

UDM

UNION OF DEMOCRATIC MINeworkERS

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20th June, 1989

Mrs. M. Thatcher
The Prime Minister
10 Downing Street
LONDON

Please reply to:

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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.

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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', with a stylized, cursive script.

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.

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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.

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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.

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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.

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**** 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.

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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.
