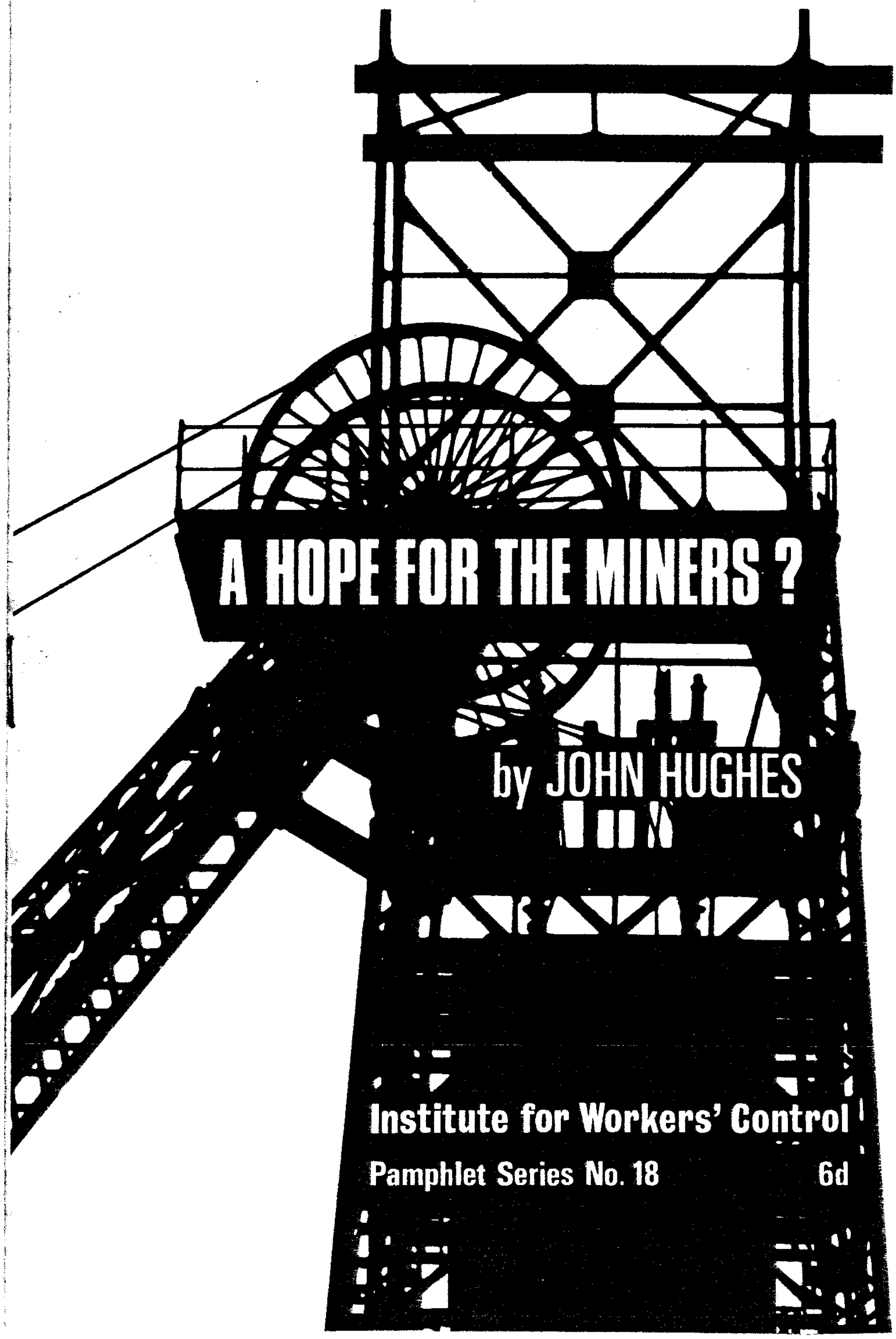

A HOPE FOR THE MINERS ?

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Pamphlet Series No. 18 6d

1. The most important features of fuel and power at the present time include:-

(i) A good deal of surplus capacity in all the main fuel and power industries; this is due to persistent decline of markets for coal; capacity "bonus" available to gas industry as a result of switching over to natural gas (different features of the gas increase thermal capacity of pipes etc.), and availability of production plant no longer needed because of natural gas; excessive build-up of electrical generating plant (pace of increase of gas consumption not foreseen; slower growth of economy than anticipated); large increase in oil refinery capacity (taking advantage of very high investment subsidies).

(ii) The consequences of excess capacity include a fiercer competitive struggle for market share, partly between the nationalised industries concerned, but also in relation to oil.

(iii) The continued relevance of the balance of payments cost of fuel supplies. The overall cost to the balance of payments of our growing use of oil has in general remained a closely guarded secret. The veil was lifted in the government's "Fuel Policy" (Cmnd 3438) but only to estimate the 1965 net cost of oil to the balance of payments at £300 million p.a. (this is after deducting from direct imports of oil the various current and capital movements associated with investment, shipping, etc.). The foreign exchange content of home (British) refined oil was put at £2.6 per ton, and for imported fuel oil £4.6 per ton. These figures are doubtless higher now as a result of devaluation, and the total "net" cost is also likely to have risen. Natural gas and nuclear power involve some balance of payments costs: natural gas for payments to foreign companies involved in exploration/production, and nuclear power for raw materials.

(iv) The contraction of the market for coal continues, and with it a rapid and continuing contraction of mining manpower. Coal consumption has fallen from just over 200 million tons in 1963 to about 165 million in 1967, and is officially expected to be "below 155 million" in 1970. Colliery manpower fell from 530 thousand in 1963 to 397 thousand in 1967. More recently the rise in productivity has accelerated, and the Coal Board expect it to continue to rise (in O.M.S.) at 8% p.a. to 1972. The combination of falling demand and very high rates of productivity improvement mean that official "plans" project further rapid contraction of colliery manpower. The latest figures show a fall of over 40,000 in the twelve months to mid 1969. A reliable guess at what official calculations involve would be no more than 220,000 mineworkers by 1972. Already, unemployment among mineworkers - which had earlier been negligible - had risen to 8,000 by mid 1967 and trebled to 24,000 by mid 1969. This represents over 6% unemployment.

(v) The government have provided some protection for the coal industry in recent years through the tax on fuel oil, and through special arrangements with the electricity supply industry (and to much less an extent the gas industry) to use more coal than they would have done on strictly "commercial" grounds. On the other hand this has been offset by enormous capital subsidies to the oil industry (subsidies not enjoyed by the coal industry - or indeed by the other nationalised industries with which oil competes). Thus oil refineries built in Scotland and Wales in 1967/68 will have received a direct subsidy of 45% of the cost of plant and equipment. There has been no official analysis of the "net" effect of these conflicting policies.

(vi) The large elements of capital subsidy enjoyed by the oil industry, and doubtless also the high profit margins on such products as petrol where there is no competition from alternative fuels, puts it in a very strong position to survive the pressures of competition. The hectic rate of expansion of industrial sales of natural gas is thus to a considerable extent at the expense of coal rather than oil; probably natural gas for industrial use displaces two-thirds oil and one-third coal. Gas, electricity, and oil, fight for the market represented by the more affluent consumers (central heating etc.) with "promotional" tariffs - thus increasing the pressure against coal use in the domestic field. The coal industry's response to these cost pressures is to try to cut out "high cost" production and further raise productivity; this remorseless drive is not only felt in terms of rapid falls in manpower. Accident rates have worsened as compared with a decade ago; the rate for all accidents per 100,000 manshifts which was 117 in 1956/57 had risen to 197 in 1966/67. The 1967/68 incidence of serious injuries and deaths combined was 20% higher than average for the middle 1950's.

2. It is right and proper that an examination of technical aspects of fuel and power policy for Workers' Control movement should pay particular attention to the needs of mineworkers and their communities, since these are most of all subjected to intense pressure due to the operations of a narrow "commercialism" which neglects the social cost and damage that would be a part of the accounting process of a civilised system. The following suggestions are however an attempt to increase the rationality of fuel and power policy as well as to protect the interests of the mineworkers communities.

3. Among the steps that should be taken in fuel and power policy are the following:-

(i) There should be an intensive study of the costings involved in a large scale programme aiming to produce petrol from coal. The N.C.B. should finance this study, but N.U.M. appointed experts should participate. The costings should use:-

- the estimated short to medium run "marginal cost of coal (which, as N.C.B. sales to aluminium showed, is clearly lower than average costs of production);
- they should assume the N.C.B. would be entitled to the full range of capital investment grants available in development areas;
- in estimating the cost of petrol produced from imported oil they should use an exchange rate relevant in terms of social costs (that is recognising the obstacles to the development of the whole economy from increased imports);

an appropriate "shadow" exchange rate might be 2 U.S. $ = £1 (instead of the official exchange rate of 2.4 U.S. $ = £1);
- an element of subsidy of the process should be allowed for based on a calculation of the social costs from unemployment and waste of social capital involved in closure of pits that could remain at work if coal were used as a petrol base.
If such costings showed that the use of modern technology would enable petrol to be produced from coal economically, there would be no problems of marketing. The tax rate on such petrol could be so adjusted to ensure that it retailed at the same price as oil-based petrol.

(ii) There should be a survey of N.C.B. capital to ensure that the burden of capital charges is no greater than the productive capital that is actually employed in current and foreseeable production. Instead of a fixed interest rate burden, at least half the N.C.B.'s remaining capital debt should be treated as Exchequer Dividend Capital (that is with a rate of return related to variations in profitability). All future coal industry

investment should be entitled to the full Investment Grants for plant and equipment that are extended to private manufacturing industry. In particular, such capital grants (and also the Regional Employment Premium in Development Areas) should be applied to all plants processing smokeless fuel. Where such plants have not so far received such grants they should be applied retrospectively. The Selective Employment Tax should be removed from all aspects of coal distribution, but only where the N.C.B. is able to certify that distribution has been rationalised to minimise costs, and that profit margins are not excessive. The N.C.B. should itself operate more directly and aggressively in the distribution of coal.

(iii) Investment grants to the oil industry should be discontinued except where the investment programme can ensure that the refinery will thereby be made more internationally competitive, and even then only if the firm concerned enters into firm undertakings to increase its exports of oil products. The fuel oil tax should be continued. The electricity supply industry should be required to use coal for generation not oil, but should (as now) be compensated for any increased production costs involved.

(iv) The electricity supply industry should be required to re-calculate the analysis of costs involved in nuclear as against coal based generation of electricity. Such calculations should include realistic studies of the actual (as against original contracted) costs of building nuclear power stations, with the costs of unplanned construction delays also computed. The analysis should use a 10% Discounted Cash Flow measure - to reflect the recent high interest rate structure for long term capital and the continuing elements of operational risk involved. The costs of coal supply in such calculations should be reckoned on a "marginal" cost basis, with some further deduction to allow for the social benefit of avoiding pit closures.

(v) A further programme of railway electrification should be pursued, and given the benefit of Investment Grants.

4. Even with such an approach, and with more co-ordinated and longer term analysis of investment programmes and markets, there are likely to be continuing programmes of pit closures and curtailment of employment prospects in mining. The demands that have to be made here concern the planned re-development of employment opportunities in the areas affected, and the participation of the mining communities in such planned development. Apart from the areas already seriously affected, it is clear from the Hunt Report that very severe problems face the Yorkshire and Derby/Notts areas. Thus, the N.C.B. anticipate a reduction of manpower by

45,000 in the Yorkshire coalfield from 1967 to 1975; this represents 20% of male employment in the sub-region affected. For the East Midlands a fall of over 40,000 is estimated from 1968 to 1975; in parts of the sub-region affected 40% of the workers (men) are at present in coal mining. The present confused and inadequate approach to the needs of such areas would be all the more inadequate in such cases as they do not count (for subsidy purposes) as Development Areas. The programme of demands might need to include the following:-

(i) Pending adequate agreements and planning for the future of the mining communities, establish rank and file lodge Defence Committees for groups of pits; function not only organised solidarity action but campaigning for planned re-development of job opportunities available to the mining communities concerned.

(ii) All areas affected by closures and significant reduction in employment in mining to have designation as Development Areas.

(iii) No redundancy without prior planning of job alternatives; worker participation in the planning process. Jobs involving travel above a certain distance and/or involving loss of earnings not acceptable as job alternatives without compensatory payments.

(iv) Adoption of T.U.C. proposal for a joint N.C.B./ British Steel Corporation agency with function of surveying the employment requirements, and undertaking the investment, training, etc. necessary for re-development in mining and steel communities affected by decline in job opportunities. Only with addition of demand for joint control of the agency between public corporations and trade union representatives. Aim should be planned re-development within framework of public enterprise and democratic control, instead of haphazard bribing of capitalist enterprise to develop - without any safeguards for workers' rights. (Original T.U.C. proposal is on Page 20 of "Economic Review, 1968".)

(v) There are special problems arising as to the employment of older workers. This is part of a wider problem of the low wages, high unemployment rate, and general economic insecurity and exploitation of older workers. Therefore the demands put forward should be such as to apply more generally and not only to miners. One approach would be to require all firms above a given size to employ at least a given quota of older workers. Another would be to remit Selective Employment Tax when older workers are employed. There might also be advantage in the Central Government providing selective grants to Local Authorities in the areas affected by closures, to enable them to employ

older workers on improving the amenities and public services of the community over and above their existing expenditures.

(vi) Instead of the present system of largely unselective government subsidies to private industry, Regional Economic Planning Councils (which should have strengthened worker representation on them) should have funds specifically available for selective aid to enterprises (both public and private or co-operative) within the context of planned re-development programmes for particular localities and sub-regions.

(vii) The Hunt committee emphasised the enormous areas subject to what it called "industrial dereliction", and added that these were particularly associated with mining areas. It estimated that 84,000 acres were blighted in this way and argued that this was an outstanding example "of the way in which an unfavourable environment can depress economic opportunity". It argued that there should be a planned national programme of reclamation. The best approach to this would be to develop the N.C.B.'s Opencast Executive as the basis for a "derelict land reclamation agency." The Hunt Committee considered that £100 million would need to be spent, over a fifteen year period. Little or none of this cost should fall on the communities concerned. The best arrangement would be an Exchequer grant to the N.C.B., and for the N.C.B. to carry out a properly phased programme which would be timed so as to limit the social waste of pit closures, and to help in the re-development of mining communities by restoring their landscape and developing the amenities available. Such a programme would repair a small part of the damage done by industrial capitalism. Here too, it would be necessary to demand democratic participation by representatives of the mining and other communities affected in the working out of such programmes.

None of these proposals by itself is adequate to cope with the problems that confront Britain's mineworkers. But taken together they might offer renewed hope for the future. There is not much time.

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