

E. R.
NOTE FOR THE RECORD

The following is the result of my inquiries about this weekend's coverage of the coal industry.

The Sunday newspaper stories resulted from a briefing for 4 industrial correspondents by Geoffrey Kirk, the very experienced Director of Public Relations at the NCB, on Friday. Mr Kirk says he gave them an extract from Mr Siddall's speech today - a speech entitled, "No case for Butchering" - and made the following points:

- the NCB was not telling Mr MacGregor what policies he should pursue;
- the NCB was not arguing that he should not join the Board;
- it was arguing that the existing policies would require closures, but not immediately; the industry needed skilful therapy.

Mr Kirk feels particularly aggrieved at the Sunday Express's coverage (attached). He maintains there is absolutely no justification whatsoever for linking the chairman's use of the word "butchery" with criticism of MacGregor. Scargill has repeatedly accused Mr Siddall of "butchery".

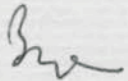
Mr Siddall decided to give an interview to BBC Radio 4 "World this Weekend" after reading the Sunday press.

For what it is worth, I am convinced Mr Kirk would not attempt to campaign against Mr MacGregor, least of all at this stage. He is far too responsible for that. And he knows only too well that Mr MacGregor is a factor in the ballot - a ballot which the NCB wants to win.

Mr Siddall proposes that his speech today should stand on its own; he is not intending to give interviews.

I have this morning also spoken to Mr Tebbit's office. He is to be interviewed on unemployment and trade union legislation on Panorama this evening. His office are advising him not to get involved in the miners' ballot and to insist that the interview is not about it. He is not of a mind to get involved. I said we agreed with that.

Mr MacGregor's Director of Public Relations, Mr R Melvin, telephoned me today to say that they were not getting involved and that Mr MacGregor would not be giving interviews. They were however suggesting to journalists they know well that they should investigate Mr MacGregor's record in the mining industry through the American Mining Congress. They would find he had a first class commercial and industrial relations record.



B. INGHAM

7 March 1983

STOP MacGREGOR!

SIDDALL SAYS IT

by GORDON LEAK

COAL BOARD chairman Mr Norman Siddall is throwing his weight behind the intense and mounting pressure on Mrs Thatcher to scrap plans to appoint Mr Ian MacGregor as his successor.

In an eve-of-poll appeal to miners to reject strike action in this week's coalfield ballot, he will warn the Government that the industry does not need "a butcher," but skilful surgery.

The "MacGregor factor" is the only barrier to another humiliating rebuff by miners to their leader Arthur Scargill.

But if Mrs Thatcher refuses to withdraw the offer of the £59,000-a-year job, or if Mr MacGregor falls to decline it, there will be a cliff-hanger vote by pitmen on Tuesday.

A clear majority of the 220,000 miners are reluctant to strike.

They face losses of between £180 and £200 a week in wages and overtime in many areas.

And they accept that the closure of the worked-out Lewis Merthyr pit in South Wales is the worst possible case on which to fight.

But Coal Board and National Union of Mineworkers officials believe that unless the "spectre" of Mr MacGregor and wholesale closures is lifted there could be a narrow majority for a strike against pit closures.

Seething resentment among Coal Board members will surface in a speech by Mr Siddall to the Coal Industry Society in London tomorrow.

Future

His message to miners will be that the coal industry has a long and bright future with better job security than in most other industries.

There will have to be pit closures as mines become exhausted. But he will pledge that this will be done with "compassion" for the workers involved and can, for some time to come, be achieved without miners losing jobs.

Coal Board members argue that either of Mr Siddall's two deputies, Mr James Cowan or Mr John Mills—both mining engineers, with a lifetime in the industry—are better qualified for the job than Mr MacGregor.

Tory MPs are stepping up their campaign to persuade Mrs Thatcher to drop the MacGregor appointment.

"There is now a substantial body of opinion on the Government back benches against this proposal," said Mr Patrick McNair Wilson, MP for New Forest and a former Front Bench energy spokesman.

Focus

"Mr MacGregor is now regarded as a focus for conflict. If he is appointed the resolution of the coal industry's problems will become very much more difficult."

Difficulties in negotiating a compensation fee of about £1,500,000 with Mr MacGregor's employers Lazard Freres, the New York bankers, to pave the way for his transfer from British Steel to the Coal Board have held up the appointment.

Last night Mr MacGregor was said to be still undecided on the appointment.

Union officials said that if he is going to turn the job down he had better do it before the ballot boxes close on Tuesday.

"If the MacGregor bogeyman were to be laid to rest I think that would swing the lads back against a strike," said moderate North West miners' leader Mr Sid Vincent.

Pit ballot votes will be counted on Wednesday and the result declared on Thursday. If the coalfields vote to strike all pits will have stopped by a week tonight.

EMBARGO

14.00 hours, Monday, 7/3/83

"NO CASE FOR BUTCHERY"

Coal Board Chairman's Policies for the Present Crisis

The Chairman of the National Coal Board,
Mr. Norman Siddall said in London today (Monday):

I last addressed the Coal Industry Society in March 1975 when I spoke of the need to change course after 15 years of fighting for survival.

The world was reeling under the impact of the huge and rapid rise in oil prices which started in 1974. Suddenly everybody became eager to develop their own energy sources - and that meant, in Britain's case, coal and North Sea oil and gas.

In the eight years since then we have planned and invested for a bigger industry: now another change of course is needed, in a quite different direction from the last one I outlined. Total UK consumption of primary energy this year is running at about 310m. tonnes of coal equivalent. This is 36m. tonnes less than it was ten years ago and about 90m. tonnes less than it was expected to have been under the Plan for Coal agreed between the Government, the unions and ourselves in 1974. And the situation is not improving. Given the present trend, by 1985 the country could be using 100m. tonnes less than expected.

However, as Mr. John Raisman (Chairman of Shell UK and your last speaker) said, investment in new coal and oil fields has to continue to meet long-term needs, even though present prices and demand give little incentive. If new reserves of fossil fuels are not developed, there will almost certainly be shortages later on.

As he so rightly put it: to meet long-term needs, investment by both our industries must continue. The question is: How can we ensure that this happens?

We have to adapt to the present drastic fall in demand for our products while at the same time making sure that the policies we adopt do not harm our ability to provide the energy that the country is going to need in the future. In our case there is enough coal under the ground in Britain to meet the likely demand for the next 300 years, including making a healthy contribution to Western Europe's needs. Those reserves represent an immensely valuable natural asset. If they are not going to be used as quickly as we once thought, that is not a matter for total regret. Measured against man's existence on this planet and hopes for further industrial development, 300 years is not a long time. If their life is extended to, say 350 years, so much the better for our successors, inconvenient though it might be for those of us who have to grapple with the present problems.

The skill will be to get through our present crisis in good shape to meet the future demand for our products.

It would be tempting, but wholly misleading, to think that once the recession passes, our problems will all be over and we shall be besieged by all our former customers demanding as much energy as they used to take.

In fact, many of our customers have gone out of business: they have been lost to us for ever. Some of the biggest energy consumers, like steel, have lost many of their markets. Others, like paper-makers, have gone to Scandinavia where their raw materials are cheaper.

Many more industrialists, struggling with high energy prices, have learned to manage with less. Increased fuel efficiency must be welcomed, even though it means the energy producers are left with surplus stocks at the present time.

Faced with these changes in the world energy market, Governments are trying to increase coal consumption by helping industrial, commercial and horticultural users to convert from oil and gas to coal. After a slow start our own Government's grants scheme is now building up momentum. On top of that, since December we have had the European Community scheme to lend money for this purpose at rebated interest rates. Many of the most famous, companies in Britain - ICI, Fords, Unilever, Dunlop - are taking advantage of these arrangements. The latest count shows that 219 qualifying applications have been received by the Department of Industry, of which 44 were received in February alone. If each scheme receives a grant of 25 per cent of its cost, the total take-up will be £36m. out of the £50m. set aside by the Government. The result will be an additional coal burn of almost 1.5m. tonnes a year.

The only snag is that there is a deadline for applications at the end of this month. We very much hope it will be extended - at least until the full amount of the £50m. budgeted for is taken up. Potentially, demand for coal by manufacturing industry five years from now could be 5m. tonnes higher than it is at present. That would be good for everyone involved - the boiler manufacturers, the customers and the coal industry. Already, jobs are being created and it surely makes sense for the Government to continue its encouragement and help.

So much for the markets.

What progress has been made with the mining side of Plan for Coal since I spoke to you eight years ago?

The Plan had three main elements:

- expansion of capacity at certain long life-pits;
- extension of the life of collieries that would otherwise have exhausted, by creating access to new reserves; and
- construction of new mines

Obviously there had to be a national exploration programme to locate the new reserves needed to increase capacity. This work has been highly successful. Total proved reserves at existing and new mine sites now stand 3,800m. tonnes higher than they did eight years ago, despite the fact that we have mined about 900m. tonnes of coal since then.

What of the investment programme itself? So far, 260 major projects (that is, costing more than £500,000.) have been approved at a total cost of about £3,200m. Of these, 150 have been completed,

providing a total of 16m. tonnes of annual capacity - and high-quality, productive capacity at that. This leaves about 100 or so projects, in progress, including Selby, which will bring in a further 26m. tonnes of annual capacity at still higher rates of productivity.

Selby is a good example of the industry's potential. Within two or three weeks the first face will start to operate, right on schedule. This mammoth scheme is one of the few big capital projects in the United Kingdom to have kept to its timetable, and this is a source of great satisfaction to us all, but especially to the engineers, workmen and contractors who have made this possible. When it is completed, the output will be 10m. tonnes a year, produced at productivity per man about five times as great as the present national average.

Investment in coal, as in other energy-producing industries, has long lead times but the evidence that it is producing the intended results is now emerging. In recent weeks overall productivity - that is, for all employed - has created all-time records. Performance at the face, whether measured by daily face figures or output per machine shift has also reached best-ever levels. Productivity per faceworker is consistently exceeding 10 tonnes per manshift and any week now will reach 11 tonnes. Our Plan for Coal assumption was that it would not attain that standard until 1985, so in that respect we are two years ahead of programme.

I am often asked if we shall soon reach the technological limit for underground mining. Is further engineering and scientific progress still possible or are we approaching the ultimate plateau?

We certainly expect that in the next 20 years we shall not make any big move away from the present basic longwall system. The mining technique is fixed but that is not to say that productivity will stagnate. Machines will become still more powerful. Underground transport will be faster. Our main research and development effort will be to release the potential still available within the longwall system.

Improvements will come from applying microprocessor techniques, both to provide us with fast, accurate information about underground operations and, in some cases, to control those operations from a distance. We lead the world in applying these techniques yet, in my opinion, they are still only in their infancy.

So, on the production side we are at last getting good results and can confidently expect further improvements for a good many years yet.

There is an immediate problem, though, of imbalance. I have already mentioned the gap between coal sales and production, running this year at about 9m. tonnes. There is also an imbalance between

the rate at which we have been introducing new, low-cost capacity and the rate at which we have been pulling out of the old, high-cost pits. The 150 major capital projects completed so far have a total annual capacity of about 16m. tonnes. The Tripartite report which led to Plan for Coal said that up to 1985 an average of 3 to 4m. tonnes capacity a year would be lost, mainly through exhaustion of mines and possible exceptional mining difficulties. In fact the 64 collieries closed since 1973-4 represented an average reduction of only about 1m. tonnes a year based on their output in the last full year before they closed. So we have created new capacity with better working conditions faster than we have got out of the old, and that is holding us back as an industry.

About 12 per cent of our output comes from persistently unprofitable collieries and was responsible for financial losses of about £250m. in 1981/82. This clearly cannot continue if our operations are to be cost-effective.

The Board's intention is to tackle this burden with determination, for the future of the industry demands that we should. But we shall do it with compassion for the people involved. Here I want to refer to our past record.

Of about 23,000 men working at the collieries closed since 1973-4, 67 per cent were transferred to other jobs within the industry. Of the total number of men made redundant since 1973/74 (both through closures and for other reasons), about 90 per cent

were over 55 years old and went on terms that they gladly accepted. The cases where a man wanted to stay in the industry but could not be found a job have been very few.

I have said often in the past that I am not in the business of butchering the pits. Our policy is, rather, one of skilful therapy, the aim being to deal with our current difficulties in such a way that the industry's ability to meet future demands is preserved.

The people who manage the coal industry are the custodians of one of Britain's most important natural asset. This country has about ten times as much coal in the ground as it has oil and natural gas.

The future importance of those coal reserves has been recognised by all political parties. Since 1974 we have had in effect a bipartisan policy towards coal. Despite the recession and the sharp fall in current demand, the present Conservative Government has kept up the same high rate of investment in coal as its Labour predecessor. This year we have available for capital spending over £800m. On top of that, there are Government grants of about £520m. The money borrowed for investment projects has to be repaid with interest but the grants, which are equal to about £10 a head for every man, woman and child in the country, are a way of giving the industry time to modernise itself and overcome its present difficulties without hardship to the men involved. It is time we started to be independent of outside help - to take control of our own destiny.

That brings me to the present situation in our industry.

Tomorrow the mineworkers will be voting on a recommendation that they should give their National Executive authority to take industrial action to prevent the closure of "any pit, plant or unit except on the grounds of exhaustion, including those currently threatened in South Wales". In other words, the Union have tried to widen the question to cover possible closures, apart from Tymawr/Lewis Merthyr, which was the original issue.

Maybe that shows the Union leaders realise that it will be difficult to persuade men in other coalfields to strike over that particular closure. The pit has certainly come to the end of its economic reserves. We have been trying to keep it going for the last four years.

Mr. Scargill interrupted his Executive meeting last Thursday to put what he described as a compromise. He wanted me to agree to operate an experimental face in a last attempt to put the pit right. I had to point out that the present face was itself an experiment. We agreed to mechanise it at a cost of £1.5m. Since it started the results have got worse and worse, through no fault of the management or men.

Geology has beaten us. The roof is brittle, breaking up as soon as the power-loading machine has passed, leaving cavities which have to be made safe before work can go on. The seam is affected by old

workings above and below it, which all miners know causes problems. The floor is too soft to take the weight of the machine and gets churned up, contaminating the coal.

The colliery manager - the man on the spot - has said: 'Nothing has been spared in attempts to get the thing to work, but it's a nightmare'.

The results speak for themselves. Since last July output has been only 28,000 tonnes which works out at 65 tonnes a shift, compared with a rate of about 350 tonnes at similarly-equipped faces elsewhere in the industry.

The pit lost about £80 a tonne last year. Is there any wonder I told Mr. Scargill I was not prepared to undertake another experiment there?

As I said earlier, we are creating new capacity through capital investment - unlike most other heavy industries in this country. There is no hope for the industry if we are to be doomed to work places like Tymawr/Lewis Merthyr until the very last tonne has gone. No pit is ever completely exhausted before closure, so the words on the ballot paper are misleading.

As every mineworker knows pits do come to the end of their economically workable reserves and we have, without fuss or bother, closed dozens of pits which have got into that state.

It is right that mineworkers should be concerned for the well being of their own people in other collieries but that is not an issue in the case of Tymawr/Lewis Merthyr where there is a job for every man within a few miles of his own home. Travelling expenses are subsidised and transfer allowances of up to £1,550 will be paid.

The figures quoted earlier show how successful we have been in coping with the human problems that arise when pits are shut.

Let me spell out our policy for the benefit of the men who will be putting their crosses on those ballot papers tomorrow.

We have to re-structure this industry to adapt output to what our customers will buy from us, and at what price. We shall pay our workpeople the best wages we can afford out of the money we earn.

For as long as possible we shall go on offering alternative jobs when pits close, with voluntary redundancy for the older men on terms that will be acceptable to them. None of the actions we are taking now or are likely to take in the foreseeable future, whether by closing pits or reducing manpower at continuing pits, need cause any compulsory redundancy.

It is my duty as Chairman to make it clear to the people of the industry what will be the consequences of a national strike and to begin with I want to correct something Mr. Scargill said last

Wednesday. He said, and I quote: "It is a myth that the CEEB have 5-6 months of coal stocks. In fact, power stations have only sufficient for 8-9 weeks".

That is wrong. Stocks now lying on the ground at power stations would be enough at the rate of consumption usual in the spring and early summer to last more than twice as long as Mr. Scargill claims.

So if the mineworkers do vote for a strike, I am bound to warn them that they would have to be prepared to stay out for a very long time. It would be the height of summer before there was any noticeable effect of a strike.

And a strike can do nothing to protect jobs. In fact it would have the opposite effect. Already this year, without counting the effects of the recent action, strikes in support of NUPE and the railway workers, and an overtime ban have lost the industry £64m. That is money that will not be available for wages. Money that might have helped to keep down the price of coal, thus protecting miners' jobs. A strike now would lose present and potential customers.

My message to mineworkers is this: Vote 'No' to a strike tomorrow - because the problems won't go away.

A strike would only make them worse.

- It would be a long strike

- It would lose the miners a lot of money

- It would lose the industry a lot of money which it needs for the future

- It would lose the Board a lot of present and potential customers

4021/3/83/M/11/LSG

7th March 1983