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SECRETARY OF STATE FOR ENERGY  
THAMES HOUSE SOUTH  
MILLBANK LONDON SW1P 4QJ  
01 238 2149

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

3rd July 1989

Dear Paul,

Thank you for your letter of 23 June forwarding a copy of Roy Lynk's letter of 20 June to the Prime Minister. Mr Lynk is concerned that a reduction in British Coal output because of new contracts with the privatised electricity industry will fall particularly heavily on the Nottinghamshire pits and the UDM.

As my Secretary of State told the Prime Minister at their meeting on 23 February, he has devoted considerable effort and attention to the UDM and has met Mr Lynk regularly, most recently when he spoke at the UDM's annual conference. I enclose a copy of his speech. In the debate in the Commons last Monday, Ministers paid tribute to the way the UDM has responded constructively to the need for modern working practices and improved productivity. British Coal has in fact done much to recognise the importance of the UDM. The rate of pit closures in Nottingham has been kept to a necessary minimum and has certainly affected the union much less severely than the NUM. The union will also benefit in the future from the investment which British Coal is making to open the large new pit at Asfordby and plans to make at Margam. British Coal is also involved in a joint venture to construct a small power station at Bilsthorpe which should not only be a profitable venture in its own right but also guarantee the future of that mine.

The Prime Minister will have seen the paper which my Secretary of State has circulated on the contractual framework for the esi. This sets out a framework which is intended to give British Coal time to come down to a viable and competitive output at a pace which can be managed. However, we are not yet, of course, in a position to tell Lynk what conclusions we have reached. My Secretary of State therefore proposes that the Prime Minister

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*Paul*  
*Have you already seen the original of this?*  
*(Not previously tied up with GR pps)*

*CF*

*2117*

*GR*

*Yes. Let's*

*Where is it.*

*Can you do it.*

*P.*

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does not meet Mr Lynk until the Government's position is settled. When we have reached that point, Mr Parkinson feels that it would certainly be helpful if the Prime Minister could see Mr Lynk to demonstrate our continuing commitment to his union. I enclose a positive draft reply and suggest that you aim to arrange the meeting to take place at the end of the month.

*Yours ever,*

*Stephen*

**STEPHEN HADDRILL**  
Principal Private Secretary

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**DRAFT LETTER FROM THE PRIME MINISTER TO ROY LYNK**

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 to arrange a meeting.

SPEECH BY RT HON CECIL PARKINSON MP  
SECRETARY OF STATE FOR ENERGY  
TO THE  
1989 ANNUAL CONFERENCE OF THE UNION OF DEMOCRATIC  
MINEWORKERS  
WEYMOUTH  
13 JUNE 1989

Almost exactly two years ago I addressed your second annual conference as one of my first public engagements as Secretary of State for Energy.

Then I affirmed our commitment to the future of the coal industry in this country. I want to reaffirm it to you today. And I want to reaffirm this Government's belief in the principles of democratic trade unionism which you so clearly represent, as well as our continued commitment to the UDM's own future.

Coal is one of Britain's greatest natural assets - indeed we have been described as "an island built on coal".

So it would be extremely short-sighted of any government not to support our indigenous coal industry.



This Government is emphatically not hostile to coal, whatever the Opposition may say. On the contrary, our support for your industry is many times greater than theirs ever was.

Since 1979 the Government has provided nearly £10 billion to the industry by way of grants and has financed investment of over £6½ billion - allowing British Coal to go on investing over £2 million every working day.

That level of support has made possible the rapid introduction of a new generation of mining equipment, which has gone on to capture export markets throughout the world. And it has contributed enormously to the huge advances in productivity and safety which have been achieved in the coal industry in this country.

Bob Haslam has recently announced an improvement in productivity of over 90 per cent in the last four years: a virtual doubling in the output of every British Coal employee. Over the same period the industry's operating costs have been reduced by a third in real terms. Since 1979, too, the accident rate has dropped by two-thirds. It is a magnificent achievement by the management and the workforce, unmatched elsewhere in this country, and probably unmatched anywhere else in Europe.

Yet as everyone in this hall knows, still more remains to be done. The glut in world energy supplies; the sharp fall in international coal and oil prices in 1986; adverse movements in the exchange rate, and rises in interest rates - all these things have combined to operate to the disadvantage of coal and to intensify the market pressures on the industry.

And there is another pressure. Twenty-five years ago coal had many customers. Most people heated their homes with coal. Coal provided the fuel for our trains and ships. Our gas came from coal, our electricity was almost totally produced from coal.

That has all changed, the industry now has only one major customer and that is the electricity supply industry. That industry itself is being privatised.

Let us make the position clear, the privatised electricity industry like any other business will be free to choose its suppliers, including its coal suppliers. We want British Coal to win the lion's share of that business and we believe that on the basis of its own performance it can.

The taxpayer through the huge investment programme and you by your own efforts have put the industry in a position to protect itself. What the Government cannot do and will not



do is force the customer to buy British coal. A reluctant customer is not a sound basis on which to build business - a willing customer is.

Talks with the generating companies to secure contracts for some years ahead are now under way and I have no doubt that Lord Marshall, who will be speaking to the Conference tomorrow, will be attempting to drive a hard bargain in the interests of his industry.

But I tell you this: he is also a realist.

He knows that National Power needs security of supply. I would be very surprised indeed if National Power and PowerGen did not place a high value on the security gained from contracts with our home based coal industry. And I would be particularly surprised if they or other customers did not attach special value to the output of mines operated by this union.

The Union of Democratic Mineworkers have recognised that modified working practices will help make our pits more competitive. It has demonstrated from the beginning that it recognises the importance of the customers interests in ensuring the future of the coal industry.

I am therefore confident that the excellent low-cost, long-life pits in the North of Nottinghamshire are well-placed to hold their markets in the power stations in the Trent Valley.

I am also pleased to see that a large share of the investment which is now going to upgrading existing capacity is earmarked for UDM collieries. The current major expansion projects at Harworth and Daw Mill provide further evidence of the Government's willingness to back the industry.

I look forward to visiting Thoresby Colliery next month. I am told that Thoresby produced over two and a quarter million tonnes at a cost of under one pound per gigajoule last year. That is a superb achievement and I wish to pay tribute to the excellent management and spirit of co-operation at the pit that made this possible.

But the need to reduce dependence on higher cost mines must remain a key part of our strategy. Our coal industry is operating in a world in which the productivity of our most efficient overseas competitors such as Australia and the United States - helped by their more favourable geology - is over three times as high as ours.



So the industry must maintain its recent progress. But there is no reason to believe that the industry as a whole, and in particular the UDM pits, cannot continue to supply the great bulk of its power station market on a fully commercial basis. After all, many of the existing coal-fired power stations are based on our coalfields.

There are those who claim that the Electricity Bill gives an increased role for nuclear power. The Bill will set a commitment for nuclear power up until the year 2000, which is the same as the level of existing contracted capacity - no bigger and no smaller. Whether the nuclear component grows bigger in the years ahead will depend on the market not on the Bill.

But the argument for nuclear is not just about the security of supply that comes from a diversity of fuel sources. Unlike coal, nuclear does not contribute to the greenhouse effect or to acid rain.

The growing threat to our environment means that we cannot ignore the impact of coal on pollution. This problem is not merely a British one. This country contributes no more than three per cent of the world's carbon dioxide emissions which in turn are responsible for about half of the greenhouse problem. Of this, the UK coal industry is responsible for

about one third, or one per cent. This is a considerable contribution but not a decisive one.

Mr President we must find ways of reducing carbon dioxide emissions as we are already reducing the emissions which contribute to acid rain. But unless we do this as part of an international collaboration anything we do will amount to little more than a gesture.

For example between now and the end of the year 2000 China is planning to increase its coal-burn from 800 million tonnes to 1,400 million tonnes. That will increase their carbon dioxide emissions by 1,500 million tonnes - their increase will be seven times our total. And it is no answer to tell the Chinese to stay as they are when their electricity consumption is only a minute proportion of ours, and when their standard of living is held down by their shortage of electricity.

So we can only tackle the greenhouse effect on a global basis. The UK will play its part, but the future of the environment is likely to be settled in countries other than ours. We can and will make a contribution but the problem can only be solved internationally.



Nevertheless this industry must still respond to the environmental challenge, and I am pleased to see it doing so.

New cleaner coal burning technologies can reduce the amount of carbon dioxide contributing to the greenhouse effect and I welcome the investment already made by British Coal in this area. It is in these areas, as much as anywhere, that the competitive future of coal may be decided.

On this count, I warmly welcome the UDM's involvement in the Bilsthorpe project. And I congratulate you on negotiating successfully for UDM members at Bilsthorpe to share directly in that investment.

I would also like to pay a particular tribute to your President, Roy Lynk, for his enterprise in yet another area.

If you read the newspapers you would be forgiven for thinking that it was the Labour Party who had raised such matters as the problems with the redundant mineworkers payment scheme. They certainly claimed the credit. But it was your President and your union that came to see me, and explained to me how in practice the Restart Scheme was affecting redundant mineworkers and convinced me of the need to take action to rectify the situation.

That is what I have come to expect from this union. The restructuring of the coal industry has been a challenging, difficult, and painful process - and it is still not over yet.

But in a situation where the attitude of the workforce is critical to shaping the industry's future, the UDM has consistently been prepared to face up to this reality.

In accepting the inevitability of change if coal is to have a viable future, the union has pointed the way forward not only for the coal industry, but also in many ways for the trade union movement itself.

It is the UDM which has taken a tough but realistic attitude to wage negotiations. It is the UDM which has accepted the principle of six-day working as a step towards achieving a secure high productivity/high profit/high wage future for the industry. And it is the UDM which - while admittedly remaining opposed to the principle of coal privatisation - has been energetically pursuing the idea of an employee buy-out of all UDM-controlled pits when privatisation comes about in the next parliament.

The details of the privatisation of coal and the form which it will take have yet to be decided. At a minimum we are determined that everyone working in the industry would have



the opportunity to become at least part-owners through special shareholding arrangements. But it is entirely characteristic of this union that it is already pressing us to take the matter further in its members interests, and trying to ensure that they get the maximum benefits from any change of ownership.

All that remains to be decided in the future. But I certainly believe that the members of this union have nothing to fear from privatisation: on the contrary it seems likely to bring them major benefits. Coal privatisation is an exciting prospect, a new beginning for this industry, and for those who work in it.

I wish the UDM and the coal industry every success in the years ahead.



Prime Minister

## COAL INDUSTRY INDUSTRIAL RELATIONS

The implications of electricity privatisation are of natural concern to those employed in the coal industry, as Roy Lynk of the UDM was anxious to point out when we saw him in July. I have since discussed the outlook with the Chairman of British Coal. The purpose of this minute is to indicate aspects of potential concern.

British Coal have put proposals on price, tonnage and duration to the electricity generators as the basis for future contractual arrangements. Following my predecessor's suggestion, these involve a reduction to 60 mt a year phased over 5 years, although Sir Robert Haslam's own view is that the necessary pit closures and job losses should be effected within two years, both to avoid yet another prolonged and demoralising period of contraction as well as to prepare for privatisation of the coal industry.

Bob Haslam has been at pains to explain what he sees as the major industrial relations risks of such a contraction, which would be seen as being endorsed or even required by the Government. His view is that the risks involved in a two-year run-down are the same as for a five-year run-down, because the implications for closures would be evident once the contractual arrangements had been announced. He argues that the scale of adjustment will force the abandonment of the Independent Review Body element of the colliery review procedure which was established as part of the settlement of the 1984/85 strike. And it may also be necessary, in his view, to abandon the industry's long standing policy of seeking only voluntary redundancies. Bob Haslam believes that Scargill is looking for a "cause" on which to base a major industrial action and that any announcement about loss of coal sales due directly to electricity privatisation could be just the cause he is seeking.





Clearly, the views that Bob Haslam has put to me may well be coloured by his concern to achieve a soft landing for British Coal. For my part, I am by no means convinced that the Independent Review Body need be abandoned (it adds time to the closure procedure but does not ultimately prevent British Coal from making its own decisions), nor voluntary redundancy, particularly given the success with which British Coal have managed this year's round of closures. Nevertheless, we must take seriously the argument that the risk of industrial action in the coal industry this winter will be significantly heightened by the implications of electricity privatisation.

There are, not surprisingly, other forthcoming developments in the coal industry which may involve industrial action.

Last year the UDM signed a two-year pay deal which was subsequently imposed by British Coal on the NUM pits. This involves a pay rise this November equal to the September annual RPI increase. The recent NUM Annual Conference instructed the Executive to pursue a £30 a week pay claim. In response, British Coal declined to negotiate until the NUM agreed a conciliation procedure which respected the right of the UDM to negotiate for pits where it is in the majority (the NUM has always refused this). There is likely to be a further NUM delegate conference followed by a ballot of the membership on some kind of industrial action (probably falling short of an all out strike). British Coal have given notice that they would cease to deduct union subscriptions at source in the event of industrial action.

NACODS, the pit deputies' union, will be making a pay claim for the year from 1 November and will not want to settle for less than the cost of living increase awarded automatically to mineworkers. NACODS would be particularly concerned by any intention to abolish the Independent Review Body which they see as their contribution to the settlement of the 1984/85 strike.

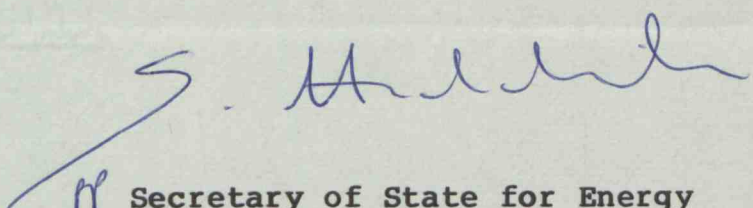
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And NACODS are currently very unhappy about proposals for the reform of mining legislation being developed by the HSE. The new draft Mines Administration Regulations would, inter alia, abolish the present statutory monopoly of the pit deputies as regards safety oversight below ground.

Given all these issues, the chances of trouble in the coal industry this winter must be rated as significant though much will depend on how matters are handled, both by British Coal and by the Government. It will of course be important to maintain a high state of preparedness, in particular as regards coal stocks at power stations (at present sufficient for nine months endurance in the face of an all out strike).

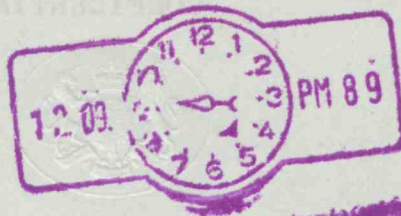
I am sending copies of this minute to Nigel Lawson and to Norman Fowler.

  
Secretary of State for Energy  
(Approved by the Secretary of State  
and signed in his absence)

12<sup>th</sup> September 1989

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PRIME MINISTER: Aitgs  
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ITC 9  
SMT. A.  
Coal

10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

18 September 1989

**VIDEO ON COAL POWER AT BILSTHORPE**

Thank you for returning the video that Roy Lynk sent following his talk with the Prime Minister and your Secretary of State. The Prime Minister has now finished with this and, as requested, I am sending it back to the department for your retention.

**PAUL GRAY**

David Murphy Esq  
Department of Energy

KK



PRIME MINISTER <sup>2</sup>

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VIDEO ON COAL POWER AT BILSTHORPE

You may remember when Roy Lynk last came to see you he promised to let you have a video. I now enclose this, in case you wanted to look at it. The Department of Energy have commented that it is useful and well presented and would be grateful if they could have it for retention when you have finished with it.

*Recg.*

PAUL GRAY

15 September 1989

SL2AXT

Roy LYNK  
Original in Box  
27/6



TK6  
EAM

1) 4/7

10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

Ack/ 23 June 1989

As I mentioned on the telephone, Roy LYNK of the UDM has sent the enclosed letter to the Prime Minister. You will see that he requests a meeting with her.

I should be grateful if you could provide me with advice on this request and a draft reply for the Prime Minister to send to Mr LYNK. It would be helpful to have this by Tuesday, 27 June please.

PAUL GRAY

Stephen Haddrill, Esq.,  
Department of Energy

ls





UDM

# 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

*Original in Box*

*PC?*

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/...

President—R. Lynk Vice-President—N. Greatrex General Secretary—J. J. Liptrott, B.E.M.

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.

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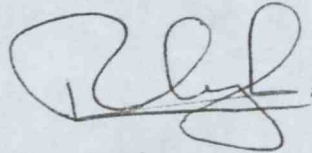


To quote one of your famous predecessors, "Give us the Tools and We will Finish the Job".

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 be 'R. Lynk', written in a cursive style.

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.

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