

Pro plan

COAL INDUSTRY BILL 1986

The correspondence between Peter Walker and John MacGregor over the scope and detail of the Coal Industry Bill reflects a basic difference of views on the best ways to get the British coal industry back into a healthy commercial state. The Treasury's priority has been to change the flawed institutional basis of the coal industry. They have argued that there is no better time than the immediate aftermath of the coal strike to do this.

By contrast, Peter Walker has seen little merit in making controversial early changes to the institutional framework: changes which might, if anything, hamper the prime task, as he sees it, of closing uneconomic pits, raising productivity and instilling new and more market-responsive attitudes on the part of management and workforce. Peter Walker might point to Scargill's hostile reception at the recent NUM conference as evidence of the wisdom of such an approach.

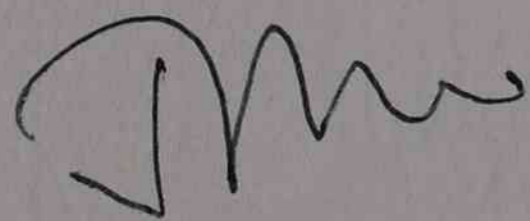
Peter Walker has successfully defended this approach in the correspondence with the Treasury over the Coal Industry Bill. However, the Treasury are clinging doggedly to one remaining issue - the need to remove the NUM's power to abuse their position in jointly managing the Mineworkers' Pension Scheme, at the taxpayers' expense. Peter Walker would be prepared to do this, provided the necessary changes neither

hand the coal mining unions a cause around which to reunite, nor arouse public animosity against a seemingly harsh Government seeking to reduce miners' pension rights.

We would recommend that you:

1. Express the hope that a practical way can be found to modify the Mineworkers' Pension Scheme arrangements without uniting popular opposition in the industry or Parliament.

2. Suggest that it would be useful to have British Coal management's views on the risks of uniting the unions over this issue. (Our intelligence indicates that Peter Walker may be overstating the risk of uniting the unions.)



JOHN WYBREW

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SECRETARY OF STATE FOR ENERGY

THAMES HOUSE SOUTH
MILLBANK LONDON SW1P 4QJ

01 211 6402

The Rt Hon John MacGregor OBE MP
Chief Secretary
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

4 July 1986

COAL INDUSTRY BILL 1986

Thank you for your letter of 26 June.

I am prepared to accept that the orders extending the period of application of the new social grant power should each apply for one year only.

Your latest suggestion for the Mineworkers' Pension Scheme (that I should legislate to amend the rules of the Scheme so as to require contributions to be such as will fund the benefits available, presumably on a new entrant basis or similar) still involves legislating to override an agreement freely negotiated between the Board and its employees. However, I accept that it might be less controversial than legislating to give the Board control of the Scheme; and in view of the importance you attach to the point I will examine how it might be achieved in detail and whether it can be linked in any way to changes to accommodate the UDM. We can then reach a final decision in the light of specific draft provisions.

One difficulty I foresee is that if the NUM ultimately agree to changes in representation it would be very hard to defend legislation purely on contribution rates. As I have explained, it will be necessary to present the powers in relation to miners' pensions and coal industrial social welfare arrangements as for use only if the NUM continue to be intransigent in blocking proper representation for the UDM.

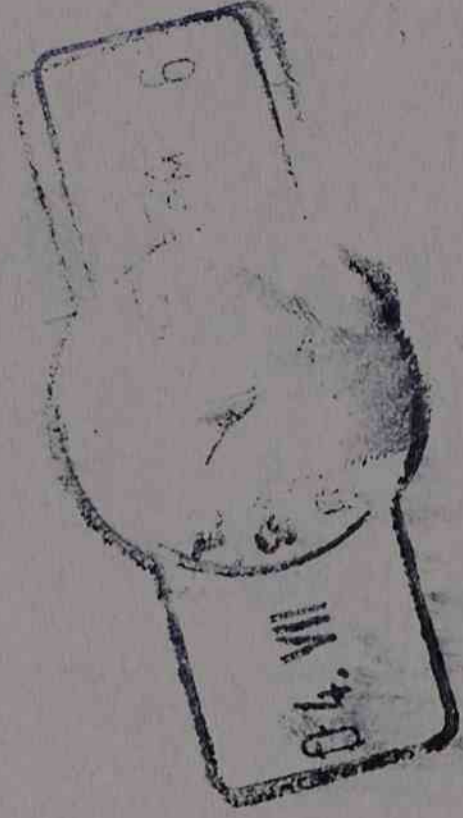
As regards conciliation arrangements within the coal industry, I will need to consider the ruling of the High Court of 20 June in detail before reaching a view. We are also still waiting to see whether the NUM will appeal.

I am copying this letter to the Prime Minister, Willie Whitelaw, John Biffin, Norman Tebbit, David Young, John Wakeham and Sir Robert Armstrong.

PETER WALKER

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Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Peter Walker MBE MP
Secretary of State for Energy
Department of Energy
2 Marsham Street
London
SW1

*BT / Any P.U. comments?
(Bohag unit)*

26 June 1986

Dear Peter,

COAL INDUSTRY BILL

Thank you for your letters of 9 and 17 June about different aspects of this Bill.

I can agree to most of what you propose on the financial provisions of the Bill, subject to our settling a way of protecting the NCB against union irresponsibility in the Mineworkers Pension Scheme (MPS).

You have suggested a break point after two years in the power to make social grant orders. That would certainly help. I am still somewhat concerned about taking powers to make orders for so long a period as five years, after which time the coal industry should face a markedly different economic prospect. For that reason I should be able to go along with your compromise if the order making power after the second year were renewable annually.

I am sorry that you feel unable to proceed with a capital reconstruction. I am still attracted by the idea of putting the NCB back on its feet and getting it to make a fresh start. I should therefore like to take up your suggestion of a last-minute review of the Board's prospects before the Bill is introduced.

There seems little point, however, in a partial reconstruction. It would beg all sorts of questions about NCB's longer term future, which you would be unable to answer in the

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absence of a coherent financial framework for the coal industry.

So if the review later this summer concludes against a reconstruction. I should be prepared to go along with reserve powers to pay deficit grant arrangements. Like the powers in use now, these should allow scope for paying grant on only part of the Board's deficit, on the understanding that in general we should prefer to avoid further unspecific subsidies. In practice of course decisions will have to be made in the context of circumstances at the time.

Your proposals for the annual decision round on social grant arrangements meet nearly all my concerns. It is helpful to have your assurance about how the financial limit for the year should operate in practice. I hope that, in the light of the first year of operation of the new arrangements, it will be possible to implement a regular cash limit.

I am disappointed that you feel unable to press NCB to assume responsibility for the continuing weekly payments due from redundancies before 1987-88. I continue to believe that this would be a useful discipline for the Board. It would increase its cost structure, but by much less than the full cost of rationalisation since the capital cost of previous redundancies have been borne by the Government. Essentially, it would take the NCB a step nearer proper commercial operation.

Nevertheless, I realise that this is an emotive issue. If you feel unable to justify removing the element of the exceptional protection the NCB enjoys, I will not press you to do so.

This leaves the question of how the powers to improve democratic representation within the coal industry should be used. I am sorry you see difficulty with the extension I suggested, especially as you share my concern about the NCB's exposure to open-ended demands for deficit finance from the MPS.

You are concerned about providing the Opposition with an opportunity to unite and present such a move as an attack on benefits. I agree that we should aim to avoid this. I do believe we would enjoy widespread support - including the support of our own backbenchers - in arguing that the present arrangements are quite unreasonable. The NUM can force the pension fund into deficit and the NCB - which means at present the taxpayer - has to pick up the bill.

One way forward would be to leave in place the present arrangements as regards pension benefits but to change them as regards contributions. All we need is an arrangement which ensures that, whatever the level of benefits, contributions are set at a corresponding level.

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As I said at the outset, my agreement to the bulk of your proposals in your letter of 9 June is conditional on your acceptance of this point.

I am copying this letter to the Prime Minister, Willie Whitelaw, John Biffen, Norman Tebbit, David Young, John Wakeham and Sir Robert Armstrong.

Yours,

JH

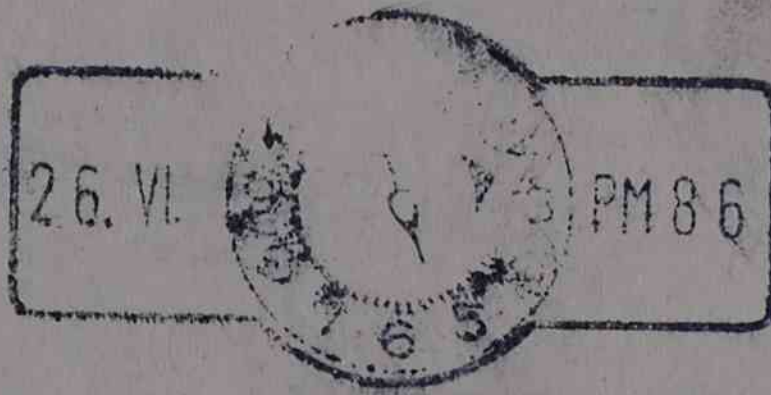
JOHN MacGREGOR

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PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

24 June 1986

Peter Walker

Prime Minister 2
John
25/6

COAL INDUSTRY BILL

In your letter of 9 June you seek drafting authority to include in your Coal Bill for next Session provisions to deal with problems regarding employee representation following the emergence of the UDM. Although I assume that the UDM's victory in the High Court last week will remove the need for some of these, I also assume that the need for others remains. John Biffen and I have considered the implications of these provisions for next Session's programme.

Clearly these measures must command a high political priority and, unless other colleagues have policy objections, you may take it you have authority to instruct Parliamentary Counsel to draft the provisions. I have to say, however, that I am concerned at the implications of these additions for the rest of the Programme. Although they do not add appreciably to the length of the Bill, it will become considerably more controversial and will certainly not qualify as a Money Bill; it can therefore be expected to take up more time in both Houses while the necessity of obtaining Royal Assent by the end of February 1987 will presumably still stand. It is too early to make a final judgement but I fear that some consequential tailoring of the remainder of the programme may well prove necessary and I must give you and colleagues early warning of this. These concerns would be redoubled if the Bill were to be hybrid and I very much hope that this can be avoided; if it cannot, then I think we must reconsider the matter.

I am sending a copy of this letter to the Prime Minister, members of E(A) Committee, the Chief Whip, Commons; First Parliamentary Counsel, and Sir Robert Armstrong.

John Biffen
John Biffen

The Rt Hon Peter Walker MBE

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Prime Minister 2

The Treasury suggested that the NCB should have control over the mineworkers' pension scheme.

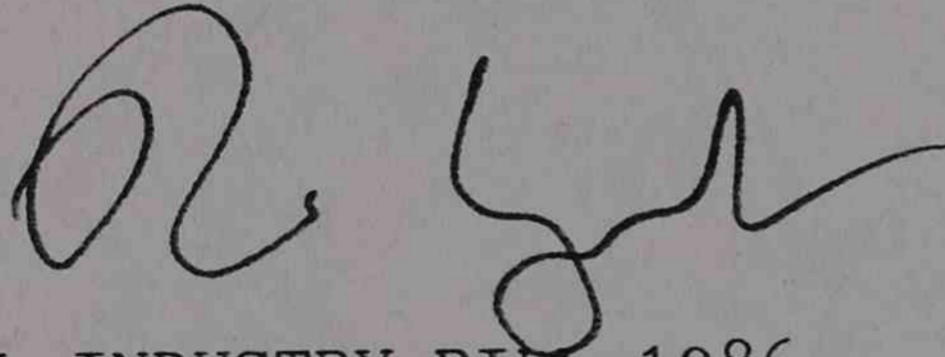
Mr Walker thinks that would be too controversial and wants simply to give the UDM representation, which should itself help the NCB.

01 211 6402

The Right Hon. John McGregor OBE MP
Chief Secretary
Treasury Chambers
Parliament Street
London
SW1P 3AG

COPY NO 2 OF 12 JWS
17/6

17 June 1986



COAL INDUSTRY BILL 1986

I have considered carefully the suggestion in your letter of 9 June that we should use my proposed provision regarding UDM representation of the Mineworkers' Pension Scheme to give the Board ultimate control over the scheme.

The ability of the NUM to block proposals for change stems from the facts that under the rules of the scheme they appoint half the trustees to the Committee of Management, and additionally that the agreement of the Union is required to any changes to those rules (including any change to contribution rates and benefit levels). I agree that this is unsatisfactory, given the Board's obligation to finance any deficiency. Unfortunately, remedying it would not be as simple and uncontroversial as you suppose.

In my minute of 30 May to the Prime Minister I proposed a provision to amend the rules of the MPS with a view to securing representation for all unions representing substantial bodies of the workforce similar to that now enjoyed by the NUM. Although the details have yet to be fully worked out, what I envisage is a provision within the Bill giving me a once-only power to amend the rules of the MPS by Order such that:

- i) organisations seeming to the Board to represent a significant proportion of their employees in grades eligible for membership of the MPS shall have the power to appoint that number of trustees as will so far as possible ensure that the 50% of non-Board appointed trustees reflects the division of the contributing membership between those organisations;
- ii) changes to the rules of the Scheme can be made by agreement between the NCB and a majority of the trustees, or, in the event of the trustees being evenly divided, by agreement of the NCB and endorsement in a ballot of the contributing membership.

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As I said in my earlier minute, I intend to make it clear that I would much prefer not to use these powers, which will be used only if the NUM continue to be intransigent in blocking proper representation on the Scheme for the UDM.

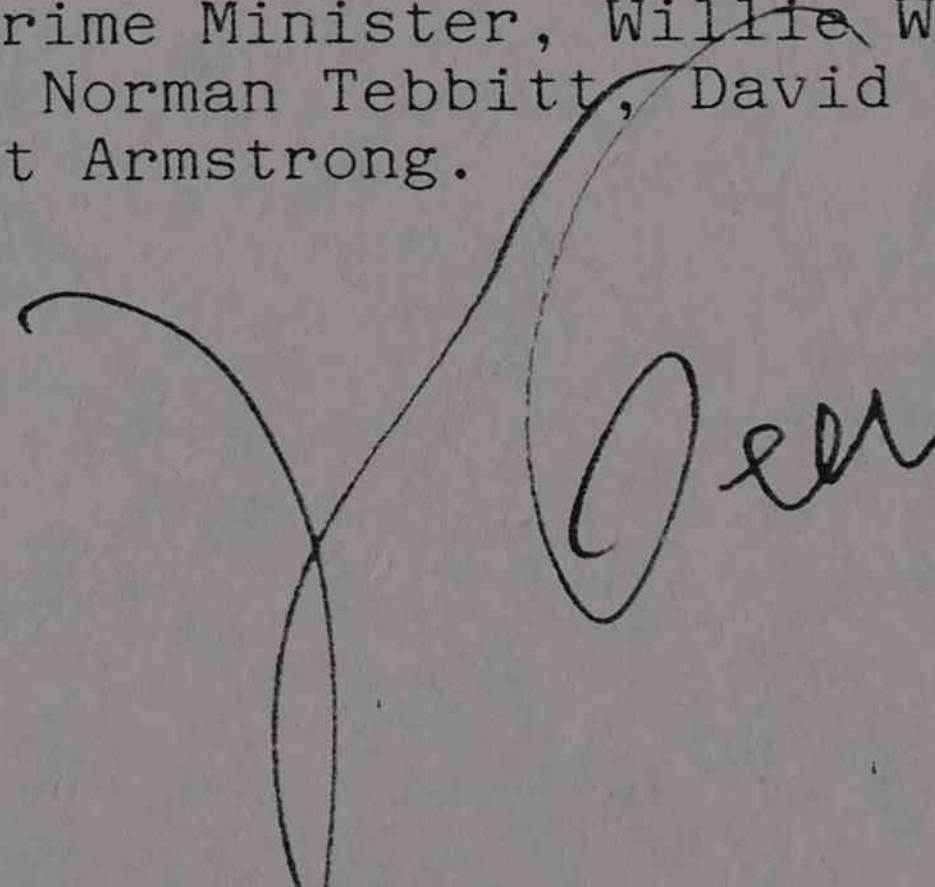
I believe that my proposal could be given a very positive presentation, as necessary to prevent a major injustice being perpetrated by the undemocratic left. Our opponents will have the greatest difficulty taking a unified stand.

These proposals will also help the Board with its long-standing problems over control, to the extent that they mean that the Board acting with the UDM will be able to override the NUM.

If, however, we go further and give the Board the power for the first time to override the united views of its employees' representatives in this area, then we will no longer be able to present our proposals as necessary simply to reflect the emergence of the UDM, and they will inevitably be a good deal more controversial. There is no possibility of taking powers to make such a fundamental change through Parliament without a clear statement of what is intended; and the opposition will be able to unite in presenting them as an attack on pensions, using legislation to override agreements freely negotiated within the industry.

I do not therefore believe that it is worth complicating the presentation and passage of the present Bill by seeking to include provisions to remedy what is after all a long-standing difficulty. I am sure our aim should be to keep the present Bill to the essential minimum.

I am copying this to the Prime Minister, Willie Whitelaw, Nigel Lawson, John Biffen, Norman Tebbit, David Young, John Wakeham and Sir Robert Armstrong.



PETER WALKER

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Treasury Chambers, Parliament Street, SW1P 3AG

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

NBM

9 June 1986

Dear Peter,

COAL INDUSTRY BILL 1986

I have seen your minute of 30 May to the Prime Minister. I also strongly endorse the new clauses you propose in that minute. It is essential to follow through the industrial relations gains won during the strike. That must mean giving better representation to the UDM.

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I believe that there is one further NUM nuisance you might consider tackling over and above those you mention in your letter. At present the NUM appoints half the Committee of Management of the Mineworkers Pension Scheme. This enables the NUM to control decisions on investment strategy, on employee contributions and on benefit levels. In general the NUM tends to block increases in employee contributions. This tends to push the fund into a difficulty. Unfortunately - and this is the real nuisance - such a deficiency does not lead to lower pension benefits as the NCB has a statutory obligation to make good any funding deficiencies. In short the NCB pays for the NUM's irresponsibility and this in turn increases public expenditure.

This arrangement produces the kind of contingent liability which the Prime Minister said in her minute of 23 May we should seek to eliminate as far as possible. There are already monitoring arrangements to make regular checks on the funding positions of all nationalised industries' pension schemes. But these cannot protect the NCB against irresponsible union behaviour on contribution rates. The obvious solution would be to give the NCB a majority on the Committee of Management.

SECRET

This need not affect the drafting of the clause as such, only the subsequent order amending the rules of the MPS. Nor is there any need to spell out exactly what is proposed during the Parliamentary debates on the Bill. But obviously I hope you will feel able to take care not to rule out this change in the balance of power in describing how union representation is to be made fairer.

I am copying this letter to the Prime Minister, Willie Whitelaw, Nigel Lawson, John Biffen, Norman Tebbit, David Young and John Wakeham.

Yours etc,
JG

JOHN MacGREGOR

