colleagues. I've told him the appointment is for 1/2 an hour.
3. I suggest your main aims are:
 - (i) Re-assure them of Government approach / support while lowering their expectations about future electricity / coal policy.
 - (ii) Encourage them to develop regular exchanges with Mr. Paterson.
4. I've warned Mr Lyak you may ask him to open with a brief résumé of their concerns.

File 6 22/1

CONFIDENTIAL

✓ b-4p.
B9



SECRETARY OF STATE FOR ENERGY
THAMES HOUSE SOUTH
MILLBANK LONDON SW1P 4QJ
01 211 6402

Paul Gray Esq
Private Secretary to
Prime Minister
10 Downing Street
LONDON
SW1A 2AA

22nd January 1988

Dear Paul

I enclose a brief for the Prime Minister's meeting with the UDM. It covers the points which Mr Lynk said he wished to raise; the privatisation of the esi (he has sent a paper which refers to this), intimidation after the NUM election, and the future of the UDM. There is also a general brief on developments over the last year and, as you requested, a note on NACODS.

Yours ever,

Stephen

S HADDRILL
Principal Private Secretary

CONFIDENTIAL

BRIEFS

1. Background and Recent Developments
2. UDM Paper: "Problems within the Coal Mining Industry"
3. Intimidation/NUM Election
4. Future Role of the UDM
5. NACODS

DISCUSSION DOCUMENT

by

THE UNION OF DEMOCRATIC MINeworkERS

on

PROBLEMS WITHIN THE COAL MINING INDUSTRY
BOTH POLITICAL AND ECONOMIC
AND POSSIBLE SOLUTIONS

Mr

[Redacted area]

SECRETARY OF STATE'S OFFICE	
TO <i>MR BUCKLEY</i>	Copies to
FOR ADVICE (AND	<i>PS/MR SPICER</i>
DRAFT REPLY IF	<i>PS/PUS</i>
APPROPRIATE)	<i>MR GUINNESS</i>
PLEASE BY:	<i>MS JONES</i>
<i>CO.P 21/1</i>	
VIA	

1. Our intention here is not to argue the case for or against privatisation of the Electricity Supply Industry, but to register the U.D.M.'s concern that when privatisation is carried out account should be taken of the long term interests of British Industry, the need to have a basic indigenous energy source. Obviously, we are concerned about the long term future of British Mining and the long term future of the Union of Democratic Mineworkers.

2. British Coal currently sells over three quarters of its output to the Electricity Supply Industry. A five year "understanding" exists between the British Coal Corporation and the Central Electricity Generating Board, which sets minimum tonnage commitments by the latter against the price guarantees by the former.

This arrangement has evolved because it was seen to be necessary by both parties to allow the efficient planning and operation of their Industries.

The U.D.M. contends that such an arrangement between the British Coal Corporation and the electricity producer will be just as necessary and just as much in the National interest after privatisation as before. We are concerned that if long term considerations are ignored, the consequences could be damaging in the short term to our Members and in the longer term to the economy as a whole.

3. There can be no doubt that coal will continue to be the major primary fuel for power generation in the U.K. for the foreseeable future. The question is where is that coal to come from? Currently, International Steam Coal prices in Sterling are only half the level in real terms of two years ago and only half the average level in real terms over the last ten years.

This has led to demands that British coal should immediately be replaced, wherever possible, with Imports, and hence, indirectly, demands that substantial further cuts should be made in U.K. productive capacity. There is an analogy between our present situation and the position of the Oil Industry in the 1960's when unsustainably low oil prices led to an excessive dependence in Western Europe upon imported OPEC oil, which led to great economic disruption in the West when oil prices increased greatly in the 1970's. Already nearly half steam coal requirement of the European Economic Community (outside the U.K.) are met by imported coal and there is considerable pressure for this proportion to increase further.

4. In spite of the huge productivity increases achieved since the N.U.M. strike of 1984/85, the British Coal Industry cannot match for the bulk of its production the present prices available on the International Markets, but as demand increases, who can?

Current prices are just not high enough to maintain availability of steam coal for export. Mine closures are taking place in Australia, and South Africa and the U.S.A. are reducing their exports significantly. This is a clear signal that prices are in some cases not even covering operating costs from those "low cost" producers, and, therefore, prices are way below the level required to stimulate investment in new or replacement capacity, which will be required if world trade is to grow in the way that most experts predict.

5. If the Electricity Supply Industry were to purchase its coal at the Rotterdam spot price, at current levels up to perhaps 30 m.t. of British coal might be displaced within a short period of time. Displacement means closure, and closure is irrevocable.

We would regard this as a very short-sighted view of "market forces" not only because the present spot price is sustainable, but also because large scale additional U.K. imports would themselves increase prices further. (30 m.t. would represent a quarter of the present total world steam coal traded market). As prices rose (further increasing balance of payment problems) there would be no way of expanding the indigenous industry instantly.

6. The conclusion then is that prices must go up. The present levels are not sustainable. This was recognised as recently as March 1987 in the Government's Decision Letter on Sizewell 'B'. It was approved on the basis of a "central" estimate of longer term international coal prices at twice today's level. The strategy for the coal industry also requires a long term view to be taken. It would be quite wrong to judge the future policy on Nuclear Power on the basis of a sustainable long-run price of coal, but then determine the strategy for U.K. coal industry on the basis of the current depressed Rotterdam spot price.

7. It would be disingenuous to claim that the U.D.M. does not have other more immediate concerns. A large scale and rapid contraction of the industry could not be managed in a selective way. It would affect not only high cost pits with limited live, but also pits with substantial reserves capable of operating profitably at long term prices. Undoubtedly a significant proportion of additional job losses arising from rapid contraction would fall on the U.D.M. membership.
8. The U.D.M. is concerned with the proper role of the industry in the U.K. economy - not coal at any cost. To ensure that the proper role is fulfilled, we have an interest in technical progress and productivity, for example. In the Nottinghamshire Coalfield, the U.D.M. has negotiated unique Incentive Schemes which have led the way to higher productivity at a more efficient cost to the industry. The success of the Schemes has resulted in other Areas trying to compete with the Agreements reached between the U.D.M. negotiators and British Coal Management. They have also enabled British Coal Management to carry out specialised contracts which in the past have been undertaken by Private Enterprise by utilising our own workforce in a much more economic way.
9. The U.D.M. is the first Trade Union within the Mining Industry to grasp the nettle and commence negotiations with British Coal on the introduction of flexible working and new working practices within the Coal Mining Industry. It should be appreciated that this was by no means an easy step to undertake, but if a six day coal production system can be formulated in an acceptable way, then further increases in productivity and cost reductions are possible.

We are also concerned with the strides that the industry has made recently should not be placed in jeopardy, which would happen if the industry were faced with a large and sudden loss of market. Apart from any other consideration, the demoralisation which would undoubtedly affect the remaining rump of the industry would certainly have an adverse effect on the costs of that core. No one is claiming that the Electricity Supply Industry could import the whole of its coal requirement.

10. The U.D.M. is of the opinion that Her Majesty's Government should give serious consideration to additional funding for Research and Development into the Coal Mining Industry to provide for techniques to be established for alternative uses of coal in the long term. Such projects as liquifaction, gasification and methane drainage along with the many by-products which can be produced from coal such as oil, gas, tar, nylon, etc. These projects would ensure a long term future for the British Coalminer in a lean and efficient industry geared to producing the needs and energy requirements of a Country well into the twenty first century.

11. Turning to the present situation in the Coal Mining Industry, I am sure we do not have to remind Her Majesty's Government of the significance of the 22nd January, 1988. The Union is absolutely certain that this date could well be only second in significance to the 6th March, 1984, and we are certain that once again we will have the vision of the phoenix rising out of the flames and these flames will be emanating from the British Coal Industry unless the U.D.M. is given the support it desperately needs to prevent Arthur Scargill embarking, once again, on the trail of chaos.

We defeated Scargillism in 1984 and if it is necessary we will defeat Scargill again in 1988. The U.D.M. is further convinced from its sources of information that the N.U.M. is now operating a "Union within a Union" principle as evidenced by the activities of the recent industrial action which took place at a large number of collieries within the Yorkshire Coalfield.

There is now a so called Panel which operates outside of the duly elected Officials within the N.U.M. Yorkshire Area and who were responsible for the co-ordinated campaign of flying pickets throughout the area at that time and who were not under the control of the Area Officials and Area Executive Committee Members within the Yorkshire Coalfield.

Even if a Trade Union Leader that recognised moderate views were to be elected in the future by the N.U.M., it is quite obvious that there has been such a major infiltration into the largest N.U.M. area within the Industry that any reasonably minded Trade Union Leader could not operate without the continued sabotage principles of this large influential group of militant activists.

A previous Secretary of State for Energy did indicate that financial assistance might be available to assist this Union in its continuing fight for democracy and return to sensible negotiations to bring about stability within the Coal Mining Industry. We reiterate we cannot do it from an isolated platform, but to use words of a former Elder Statesman of the Country "give us the tools and we will do the job".

12. In the light of all those considerations, the U.D.M. believes that in making arrangements for the privatisation of the Electricity Supply Industry, Government should provide that the major U.K. power producer(s) should have a contract or contracts with British Coal to provide the bulk of its coal supplies at prices competitive with the sustainable international coal price (not the current Rotterdam spot price) after allowing for the transport advantage of most British Coal (since most power station coal is consumed at a dozen major sites on the central coal fields).

There is a strong parallel with the arrangements which as has been suggested Government is to make to safeguard the future of Nuclear Power. The Government's own estimates of future coal prices used for the Sizewell "B" decision would be a useful starting point for the determination of these contract prices.

?? The arrangement could also prove for British Coal to compete at the margin with imports on a year by year basis, but only on that proportion of sales which could be readily imported with existing facilities. Such contract or contracts would have great advantages, not only of security of supply, but also in giving the Electricity Supply Industry predictable prices. U.K. electricity prices are the lowest in Europe. This type of contract would help to ensure that they could remain so.

13. If such a contract makes economic sense, why does Government need to play any part in its establishment? Will such an arrangement not result from simple commercial negotiation after privatisation? The fact is that whatever form of regulation is exercised over electricity prices in the absence of such a contract, the generators must be able to pass on fuel cost increases in their tariffs. In those circumstances, they can be indifferent to long term fuel prices (though their customers will not be).

The Government has recognised that in the process of privatisation of the Electricity Supply Industry its own role includes the consideration of the interests of the consumer (industrial and domestic) as well as of the supply industry itself. A coal contract with British Coal could guarantee the real price of the bulk of fuel supplies for power generation.

14. There would be a very real danger not only in the U.K. but in the European Economic Community as a whole, should the member states become totally reliant on cheap foreign imports of energy. We saw the antics of the oil sheiks in the 1970's when prices spiralled to unprecedented levels which resulted in massive inflation and world wide depression in industry generally. Surely, we are not going to allow ourselves to be dragged along the similar path in the 1990's and lay ourselves at the mercy at certain coal exporters who it is well known cannot continue to produce and export their product at the present world spot market for coal. It is, therefore, imperative that we establish monies for further development both in new mining techniques and new mines to reduce our dependency on foreign imports and to maintain a good economic British Coal Mining Industry. The U.D.M. is not afraid of competition but simply wishes to compete on a fair basis.

15. Short term profit maximisation by the electricity producers can have other long term effects. To protect themselves from being "held to ransom" in the central coalfields by the indigenous coal producer after a decision to import substantially at the periphery, the generators would act to open up the power stations in the central block to large scale imports. (There are already two proposals for discharge terminals due to come before Parliament in the current Session).

These ventures could only go ahead if a high level of throughput could be guaranteed, and that means a long term power station contract. Unlike the contract with British Coal which we envisage, however, there could be no long term coal price guarantees, and the option to revert to indigenous supplies simply would not be there.

16. There is little doubt that a contract of the nature we envisage would result in some further loss of revenue, perhaps of the order of 10% to British Coal (over and above the large reductions already made after the collapse of oil prices in 1986). It would be very undesirable if this led to a situation in which British Coal would once again incur substantial deficits. In particular, it could well prejudice the "new realism" which the U.D.M. have played a major part in fostering within the Coal Industry. To avoid this, there is in the view of the U.D.M. a need for a radical reconstruction of British Coal's loan capital, giving rise to high fixed interest charges, is a serious anomaly, and does not do justice to the performance of the Coal Industry, which made a trading profit better than that of British Steel Corporation last year.

Some write-off of British Coal's unproductive assets might be necessary (since some unsuccessful investment is inevitable in an extractive industry), but the major issue concerns the need to change the "debt/equity" ratio. A ratio of one-third debt to two-thirds equity would be more appropriate for an industry operating in what is in effect an international commodity market. Such a change would give substantial relief on interest charges during this period of unsustainably low international prices. Such a strategy for the Coal Mining Industry will allow Her Majesty's Government to provide for a much more attractive package should consideration be given to the future extension of privatisation policies.

17. In summary, the U.D.M. suggests:

- * that international coal prices cannot and will not remain at the current low levels (and that Government has recognised that in its decisions on Nuclear Power);
- * that displacement of a substantial proportion of indigenous production with imported coal would be a short sighted measure which would expose the Electricity Supply Industry to unnecessary risks on price and security of supply, would have an adverse effect on the balance of payments, and would cause the rapid and uncontrolled decline of the U.K. Coal Industry;
- * that long term contracts between the Electricity Supply Industry and British Coal for the bulk of coal supplies would bring substantial benefits in terms of price stability, security of supply, employment and balance of payments;

* that a capital reconstruction of British Coal would render the industry financially viable operating with supply contracts based on the long term sustainable international price of coal.

18. Without such a policy based on long term contracts and capital reconstruction, Electricity Supply Industry will place the future of the U.K. Coal Industry in great jeopardy. In a climate of rapid contraction, it would not be possible for the U.D.M. to make its particular contribution, based on co-operation and realism, to establishing a competitive and secure source of energy for the Electricity Supply Industry.



BRIEF 3

INTIMIDATION

POINTS TO MAKE

- understand UDM's concern for safety of its members;
- confident British Coal would deal severely with any cases on its premises;
- any incidents away from collieries should be immediately reported to the police. I am sure they will follow them up rigorously.

BACKGROUND

1. There have undoubtedly been cases of intimidation of UDM members and their families in some areas since the pit strike though they now seem to have died down. We have no evidence that it is on the increase but the UDM fear it will get worse if Mr Scargill is returned to office.
2. Intimidation away from colliery premises, is a matter for the police though in some cases it could also provide grounds for action by British Coal under its disciplinary code. British Coal management has taken severe measures (usually instant dismissal) in cases of intimidation on colliery premises.



OTHER ISSUES

NUM ELECTION

[If Mr Scargill is re-elected]

- Mr Scargill's efforts to promote further confrontation are unlikely to be enthusiastically received by NUM members;
- the UDM should be able to exploit this situation to its advantage;

[If Mr Walsh is elected]

- overtures to the UDM to rejoin the NUM are likely; how would the UDM react!

BRIEF 4FUTURE ROLE OF THE UDMPOINTS TO MAKE

- the coal industry will continue to make a crucial contribution to the UK's energy needs;
- the UDM has now established itself as a key union in the industry and has an important role to play in helping to create a stable and competitive coal industry that will best serve the interests of its members;
- British Coal has taken a number of actions helpful to the UDM; (See para 5 of background brief)
- there will also be increasing opportunities for UDM to capitalise on the growing appreciation among miners that negotiation not confrontation was the way forward;
- the UDM can continue to count on the Government's support.

BACKGROUND

1. It is not clear why Mr Lynk wishes to raise this issue which is primarily a matter for the union. He has expressed concern at current pressures; the UDM is losing members through colliery closures and - to a lesser extent - from some drifting back to the NUM.

2. But there will be further opportunities for the UDM to expand; through flexible working (which the NUM currently oppose) and (if Mr Scargill is re-elected) through growing disillusionment of NUM members with continuing confrontation. Mr Lynk needs encouraging along these lines plus some reassurance that the Government appreciates his efforts and the UDM's role in promoting a more rational attitude among miners.

**NACODS**Line to Take

- What attitude would UDM members take to a NACODS strike, or other industrial action?
- Would they put pressure on NACODS members in UDM members to work normally?
- Would they be willing to work under BACM supervision, if the relevant statutory and safety requirements were met?

BACKGROUND

British Coal have offered the National Association of Colliery Overmen, Deputies and Shotfirers (NACODS) increases in basic pay of 4.28% and a change in the pay arrangements for weekend working. This offer was rejected in a ballot of NACODS members held last month; the ballot did not raise the question of industrial action.

In a further negotiating meeting on 14 January the Corporation made no advance on their previous offer. However, they did offer to reverse the consolidation of bonuses into basic rates agreed as part of last year's pay settlement. They did this because of considerable unrest among NACODS members over losses, particularly in the high-productivity Yorkshire and Midlands areas, resulting from this consolidation. The revised offer was rejected by NACODS and the meeting ended abruptly with no arrangements for further contacts between the two sides. The NACODS Executive is meeting on 22 January to discuss what to do next.

THE DEPUTIES' MONOPOLY

It seems fairly unlikely that NACODS will resort to early strike action. Last month's ballot gave no authority for industrial action. The union has no tradition of all-out strike action; British Coal's offer will be attractive to NACODS members in high-productivity areas such as Yorkshire and Notts; and there would probably be pressure on NACODS members in UDM areas to continue working. Moreover, the NACODS leadership is likely to wait until after the NUM special delegate conference on 2 February before reaching decisions.



However, if NACODS do strike they can bring the coal industry to a standstill. By law, men may not work underground except under the supervision of a deputy (who is also required to carry out certain pre-shift inspections); and by law a deputy must have certain qualifications, including a current qualification in first aid. Few, if any, members of the management union (the British Association of Colliery Management) hold such a qualification; and British Coal advise that it takes up to 12 weeks to acquire one. The resulting so-called "deputies' monopoly" would enable NACODS to bring the coal industry to a standstill for up to 12 weeks if they struck.

Officials in the Departments of Energy and Employment have work in hand aimed at substantially reducing this period, and have put advice to their respective Secretaries of State.

Confidential
Not for
Use

UDM ATTITUDES

No purpose is served by breaking the deputies' monopoly unless:

- a) members of BACM are willing to carry out the duties of deputies; and
- b) members of the NUM, the UDM, or both are willing to cross NACODS picket lines and to work under BACM supervision.

It would therefore be useful to sound Mr Lynk out on the likely attitude of UDM members to a strike by NACODS.



BRIEF FOR PRIME MINISTER'S MEETING WITH UDM 25 JANUARY

GENERAL BACKGROUND

The UDM

The UDM was formed as a separate union during the 1984-85 pit strike. The union was formerly registered on 6 December 1985 and was recognised by the British Coal Corporation. It received its Certificate of Independence on 29 August 1986.

2. The Prime Minister last met Mr Lynk and Mr Hunter of the UDM on 2 October 1986.

Membership

3. The union is dominated by members in Nottinghamshire and South Derbyshire but has members in the Durham coalfield. Total membership at September 1987 was 23,000 compared with 88,000 in the NUM. Restructuring of the coal industry since September 1986 has resulted in a decline in membership of the UDM of some 5,000 and in NUM membership of some 17,000.

Leadership

4. The three national officers of the union are:

President: Roy Lynk - aged 54. Previously General Secretary. Started as a miner before becoming trade union official. Served as NUM Branch Secretary, Sutton Colliery, Mansfield, 1961-1979. NUM Nottinghamshire Area Financial Secretary 1979-January 1985, when he became Area General Secretary. One of the leaders of the breakaway movement.

General Secretary: John Liptrott - aged 52. NUM Branch Secretary at Sherwood Colliery 1972-85. He worked throughout the strike and was leader of the National Working Miners Committee. He was a Labour Party member for 30 years, but left the Party after being excluded from the 1984 Annual Conference. He was awarded the BEM in the 1986 New Year Honours.

Vice President: George Hunter - aged 55. Chairman of NUM Mechanics Branch at Boldon Colliery, Durham, 1972-1983, when he moved to Westoe Colliery. He was expelled from the NUM during the strike for returning to work, and became Chairman of the Westoe Miners Association, and led the breakaway Colliery Trades and Allied Workers (CTAW).

Messrs Lynk
and Liptrott
will be
coming plus
Mr. Kirby,
the Chief
Administrative
Officer.

PLC



Actions taken by the Government and British Coal that have assisted the UDM

5. There is no doubt that dealing with two miners' union has made British Coal's management task more difficult. At times, the UDM expectations have been unrealistic. The result has been that the UDM has frequently expressed mistrust in British Coal's management (particularly Industrial Relations Department). The Chairman has assured the union of the Corporation's full support and this is demonstrated by a number of actions the Corporation has taken:

- i) Negotiating Rights: British Coal negotiate with the UDM nationally on all matters. At local level, British Coal agreed with the UDM that in Nottinghamshire and S. Derbyshire, or any units where the UDM had a majority, that it would operate a rule of negotiating only with the union having 50% + 1 of the mineworkers. This has prevented the NUM from having any negotiating rights where the UDM is dominant, but has also meant the UDM has no such rights in other areas.

The UDM sought to improve its position by obtaining national negotiating rights for its members who were weekly paid industrial staff (WPIS) and in clerical grades. In October 1987, the Corporation decided to grant UDM recognition for WPIS (of whom about 12% are UDM members) and to refuse it for clericals (with some 5% UDM membership).

- ii) Coal Industry Act: participation in management
The Coal Industry Act 1987 ensured that the union was given fair representation in the management of the Coal Industry Social Welfare Organisation, other social welfare bodies and the Mineworkers Pension Scheme;
- iii) Pay: In October 1987 British Coal agreed with the UDM the second instalment of a 2-year pay deal worth 4.28% on grade rates from 2 November 1987. Despite the risk of legal challenge under Employment law because of differential rates of pay for mineworkers British Coal has made it clear that the award would not be paid to NUM members while the union's overtime ban continued. Nor would it be back-dated when the ban ended. The award is being paid to all mineworkers in UDM majority units, UDM members at units where the UDM is not the majority unit, and to other mineworkers not subject to the NUM overtime ban.



- iv) Asfordby Colliery: At the risk of industrial action by the NUM in October 1987 British Coal announced that development of Asfordby new mine is to revert to Nottinghamshire Area (instead of Central Area). Talks have begun with UDM on development of the pit, including flexible working.
- v) UDM nomination to ECSC Consultative Committee: The Government nominated UDM for one of the 3 union seats on the ECSC consultative Committee. Despite challenges by the TUC and NUM, the UDM has recently been fully recognised as a member and will take over one of the seats formerly held by the NUM.
- vi) UDM pit closures: In assessing possible closure of pits with a UDM majority the BCC has leaned over backwards in marginal cases to enable production to continue.
- vii) West Burton Power Station: The CEGB have announced they intend to submit an application to build a new coal fired power station at West Burton, which would be supplied by Nottinghamshire and Yorkshire coal.

Colliery Closures

6. There was one closure of a UDM majority pit (in Nottinghamshire) in 1987 - Newstead. There are 20 remaining pits in that Area. In addition Linby (Nottinghamshire) and Cadley Hill (Central Area) are due to close by the end of March 1988. Bentinck and Sutton Collieries (both in Nottinghamshire) are also possible closures.

7. Closures are subject to a lengthy three stage procedure involving the unions. But British Coal's redundancy terms are generous and the E5,000 supplement available only to March is having an effect. Voluntary redundancies in 1987/88 are likely to lie between 15 and 18,000 as opposed to the 7,000 originally envisaged. Over 80% of closures since the strike have been accepted by the men without full use of the closure procedure.

British Coal's Disciplinary Code/NUM Overtime Ban

8. The UDM's formal position on the Code is that they have noted it but not accepted it as such. But they would strongly resist further changes being urged by the NUM; in particular the reinstatement of the pit umpire system for settling disputes instead of recourse to an Industrial Tribunal. UDM has not supported the NUM over-time ban against the Code.

NUM Presidency



9. UDM believe that re-election of Mr Scargill would be a prelude to renewed industrial strife in the industry. This is clearly Mr Scargill's intention. As a first step he would seek at the NUM national delegate conference called for 2 February to step up the NUM over-time ban (which is currently having a negligible effect). But there is strong evidence of reluctance by the unions membership to go down this road; the South Wales area last week balloted strongly against extending the over-time ban. If Mr Scargill were to march towards confrontation he would very likely find that his army was not behind him.

10. Election of Mr Walsh could bring an early overture from the NUM for the UDM to come back into the fold. It would be useful to sound out Mr Lynk on UDM's reaction to such an approach.

NACODS Pay

11. NACODS have rejected British Coal's recent pay offer, and it is possible they will ballot their members on industrial action. If there were an all-out strike, pits would be brought to a standstill unless management agreed to stand in for NACODS and mineworkers agreed to cooperate. It would be useful to seek UDM's views on the line they would take in this situation.

Publicity

13. The UDM has told the Prime Minister's office that it does not want any publicity for the meeting.

COAL 2
21 JANUARY 88



IMPLICATIONS OF ELECTRICITY PRIVATISATION FOR THE UK COAL INDUSTRY

UDM Paper: "Problems Within The Coal Mining Industry"

Objectives

1. To encourage the UDM in their willingness to consider flexible working.
2. To discourage the notion that the Government should offer long-term protection to British Coal.

Points to Make

1. Secretary of State is still formulating his proposals for electricity privatisation. But no secret that we believe the consumers interest is best served by introducing greater competition where we sensibly can, and relying on the commercial judgement of generators (rather than the Government's judgement) on the future price of coal and the best mix of British and overseas coal.
2. So we are not going to put any restraint on the volume of coal that privatised generators can import. This does not mean a sudden move to large imports which would be disruptive to UK coal industry. The facilities to import as much as 30mt do not exist at present. Generators bound to take a long-term view if they want to stay in business. Nevertheless important for the coal industry to face up to the implications of a fully liberalised power station market; any adjustments needed will be more manageable if they are started soon.
3. British Coal's share of the business will depend on getting its costs down. Welcome recent surge in productivity, particularly in UDM pits. But further to go if British Coal is to meet the competition. Very pleased that UDM has negotiated an Incentive Scheme and is prepared to contemplate more flexible



work patterns. This must be the right way forward. Am confident that the potential exists to see off the risk of largescale imports. But it is up to management and men to realise that potential.

4. Have noted points about financial reconstruction. But wrong to think of debt reduction as a panacea. Government equity would still have to be remunerated. The industry will still be expected to make a proper return on its capital, whether in loan or equity form.

Background

1. British Coal currently supply around 75mtpa to CEGB (15mt from UDM pits); CEGB imports only 1mtpa. The arrangement between BC and CEGB provides for BC to have first option on the supply of 95% of CEGB's requirements: the coal is priced in 3 tranches, of which only the lowest tranche (12mt) is priced by direct reference to the price of international coal. Very broadly CEGB pay on average £40 per tonne for the UK coal and £20 per tonne for spot international coal at coastal locations. Imported coal would undoubtedly be more expensive if bought on a contract basis and delivered to inland power stations.

2. We agree that the present international price is exceptionally low, but the decline in the dollar and the emergence of new exporters (China, Colombia) are likely to depress prices for the foreseeable future. We would expect UK coal to command a premium over imported coal because it is priced in sterling and the supply links are well-established; but the size of this premium is a matter that can only be determined by commercial negotiation.

3. The Secretary of State has made it clear that he would not restrain power station imports of coal after privatisation. Facilities exist at present for CEGB to import 10mtpa of coal. This could be stepped up within 3-5 years to 30mt. Although UDM pits mainly supply inland power stations which are not readily accessible to imports, some of these stations are relatively small and low in the merit order and higher levels of imported coalburn at coastal stations could be partly at their expense.

4. Productivity has risen nationally by 11% over the last 12 months, and in Nottinghamshire by 13%. British Coal are looking for annual improvements of 8-10% in subsequent years. UK productivity levels are still, however, well under half the deepmined levels in Australia and the USA.



5. The line taken in the UDM paper reflects quite closely some of the thinking behind British Coal's present business strategy, which is to retain as large a share of the UK market as possible by discounts if necessary and to offset this by higher productivity and by reducing their interest burden through a capital reconstruction. British Coal are currently reviewing their business strategy in the light of esi privatisation. In particular they are looking at surrendering unprofitable sectors of the market, including at least some of the coastal power station business. The UDM will not of course be aware of this.

6. Ministers have agreed that the BC/CEGB deal should continue in its present form until next November. Thereafter it is likely that the price and (possibly) volumes will be gradually reduced to ensure an orderly adjustment to a fully commercial arrangement by the time of esi privatisation. This approach offers the best chance of avoiding disruption to the industry's morale and finances. Ministers have already agreed privately with British Coal to consider legislation substituting Government equity for some of the industry's present debt; but they have not yet addressed the question of writing off part of the debt altogether.



UDM

**UNION OF DEMOCRATIC MINeworkERS
NOTTINGHAM SECTION**

MINERS' OFFICES · BERRY HILL LANE · MANSFIELD · NOTTS · NG18 4JU
Telephone Mansfield 26094/5/6

Fax No. 0623 642300

<u>For the attention of:</u>	MR. PAUL GRAY
	PRIVATE SECRETARY TO P.M.
<u>Sender:</u>	MR. A. KIRBY
	CHIEF EXECUTIVE
	NATIONAL UDM
<u>Date:</u>	19TH JANUARY 1988
<u>Number of Pages Including Cover:</u>	10
<u>Notes:</u>	As promised, document for DISCUSSION ON MONDAY 25-1-88
<u>Copies to:</u>	



UDM

UNION OF DEMOCRATIC MINeworkERS NOTTINGHAM SECTION

MINERS' OFFICES · BERRY HILL LANE · MANSFIELD · NOTTS. · NG18 4JU

Telephone Mansfield 26094/5/6

Fax No. 0623 642300

<u>For the attention of:</u>	MR. PAUL GRAY
	PRIVATE SECRETARY TO P.M.
<u>Sender:</u>	MR. A. KIRBY
	CHIEF EXECUTIVE
	NATIONAL UDM
<u>Date:</u>	19TH JANUARY 1988
<u>Number of Pages Including Cover:</u>	10
<u>Notes:</u>	AS PROMISED, DOCUMENT FOR
	DISCUSSION ON MONDAY 25-1-88
<u>Copies to:</u>	

1. Tessa
 the bill Lynd's
 after and D/En's
 4.10 on 25th. He's
 within the
 PRIME MINISTER
 He's not
 they all do us
 of the
 2. C.F.

POSSIBLE MEETING WITH MR. ROY LYNK

Mr. Roy Lynd of the UDM has asked to meet you. He stressed he would wish to avoid any publicity. The main issues he would want to discuss are:

- (i) how to tackle prospective disruption in the coal industry following the expected re-election of Mr. Scargill;
- (ii) the general future of the industry particularly post electricity privatisation;
- (iii) the future role of the UDM.

His preference would be for a meeting before the NUM election on 22 January.

You will recall you saw Mr. Lynd (with Mr. Walker present), on 3 October 1986. David's note of that meeting records you saying the UDM were of course welcome to discuss their concerns with D/En Ministers or yourself at any time.

Mr. Parkinson would prefer that you did not meet Mr. Lynd now because:

- (i) there is a risk that knowledge of the meeting would get out and that Mr. Scargill could make capital out of it;
- (ii) as well as embarrassing the Government that could also damage the UDM's own cause.

These concerns are particularly strong in relation to any pre-22 January meeting. But Mr. Parkinson is also disappointed

that the UDM has not attempted to build a relationship with him, and so would prefer to take any meeting with Mr. Lynk himself. Mr. Lynk in turn was at pains to stress to me that he wished to get his views over to you personally.

I have undertaken to go back to Mr. Lynk next week. If you sympathise with Mr. Parkinson's concerns, one way forward might be:

(i) to stress to Mr. Lynk your hope that the UDM can develop a regular dialogue and good relationship with Mr. Parkinson;

(ii) to say that it would seem unwise for any meeting to be held before 22 January;

(iii) to suggest that, in the light of the 22 January result, Mr. Lynk should have an early meeting with Mr. Parkinson;

(iv) to leave open the possibility of a subsequent meeting with you.

The alternative would be for you (and Mr. Parkinson) to see Mr. Lynk soon after 22 January, and to use that meeting to stress to Mr. Lynk your hope that he will now develop a regular dialogue with Mr. Parkinson.

PLG.

(PAUL GRAY)

8 January 1988

DALACC

The best course
of action would be X.
There is a precedent. We
have to keep the UDM
satisfied. We land the
country) once a lot to
them members not

Paris

Tessa

Ranker. He spoke to Roy Lynde
himself and promised to go back to him
as early as possible next week. I called
D.E. for advice by Friday, so I can put a
note in the next day's box. Feb 6/1

The Chairman of the U.S.'s Secretary
telephoned to ask if I would be
at all possible to arrange for a
meeting between the Chairman,
Mr. Kings (?) and the Prime
Minister to discuss the coal
industry generally and the
further coming election of Mr. Scargin
(probably) in particular.

would you like to have
a word with her. I'm not
sure if this is something like
Pam's minister would do

Ms Valerie Richardson
0623 26094

What time?
at 5:00 or past
How many people?
+ Co. Sec.
Club office
- no privacy
Ab. Day catalog
with a car

- ① Herb table, Scott, Mr. [unclear]
- ② Plus [unclear] [unclear]
- ③ [unclear] [unclear] [unclear]
- ④ Elsie 22 Tunney
- Herb table
- [unclear] [unclear]
- [unclear] [unclear]

no privacy
[unclear] [unclear] [unclear]

Would use at Social
- see detail.

CONFIDENTIAL



File 46
LOBAPZ

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

6 January 1987⁸

We have received a telephone request from Mr. Roy Lynk of the Union of Democratic Mineworkers to come to see the Prime Minister. I should be most grateful for your advice on this request if possible by this Friday, 8 January.

Mr. Lynk's preference would be for a meeting before 22 January.

PAUL GRAY

Stephen Haddrill, Esq.,
Department of Energy.

CONFIDENTIAL

cc 65

CONFIDENTIAL

NOTE FOR THE FILE

REQUEST FOR A MEETING WITH THE PRIME MINISTER BY
MR. ROY LYNK

I spoke to Roy Lynk following a telephone request for a meeting with the Prime Minister. He said that the main issues he would want to discuss were:

- (i) how to tackle prospective disruption in the coal industry following the expected re-election of Mr. Scargill;
- (ii) the general future of the industry particularly post-electricity privatisation;
- (iii) the role of the UDM in the future of the industry.

His preference would be for a meeting before the NUM election on 22 January. He would propose to bring with him the General Secretary and Chief Administrative Officer of the Union.

He would be very keen to avoid publicity and to have arrangements that enabled him to enter No. 10 without media attention.

He offered to give the Private Office a further more detailed briefing in advance of a meeting with the Prime Minister on the detailed points for discussion.

The UDM telephone number is 0623 26094.

I said I would try to get back to him as early as possible next week and stressed the diary constraints that the Prime Minister faced following return from her African visit.

PRG.

PAUL GRAY

6 January 1987

CONFIDENTIAL

File 816



cab

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

22 December 1987

UDM

You will wish to see the correspondence enclosed. The Prime Minister will certainly not wish to seem to do anything which might discourage the UDM. I am sure the Prime Minister would welcome your Secretary of State's views on how matters now stand both as between the UDM and the NUM and as between the UDM and British Coal.

Bf. ||

(DAVID NORGROVE)

Stephen Haddrill, Esq.,
Department of Energy.

CONFIDENTIAL

mm



10 DOWNING STREET
LONDON SW1A 2AA

CONFIDENTIAL

22nd December, 1987

Dear Mr Firth

Thank you for your letter of 18th December which you addressed to Shana Hole. I have read your letter and the attached memorandum with care.

In your letter you say that Mr Lynk is hoping for a meeting with Cecil Parkinson. I do not think at this stage, therefore, it is feasible to be looking for a meeting with the Prime Minister.

But the memorandum is helpful. Perhaps you could tell Mr Lynk this and that, for reasons which you both will understand, I will deal with it in my own way.

Yours sincerely

Stephen Sherbourne

STEPHEN SHERBOURNE
Political Secretary

Les Firth Esq

MR NORGROVE

I attach a letter and memorandum from Mr Les Firth about Mr Roy Lynk and the UDM, sent to the Political Office in confidence. I have acknowledged the letter - copy also attached.

You will see that Mr Lynk is apparently seeking a meeting with Cecil Parkinson. It may therefore be sensible to send this correspondence to Mr Parkinson's Office.

Sf

STEPHEN SHERBOURNE

22.12.87

Conservative Trade Unionists
53 Great George Street
Leeds LS1 3BL
Tel. 0532 450731

Les Firth
Industrial Officer
(Yorkshire)

Ms S Hole
Political Office
10 Downing Street
Westminster
LONDON



18 December 1987

PRIVATE AND CONFIDENTIAL

Dear Shana

With regards to our telephone conversations of 17 and 18 December, I promise to forward to you some details of my meeting recently with Mr Roy Lynk, President of the Union of Democratic Mineworkers and also John Liptrott, the General Secretary of the same Union.

This meeting took place on Wednesday, 16 December at the request of Mr Lynk at the Bestwood Headquarters. I have had a number of meetings with the principal officers and indeed the Executive of this Union, mainly at their request and on a regular basis since the Union was formed.

The Union itself has been beset by problems, some of which I hasten to add have been self-inflicted and in my opinion, Mr Lynk has isolated himself within his fear of the outside world and I appear to be one of the few people he trusts. It is important to the Union that they are seen to put forward definite proposals for the future of the mining industry and to have a voice in formulation of policy which affects their members. He has frequently spoken to me of his high regard for the Prime Minister, feeling that she and she alone understands the problems with which he is faced. This is the reason why he would welcome the opportunity to place in her hands a carefully worded document of proposals for flexible working in the near future and also to make known to her some of the problems he is having with British Coal.

I am enclosing a copy of the memorandum which I put together on my return from meeting with these officials and the last sentence poses the question which is certainly in the minds of a great many ordinary members of the Union of Democratic Mineworkers. I know because many of these members are also Conservative and as such are part of the Conservative Trade Unionist movement which supports the Prime Minister.

I hope you find these views useful and I leave the judgement of them to you.

Yours sincerely

LES FIRTH
Industrial Officer, Yorkshire

MEETING AT BESTWOOD OFFICE OF THE UNION OF DEMOCRATIC MINeworkERS WITH ROY LYNK, PRESIDENT, JOHN LIPTROTT GENERAL SECRETARY ON WEDNESDAY, 16 DECEMBER 1987.

Roy Lynk was worried about the situation which he believed would follow the re-election of Mr Scargill to the National Presidency of the National Union of Mineworkers. He feels most strongly that Mr Scargill had resigned and sought re-election for several reasons - the current balloting arrangements at the pit head as against a postal ballot, for one, but mainly to seek full control of the Union again by pointing out at Executive Meetings he had a fresh mandate from the membership. With the mandate, he could override the wishes of individual areas and Roy believes that there will be disruptive action again in either late February or early March.

The analysis that he has made is based to a large extent on the fear of his own UDM members that once again they are going to come under attack from the militant factions. Roy himself is afraid that this time his men may capitulate to the threat of intimidation by either not working or returning to the NUM. He is also having a difficulty with British Coal. He feels that Sir Robert Haslam does not understand coal and he leaves too much of the planning and administration to Kevan Hunt and others in central administration and industrial relations. As an example of this he showed me a document which he had put forward to British Coal some time ago on flexible working. To date, there has been no response and he wonders why when negotiations should be going on.

He and his General Secretary, John Liptrott, General Secretary of CSSS, Sam Matkin and his Deputy, Ken Seed, all seem to share the same fears. Mr Lynk will be seeking to meet shortly with the Secretary of State for Energy, the Rt Hon Cecil Parkinson MP and hopes that he can obtain a personal meeting rather than just the Under-Secretaries of State or Civil Service. He is also attempting to speak with the Prime Minister briefly prior to the meeting at the Energy Department.

PERSONAL NOTE

Mr Lynk and his fellow senior officials obviously fear for the future of their Union and with it their own positions. They feel entrenched with enemies on two sides, not least of which being British Coal whom they do not trust and of course, the NUM as the traditional enemy, but they also feel let down by the promises made from Central Government and MPs. On this point, however, there is only vagueness as no names were mentioned that the UDM had dealt with in these circles. I do feel, however, that there should have been some response from British Coal with regards to the flexible working as certainly the energy spokesmen have mentioned this on several occasions in public and this is of course a matter for discussion in all the coal fields and a sensible proposal put forward by a major union in this particular field would be of an enormous psychological value to the Department of Energy in promoting this prospect for the future.

Recruitment is a problem. They received some response from the recent campaign carried out in Yorkshire area, but I think this in general is little more than an enquiry rather than concrete membership as the timing for this was completely wrong in my opinion. They are losing members to the NUM - this they admitted, but I already knew this to be the case. Last year they made a net loss on income as against expenditure which is also causing concern.

We have a problem here - do we support the moderate faction, namely the UDM, or do we allow it to ultimately collapse due to outside pressure?

CONFIDENTIAL

SLP



bc BG

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

18 December 1987

Dear Stephen,

UDM

I wrote to you yesterday about a possible meeting between the Prime Minister and the UDM. I now understand that Mr. Firth, who acted as go-between, is not reliable and may well have started this off on his own initiative. Mr. Tom Peat, Director of the Conservative Trades Union Organisation, has very sensibly taken the view that a meeting between the Prime Minister and the UDM does not at this stage make sense, particularly in view of the leadership contest in the NUM. Mr. Peat accordingly plans to put matters to rights. It is not clear whether the UDM even know about the request for a meeting. But I have asked that Mr. Peat should make it absolutely clear to them, if they do know, that this is to be taken in no sense as a rebuff by the Prime Minister.

*Yours,
David.*

DAVID NORRGROVE

Stephen Haddrill, Esq.,
Department of Energy

CONFIDENTIAL

ea

CONFIDENTIAL



JEK
EBG

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

17 December 1987

UDM

A Mr. Firth of the Yorkshire Area Conservative Central Office has been in touch with the Political Office here to say that he met yesterday Roy Lynk of the UDM and the General Secretary, Mr. Liptrott. They asked if they could see the Prime Minister to discuss flexible working in the coal industry, and one or two other things, unspecified. I should be grateful for your advice on how the Prime Minister should respond to this request.

Overtaken
//

(DAVID NORGROVE)

Stephen Haddrill, Esq.,
Department of Energy.

mm

CONFIDENTIAL

CONFIDENTIAL

SUBJECT
~~MASTER~~ CCMASTER



File 1/6
cc Prof Griffiths
cc M. Alison

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

3 October 1986

UNION OF DEMOCRATIC MINeworkERS

The Prime Minister yesterday met Mr. Roy Lynk and Mr. George Hunter of the Union of Democratic Mineworkers. Your Secretary of State and Mr. Michael Alison were also present.

The Prime Minister welcomed Mr. Lynk and Mr. Hunter most warmly, thanking them for all they had done during the miners' strike, not just for their contribution towards the end of the strike but also for the way they had helped to uphold democracy and freedom in this country.

Mr. Lynk thanked the Prime Minister. His own view was that the UDM was now very close to toppling Arthur Scargill. The vast majority of NUM members did not support the present leadership. Only intimidation was preventing a majority shift of members from the NUM to the UDM. The difficulty was that the UDM had nothing to offer people working in areas where the UDM was in a minority. People asked why they should suffer when they would gain nothing extra by changing unions. Mr. Lynk said he had great faith in Sir Robert Haslam but implied he had less faith in Sir Robert's advisers. The aim now must be to keep the UDM one jump ahead of the NUM. The NUM were now trying to create a macho image which was attracting some of the younger people in the industry. This could only be counteracted if the UDM always had an edge: the UDM could not win if people knew that sooner or later the NUM would catch up. It was vital for the UDM to be given negotiating rights for all its members. Mr. Lynk gave an example of the closure of Hucknall colliery which had been agreed by the UDM after a ballot. The NUM had accused the UDM of acting as lackeys of management and Government. That was why the UDM needed to stay ahead of the NUM.

81

In discussion the Prime Minister and your Secretary of State pointed to the ways in which Sir Robert Haslam and the management of British Coal had done everything they could to help the UDM. Your Secretary of State also pointed to the difficulties for management if a minority were given negotiating rights. This could also be open to legal challenge which might be successful if the NUM itself were to bring a case. Mr. Hunter claimed that minority negotiating rights had already worked successfully at Wearmouth colliery and that NUM members themselves - by contrast with the leadership - would be prepared to work alongside UDM members even if they were on different rates of pay. The UDM had also received legal advice that minority negotiating rights should not be open to challenge if they arose through union negotiated agreements.

The discussion then turned to pay. Mr. Lynk said his union was arguing for an incentive scheme which would be more easily understood by the men and where payments were related more directly to output. He referred to the scheme operated in Warwickshire and (I believe) the old Nottinghamshire power loan scheme. The discussion at this point became somewhat confused. Mr. Lynk appeared to argue that if his members were all paid a higher basic rate than NUM members this would cause a shift to his union. However, he also acknowledged that the Board would not be able this year to pay a large increase and appeared to accept to some degree that a small differential in basic pay would have only a limited effect in attracting new members. He also referred to the UDM's willingness to consider a re-structured working week of four nine-hour days.

Mr. Lynk then referred to the question of coal entitlements. The closure of the Hucknall colliery would save £1 million every three weeks or £12,000 per man per year. A number of miners would not want to move to other areas. However, if they did not do so many of them would lose their coal entitlement. He had it in mind to try to persuade working miners to form a pool into which they would contribute part of their coal entitlement. But he also said he wished to negotiate a continuing coal entitlement for people aged below 50.

Concluding the meeting Mr. Hunter acknowledged that things had improved since he had met the Prime Minister in Scotland last month. Mr. Lynk said he recognised the enormity of what they were asking, though they were in fact only asking for an edge over the NUM. The Prime Minister emphasised the extent to which the Government felt indebted to Mr. Lynk and his colleagues. She would report the conversation to Sir Robert Haslam. The progress that had been made in the past month should be taken as an earnest of Sir Robert's intentions. The UDM were, of course, welcome to discuss their concerns with Mr. Walker and Mr. Hunt or herself at any time.

The Prime Minister has, since the meeting, emphasised her great concern that everything possible should be done to help the UDM. She would, in particular, like to discuss with your Secretary of State and Sir Robert Haslam the question of minority representation for the UDM. This office will be in touch to arrange a time. It would be helpful to have a note on the issues, including the legal position, to serve as a basis for the discussion.

DAVID NORGROVE

Geoff Dart, Esq.,
Department of Energy.

PRIME MINISTER

UDM

You are seeing tomorrow Roy Lynk, General Secretary of the UDM, Ken Toon, retired President, and George Hunter, Vice President. Mr. Walker and Michael Alison will also be present.

Mr. Walker would like five minutes with you before the meeting so it would be helpful if you could finish your 1600 hours meeting on Northern Ireland a little early.

The UDM clearly feel that the Government has let them down. The letter from a housewife to you in the folder suggests that Mr. Lynk at least is making no secret of his feelings. Despite Mr. Walker's suggestion that the UDM want to keep your meeting private, Mr. Lynk seems to have told the supper club Mrs. Brown attended.

The UDM's main concern is apparently with the rule that British Coal only recognises for negotiating purposes the union which has majority membership in any bargaining unit. This is discussed in paragraph 8 of Sir Robert Haslam's letter. The UDM may well come back to this even though they have accepted the principle in their new negotiating framework with the management. (But you might like to ask Peter Walker before the meeting with the UDM whether British Coal could gradually restructure their bargaining units to give the UDM a majority in the maximum number of places.)

Sir Robert Haslam refers (paragraph 11) to the proposed legislation which would allow UDM representation on the pension fund and the social welfare organisation. The public line so far has been that this legislation will be introduced if necessary. You will not want to go beyond that with the UDM.

DRN

(David Norgrove)

1 October 1986

CONFIDENTIAL



CONFIDENTIAL

PRIME MINISTER

UNION OF DEMOCRATIC MINeworkERS (UDM)

You have an important meeting with Roy Lynk, Ken Toon and George Hunter tomorrow.

David Hunt and myself have naturally done everything in our power to be of assistance to the UDM. We have made it clear that they can contact us whenever they wish and that they can discuss their problems with us. A few weeks ago I organised a meeting with them, which all but Roy Lynk were able to attend. (He was unable to reach the meeting due to a car breakdown). This week David and myself again talked to Roy Lynk and really his main and only message is that whatever benefits we give to the UDM should be given to all their members, including those in pits where they have a tiny minority membership. This as a principle is impossible from a management viewpoint and it is very likely to be impossible from a legal viewpoint when it goes to a higher court. For the Government to support such a concept would bring great pleasure to a number of smaller left wing unions who would demand the same principles applied to them in many other industries.

Bob Haslam has taken immense trouble with the UDM and has, as you know, made a series of decisions which have shown that they have been better treated than the NUM. He has also carefully discussed with them the way in which they can present their leadership as a progressive leadership that gets results, as compared with the NUM.

I have had long talks with Bob Haslam on these difficult questions and I have asked him to set out for me, which he has in the enclosed letter, all of the issues involved and the manner in which he has handled them. I think this provides a better background to our talks than anything else that can be obtained.



What I think is absolutely essential tomorrow is that we do totally back Bob Haslam. Any suggestion from us that he is not doing everything that is sensible and feasible would I think not just be damaging to him, but actually would be damaging in the task of trying to get the UDM leadership sensibly to take full advantage of all that both the Government and British Coal wish to do.

Roy Lynk has asked that, if possible, the meeting tomorrow should be kept secret, because, I think, in terms of their recruitment and retaining of members the UDM do not wish to be seen as being close to either the Government or the employer.

I am sure the only way forward for the UDM is to show that in those pits where they have a majority, things happen more effectively and there are good rewards for productivity and therefore it is an advantage to give them a majority at a pit rather than to give it to the NUM. It is a hard struggle for them and there is still plenty of intimidation taking place. But for the Government to endorse a situation that in an establishment where a union has 1% of the members, they should have totally independent negotiating rights, would be very damaging.

SECRETARY OF STATE FOR ENERGY

1 October 1986

BRITISH COAL

HOBART HOUSE
GROSVENOR PLACE
LONDON SW1X 7AE

01-235 2020

SIR ROBERT HASLAM
CHAIRMAN

30th September 1986

The Rt. Hon. Peter Walker, MBE, MP,
Secretary of State for Energy,
Department of Energy,
Thames House South,
Millbank,
London SW1P 4QJ.

Dear Peter

Relations with the UDM

1. You asked me to let you have a letter about our relationship with the UDM and about matters now under discussion between us.
2. In dealing with the UDM and NUM we in British Coal are coping with a pretty unique situation, at least on anything like this scale. We have to deal for our main grade of workers with two mutually hostile unions, one of which is within the TUC/Bridlington agreement system and the other outside it. Normally, if there are two unions representing a category of workers, they sit down together and negotiate jointly under the Bridlington umbrella. We have to devise a system for living with this union civil war and with the legal actions which have arisen from it. Our successes so far, in the legal actions under our Nationalisation Act and under the Labour Government's Employment Protection Act, are breaking new ground on union rights and status, but the battle continues.
3. We are working on the assumption that we have to live with these two unions for a long time ahead. There is indeed a great advantage to us in the continuance of the UDM so long as we have anything like the present NUM leadership. But if we are to make the business succeed and achieve our financial objectives we have to convince our employees that we are being fair to all of them. That means that we have to be reasonably even-handed. The future of the UDM cannot rest on progressively increasing pay and other discrimination in their favour, which would anyway destroy them ultimately by making the Nottinghamshire coalfield uneconomic. We have encouraged them to establish themselves firmly by developing a thoroughly progressive image and by keeping ahead of the NUM on both the speed and nature of the agreements they reach with us. There is no reason why they should not establish themselves, following the pattern of the EEIPU, as the pace-setter on behalf of mineworkers but without making excessive demands. We hope this is beginning to happen and will certainly do all we can to respond.
4. The weakness of the UDM leadership at present is a tendency to become preoccupied with second or third order issues at the expense of the main one, which is to establish the image I have described and foster the economic success of the Nottinghamshire coalfield.

5. On specifics, in making our announcement on 8th September, to deal with the outstanding aspects of the 1985 mineworkers' wage claim we took action on the basis of what we saw as a fair and reasonable solution in the light of all the conflicting circumstances. We recognised the UDM's expressed willingness to go along with the principle of British Coal's attempts to make good the financial shortfall to the Mineworkers' Pension Scheme due to the strike. Largely for this reason, the increase offered by Ian MacGregor is being paid to all the 3,500 UDM mineworker members not already receiving it with effect from 1st November 1985, although some 2000 of them did not work during the strike. The increase was paid to NUM members from 1st September 1986 but the retrospection to NUM men proportionate to the extent to which they had worked and contributed to the MPS during the strike. These decisions were described as 'a victory' by the UDM and as 'diabolical' by NUM leadership. They were in fact based on our perception of what was the fairest way of resolving the 1985 wage round and clearing the way for the future.

6. We have now reached agreement with the UDM on a new Conciliation Agreement (i.e. a negotiating framework) as required by the 1946 Act. In reaching agreement we met a number of their points. This agreement clears the way for the 1986/7 pay negotiations with the UDM. We are also negotiating with the NUM for a new Conciliation Agreement. This is likely to prove more difficult.

7. Subject to discussion with our Board, we have reached a decision on the type of wage increase we are able to offer the UDM for 1986/7, effective from 1st November 1986. They have, regrettably, made an ambitious claim: for a base rate increase of 12 percent over two years plus a whole raft of improved benefits. The total value of the increase we can offer is likely to be rather less than 4 percent in the first year given the impact on our finances of the oil price collapse. About 50% of this increase will be in the form of local incentive-related payments which have a high element of self-financing. We have in mind an attendance bonus, a bonus for freedom from industrial action at pit or individual level, and a small increase in existing incentive rates. We hope that Ministers will do everything they can to help us deflate the expectations of the UDM. Having lost £400m. a year of proceeds, we simply cannot, consistently with the financial objectives given us by the Government, concede a 'going rate' increase to the UDM and then be obliged to pass most or all of it on to the NUM.

8. A major issue for us on living with two mineworker unions is the so called '50 percent plus one' principle by which for any bargaining unit (pit or workshop) we recognise for negotiating purposes the union which has majority membership at a specific date. The UDM have in fact accepted this principle for representation in their new Conciliation Agreement for mineworkers. We cannot pay people solely by reference to union membership, with people working next to one another paid at different rates for the same work. We must therefore stick to a geographical and majority basis of representation so that one set of conditions runs in any bargaining unit. The UDM do not like this. We made a concession to them on 8th September on this point by paying the 1985 increase retrospectively to all their members still without it, i.e. to minorities. But for the future we must stick to '50 percent plus one' and we advised them of this at the time.

9. In the Employment Appeal Tribunal, over-turning an earlier Tribunal ruling, we have obtained a judgement that the Employment Protection Act 1978 does not prevent us from discriminating in favour of the UDM, basically on the ground that the Act was not directed at a two union situation. But the NUM could well take this issue through the Court of Appeal to the House of Lords, and we cannot be certain of the outcome.

10. The UDM may raise the question of their membership among clerks and weekly paid industrials. But we negotiate on a national basis for these groups and the UDM representation is not sufficient to give them a share in the national negotiations. We cannot pay some clerks in the Midlands as if they were mineworkers.

11. The Government legislation allowing UDM representation on the Mineworkers' Pension Fund and the Coal Industry Social Welfare Organisation, will be very welcome to the UDM when it comes but I assume that Ministers will need to make the first announcement of their proposals on this to Parliament around the beginning of the new Session. The UDM are arguing that we have a legal duty to consult them on pension fund issues and have begun a frankly futile legal action. We are ready to consult them informally on pension matters. But we hope these problems will fall away when the Government announcement on legislation is made.

12. Our Nottinghamshire Area is now having to make proposals for pit closures and amalgamations. In particular, we are closing Hucknall Colliery because its geology has become a disaster. Discussions with the UDM are proceeding normally.

13. As you know, the UDM have sometimes been inclined to make complaints about personalities in British Coal who seem to them to be resisting their wishes but were in fact discharging Board policy. This has applied both to our Head of Industrial Relations Department and to our legal advisers. The NUM have made similar allegations. It is inevitable that where there are two competing unions the people in the middle will be perceived in this way. However I assume the UDM will steer clear of personalities at their meeting with the Prime Minister. Wild accusations of this kind are not consistent with developing the optimum relationship.

14. I hope this will give you a sufficient overview of the position. The important thing is to try to convince the UDM that we genuinely wish them well but for us to discriminate in their favour is not in their best interests in establishing themselves as an independent Trade Union. Their future lies in developing a progressive and practical image. In particular, it is essential to the UDM for the future, as for all of us in British Coal, that we should join together in making a success of our whole business, and that they should accept wage settlements consistent with our present difficult financial position.

Sgd.

Yours sincerely

Barb



FILE CAJ(61)

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

26 September 1986

MEETING WITH THE UNION OF DEMOCRATIC MINeworkERS

Thank you for your letter of 19 September about the request from the UDM to meet the Prime Minister.

BK
The Prime Minister has considered this and feels that in the circumstances she must agree to see the UDM. A meeting is, as you know, being arranged for next week. It will be attended by Mr. Toon, Mr. Roy Lynk and Mr. Hunter, Vice-President of the UDM. (You probably know that Mr. Toon has retired as President but has not yet been replaced.)

Mr. Dick Emery, who is, I believe, now Section Secretary of the South Derbyshire section of the UDM, said they would wish to discuss the question of representation of minority interests within the coal industry and investment policy, with particular reference to South Derbyshire. I should be grateful if you could provide briefing by close of business on Wednesday 1 October if the meeting is confirmed for Thursday.

DAVID NORGROVE

Geoff Dart, Esq.,
Department of Energy

JK

CONFIDENTIAL



SECRETARY OF STATE FOR ENERGY

THAMES HOUSE SOUTH
MILLBANK LONDON SW1P 4QJ
01 211 6402

P A Bearpark Esq
Private Secretary
10 Downing Street
LONDON
SW1

23 September 1986

Dear Andy,

Thank you for your letter of 8 September enclosing a copy of a letter from Mr Ken Toon of the Union of Democratic Mineworkers, requesting a meeting with the Prime Minister.

There is no doubt, as the Prime Minister will have seen from recent correspondence and press articles, that the UDM are somewhat dispirited, and that relations between the union and British Coal have been under strain. A meeting with the Prime Minister would certainly help reassure them that they are not neglected or under-valued.

On the other hand, our experience of recent meetings with the UDM suggests that they could well try to involve the Prime Minister in the minutiae of their dealings with British Coal, and even to discuss the actions of individual members of the staff of British Coal. Obviously these matters are no responsibility of Government; but it could be difficult for the Prime Minister simply to refuse to comment or involve herself.

In addition, two of the most important grievances which have recently exercised the UDM, (ie payment of their members when in a minority and representation in the industry's conciliation machinery), have recently been satisfactorily resolved.

Much of the justification for the proposed meeting has therefore gone, and on balance, my Secretary of State suggests that the right course would be for the Prime Minister to decline the invitation to a meeting, perhaps on grounds of workload, but to offer a meeting with himself. A draft reply along these lines is enclosed.

Yours sincerely,
Steph
S R SKLAROFF
Private Secretary

CONFIDENTIAL



DRAFT REPLY TO KEN TOON ESQ

Ken Toon Esq
Section Secretary
South Derbyshire Section
Union of Democratic Mine Workers
Miners' Offices
Alexandra Road
Swadlin Cote
Burton-on-Trent
Staffordshire
DE11 9AZ

Thank you for your letter of 5 September requesting a meeting with the Prime Minister to discuss the position of the UDM in the coal industry. Since you wrote, much progress has been made on matters of concern to your members, including pay and representation in the industry's conciliation machinery. The Government has also recently undertaken to introduce legislation, if necessary, to ensure the UDM has proper recognition within the industry.

In light of this the Prime Minister hopes that you now feel more optimistic. If however, there are still some points you would like to pursue with the Government, the best course would be to take them up with the Secretary of State for Energy, who has indicated that he would be happy to see you at a mutually convenient time.

K. TOON

2219



LU

Sch-ed.

DU 7214
6402

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

8 September, 1986.

I enclose a copy of a letter to the Prime Minister from Mr. K. Toon of the Union of Democratic Mineworkers South Derbyshire Section, and should be most grateful for your advice on Mr. Toon's request.

(P.A. Bearpark)

Stephen Sklaroff, Esq.,
Department of Energy.

h

Union of Democratic Mineworkers

SOUTH DERBYSHIRE SECTION

TELEPHONE:

Burton-on-Trent (0283) 221200

SECRETARY:

K. Toon, J.P.

MINERS' OFFICES,
ALEXANDRA ROAD,
SWADLIN COTE,
BURTON-ON-TRENT,
STAFFS. DE11 9AZ

5 September 1986

KT.JMW

Mrs. M. Thatcher,
Prime Minister
10 Downing Street
LONDON.

DN.
R6/9
The money will
cover back. UH
OK for SI EN 0017
LK.

Dear Prime Minister,

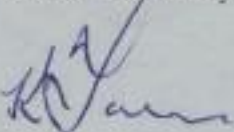
As President of the Union of Democratic Mineworkers, I would be most obliged if you would agree to a meeting between your goodself and the Union of Democratic Mineworkers' National Officials in order that you can be made fully aware of the many problems that the UDM has faced, and still faces, in fully establishing itself as a fully democratic National Trade Union operating within the Coal Mining Industry and British Industry in general.

You are aware that most of our membership comprises miners who refused to go on strike during the last Miners' strike, simply because they were refused an individual ballot vote under the NUM Rules. In addition, the alterations to the NUM Rules was the "final straw that broke the camel's back" and resulted in the formation of the Union of Democratic Mineworkers.

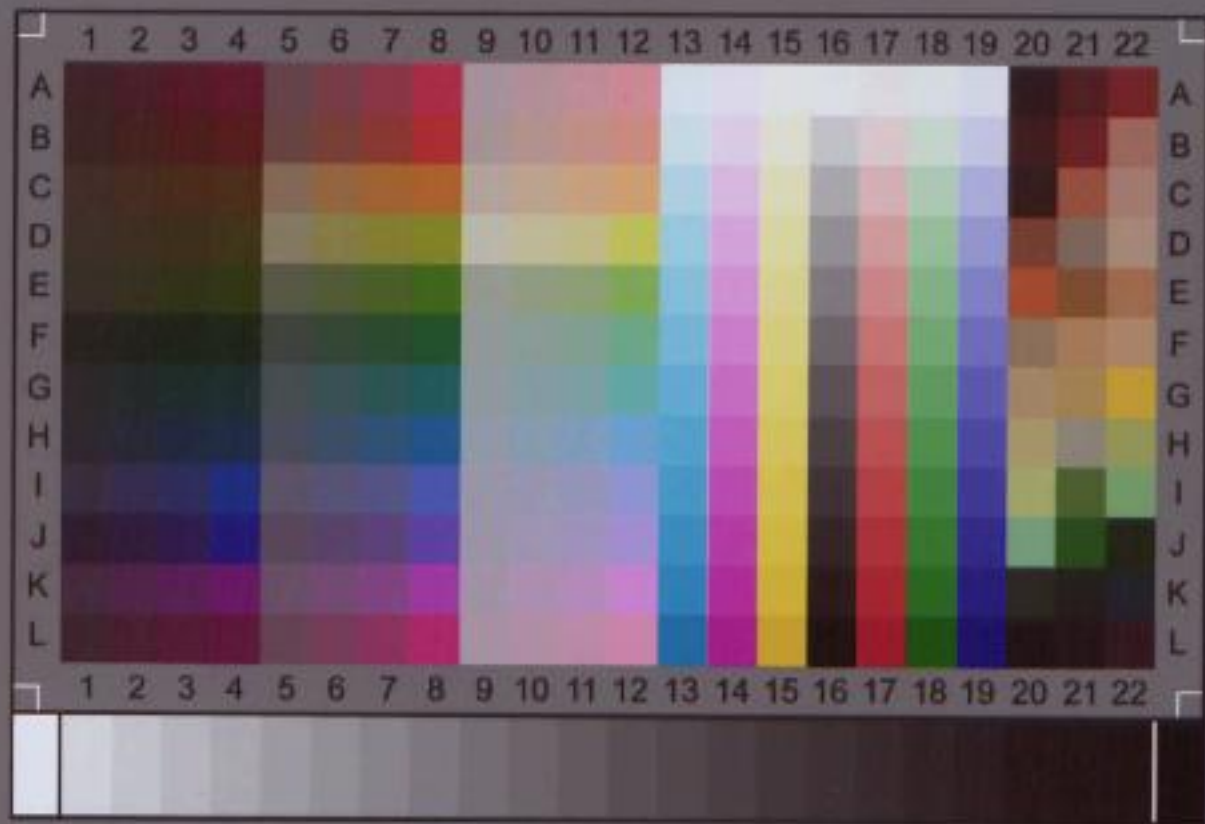
We, as the first appointed leaders of the UDM, never for a moment thought that our activities as a new Union would be easy, and we were always prepared to face the many obstacles that we knew we would have to face in establishing ourselves. I know you must appreciate the problems we are encountering, both inside and outside the industry, and at the present time, we are also being ostracized by both the T.U.C. and the Labour Party. Whilst being ostracized by both the above mentioned organisations does not bother us too much, we now feel that the enthusiasm of those persons who were willing to assist us during the strike period has now somewhat faded.

Whilst we are still determined to succeed, we are of the opinion that the time is right for the National Officials to meet you to make you aware of the many problems we still face, and request certain assistance from both your goodself and Government.

Yours faithfully,



K. Toon
Section Secretary



IT8.7/2-1993
2009:02

Image
Access

IT-8 Target

Printed on Kodak Professional Paper
Charge: R090212