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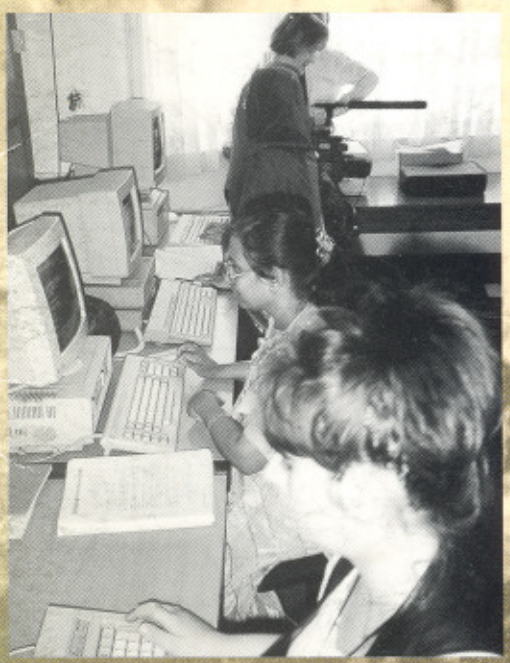

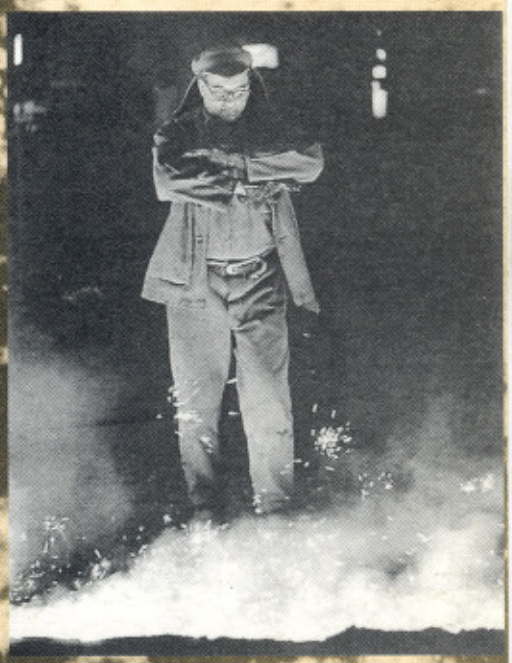

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The case for Houghton Main: Economic, environmental and social implications of the decision to close Houghton Main Colliery

On 13th October 1992, British Coal made its historic announcement relating to the future of deep-mined coal output and capacity in Britain. It stated that: 'in the light of harsh conditions in the electricity market and the urgent need to bring supply and demand back in balance', 31 collieries would need to close. Of these, 4 were seen to have a productive future at a later date and would be mothballed; a further ten were identified as mines with no future under any circumstances and which would be closed immediately: the Southside Complex in Barnsley was placed in this group.

At the Statutory Consultation meeting held on Monday, 3rd December, Mr. D. Widdowson, Assistant Director (operations) for the South Yorkshire group stated that the complex had:

> no prospects of sustaining viable operations in the foreseeable future. Even allowing for the review being initiated by the Government, the corporation do not consider that there is any real prospect of the output of those collieries ever being required to meet the most optimistic assessment of likely demand, or of them being able to operate at the cost levels likely to be needed to sustain profitable operations at the future prices anticipated.

He was, however, concerned that 'consultations should be meaningful and open minded', nevertheless he remained convinced that:

> there are no conceivable circumstances in which the capacity of the ten collieries now proposed for closure will be required, or that they would be able to operate profitability at the price levels expected.

The miners at Houghton Main, together with their wives, families and supporters, remain strongly opposed to the closure of the colliery which they feel to be unjust and based upon unsound economics. The purpose of this report is to present and evaluate these claims.

Background

The Southside complex is made up of two collieries, Grimethorpe and Houghton Main. The complex was seen in the 1970s as one of the most significant investment programmes being undertaken in British coalmining. The Barnsley area had suffered from chronic under-investment, and in the period following the *Plan For Coal*, a major programme of modernisation and rationalisation began. This involved the regrouping of mines into three major complexes - South, East and Westside. The Southside project was the most celebrated

of these. In the 1980s its newly-constructed automated washery and coal preparation facility was widely recognised as the 'state of the art' in Europe.

Within the Southside Complex, coal from mines to the south and east of Barnsley were drawn through the shaft of Grimethorpe colliery. Houghton Main, a long established colliery was the most significant of these satellite pits. It now stands alone after the closures of Dearn Valley (1989), Barrow (1985), Barnsley Main (1989) and Darfield Main (1989). Its coals are indistinguishable from Grimethorpe coals and to an important extent they form the same product.

The men who work there have a strong commitment to the pit and they are worried that the colliery will be 'sacrificed' in a plan to save part of the complex. They find that the mine has significant reserves and a workforce capable of mining them at a cost which will be increasingly competitive.

Cost of production

The Houghton Main colliery has gone through a difficult period. Between 1988 and 1992 there were high losses, especially in 1988-89 (£15.9 million) and in 1990-91 (£21 million). In 1990 the men, the management and the various trade unions co-operated in producing a radical new working plan for Houghton Main. The workforce of the colliery would reduce from 870 to 350, and there was agreement that work would concentrate on the Fenton seam. At a meeting on 30th November 1990, the colliery manager (Mr. D. A. Walton) noted that:

> The Fenton will continue in production with R35s working three shifts per day until R36s is ready... Each of R35s and R36s will then produce coal on two shifts per day.

In his letter of 3rd December he expressed the view that:

> We have a chance to secure a future for the colliery, the corporation and ourselves. We must take this opportunity with both hands and prove that a committed workforce at Houghton Main has the ability to respond to the challenge.

Losses were immediately reduced to £2.67 million at an annual cost of £2.00 per Gigajoule. In early 1991 it appeared that the plan was a success, the two faces (R35 and R36) were in production and R35 in particular was 'doing well'. However, there were real problems with R36 resulting from geological interaction with old workings immediately below. In December 1991 the colliery manager reported to the consultation committee that in spite of those difficulties

> Houghton Main was second to Grimethorpe in the Group. The Director is looking to get costs down to £1.30 per G.j. To date, ours stand at £1.48 accumatively.

However, the geological problems with R36 proved intractable and as R35 came to an end the colliery was left with only one productive face - R60 - with another (V80 in the Thorncliffe seam) in development. All this resulted in the colliery being pushed back into the red.

In the 28 weeks of the financial year 1992-93, Houghton Main made a loss of £980,000. However, at the time of the closure, things were improving once again. The management of BC had constantly argued that:

> the colliery needs to produce 12,000 and 13,000 tonnes per week to get to the figure of £1.30 per gigajoule.

In the Summer of 1992, the pit was producing near to this level. Output per man shift had risen dramatically to 5.85 tonnes and costs had fallen to £1.32 per gigajoule. Management was reported to be 'confident of the conditions for coaling' in the new Thorncliffe face. In the view of the lodge secretary

> with good industrial relations we could get 14,000 tonnes a week off *one* face; we could certainly get it off two.

This points to a pit with a future. It also raises questions about why Houghton Main is marked for closure.

Production and industrial relations

Coalmining involves hard physical work. In spite of technological changes it remains an exceptional industry, and one in which personal relationships are of great importance. It is also one in which the workers feel strongly about the way they are treated. In 1990, the miners at Houghton Main co-operated fully in the plan to reorganise the mine. The trade union assisted fully in the implementation of the voluntary redundancy scheme. However, they came to feel that they were not being treated fairly and that their pit was not being given a chance.

There were enormous problems with the R36 longwall face, and these were anticipated by the men early on. R36 was a retreat face, and as the drivages were being developed there was considerable evidence of the interaction that would result in difficulties for the efficient operation of the face. The development workers and the lodge officials suggested that many of these future problems could be avoided if the organisation of the gates was reversed. The

Manager at the time (Mr. Walton) came to the same conclusion and approached British Coal's Area Office with a request for the requisite additional funds. This was turned down.

When R36 came into production, Houghton Main was controlled by a new manager, Mr. Mountain. His main priority was to ensure that R36 ran well. He told a Consultation Committee in May that 'performance from this unit is very disappointing', and he went on to explain the technical innovation which had been developed to

> allow the panzer to side up into the coal, which is where we want it to be. This arrangement has proven to be very efficient, possibly too much so as we would now need to undercut the coal to compensate.

He insisted, however, that there was no 'margin of error' for the colliery

> if we were to succeed, everyone in the colliery would need to work as a team giving of their best effort and total commitment... anyone can find excuses as the why we failed to achieve an objective, but such negative attitudes must change.

As the problems on R36 intensified, the colliery began to slip back into the red. The considerable improvements and achievements of the new plan for the colliery were undermined by the predicted technical problems. As costs rose the managerial tone became more and more hectoring. 'Attitudes were wrong, standards of work were poor, no-one seemed able to timber up - standards have to improve'. Along with all this, absenteeism was identified as a problem which made it difficult to plan and to obtain efficient production. In the reason it listed for closure to the John T. Boyd Company's Colliery Review Team, British Coal cite this evidence and claim that the

> morale, effort and commitment of the workforce have been inadequate for many years...

The men in the colliery resent this. They do not feel it is a fair account and they contest the absenteeism figures. In this, their view has been supported by the Coal Review Team which reported that: 'we do not believe that BC have demonstrated their contention that absenteeism and work stoppages at Houghton Main are a serious problem'. Furthermore the representative of the British Association of Colliery Managers who gave evidence to the Team argued that

> low morale and apathy may well have been prevalent but the reasons may be associated with long review periods... and the loss of the 36 long wall face.

It is added that 'there may have been a lack of application of technology to address the problem of interaction'.

Given these problems it would seem that the turnover of colliery managers (three in two years) has not helped. Nor has the general approach to the men been conducive to high morale and high production. As one man put it

> miners are not heathens. They will listen if things are explained and they are spoken to properly.

A punitive approach to labour relations is unlikely to engender the 'team work' that British Coal so often speak about. Yet the unilateral decision to change the incentive scheme in the Summer of 1992 is a clear example of this approach and one which finally convinced many of the miners that BC was simply trying to find ways of closing rather than developing Houghton Main.

Low morale and poor labour relations must be seen as part of the problem at the colliery. The case for Houghton Main rests on a more purposive and communicative approach being adopted by management. There is a strong commitment amongst the work force to put things right and to make the pit successful.

Reserves and markets

In 1984, the National Coal Board assessed that the colliery reserves stood at *36.8 million tonnes*. The majority of these reserves were of 400 and 500 rank coals with a higher than average calorific value. However, in 1992 as a result of the plan to save the colliery, this total had declined to *11.6 million tonnes*. Recently these reserves have again been reassessed by the John T. Boyd Company for the Department of Trade and Industry. In the view of this Coal Review Team, the reserves of the pit now stand at no more than *0.7 million tonnes*. Where has all the coal gone?

In assessing coal reserves, the Coal Review Team relegated 'all thin coal' to the category 'unclassified'. In this way 'coal reserves' have come to mean 'coal that can be mined at a particular cost'. The organisation of the coal and energy markets has served to radically redefine the mineable reserves of the pit. In this process, sterilisation increases in pace: at Houghton Main and beyond.

This 'loss' of coal reserves is a critical issue which should be cause for public concern. Throughout the 1970s and 1980s when issues of coal reserves and extraction rates were raised, the coal industry provided reassurances to the effect that 'we have 300 years of coal reserves'. This phrase was often repeated. It implied (at extraction rates of 100 million tonnes per year) that reserves stood at *30,000 million tonnes*. Attempts to evaluate this figure

proved difficult and British Coal was not eager to participate in a serious discussion of the issue. However, during 1983 the corporation gave evidence to the House of Lords Select Committee on the European Communities which included an assessment of U.K. coal reserves. Its evidence was included in the report on *European Community Coal Policy*, and indicated that estimates of U.K. coal reserves could be analysed under 3 headings:

- 'Coal-in-place' : this was seen to stand at *190 billion tonnes*. 'Coal-in-place' is defined by the NCB as the coal still present in seams more than 2 feet thick and less than 4000 ft deep. Coal already worked was excluded. The estimate was based on a national survey in 1976. It was said to be accurate to within 30 billion tonnes.

- 'National reserves': this was seen to stand at *45 billion tonnes*. 'National reserves cover that portion of the known coal-in-place that is considered technically recoverable with present technology.

- 'Operating reserves': this was seen to stand at *6 billion tonnes*. Operating reserves are the reserves which have been definitely proved and are currently accessible. They amounted then to about 50 years production at current rates. The Corporation maintained operating reserves at this level as part of its roll-forward exploration programme.

In 1993, however, we have to revise these estimates considerably. In the market-driven calculations of the John T. Boyd Company, British 'national reserves' stand at no more than *1 billion tonnes* (exactly *1,053.6 million tonnes*). Furthermore, in their general assessment, over a *quarter* of these reserves are lodged in pits which they recommend for closure. What remains is *752.6 million tonnes*. The reduction in the scale of these reserves is quite breathtaking. It certainly adds substance to an earlier view expressed by the Coalfield Community Campaign that: 'the existing British Coal estimate of 190 billion tonnes suffers from a certain degree of ambiguity'. It is an ambiguity which has been used in the past to deflect serious questions about the level of British Coal reserves. These questions need to be urgently addressed as part of a review of the current closure programme.

Substantial reserves of coal exist in the Houghton Main mine (even on the extremely restricted assumptions of the Coal Review Team) and these should be extracted even if only to stock pile them. It would, of course, be better if they were used quickly. However, the view of British Coal remains that there will be no 'likely demand' for the coal. This view seems exaggerated.

The Southside complex has always produced a satisfactory product for the ESI market. It has a higher than average calorific value, and in the view of the Sheffield Business School, should have commanded a premium price of £0.05 per gigajoule on top of the average price paid by the electricity supply industry. Although sulphur levels from the pit are higher than average,

its chlorine level is much lower. Certainly sulphur content has never been raised as a problem in the extended discussions over markets and prices that have taken place at Consultation Committees. The Southside complex supplied 590,000 tonnes of coal to the ESI in 1991-2: while this declined to 113,000 tonnes in 1992-3, this seems to have been as a result of BC's delivery policy rather than any problem with the product.

The coals from Houghton Main and Grimethorpe are transported together out of the pit. They are high quality coals which have historically served a variety of different markets. Unlike many collieries, Houghton Main is not totally tied to the electricity supply industry. The future of the Southside complex is strongly linked to its industrial customers, most of whom are located close to the complex. Its coking coal has supplied *Anglo-Coalite* at Grimethorpe for many years and while seam closures have affected this market, the complex still supplied 34,000 tonnes in 1991-2 and 24,000 tonnes in the first six months of 1992-3.

Monckton Coke Works, a subsidiary of ICI, relies upon 250,000 tonnes from the complex. *Blue Circle Cement* with plants at North Fleet and Hope remains an important coal user although the cement industry is in a depressed state. *BXL (Shaw Carpets)* and *Yorkshire Brick* both receive substantial supplies of Houghton Main coal. Taken together, these industrial users took 236,000 tonnes in 1991-2 and 69,000 tonnes in the first half of 1992-3. Additional markets are provided by industrial traders (191,000 and 46,000 tonnes) and local traders (65,000 and 50,000 tonnes).

In the view of British Coal:

> in the case of Grimethorpe/Houghton Main, which sells a majority of its coal to non-ESI markets, this is all at a loss.

This, however, seems to be unnecessarily negative. Here, the view of the Sheffield Business School is well reasoned:

> we conclude that the complex can expect to earn £1.40 per G.j. or £39.20 per tonne (at 28 G.j. per tonne) for sales to the industrial market. This is lower than the initial price for coal to the generators, but the industrial market is fully open to international competition and the price is unlikely to fall.

It would seem that, given the chance, Houghton Main has the potential to produce high quality coal at current market prices. With the problems of F36 behind them, the men are strongly of the view that they can produce coal at below £1.40 per gigajoule.

The costs of closure

It is clear that keeping loss-making collieries open involves a cost. In the case of Houghton Main there is a good chance that a loss-maker can be turned around. Nevertheless, it is important to emphasise that *closure also involves a cost.* Any sensible public policy would take account of both sets of costs in assessing the benefit of a particular coalmine to its local economy and to society more generally. The closure of Houghton Main would involve the sterilisation of important coal reserves. It would also remove from production the working capacity of hundreds of men.

Houghton Main colliery is situated in a remote part of South Yorkshire. It is surrounded by open fields and by a number of small and isolated villages. While 27 miners from the pit live in Barnsley, most of them live in places like Darfield, Great Houghton, Kendry, Monk Bretton, Wombwell and Worsborough.

These people have spent a lot of time anticipating the effects of the closure of the mine. They will be unlikely to move because: 'who would want to buy a house around here when the pit is closed? We will be stuck here'. While some might think of taking further education, others contemplate the various retraining schemes on offer. However, they all know the situation in Barnsley and South Yorkshire: they have visited the Job Centres and they have talked with their mates. They know people who were made redundant with the closures of Dearn Valley and Barnsley Main in better economic times. They have talked with the men who left Houghton Main in 1991. They know that there are few jobs around. They know too that the jobs that exist (after retraining) will pay less than they earn as coalminers. As they talk about a future without the mine, one man laughingly puts an imaginary gun to his head.

These views are well reasoned and they are realistic. To pretend otherwise involves a deep hypocrisy. Academic studies in Yorkshire, South Wales and Durham confirm that significant proportions of redundant coalminers remain unemployed for more than a year. They also confirm the personal and emotional problems encountered by many of these men. Some of these problems can be financially measured in the costs to the health service and so on. Many of them cannot, but are nonetheless significant and form an important aspect of the unplanned closure of the coalmines.

In assessing the financial costs, the Sheffield Business School examined the situation in the month prior to closure when there were 429 people directly employed at the Houghton Main colliery. Of these, 120 have subsequently left as a result of BC's closure announcement. The cost of these redundancies has been incurred, and additional costs relating to unemployment

will follow. This is now unavoidable. What is *not* unavoidable is the redundancy of the men who remain. Should Houghton Main close, a total of 429 coalminers will have lost their jobs. To these can be added additional personnel in British Coal who will also be affected. The total number directly affected by the closure of Houghton Main colliery will be 528, of whom 470 will live in the Barnsley District.

To these can be added a list of other redundancies which will follow on from the closure. A colliery purchases considerable quantities of materials, machinery and services. Nationally this adds up to £1,400 million and the employment of 23,500 people. Should Houghton Main close, significant numbers of these jobs will be at risk. Railway jobs in particular will be threatened as coal production from the Southside complex declines or ceases.

As a conservative estimate, the 528 jobs lost at British Coal will be increased by a further 500 job losses in related industries; over 100 of these jobs will be within the Barnsley District. This loss of over 1,000 jobs will have its own 'knock-on' effect in the medium term as these redundant workers reduce their consumption.

In the absence of a dramatic change in the operation of the British economy it can be concluded that:

- A total of 1,000 job losses would follow quickly upon the closure of Houghton Main.
- The unemployment rates in the Barnsley District will accelerate upwards.

It is possible to put a price on all of this. To begin with there is the cost of redundancy payments to BC employees. These will average at around £21,760 and we would estimate the total cost to be *£11.489 million.*

These job losses will, however, involve other costs to the public purse. Most obviously these will take the form of unemployment benefit. Some workers will get a job quickly and claim little benefit. Others will go through a period of unemployment which will last months, and (for some) years. While they are unemployed they will not pay income tax or make national insurance contributions.

On the basis of a research investigation into the employment experiences of redundant coalminers in South Yorkshire, the Sheffield Business School has estimated that the unemployment benefit, income support and invalidity benefit received by an unemployed family will average at £77 per week. Their assessment of the costs involved here, over a ten year period (after discounting at a real rate of 5%) are *£5.9 million.* To this can be added

invalidity benefit which will be claimed by some miners *£1.6 million*. In addition to this we need to add the costs associated with redundancy and unemployment which runs as an indirect result of the closure. It is reasonable to assume that people made unemployed in the Barnsley District will face the same circumstances as the coalminers. Those elsewhere will probably be more favourably placed and an adjustment of 20% in the costs recognises this. The total costs over 10 years arising from these 500 redundancies will be according to these estimates *£4.44 million*.

All of the workers affected by the closure - miners and non-miners - will probably take advantage of some training and education. This costs £50 per week and we estimate that this will average at 8.5 weeks for the 1,028 people involved: this would total at *£429,000*.

There will also be a cost associated with housing benefit and mortgage interest relief. We estimate that over the next year these allowances would involve a total of *£1.14 million*.

Barnsley M.B.C. estimates that it will incur an additional cost of £500 in free school meals for each additional person unemployed. If such estimates are common to all District Councils the total cost in school meals alone will be *£1.54 million*.

Taking all of this into consideration we estimate that the total costs of closing Houghton Main will add up to *£26.538 million*.

TABLE 1 : THE COSTS OF CLOSING HOUGHTON MAIN

COST	£M
BENEFIT PAYMENTS	
Unemployment benefit to ex-BC employees	5.900
Unemployment benefit to other employees	4.440
Invalidity benefit	1.600
Housing benefit	1.140
TOTAL	13.080
ADDITIONAL EXPENDITURE	
Redundancy payments	11.489
Training/education	429
School meals	1.540
TOTAL	13.459

COST OF CLOSURE £26.538 million

Alongside these costs to the Exchequer we must add the income which the Government will forego as a result of the closure of Houghton Main. With an average weekly wage of £327 and an average duration of unemployment of 3.72 years we can calculate the loss of tax and national insurance at *£12.1 million* over the next ten years.

There will also be a loss of tax associated with redundancies amongst non-BC employees. In assessing this loss, it is reasonable to assume that in the Barnsley District these redundancies will relate to jobs with wages lower than the BC level. However, these workers will probably spend as long unemployed as the Houghton Main workers. The jobs beyond Barnsley will also be lower paid, but it is fair to assume that these people will obtain employment more quickly. On the basis of these assumptions, the total loss of tax will be in the order of *£8.1 million* over a ten year period.

Indirect taxes will also suffer. Given reasonable assumptions about the operation of the local economy the loss of VAT and excise duty directly relating to the closure is likely to be *£1.3 million* over ten years. More generally the losses can be estimated at *£0.75 million* over ten years.

According to our calculations these additional costs come to a further *£22.25 million*.

TABLE 2: EXCHEQUER INCOME LOSS AS A CONSEQUENCE OF CLOSURE

COST	£M
Direct taxes (ex BC employees)	12.1
Direct taxes (others employees)	8.1
Indirect taxes	2.05
TOTAL LOSS OF REVENUE	**£22.25 million**

On the basis of these estimates the total cost of the mine closure adds up to *£48.78 million* over a ten year period. Any plan which kept the miners at Houghton Main productively employed at the complex would clearly substantially reduce these costs.

Conclusion

The case for Houghton Main is a strong one. It rests on a realistic assessment of the colliery and its future performance. It is informed by a sense of justice, and by an understanding of the long-term energy needs of the country.

Although the economic performance of the colliery since 1987 has not been a good one, the radical new working plan, introduced in 1991, formed the basis for a viable colliery. The difficulties encountered on F36 were predicted and directly contributed to the increases in costs of production and a decline in morale. This should not be taken as a guide to the future. There is the capacity and commitment amongst the workforce of the colliery to deliver coal at a cost at or below £1.40 per gigajoule.

The closure of the colliery would sterilise significant levels of resources which, taken alongside the plans for the other collieries, can be viewed as a matter of the highest public concern. The economic logic which leads to the closure of Houghton Main is one which involved a 50x reduction in estimates of national coal reserves.

The case for Houghton Main is also a case for the Barnsley District of South Yorkshire and for a rational approach to public expenditure and borrowing in a period of depression. The state of the local economy is such that it is unrealistic to expect redundant coalminers to move quickly into other employment. The impact of their redundancy upon a depressed local labour market will be to increase the rate of decline.

This report has included a conservative but detailed estimate of the costs involved in closing the colliery. These total £48.78 million, and outweigh any possible losses that might be incurred in continuing production at Houghton Main. There is an obvious and important need to combine the economics of the (publicly owned) colliery with a general approach to public finance. This would enable the coalminers at Houghton Main to continue to make a real contribution to the economy.