



PRIME MINISTER

AMELIORATION OF THE CONSEQUENCES OF COLLIERY CLOSURES

Following our discussion *minutes at trap* on 13 November concerning the privatisation of the coal industry, you asked for a report setting out the possibilities for mitigating the impact of colliery closures. My officials have now prepared the enclosed paper. As you requested, the Policy Unit has been kept fully in the picture.

As you will have seen from my minute of 24 January on Rothschilds' third interim report, the number of operating pits may well need to decline from 53 today to around 14 to 17, and this will involve substantial job losses in the medium term. However, there are only one or two pits which could close in the next few months and none of these is in Nottinghamshire. There is some risk that an early announcement of a new Government initiative to ameliorate the employment effects of pit closures might give the misleading impression that a major acceleration of the rate of closures is in prospect; something which we obviously want to avoid. This may point in the direction of working as far as possible within the framework of existing programmes and ensuring that we carry local sentiment with us.

The attached table, taken from the paper, shows that a variety of measures is already available to assist in amelioration. These appear to cover the range of needs which will arise from a substantial pit closure programme. But the assistance is quite



diffuse. It could be more sharply focused. If matters are left as they are we could not be sure that support would be available in the right form and at the right time for those areas which would suffer particular hardship as a result of closures.

If on balance you felt further initiatives were desirable, the first step might be to bring together those Departments with responsibility for job creation and regeneration measures to work up an appropriate package of measures. I believe that, where possible, we should use or enhance existing local and regional organisations, programmes and initiatives. Training and Enterprise Councils and Regional Development Organisations are well placed to pull things together in most of the areas affected by colliery closures. I would encourage British Coal Enterprise (BCE) to strengthen its links with these organisations and to enhance its own activities.

We could also consider putting more effort into the East Midlands. There are no Assisted Areas in the region and it does not have a Regional Development Organisation. (Some parts of Yorkshire are also outside Assisted Areas, but there is a strong Regional Development Organisation). We would aim to set up a Regional Development Organisation in the East Midlands. However, a previous attempt to establish one in the region foundered on political rivalries between County and City Councils; and the co-operation of local authorities seems essential if we are to get such an initiative off the ground. To get around this problem, we might appoint a local private sector businessman to lead a small team of entrepreneurs. Their task would be to identify, reconcile and harness the interests of all the local

and regional key players. The kernel of such an approach might already exist in the form of the East Midlands Investment Company, a CBI/Chamber of Commerce initiative, headed by an ex-CBI Regional Director. They have primarily private sector support, but constructive links with Leicestershire and Nottinghamshire Councils and Lincoln City Council. A similar approach might be adopted in Yorkshire.

The early unblocking of RECHAR funds is essential. The Government's present position on RECHAR is a bone of contention between the Government and the local authorities. We will get no credit for other actions to assist mining areas while the dispute with the Commission remains outstanding. Moreover the funds will contribute directly to the enhancement of BCE's job creation activities.

I would also wish to review carefully with the Corporation any proposals they make to revise redundancy payment terms.

We will, of course, need to consider carefully the case for taking any further initiatives at this time. However, if you see merit in taking this work forward along the lines I have proposed, the next step might be for us to discuss these ideas with colleagues more widely.

I am copying this minute to the Chancellor, the Secretary of State for Trade and Industry and Sir Robin Butler.



Secretary of State for Energy

28 January 1992

AVAILABLE ASSISTANCE

Key: BCE : British Coal Enterprise

EE : English Estates

EBB : Investment in Britain Bureau

ERDOS: English Regional Development Organisations

LAs : Local Authorities

RDC : Rural Development Commission

TECs: Training & Enterprise Councils

ES : Employment Service

RSA:Regional Selective Assistance

REG: Regional Enterprise Grant

CC : City Challenge

DLG: Derelict Land Grant

Lead Department	Energy	Trade and Industry						Environment		Employment	
		EC/ERDF	ECSC		E.E.	IIB/ERDOs		LAs	RDC	TECs	ES
Assisting organisations	BCE	RECHAR		RSA ¹	REG ¹			CC	DLG		
Named Measures/Programmes											
Available Funds 1992-93											
For the UK	60m	65m	n.a. ²	113m ³	8.3m ³	50m	10m	7.5m ⁴		39m	182m ⁵
For coal mining areas	60m	65m	n.a.						21m		37.5m
Assistance available for:											
Assisted Areas only				✓	✓						
" " mainly						✓					
Other designated areas			✓				✓	✓		✓	✓
UK as a whole									✓		✓
Coal mining areas mainly	✓	✓									
Principal activities											
Financial Assistance	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓
Property/sites	✓					✓		✓		✓	
Advice/counselling	✓						✓	✓		✓	✓
Vocational training	✓							✓		✓	
Regeneration								✓			
Land reclamation								✓			
Inward Investment							✓		✓		
Relocation							✓				
Co-ordinating Function							✓	✓		✓	✓

Notes: 1. Also available through Scottish & Welsh Offices

2. Depends on demand

3. In 1991-92

4. Per area p.a

5. 'Block 3' funds

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AMELIORATION OF THE CONSEQUENCES OF COLLIERY CLOSURES

1. The social implications of job losses arising from contraction of the coal industry have long been recognised and a variety of measures assist in amelioration. At present British Coal Enterprise (BCE) is the only organisation dedicated to creating new employment in coalfield areas, although the new European Community RECHAR initiative has a similar objective. There is, however, a wide range of other Government programmes aimed at job creation which may benefit coal mining areas. The purpose of this note is to assess the scale of the problem as regards job creation for former mineworkers and their communities, to summarise the range of assistance presently available, and consider what further might be done.

Scale of Problem

2. Since the 1984-85 miners' strike over 119 collieries have closed involving a loss of 86,000 mineworkers' jobs, with as many as 30,000 going in a single year. Men on colliery books currently number 53,000, and there are in addition a further 17,000 staff employed by British Coal. Further job losses will represent a significant proportion of the present workforce although the absolute rate of reduction will not exceed that of the previous peak year.

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3. The age profile of mineworkers has changed markedly in recent years as a succession of redundancy schemes have attracted the older men. The average age of the workforce is now about 35. This means that few of those leaving the industry in the future will be content to take early retirement, unlike the position in the past.

4. Manpower reductions have been accomplished on the basis of voluntary redundancy. Men at closing collieries have been offered the choice of redundancy terms (currently lump sums of up to £37,000 are available, depending on age and length of service) or transfer to other collieries, usually in the vicinity but over long distance if necessary, with assistance for removal expenses. Nationally over half the men currently employed have transferred into the pit in which they now work. However, as the industry contracts further, the scope for transfers will tend to diminish.

5. Coalfield communities and local authorities are naturally concerned about the impact on the immediate area of a colliery closure which may involve the loss of over 1,000 current and future jobs. Nevertheless, the fact that over half the population of mineworkers are transferees indicates a significant departure from the industry's tradition in which a colliery drew its labour force from a tight knit community in the immediate vicinity, and reflects the greater mobility now generally possible. Travel-to-work areas might therefore reasonably be regarded as appropriate areas for considering the relevance of local unemployment in the context of future colliery closures,

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although in some locations - for instance the coastal pit villages in Durham - there may be a reluctance amongst the workforce to contemplate travelling appreciable distances. Annex A sets out present rates of unemployment for travel-to-work areas relevant to most collieries currently or recently operating. For areas containing working collieries, December (unadjusted) unemployment rates range up to 19.3% though most are under 12%. Nationally, unemployment fell from approximately 10.9% in 1984/85 to 5.6% in March 1990, before starting to rise again - the current figure (December) is 9.0%. Annex B illustrates the effect of one or more closures on the rate of male unemployment in two travel-to-work areas containing a number of collieries, one in the North East and the other in East Midlands.

6. It is relevant that mineworkers in general have either specific skills which are transferable (after any necessary re-training, eg electricians and other craftsman) or have experience of a tightly disciplined, productivity-oriented working environment which makes them good candidates for re-deployment even when the local rate of unemployment is high. This perception on the part of employers has allowed substantial success to be achieved in such re-deployment (see para 9 below).

7. As mentioned in Paragraph 2, British Coal employs some 17,000 staff in addition to mineworkers. Over 10,500 of these are non-industrial staff employed at national and group headquarters, research and training establishments and colliery sites. There are nine main offices, five of them in the East

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Midlands and South Yorkshire. British Coal needs to slim down non-industrial staff in parallel with the closure of collieries, both to reduce overheads and in anticipation of privatisation since private sector mining concerns generally have smaller central management organisations. Of the order of 10,000 non-industrial staff might need to go. However, it is more difficult to redeploy management grades whose average age is higher than that of the industrial grades. Moreover, other businesses are also shedding labour as they move towards "flatter" organisational structures.

8. All in all, the problem of re-deploying former mineworkers has become easier as the absolute numbers of those made redundant has fallen, particularly when unemployment generally was declining and as experience has increasingly been gained in techniques for finding alternative employment. On the other hand, particular pit closures in areas of high unemployment may be perceived as contributing to exceptional local disadvantage, with consequent pressure for remedial action by Government. Moreover, an announcement of a group or programme of closures - contrary to past practice - would also be likely to generate pressure for fresh measures.

9. On a national scale, the employment and economic effects of pit closures are likely to be very limited. The problem is essentially one related to particular areas where the scale and pace of a programme of closures may have significant adverse social and economic effects. For the reasons given in the

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preceding paragraph, the greatest impact is likely to be felt in the North East, the East Midlands and Yorkshire.

Assistance Available

10. At present British Coal Enterprise (BCE) is the only organisation dedicated to creating new employment in coalfield areas. The European Community RECHAR scheme has similar objectives. There is, however, a wide range of Government programmes aimed at job creation which may benefit coal mining areas. The Government also contributes to British Coal's Redundant Mineworkers Payments Scheme. A note on this is at Annex C.

Assistance specifically for coal mining areas

11. British Coal Enterprise (See Annex D) has 5 main activities:

- i. Loans to new businesses, and to existing businesses wishing to relocate, in coalfield areas;
- ii. The provision of managed workshops for new and relocating small businesses;
- iii. Provision of industrial property for expanding businesses;

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iv. Job and Career Change Scheme (JACCS) and Job Shops to assist those leaving the coal industry to find new employment; and

v. The Skillmatch scheme aimed at helping employers relocating or expanding in coalfield areas to assemble their workforce and management teams.

12. BCE is well managed and successful. Some 76,000 people are now in new employment as a result of its activities and BCE is on course to meet its objective of helping to create 100,000 jobs by 1993. BCE has:

a. advanced £71m as loans to over 3,400 projects, forming part of total financing of some £553m, expected to create some 40,000 eventual job opportunities with an anticipated net investment per job of about £1750;

b. invested £5.6m in establishing managed workshops aimed at creating some 11,000 eventual job opportunities;

c. resettled, or retrained for identified jobs, nearly 18,000 people - some 85% of those actively seeking jobs through Job Shops and Career Centres (for non-industrial staff) - at an average cost per employee of £900. In all some 29,000 former employees registered with the Job Shops for some form of assistance.

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13. The European Communities' RECHAR Scheme is aimed at accelerating the economic conversion of coal mining areas, giving priority to improving the environment, promoting new economic activities and the development of human resources, all through joint funding with national authorities and in collaboration with regional and local authorities. The menu of measures to be supported through loans and grants includes site restoration, renovation of social and economic infrastructure, construction of factory and workshop premises, financial and business assistance to small and medium size enterprises, assistance to "economic conversion bodies" (like BCE), vocational training and re-deployment aid to assist the re-settlement of ex-mineworkers. Local committees have been set up to administer the programme. They comprise representatives of local authorities, central government, participating organisations (including BCE) and local employers.

14. The Commission have allocated about £220 million, over a five year period (from 1990) to the initiative. The UK stands to gain about £109 million (49%). The UK made applications for 11 coalfield areas in July 1990, but Mr Millan, the relevant Commissioner, has refused to approve them on the grounds that he is not satisfied that the system for accounting for the Structural Funds in the UK, taken as a whole, satisfactorily transmits the effective value of the funds to the eligible regions (the so-called "additionality" requirement). Other member states' programmes have been approved, even though the Commission have said they have trouble verifying "additionality"

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elsewhere. Some local authorities (mainly Labour controlled) have sided with Mr Millan in arguing for radical changes in the system.

15. It is not possible to predict when the dispute might be resolved. However, there is no threat for the time being that the UK's allocation will be withdrawn, or that if and when the programmes are approved, the full amount will not be available for use.

Assistance from other sources

16. There is a range of Government programmes which could assist coal mining areas. A number of these programmes are targeted to Development and Intermediate Assisted Areas.

Development areas currently cover at least part of the coalfields in the North East, South Wales, West of Scotland, Lancashire, South Yorkshire and Greater Manchester. Intermediate Areas cover further parts of the Welsh, Scottish, North East, South Yorkshire and Lancashire coalfields, as well as the Staffordshire and Midlands coalfields. See map at Annex E.

17. Regional support measures are available, in Assisted Areas, from the DTI and the Scottish and Welsh Offices. Regional Selective Assistance (RSA) is the main regional incentive. RSA is normally provided in the form of a project grant based on the fixed capital costs of a project and the number of jobs it is expected to create or safeguard. The grants are calculated as

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the minimum necessary for a project to proceed. DTI expenditure in 1991-92 is expected to be £113m, although only a proportion will go to coalfield areas. Regional Enterprise Grants assist investment and innovation by small businesses in all of the Development Areas and four Intermediate areas, which include South Yorkshire and Derbyshire. DTI expenditure in 1992-93 is expected to be £8.3m.

18. In addition to the regional measures related specifically to Assisted Areas, English Estates (EE) provides industrial or commercial premises - usually on a speculative basis - where the private sector is reluctant to develop. It can provide advance factories, workshops, offices or service land for development. EE (a non-Departmental public body) is primarily an instrument of regional policy. Although its powers cover all of England any new programmes outside Assisted Areas require DTI and Treasury Ministers' approval. EE has been previously been active in areas, like Consett, affected by closures. Recently, notable programmes outside the Assisted Areas include Chatham and Barrow and Whitehaven in Cumbria. BCE intends to develop its links with EE, with which it is currently working on a factory development project in East Durham.

19. The Assisted Areas Map itself is due for review. The Map was last reviewed in 1984. Stated Government policy is that there will be no review in this Parliament. However, one will start immediately after the Election. The criteria for designating the map are broadly drawn in the legislation but

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unemployment - both current and prospective - is the major factor. Many coal mining areas will come into the map or will receive enhanced status as part of the review which will be able to take account of any impending closures.

20. DTI is also responsible for policy on inward investment. The Invest in Britain Bureau (IBB) offers potential foreign investors information on all aspects of locating in the UK, advice, and practical assistance. IBB operates through British Government representatives abroad and within the UK through DTI Regional Offices, five English Regional Development Organisations (for which it is the main funder) and the separate agencies in Scotland, Wales and Northern Ireland. In addition the IBB is responsible for co-ordinating the work of all agencies which actively seek investment from overseas for particular parts of the country. The Assisted Areas have priority over others in IBB's marketing strategy.

21. The English Regional Development Organisations cover coal mining areas in the North East, North West, Yorkshire and the West Midlands. In the East Midlands the DTI Regional Office provides a partial service. The size of the ERDOs, and the scope of their activities, varies. The larger ones - INWARD in the North West, Yorkshire and Humberside Development Association and the Northern Development Company (the largest) - have between 33 and 98 staff and up to around 400 member organisations representing local authority, public and private sector, trade union, community and other interests. These promote their

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regions within the UK as well as abroad and provide the focus for efforts to attract potential re-locators. DTI contributes total funding of up to £5 million a year to the five ERDOs, in the form of grant aid specifically for the promotion of inward investment from overseas. On average, in 1991-92, DTI funding of £4.5m is expected to account for about two-thirds of the ERDOs total funding. BCE proposes to work closely with the existing ERDOs to attract large overseas investors.

22. The Department of the Environment is responsible for co-ordinating the Government's Action for Cities initiatives. These comprise a variety of programmes and measures aimed at enhancing job prospects, encouraging private sector investment, improving the environment and reclaiming derelict land. They are targeted on 57 Urban Priority Areas in England a number of which include, or are adjacent to, coal mining areas, eg Barnsley, Derby, Coventry and Doncaster.

23. The major new initiative is City Challenge. This is designed to tackle the range of urban problems through an area-based strategic approach. The initiative involves collaboration between local authorities, the private and voluntary sectors and local communities in providing a 5-year programme designed to bring about comprehensive and lasting regeneration. Core funding is mainly provided by the DOE. Each of 11 areas selected for 1992-93 could receive £7.5m a year from the DOE for 5 years. One of the areas is the Dearne Valley where Barnsley, Doncaster and Rotherham Councils, with BCE, private sector partners and the

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local community, have drawn up an action plan to regenerate 22.5 sq.miles of largely derelict land which has suffered from declining mining and manufacturing employment since 1980.

24. The DOE also provides Derelict Land Grant (DLG) to local authorities and the private sector for the reclamation of derelict land in coalfield areas. At present, most of the reclamation is carried out by local authorities who, in coalfield areas, purchase redundant colliery sites from British Coal. Resources for the coalfield programme are expected to rise from £20m in 1991-92 to £21m in 1992-93. Under an agreement with DOE, British Coal will finance the reclamation of collieries closed in the 4 years since 31 March 1991 and the restoration of the land to an amenity use standard. DLG resources will be available where a more expensive reclamation for development purposes is planned.

25. The Rural Development Commission, funded by DOE (£35 in 1990-91) provides assistance for small businesses in 27 Rural Development Areas (RDAs). A number of those in the North East include areas which have been affected by pit closures, and the Commission has recently extended its activities specifically to include former coal mining areas in NW Leicestershire, Nottinghamshire, South Yorkshire and Derbyshire.

26. The aims, activities and geographical coverage of the Training and Enterprise Councils (TECs) - set up under a Department of Employment initiative and mainly funded by them -

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are relevant. TECs deliver Government programmes such as Youth Training, and work with and through other organisations to develop strategies for improving the effectiveness of training, education and enterprise in their localities. The TECs are business-led (with boards of directors composed mainly of leading figures from the private sector) but currently are principally staffed by DEmp secondees. TECs are developing close and constructive links with such organisations as Chambers of Commerce, DTI, Enterprise Agencies and the Prince's (of Wales) Youth Business Trust with whom they will be developing Local Enterprise Plans. There are 82 TECs covering all of England and Wales. A number of TEC areas relate closely to coalfield areas, eg County Durham and North Nottinghamshire.

27. In many ways the TECs' activities are analogous to those of BCE. There are already significant contacts between the two organisations and between BCE and Local Enterprise Agencies which provide some services for the TECs. Their activities involve the encouragement, of and help in obtaining finance for, of new businesses; the provision of advice and counselling services and of vocational training. The TEC's are able to assist local business start-ups directly with their 'Block 3' Funds. Up to 60% of this money was earmarked by TEC's in 1991/92 to assist new businesses, mainly in the form of an Enterprise Allowance. Allowances of various levels and duration are determined by local TECs according to the needs of the area and the types of businesses involved. BCE envisage closer collaboration with both the TECs and LEAs in the future.

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28. In some respects the Employment Service (ES) and Executive Agency within the Department of Employment Group, duplicates services offered by BCE. There are, however, examples of the ES and BCE co-ordinating their activities to help redundant mineworkers (e.g on the closure of the Penallta colliery).

"Task Force" Approaches

29. In previous major closures a task force approach has sometimes been adopted with regional offices of Government Departments, local authorities, Local Development Organisations and Government bodies like English Estates all getting together to co-ordinate their activities - often against an agreed development plan - to regenerate the area. Examples are the co-ordinated effort which followed the closure of the British Steel works at Consett in 1980, the closure of North East Shipbuilders in Sunderland (1986) and currently, to deal with expected job losses in Barrow and Whitehaven. A number of the programmes and initiatives described above (for example, City Challenge, the TECs and, to some extent, RECHAR) explicitly or implicitly provide for collaborative approaches. The Dearne Valley City Challenge project, involving BCE, is one example.

30. Voluntary "Local Action Groups" are sometimes formed to co-ordinate assistance for those losing their jobs. TECs, local authorities and the Employment Service are often central participants, but local businesses, chambers of commerce and

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other local agencies are also involved. It is understood that the Department of Employment hopes to issue shortly some information on such local action.

Additional EC Assistance

31. The European Coal and Steel Community provide conversion loans for projects which create new jobs in areas affected by redundancies in the coal and steel industries where the jobs are additional in the beneficiary firm. These, loans at fixed interest, are subsidised with interest rebates financed by the ECSC budget. Loans are available for companies of all sizes for up to 50% of the fixed asset costs of a project. Those for small and medium-sized firms are made through intermediaries. They have normally been made and so paid in foreign currencies, but subject to a maximum loan of £5.25 million. Designated ECSC employment areas are eligible for the loans. DTI operates an Exchange Risk Guarantee Scheme.

32. The table at Figure 1 provides information about the various forms of assistance referred to in the preceding paragraphs.

British Coal's Redundancy Packages

33. The main direct Government assistance to redundant mineworkers and managerial staff is a contribution - currently 90% - to British Coal's industrial and non-industrial redundancy

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Other designated areas			✓				✓	✓	✓	✓	
UK as a whole								✓			✓
Coal mining areas mainly	✓	✓									
Principal activities											
Financial Assistance	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓
Property/sites	✓					✓		✓	✓		
Advice/counselling	✓						✓	✓	✓	✓	✓
Vocational training	✓							✓		✓	
Regeneration								✓			
Land reclamation								✓			
Inward Investment							✓		✓		
Relocation							✓				
Co-ordinating Function							✓	✓		✓	✓

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packages (see annex D). The current terms of the mineworkers' package were introduced in January 1990. The basic scheme is a lump sum based on length of service - three weeks pay for each year of service of the individual - subject to an upper limit of £27,000. British Coal also currently supplements the basic scheme with a further lump sum of up to £10,000 based on the age of the individual. When announcing the supplements British Coal made it clear that they were subject to review at an appropriate future date. The Corporation has recently decided to withdraw the supplements from the end of March 1992 with the aim of creating an incentive for men to take redundancy before that date. Until March the maximum lump sum available is £37,000. Average payments on redundancy are currently running at about £20,000. British Coal are continuing their policy of offering jobs in other units to all mineworkers who wish to stay in the industry. It is likely that British Coal will propose a further supplement later in the year.

34. The redundancy package available to non-industrial employees in the industry was introduced in April 1985 and is also based on salary at termination and length of service. Staff taking redundancy under age 50 receive a lump sum and can freeze their pension entitlement. Those aged over 50 (unlike the industrials) can take early retirement and receive a lump sum plus immediate pension benefits. There is no maximum payment as with the industrial scheme and average non-industrial benefits on redundancy are currently around £40,000.

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Further Action

35. As noted previously, there are a number of current or planned developments which would help ameliorate the effects of further colliery closures;

- a. DTI have plans to review the map of Assisted Areas in the second half of this year. Depending on the criteria to be adopted, additional parts of the East Midlands coalfield could be included and would therefore be eligible for regional aid.
- b. £109m of funds allocated to Britain under the European Communities RECHAR programme will presumably be released in the course of this year and would constitute more or less additional local authority and other expenditure targeted at coalfield areas.
- c. Given encouragement, TECs in coalfield areas are likely to wish to take colliery closures into account in formulating their "local enterprise plans".

36. British Coal Enterprise's very successful approach to job creation in coal mining areas is substantially demand-led by entrepreneurs and by colliery closures and involves provision of loans and workshop space on favourable but near commercial terms, as well as the identification of job opportunities to meet the needs of those leaving the industry. British Coal Enterprise

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does not offer grants, and funding of businesses is constrained by the need to operate under near commercial conditions.

Additional funding to allow relaxation of current investment criteria would allow higher expenditure to be reported but would be unlikely to result in more viable jobs in the long run; rather, the effect would be to provide a greater share of financing from public funds for businesses in any event being supported and to result in more bad debt provision.

Nevertheless, BCE have a number of ideas for further job creation activities, building on existing successes. The main elements are:

- a. Working with the TECs in coalfield areas to ensure a complete coverage of strong Local Enterprise Agencies.
- b. More directed marketing of loans activities aimed at professional advisers and banks.
- c. Working with the Regional Development Organisations to attract major inward investment by bringing to bear BCE's expertise in the labour and employment market.
- d. Acceleration of the programme of building managed workshops, taking advantage of RECHAR and other EC grants.
- e. Semi-permanent job shops in areas of particular difficulty, such as the North East coalfield; and

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extended training activities for those leaving the industry.

- f. BCE are also pursuing with British Coal's Property Division and English Estates the scope for building medium size factory units located near to managed workshops, to facilitate growth of start-up businesses.

37. The resource implications of all these proposals of BCE would involve additional revenue expenditure of some £1m a year, together with an accelerated capital programme amounting to around £10m in 1992-93.

38. Further possible measures that would require some Government intervention include:

- a. Establishing a Regional Development Organisation in the East Midlands, which at presently lacks one and where the DTI Regional office attempts the equivalent job. An offer of some start-up money by the Investment in Britain Bureau and the encouragement of local industry and local authorities might suffice to get this going. (A Regional Development Organisation already exists in the North East).
- b. An advance factory initiative on the part of English Estates.

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- c. A "Task Force" type initiative, which would co-ordinate existing agencies and funding, perhaps with some additional funding.

- d. A larger scale BCE-led initiative, involving collaboration with British Coal's Property Division and private sector developers, to create a "flagship project" well located on existing British Coal land (a quasi "greenfield" site after restoration) and comprising a mixture of managed workshops and factory units offering employment comparable to that generated by Development Corporation projects, costing perhaps £10m.

All or some of these measures might form part of a collaborative approach linked to one of the existing programmes, such as the TECs or DoE's City Challenge initiative.

39. British Coal is likely to seek improvements in their redundancy package for both industrial and non-industrial staff in the near future. It is unlikely that many mineworkers will be prepared to take redundancy on the basic terms alone. (As noted earlier age-related supplements will be withdrawn from March 1992). The non-industrial package has not been changed for 6 years. The terms are favourable for those aged 50 or over. However, the Corporation is having difficulty persuading middle managers, particularly those in their forties, to volunteer for redundancy and there will need to be significant reductions in

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non-industrial staff over the next 3 years. The question of improved or changed redundancy terms raises difficult issues in the context of reducing unit costs whilst at the same time reducing capacity. It will therefore need to be considered in the wider context of privatisation and not just as a means of mitigating the impact of colliery closures.

Summary and Conclusions

40. As many as 30,000 industrial employees and up to 10,000 non-industrial staff could lose their jobs through the restructuring of British Coal in the run-up to its privatisation. Substantial numbers may be expected to find alternative employment on the basis of the assistance available through existing organisations and programmes. Certain of the traditional coal mining areas, however, may be perceived as likely to suffer significant adverse social and economic consequences as a result of pit closures. The greatest impact is likely to be in parts of the North East - where unemployment rates are quite high and little alternative employment is available near closing pits - and in the East Midlands and Yorkshire, where the main brunt of any closure programme would be experienced.

41. Existing and planned measures are likely to be adequate to deal with the problems arising from pit closures in most areas, although some additional pump-priming resource may give good value. The challenge is to ensure that this assistance is

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available when and where it is most needed. Those presently working in the industry will want to know what will be done to help them find new jobs. Areas likely to be the worst-affected by further closures will want to know about additional remedial measures by Government.

42. Ministers may wish to consider the scope for further measures ahead of any announcement about new colliery closures.

a. giving a clear lead to all of the Government Departments and other agencies from whom assistance is currently or potentially available for areas affected by pit closures. Ministers might agree a package comprising existing and additional measures focused specifically on the amelioration of the impact of closures in the particular areas mentioned above, followed by a well-timed and well-targeted publicity campaign;

b. encouraging British Coal Enterprise to enhance its job creation activities, in conjunction with other organisations such as, Regional Development Organisations, English Estates; and, in particular, the TECs

c. ensuring that RECHAR funds become available within the coming months;

d. prompting an initiative in the East Midlands aimed at the rapid establishment of a Regional Development

CONFIDENTIAL

Organisation. A small "task force" of leading private sector figures might be charged with identifying, reconciling and harnessing the interests and resources of all key players in the area. A similar approach might be taken in Yorkshire.

43. Subject to the views of Ministers, officials of interested Departments would need to work up detailed and costed proposals.

Coal Division
January 1992

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Annex A

UNEMPLOYMENT RATES IN COAL MINING TRAVEL TO WORK AREAS (DECEMBER 1991)

* = CLOSED COLLIERY

AREA	TTWA	COLLIERY NAME	UNEMPLOYMENT RATE% AT 12 DECEMBER 1991
NORTH EAST	Morpeth and Ashington	Ellington Ashington*	12.0
	Newcastle-Upon- Tyne	Brenkley* Whittle*	10.0
	South Tyneside	Boldon* Westoe	17.7
	Sunderland	Dawdon* Easington Eppleton* Hawthorne* Harrington* Horden* Murton* Vane Tempest Wearmouth	12.9
	Durham	Bearpark* East Hetton* Sacriston*	8.7
SOUTH WALES	Llanelli	Cwmgwill* Cynheidre* Betws	11.6
	Swansea	Abernant*	9.6
	Neath and Port Talbot	Blaenant* Aberpergwm*	9.9
	Aberdare	Deep Duffryn* Mardy* Panrikyber* Tower	13.3
	Bridgend	Garw/Ffaldau* St Johns* Wyndham/Western*	10.5
	Pontypridd and Rhondda	Lady Windsor* Nantgarw* Tymar/Lewis*	11.2

Cardiff	Bedwas*	9.2
Merthyr and Rhymney	Britannia* Celynen North* Celynen South* Deep Navigation* Merthyr Vale* Oakdale* Penallta* Taff Methyr Trelewis*	12.7
Blaenau Gwent and Abergavenny	Abertillery* Marine* Markham* Six Bells*	11.0
Ponypool and Cwnbran	Blaenserchan* Cwm*	9.7

SCOTLAND	Stirling	Polmaise*	7.0
	Alloa	Longannet Solsgirth*	12.6
	Dunfermline	Bogside* Castlebridge* Comrie*	10.2
	Kirkcaldy	Frances* Seafield*	11.4
	Bathgate	Polkemmet*	10.9
	Edinburgh	Bilston Glen* Monktonhall*	7.2
	Cumnock and Sanquhar	Barony* Killoch*	19.3

KENT	Dover and Deal	Betteshanger* Snowdown* Tilmanstone*	7.7
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YORKSHIRE	Leeds	Allerton Bywater* Ledston Luck* Rothwell* Savile* Wheldale*	7.9
	Castleford and Pontefract	Ackton Hall* Fryston* Glasshoughton* Kellingley	10.0

Wakefield and Dewsbury	Denby Grange* Ferrymore Riddings* Kinsley* South Kirby* Woolley* Frickely Newmarket* Nostell* Prince of Wales Sharlston	9.5
Huddersfield	Bullcliffe Wood* Emley Moor* Park Mill*	7.8
Barnsley	Barrow* Darfield Main* Dearne Valley* Dodworth* Grimethorpe Houghton Main North Gawber* Elscar*	12.0
Doncaster	Askern* Bentley Brodsworth* Hatfield Rossington Thorne* Yorkshire Main* Markham Main	12.6
Rotherham and Mexborough	Goldthorpe Hickleton* Barnburgh* Brookhouse* Cadeby* Cortonwood* Dinnington* Kilnhurst* Maltby Manvers* Silverwood Thurcroft* Treeton* Wath*	13.9
Gode and Selby	Gasgoine Wood North Selby Riccald Stillingfleet Whitemoor Wistow	9.1
Sheffield	Renishaw Park* Westthorpe* High Moor Kiveton Park	11.1

NOTTINGHAM- SHIRE	Nottingham	Babbington* Calverton Cotgrave Gedling* Hucknall* Linby* Moorgreen*	9.6
	Retford	Whitwell* Bevercotes Harworth	8.1
	Chesterfield	Arkwright* Bolsover* Ireland* Markham	9.4
	Mansfield	Pleasley* Shirebrook Warsop* Bilsthorpe Blidworth* Clipstone Mansfield* Ollerton Rufford Sherwood Thorsby Welbeck	11.2
	Alfreton and Ashfield	Sutton* Annesley Bentinck* Newstead* Pye Hill*	8.3
	Worksop	Creswell* Manton Shireoaks* Steetley*	10.3

CENTRAL	Loughborough and Coalville	Asfordby Bagworth* Desford* Ellistown* Snibston* Whitwick*	6.2
	Burton-on- Trent	Cadley Hill* Donnithorpe* Measham* Rawdon*	8.7
	Coventry and Hinckley	Baddesley* Coventry* Daw Mill	9.9

Birmingham	Birch Coppice*	11.2
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WESTERN

Walsall	Littleton	10.6
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Stoke	Chatterly Whitfield* Trentham Holditch* Silverdale Victoria* Wolstanton*	7.6
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Liverpool	Cranton*	14.7
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Wigan and St Helens	Bickershaw Bold* Goldborne* Parkside* Sutton Manor*	11.8
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EFFECT OF COLLIERY CLOSURES

SUNDERLAND TTWA

Estimated size of total workforce: 178,178
 Estimated size of male workforce: 102,0221

	Currently (December)	Compound effect of closure of:	
		Easington	Vane Tempest
No. of jobs lost at collieries	n/a	1574	2559
Overall unemployment rate	12.9	13.8	14.3
Male unemployed as % male workforce	18.1	19.6	20.6

MANSFIELD TTWA

Estimated size of total workforce: 65,920
 Estimated size of male workforce: 37,120

	Currently (December)	Compound effect of closure of:			
		Shirebrook	Bilsthorpe	Clipstone	Rufford
No. of jobs lost at collieries	n/a	1337	2312	3130	3882
Overall unemployment rate	11.2	13.2	14.7	15.9	17.1
Male unemployed as % male workforce	15.8	19.4	22.0	24.2	26.2

Notes

1. These tables show the effect that closing 2 or more collieries could have on unemployment rates in two TTWAs and are for illustrative purposes only.

2. The figures do not take into account the number of people who may take early retirement, transfer to other pits or leave the area, or who currently live and work in different TTWAs. Nor do they provide any assessment of the impact of closures on ancillary or supporting businesses.

3. A TTWA is defined as "a self-contained labour market with a minimum working population of 3,500 and in which 75% of the people who live in the area also work in the area and vice versa".

BRITISH COAL REDUNDANCY TERMS

Industrial Redundancy Terms since 1987

1. The Government funded and operated Redundant Mineworkers Payments Scheme, which provided continuing weekly benefits analogous to a pension to redundant mineworkers aged between 50 and 65, closed to new entrants in March 1987. Since that time British Coal has taken responsible for determining its own industrial redundancy terms although the costs continue to be largely offset through Government grant.

2. British Coal has maintained the policy of voluntary redundancy by offering those wishing to remain in the industry a job at another unit should their colliery close. For those opting to accept redundancy rather than redeployment, British Coal introduced in April 1987 a new package providing lump sum payments on redundancy instead of continuing weekly payments. The two main reasons for switching to the payment of lump sums only were firstly, that the decreasing average age of redundants has changed the priority from seeking a pension type income during the years before retirement to finding a job. It was considered that a lump sum would help cushion the initial break and perhaps provide the money to start up a small business. Secondly, with the average age of redundancy dropping towards the low thirties any continuing weekly benefits would have proved prohibitively expensive both in terms of the level and length of potential payments and the costs of administration.

3. Since British Coal's first industrial redundancy package was introduced the terms have been altered and improved from time to time to attract sufficient volunteers to meet the Corporation's restructuring requirements. The most recent terms were introduced in January 1990. The basic scheme amounts to 3 weeks pay for each year of service in the industry, subject to a maximum of £300 for a weeks' pay and a maximum of 30 years total service. At the same time, British Coal supplemented the basic scheme with a further lump sum depending on the age of the mineworker at redundancy according to the table below:

<u>Age</u>	<u>Supplement</u>
under 21	£2,500
21-24	£5,000
25-29	£7,500
over 30+	£10,000

The maximum payment under these arrangements (for a man with 30 years service and earning the maximum allowable

wage of £300 per week) was therefore a basic scheme payment of £27,000 plus a supplement of £10,000 making a total payment of £37,000. This represented over two years wages for an experienced face worker. Currently average payments to men in their early thirties with over ten years service in the industry run at a little over £20,000.

4. When announcing the supplementary payment scheme in 1990 British Coal said that "its continued availability would be subject to review at an appropriate future date". British Coal have recently announced that supplementary lump sums will be withdrawn from the end of March 1992.

5. In addition to payments on redundancy British Coal also provide a package of benefits to mineworkers involved in short and long-distance transfers. These benefits were also improved last year to reflect the need to retain within the industry specialist mining skills. Total transfer payments to employees transferred within daily travelling distance amount to £4,000 plus assistance with travelling costs; those transferred long-distance and having to move home receive payments amounting to £5,000 plus assistance with the usual relocation expenses.

Redundancy Package for Non-Industrial Employees

6. The current non-industrial redundancy benefits were introduced by British Coal in April 1985 and the costs are also largely offset by the payment of grant. The terms are also broadly related to salary at termination and length of service. Payments made on termination are a combination according to individual circumstances of:

- (i) statutory entitlement (EP(C)A payment),
- (ii) ex-gratia lump sum,
- (iii) Staff Superannuation Scheme benefits.

7. Staff taking redundancy under age 50 receive the appropriate lump sums (statutory and ex-gratia) and will, if they have five years or more Superannuation Scheme service, receive "cold storage" benefits of a pension and lump sum at age 50. Those with fewer than five years contributing service must wait until normal retirement age for payment of Superannuation "cold stored" benefits.

8. Redundant staff aged 50 and over with 5 years contributory service and 10 or more years actual service receive an ex-gratia lump sum plus immediate Superannuation Scheme benefits, including enhancement at the discretion of British Coal for staff aged less than 60. The Corporation may enhance an individual's benefits by paying between 6 months and one year's salary into the Superannuation Scheme subject to age and Inland Revenue limits on pension enhancements.

BRITISH COAL ENTERPRISEGeneral

1. BCE Ltd is a wholly owned subsidiary of the British Coal Corporation (BCC). The NCB (Enterprise) Ltd (as it was originally known) was established in October 1984 to improve job prospects and regenerate prosperity in coal mining areas. The help they give is not restricted to ex-British Coal employees, however the projects which are supported by BCE are done so on the premise that they will result in permanent jobs being created in traditional coal mining areas.

Funding

2. BCE initially had access to a £5 million revolving loan from BCC. This was doubled to £10 million in November 1984, doubled again to £20 million in July 1985, and redoubled to £40 million in July 1986. This was increased to the present level of £60 million in October 1988.

3. Under the terms of Section 2(5) of the Coal Industry Act 1973 BCC are only allowed to make loans available to their subsidiaries if they have the consent of the Secretary of State for Energy and the Treasury.

4. BCE's operational costs are paid for by BCC. A substantial amount of these costs are reimbursed by the Department via the Restructuring Grants. In 1990-91 BCE's net operating costs amounted to around £7 million, of which the Department reimbursed 90% (ie around £6.3 million).

BCE's Activities

5. BCE's five main initiatives are BCE Finance, Managed Workshops, Industrial Property, the Job and Career Change Scheme and Job Shops, and finally SkillMatch.

(i) BCE Finance

BCE make loans to new businesses and to existing businesses wishing to relocate in coalfield areas. Some £71 million of Enterprise money has been committed to projects over the past five years. When the additional funding from other sources (banks and local authorities) has been included, the total amount invested in these projects to date is over £553 million, helping to create 40,000 jobs.

(ii) Managed Workshops

A further £5.6m has been invested in managed workshops. These are premises owned and administered by BCE. They provide smaller businesses with workspace at reasonable rentals and also a number of shared services, eg secretarial, copying and reception. There is also business adviser available on each site. Alongside this

BCE have established local contacts with for example, advisory agencies and financiers, which can be of help to new enterprises. The managed workshops initiative has helped to create a further 11,000 job opportunities taking the total number of jobs created by BCE to over 76,000.

(iii) BCE Industrial Property

This aims to provide small industrial premises to expanding businesses. At the end of March 1991 gross investment in industrial property had reached £13 million. A faster rate of investment is programmed which will bring the gross committed investment to nearly £20 million by March 1992.

(iv) Job and Career Change Scheme (JACCS) and Job Shops

The aim of this scheme is to find direct alternative employment for ex-British Coal employees. This is achieved through the establishment of "Job Shops" at closing collieries or other British Coal establishments. Job vacancies are identified and ex-miners "matched" with those vacancies. When suitable employment can not be found, BCE can offer re-training to increase the ex-employee's chances of finding a job. We understand that on average, BCE have been able to find new jobs for around 85% of the miners who registered at the Job Shops.

(v) BCE SkillMatch

This aims to help employers locating or expanding in the coal fields to assemble their management team and workforce. At the end of March 1991 a pilot SkillMatch agency was launched in BCE's Western region. This will provide professional expertise in defining businesses or individuals training and skill audits, training programmes, the sourcing of trainers and assistance with training funds, a recruitment service for employees and counselling.

BCE Organisation

6. BCE's Headquarters are at Edwinstowe, Mansfield in Nottinghamshire. The company also has an office in each of its seven regions which are comparable to the historic coalfields of the UK (Scotland, North East, Yorkshire, Midlands, Western, South Wales and South East). BCE has been able to attract a large number of secondees from financial institutions and industrial training companies. These companies continue to pay the salaries of their staff who are working for BCE.

7. The day today running of the company is managed by Philip Andrew (Chief Executive) and John Northard is the Chairman. BCE also have a number of non-executive directors:

Dr Derek Allam (Managing Director of Chineham
Consultants Ltd)

Mr David Brandrick (Former Secretary, BCC)

Mr Michael Butler (Finance Director, BCC)

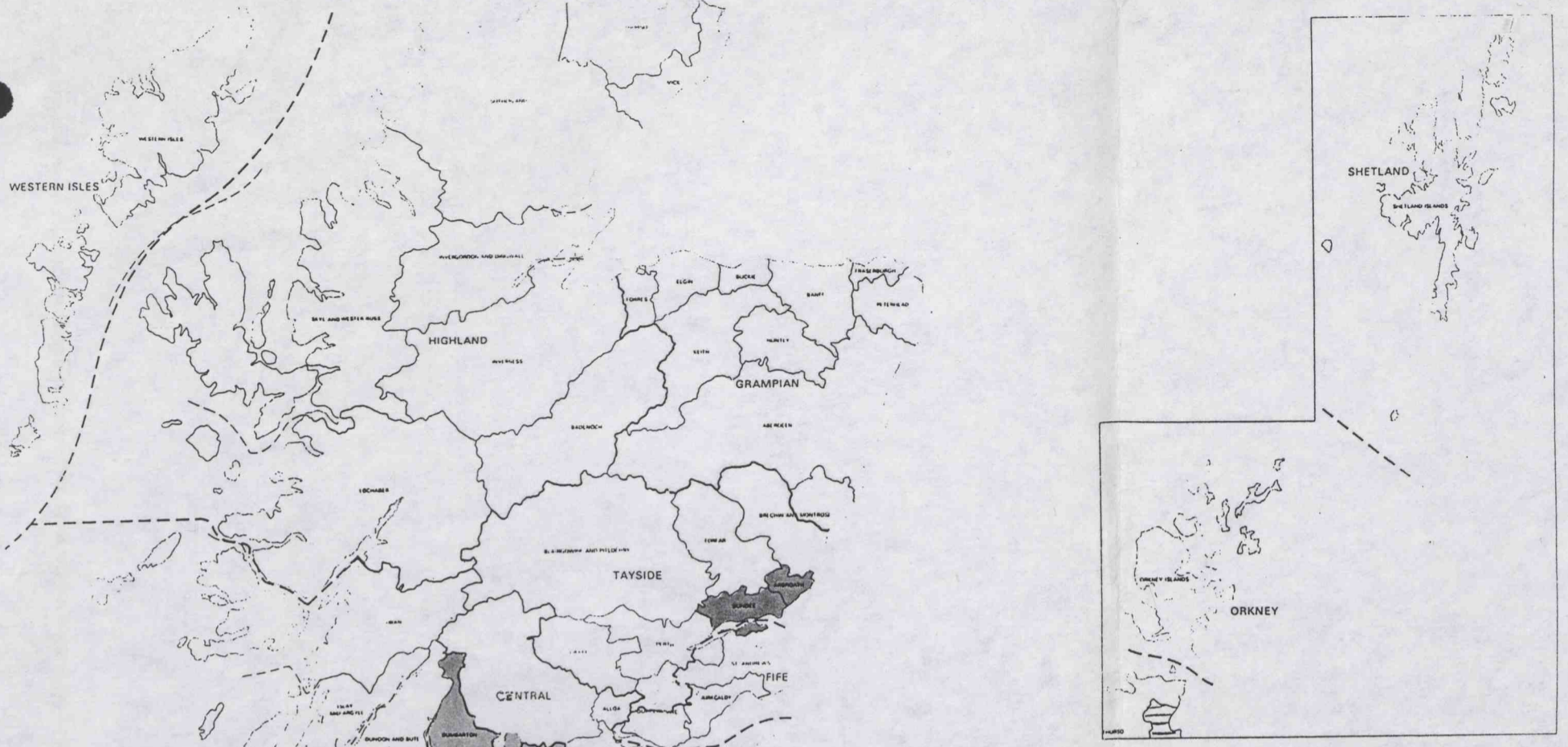
Mr Colin Clarke (Former Nottinghamshire Miners' Leader)

Mr Kevan Hunt (Employee Relations Director, BCC)

Mr Ken Moses (Strategic Planning Director, BCC)

Mr Roy Ottey (Former General Secretary, NUM Power
Group)

Coal 2B
January 1992

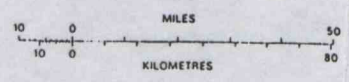
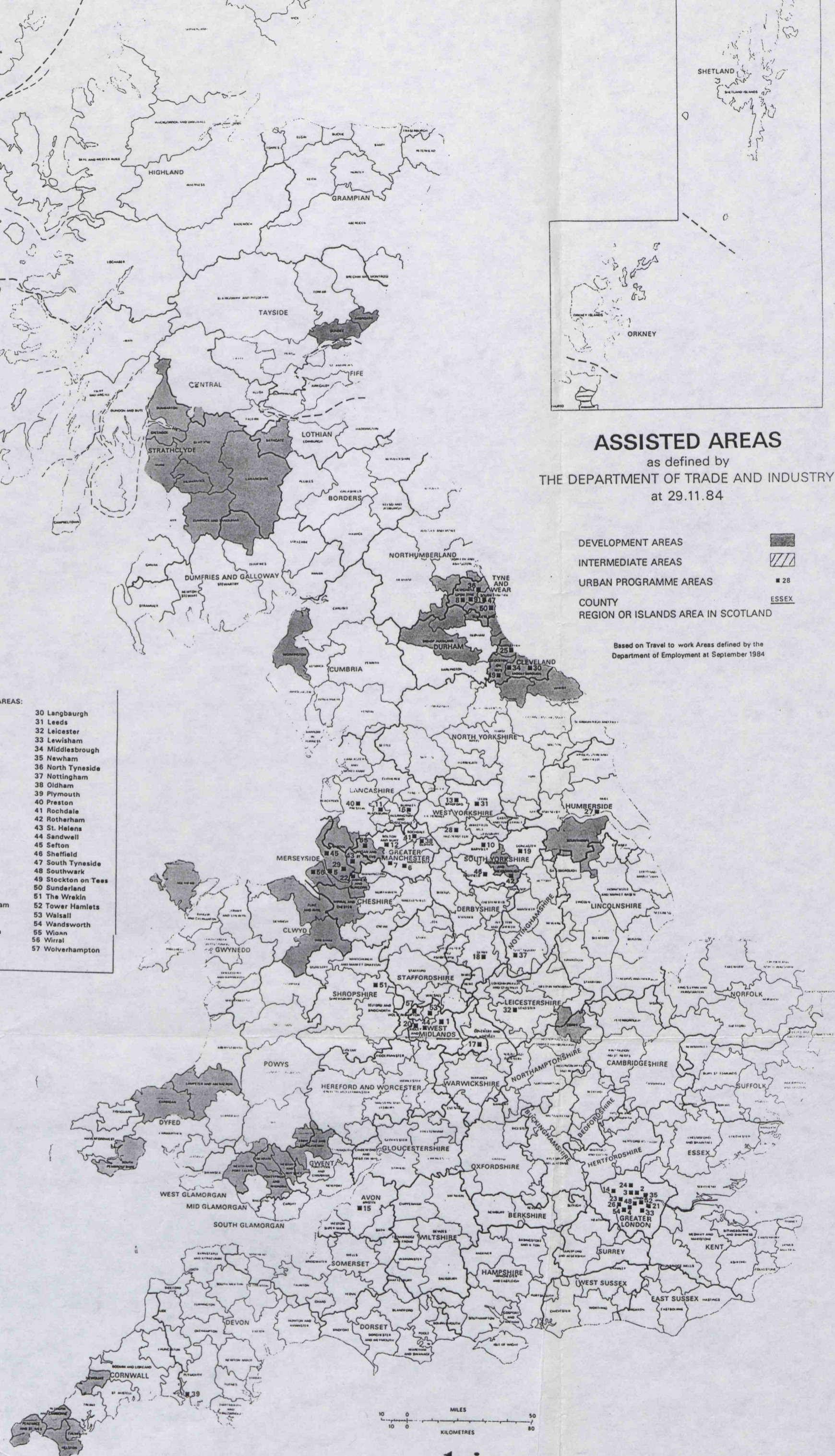


ASSISTED AREAS
 as defined by
 THE DEPARTMENT OF TRADE AND INDUSTRY
 at 29.11.84

- DEVELOPMENT AREAS
- INTERMEDIATE AREAS
- URBAN PROGRAMME AREAS
- COUNTY
- REGION OR ISLANDS AREA IN SCOTLAND

Based on Travel to work Areas defined by the
 Department of Employment at September 1984

- URBAN PROGRAMME AREAS:
- | | |
|---------------------------|---------------------|
| 1 Birmingham | 30 Langbaurgh |
| 2 Hackney | 31 Leeds |
| 3 Islington | 32 Leicester |
| 4 Lambeth | 33 Lewisham |
| 5 Liverpool | 34 Middlesbrough |
| 6 Manchester | 35 Newham |
| 7 Salford | 36 North Tyneside |
| 8 Newcastle | 37 Nottingham |
| 9 Gateshead | 38 Oldham |
| 10 Barnsley | 39 Plymouth |
| 11 Blackburn | 40 Preston |
| 12 Bolton | 41 Rochdale |
| 13 Bradford | 42 Rotherham |
| 14 Brent | 43 St. Helens |
| 15 Bristol | 44 Sandwell |
| 16 Burnley | 45 Sefton |
| 17 Coventry | 46 Sheffield |
| 18 Derby | 47 South Tyneside |
| 19 Doncaster | 48 Southwark |
| 20 Dudley | 49 Stockton on Tees |
| 21 Greenwich | 50 Sunderland |
| 22 Halton | 51 The Wrekin |
| 23 Hammersmith and Fulham | 52 Tower Hamlets |
| 24 Haringey | 53 Walsall |
| 25 Hartlepool | 54 Wandsworth |
| 26 Kensington and Chelsea | 55 Wigan |
| 27 Kingston upon Hull | 56 Wirral |
| 28 Kirkcaldy | 57 Wolverhampton |
| 29 Knowsley | |



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