Nationalisation and Privatisation in Britain's Coal Mines

National advance and private gain?

Introduction

- Professor Stefan Berger highlighted this topic at the start of the conference by naming British nationalisation of coal in 1946 as one of his ten most important dates in mining history.
- Issues of nationalisation and private ownership debated for 120 years, from the time of the huge 1893 coal dispute.
- Both nationalisation and privatisation had a notably important body of intellectual/ideological thought which helped pave the way to these policies. This thinking was very important preliminaries, perhaps necessary but not sufficient conditions for the major changes in control
- Nationalisation was linked to issues of efficiency (not least shortage of investment especially in the less effective of a multitude of private pits)
  and to labour views of fairness in payments (deep mines with fractured seams usually involved harder work but could less readily pay good wages then mines with thicker, unbroken seams nearer the surface - 'rate for the job'.
- In boom years (1915-1920) all pits were profitable, but in harder times (many of years from 1921) marginal pits were in trouble and employers pressed for local not national pay rates.
- The Sankey (1919) and Samuel (1925) inquiries raised many issues of private enterprise efficiency, after state control of industry, 1915/16-1921.
- Second World War was marked by further industrial relations problemsr: coal mining accounted for 56 per cent of all working days lost in industrial disputes. In spite of state intervention, coal output and productivity fell.

Nationalisation and its critics

- There was a very long background to nationalisation. The ideas were well encapsulated in the Radical slogan, 'God Gave The Land To The People'. Notions of people's rights to fairness go back to the Peasants' Revolt 1381 and beyond, such views surfaced memorably in the 1640s in the English Civil War with the Levellers and the Diggers and later with notions of 'the moral economy of the crowd (memorably expounded by the historian E.P. Thompson). By the late nineteenth century there was also a Radical feeling that God also gave mineral rights to the people.
- Such radical notions became very persuasive by the circumstances of the experiences of the Second World War, added to those of 1915-26. Experience of coal in Second World War reinforced widespread beliefs in favour of a reorganised nationalised industry (civil servants, politicians, even some owners as well as miners).
- In the 1930s and 1940s nationalisation of coal was seen pre-eminently as an issue of rationalisation and as a part of planning industry to assist in the achievement of full employment (through public investment and increasing production).
- The Reid Report (by a committee entirely of mining engineers with senior managerial experience), 1945, was focused on traditional questions, but was very critical of the British coal industry's organisation and technology, compared with its major competitors abroad.

- The Second World War, with its shared dangers on the Home Front, reinforced notions of community rights and sharing as well as a reinforcement of arguments for nationalisation of coal on efficiency grounds – efficiency to come from large scale production and co-ordination rather than competition. Also after the war ended the British economy was drastically weakened and nationalisation was deemed to be the way to secure great increases in output with the state as the source for the huge investment required (and which pre-war had not come sufficiently from private owners).
- Nationalisation was to disappoint its most ardent advocates. Many in the labour force came to believe that the management of the industry had changed too little. Some miners felt that they were inadequately consulted and were unhappy about the way that the industry was run.

  There were also views that when nationalising coal, the issue of pricing had not been faced. Should higher pay and pressures come from taxation or from higher prices? More generally, what financial objectives should the coal industry seek to meet and by which it should be assessed?
- Part of the problem of both nationalisation and privatisation was that the most fervent advocates believed that with nationalisation and privatisation most problems were automatically solved. This reminds me of Jane Austen's novels…in *Pride and Prejudice*, for instance, all will be well after marrying Mr Darcy, this in itself is the happy ending. Or perhaps more seriously, there is a comparison with the first two Labour Governments in Britain (1924 and 1929-31) where before they took office their ardent advocates often suggested all would be solved by 'socialism' (often undefined).

<u>The Contexts of Coal Privatisation</u>

- There were several contexts for explaining why privatisation of coal and why it took place when it did. The most important were:

(a) Economic theories which reinforced conservative hostility to the public sector and faith in free market competition. These included public choice theory which views public sector workers as being motivated by a desire to up prices for their own benefit and 'regulatory capture' where special interests manipulate the regulator in their interest.

Such theories always see the state as less competent than the private sector, the desirability of contract tenders and of price caps where there are natural monopolies, and the desirability of monetary constraints rather than state controls.

(b) The price of alternative power (e.g. gas) and the privatisation of electricity. Oil prices fell heavily in the early 1980s, putting downward pressure on international coal prices. In the early 1990s the privatised electricity industry was moving to gas-fired generation –'the dash for gas'?

(c) The recurring industrial relations problems (especially for Conservative governments) of the coal industry, especially the 1984-85 industrial dispute.

Enthusiasm for deregulation has been partly discredited after Reagan's freeing of the banks from regulation given the catastrophic results. There are also many questions about the effects of some of the UK's privatisations, the outcomes resulting in consumers facing high prices as well as labour costs being ruthlessly squeezed without apparent large efficiency gains.

- Privatisation of coal had not featured in the Conservative manifesto, 1979, nor were there any blueprints prepared.

In 1985-88 the government's plans were NOT for privatising coal as a whole, but ending British Coal's monopoly by letting the private sector take over some mines that British Coal deemed uneconomic.

- However, privatisation in other sectors was well under way in Britain by the time the Conservatives began coal privatisation. In 1979 nationalised industries and public corporations employed 2,065,000. By 1989 844,000 (a 59 per cent fall).
- The free market ideology was already in place and admired by Mrs Thatcher and her main supporters among Conservative ministers. Privatisations had taken nplace, with notable knock-on effects for coal from privatised electricity.

- Perhaps the crucial ingredient in bringing about coal privatisation when it did take place were short-term economic advantages of moving away from coal:
  Cheaper gas or oil
  Cheaper coal from abroad

- The run-down of British coal industry fortuitously coincided with major concerns about global warning. In this context there was a political and social need for effective 'clean coal' technology, notably with the Environment Protection Act, 1990. Clean coal technology became the hope for the future of the coal industry.

Privatisation (1994): Issues during and after

- To make the sale attractive, British coal needed to reduce manpower, settle redundancy costs, reduce output and indemnify new owners against earlier liabilities, such as subsidence. The government ensured good profits for private owners by making contracts with English and Scottish electricity generators for coal at fixed prices.
- Richard Budge bought 28 of the 34 deep mines and 7 of the 16 opencast mines. He bid far more than others valued the mines - £914 million against £600 or less by other bidders. Eventually he got them for £815 million. This in spite of government eagerness for English coal to be divided into five regional companies for competition.
  However, with the on-going electricity contracts, RJB Mining made profits of £171-189 million in 1995-7, but, after the end of these contracts, its balance sheets fell to a £130 million loss in 1999.
  Budge's experience of coal had begun as a haulage contractor deploying underutilised lorries to move coal from opencast mines.
- In the late 1990s imported coal was cheaper than RJB's. So by the late 1990s there was pressure to bring the state back into coal, especially for deep mines, calling for government

to broker fresh deals for coal for power generation and to provide electricity generators with subsidies for taking coal.

- In 2005 50 per cent of electricity was generated from coal with 50 of 68 billion tonnes of coal imported. Yet by 2006 imported coal was nearly three times dearer than UK coal. Gas was running out, nuclear power stations were outdated by 2003 and, In spite of £1 billion to wind and tide power, limits to amount of power these will provide.
  In 2005 40 per cent of world electricity was generated by coal with China building two coal burning stations per week.
- The claims that privatisation would create a shareholding democracy were soon disproved by shareholdings in the various privatised concerns. Within six or seven years the number of shareholders for Amersham International had fallen by 91 per cent; within two years by 63 per cent, Rolls Royce, and 72 per cent British Airways, with British Gas, British Steel and British Telecom falling by 45-48 per cent.
- Privatisation could not revive deep mines which were past their peak. Scottish Coal explained to me that they could not invest in new shafts to thick seams near Longannet because prices were so volatile – for big investment there needed to be some guarantees of stable prices for several years.
- The nationalised industry had its drawbacks, but privatisation has assisted in nearly reducing the industry to opencast mining.

Chris Wrigley
Thursday, 19 April 2012

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