



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.

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

12th September 1989

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PRIME MINISTER: Mr. G. S.
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