

From: Rt Hon Stan Orme MP



HOUSE OF COMMONS
LONDON SW1A 0AA

Rt Hon Peter Walker MP
Secretary of State for Energy
Thames House
Millbank
London SW1P 4QJ

Coal
file

31 October 1984

Dear Secretary of State

Last night I was handed by the President of the National Union of Mineworkers, Mr Arthur Scargill, a document concerning pit closures in the North East. I enclose a copy of this document.

This document which was authenticated by the National Coal Board last night has serious implications for the coal industry.

I would like you to answer a number of questions which this 'Secret' document raises:

1. On Thursday 18 October, in your message to the Leader of the Opposition, you specifically denied the existence of a 'Hit List' of pit closures. The enclosed document exposes the existence of such a list - at least in the North East area. Do you still deny that the NCB has planned a pattern of pit closures?

2. As the document is dated October 1984, we assume this was drawn up following the settlement agreed between NACODS and the NCB. Yet Paragraph 7 of the enclosed document names Herrington as one of those pits designated for closure by 1987/88. This calls into question the interpretation put on the settlement with NACODS by both the Government and the NCB. We have been led to understand that the closure of the five pits named in the NCB/NACODS Agreement had been rescinded. Will you confirm that

Herrington Colliery is still scheduled for closure by the NCB?

3. The Chairman of the NCB has maintained that his planned 4 million tonnes reduction in capacity would bring production to the "bottom line". Paragraph 5 of the enclosed document envisages a reduction in capacity for the North East area from 11 million tonnes to 5 million tonnes over the next 15 years. Do similar projections exist for the other NCB areas? If so, can we really believe that the Chairman's thesis on future capacity is correct?

4. Arising from the above I must ask you to publish forthwith any such documents which exist for other NCB areas.

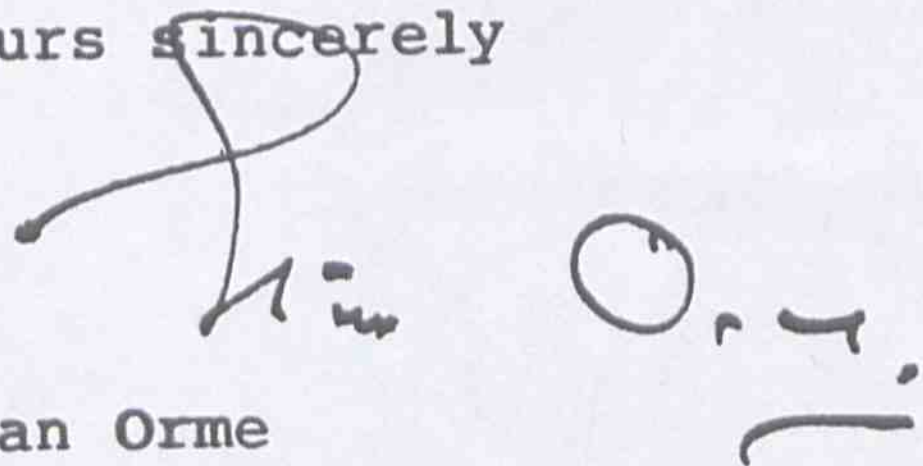
The document strengthens the National Union of Mineworkers case for the withdrawal of the March 6th proposals and the withdrawal of the threatened closure of the five named pits.

I feel because of the importance of this matter, and the effect it could have on the current ACAS talks, which we want to succeed, you should clarify this matter by making an immediate statement. The House is entitled to a full explanation, and I urge you to give this statement at the earliest moment in the new Parliamentary session.

Because of the urgency of this case, I am sending this letter by hand and will be issuing it to the Press later.

I would appreciate a full and early response.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Stan Orme', with a large, stylized initial 'S' and a flourish at the end.

Stan Orme

Secret

NORTH EAST AREA

1. Area's main objective is to reach a break-even situation within the next five years. Implicit in this is the policy to run down manpower in the Area and at the same time increase efficiency. Capacity would be maximised where realistically and economically possible although there is only limited scope to achieve this.

Reserves

2. Reserves inland are virtually exhausted with over 90% of the Area's probable workable reserves lying under the sea. Reserves available to deep-mines amount to 357m. tonnes with some 325m. tonnes expected to be recoverable. Of these reserves just over one third (118m. tonnes) are classified.

3. The major proportion of the Area's workable reserves are located in the Durham coalfield where some 286m. tonnes (81% of total) are available, mainly offshore, to the large coastal collieries. In Northumberland, only Ellington (29m. tonnes) of the five remaining collieries in the County has a significant amount of expected workable reserves although Whittle (with only 4.5m. tonnes) in the extreme North has sufficient coal to support production for 10 years. Despite a reasonable quantity of reserves (almost 29m. tonnes) at Bates, only 2.5m. tonnes are considered as probably workable since much of the total reserves are in the Threequarter seam which, from experience, has not proved a successful workable proposition.

4. A northern extension to the Wearmouth reserves (additional 150m. tonnes) has been successfully proved and is being accessed whilst proving of the Amble offshore reserves has shown the southern area to be the best. These reserves will be accessed from Ellington. There are no further reserves within the Area boundary which could support a new mine prospect.

Capacity

5. Deep-mined capacity will decline, from the present level of around 11m. tonnes, progressively over the next ten years to 6/6¼m. tonnes by 1995/96 with only six coastal collieries remaining — Ellington in Northumberland and Dawdon, Easington, Vane Tempest, Seaham, Wearmouth and Westoe in the Durham coalfield. By the year 2000 capacity is expected to further decline to just over 5m. tonnes as workable reserves continue to exhaust at the remaining collieries.

Manpower

6. Area manpower is projected to reduce from the present level of just over 22,000 to around 16,500 by 1987/88 providing for the proposed closure of Bates, Brenkley, Horden and Sacriston and also rundown at Hawthorn. By 1995/96 it is planned that the total number of men will have fallen to around 10,000 to serve the six remaining collieries. Area anticipate major industrial relations problems related to closure and rundown at the large collieries particularly Hawthorn.

Collieries

7. The number of operating collieries over the period is projected as follows:-

Start 1984	1987/88	1990/91	1995/96	2000
15	9	8	6	4

The pattern of colliery closures would be thus:-

By end 1987/88	By 1990/91	By 1995/96	By 2000
<u>Bearpark</u>	<u>Ashington</u>	<u>Hawthorn</u>	<u>Dawdon</u>
<u>Bates</u>		<u>Whittle</u>	<u>Vane Tempest/Seaham</u>
<u>Brenkley</u>			
<u>Herrington</u>			
<u>Horden</u>			
<u>Sacriston</u>			

Production

8. Area plans provide for deep-mined production as follows:-

	1983/84 (m. tonnes)	1987/88 (m. tonnes)	1990/91 (m. tonnes)	1995/96 (m. tonnes)	2000 (m. tonnes)
Without investment	12.00	9.50	8.70	6.00	4.65
With investment		9.50	9.99	6.68	5.37

9. Tonnage levels show a steady decline as collieries run out of workable reserves and the thicker seams at some of the large coastal collieries (e.g. Easington and Ellington) are exhausted. At Dawdon the longer term future of the colliery depends on the workability of zone 29 where seams are steeply inclined. Area are not currently optimistic on the colliery continuing after 1996.

10. The only scope for incremental tonnage is at Wearmouth where output is projected to rise up to 2m. tonnes (with 1987/88 at present level of 1.2m. tonnes) following the development of Zone C and the introduction of a new seam.

10. Area project has no scope for increasing tonnage levels and capacity to be required in the short term.

Productivity

11. Area project a steady growth in output per manshift over the next five years as the low productivity, less efficient collieries close.

	1983/84 tonnes	1987/88 tonnes	1990/91 tonnes	1995/96 tonnes
Without investment	2.26	2.68	2.75	2.78
With investment		2.68	2.79	3.00

12. Without investment productivity growth slows after 1987/88. The benefit, however, of investment to produce incremental tonnage from Wearmouth and improved efficiency at Westoe during the 1990's (coal being conveyed underground to Wearmouth and producing a significant job saving) is clearly demonstrated by continuing productivity growth to 3 tonnes a manshift by 1995/96.

13. Average productivity growth over the whole period to 1995/96 is projected at just under 2% a year without investment and 2¼% a year with investment.

Cost Per Tonne

14. Movement in Area operating cost per tonne can be seen as follows:-

	1983/84 £	1987/88 £	1990/91 £	1995/96 £
Without investment	44.04	41.70	40.69	42.92
With investment		41.78	40.30	40.57

15. Individual collieries in cost tranches (assuming further investment) would be as follows:-

	1983/84	1987/88	1990/91	1995/96
£30 - £35		Ellington	Ellington	Wearmouth
£35 - £40	Brenkley Dawdon Ellington Westoe Whittle	Bates Dawdon Westoe Whittle	Dawdon Vane Tempest Wearmouth Westoe Whittle	Ellington Westoe
£40 - £45	Bates Vane Tempest Wearmouth	Ashington Easington Hawthorn Vane Tempest Wearmouth	Easington Hawthorn	Dawdon Easington
Over £45	Ashington Bearpark Easington Hawthorn Herrington Horden Sacriston			Vane Tempest

Without further investment in incremental capacity Wearmouth would remain in the £40 - £45 cost per tonne tranche throughout the period.

Profit/Loss

16. Area operating profit/loss situation is projected as follows:-

	1987/88 (£m)	1990/91 (£m)	1995/96 (£m)
Without investment	(8.5)	(3.1)	(14.6)
With investment	(7.5)	10.7	10.7

17. Area project that without further agreed major investment, and as a result of their policy to reduce substantially levels of manpower and close uneconomic capacity, a breakeven situation would be reached in 1988/89. As can be seen the situation declines thereafter with increasing losses by 1995/96.

18. With further major investment, however, Area project an improving result with profitable operations being achieved from 1989/90 onwards. Through the 1990's, with the benefit of incremental output, Wearmouth is projected to contribute an annual operating profit in excess of £25m.

Capital Investment

19. Capital required over the ten years to 1995/96 is projected at £319m. on the basis of no further major investment, £91m would be required for further major capacity related projects making a total requirement over the ten year period to 1995/96 £380m.

October 1984