

The First Annual Fuellers' Energy Lecture

Inaugural Energy Lecture



Presented at Haberdashers' Hall
on the evening of
Wednesday 11th May 2005 by

The Lord Ezra MBE

Liveryman of the Company

Introduction

I am glad to be giving the first of what I hope will be a series of Fuellers' Energy Lectures to be held annually in the impressive new Haberdashers' Hall. I have a connection with both Livery Companies. My connection with the Fuellers arises from my long-standing involvement in the energy sector; and my connection with the Haberdashers is that I attended one of their schools, Monmouth, in the early 1930's and they kindly invited me to become an Honorary Liveryman in 1982 when I was chairman of the NCB.

I am delighted to see so many friends here this evening from the energy and related sectors, from Parliament, from other Livery Companies, and from elsewhere. I look forward to the informal chats we shall have later on during supper.

My intention in speaking to you is to reminisce a bit about the period of nearly sixty years I have been active in energy and to identify some of the main issues that in my opinion emerged during that time. In the light of that I shall consider the present energy situation and the policy options.

The coal industry was nationalised in 1947 and I joined it quite by chance. I was in the wartime army, having been called up in 1939. Shortly before my demobilisation in early 1947, I was walking along Regent Street and happened to meet Val Duncan, whom I had known when he was a Brigadier in 21 Army Group. He asked what I was intending to do when I left the Army. I said I was unsure – possibly try to join a large industrial organisation. He suggested I try the Coal Board, which was being set up, and they were looking for people in their Marketing Department. He was its Transport Director – and later was to move to Rio Tinto, which he built up into one of the world's largest mining concerns.

I was duly offered a fairly modest post in marketing. Things were a bit disorganised in those early days at the Coal Board. I remember my first office was the pantry of a flat in Berkeley Square. There was plenty of shelf space, but little else. I had nothing to put on the shelves and nowhere to put myself. I was somewhat disenchanted. I thought I might stay for a few months and then look round for another occupation. In the event I stayed for 35 years, including 11 years as chairman.

Public Ownership in Concept and Practice

I would like at this stage to say a few words about the concept of public ownership and how it turned out in practice. The concept, developed by Herbert Morrison, was that various basic sectors of the economy would be put under the control of independent boards who would operate them in the public interest. Government intervention would be limited to matters of national interest and would take the form of directives prepared after consultation with the board in question.

In practice it worked out quite differently. I am not aware of any formal directive on a matter of national interest ever having been issued to the Coal Board. But there was constant detailed intervention of an informal nature. The fact is that the nationalised industries represented an important part of the economy and the temptation for successive governments to intervene in their affairs to support their various policies was too great to be resisted.

This had particularly harmful effects for the Coal Board in two respects – in prices and in wages. During the War there was what was known as the Gentlemen's Agreement between the government and the mine-owners for coal prices not to be raised. The post-war Labour government asked the Coal Board to continue with this freeze, even though the international price was twice as high. This was continued for some years and deprived the NCB of the opportunity of building up a reserve fund, to cope with possible future difficulties – of which there were many. Throughout the period of nationalisation there was constant government intervention in price changes – almost invariably against the commercial interest of the enterprise.

When the collieries were nationalised in 1947 it was received with great joy by the mineworkers as the achievement of a long-cherished ambition. The National Union of Mineworkers (NUM) committed themselves to the settlement of all future wage negotiations by peaceful means, and by arbitration if necessary. But this was soon terminated when they suspected that the government was exerting influence over the arbitrators. Annual wage negotiations became increasingly difficult, culminating in the strikes of 1971 and 1974 (the strike of 1985, which happened after my time, was more politically motivated). The strike of 1974 could, in my opinion, have been settled by dealing with the mineworkers as a special case, which both the TUC and the CBI would have supported. The trouble was that the

government effectively took over the wage negotiations. When we were about to engage in our wages round in 1976, and Jim Callaghan was Prime Minister, I asked him to refuse to see the NUM if they approached him. He agreed and we satisfactorily negotiated.

We used to take great pains in preparing for wage negotiations. We carefully rehearsed all the arguments, and made sure the negotiations lasted a long time, which is what the NUM expected. I did not attend the negotiations myself, but held a small amount in reserve. In due course they grew wise to this, and Joe Gormley, the President of the NUM, after heated debate, would ask to see the chairman. On one occasion we settled quite quickly and I assumed he would return to tell his troops. But he said he had to be away at least half an hour to give the impression of a tough struggle. "Bring out the brandy" he said "and let us chat". Brandy was his favourite tippie, but not mine, especially in the afternoon – but it was a price worth paying.

Labour Relations

Developing good labour relations was an essential part of our task as management in order to achieve the best business results. In this I was following in the footsteps of my predecessor Lord Robens. There were two ways in which we worked particularly closely with the unions – one was safety and the other was research.

Safety was paramount, and everyone in the industry was totally committed to it, both management and unions. We achieved the best standards of any coal industry in the world. Inevitably we had accidents, but the scale was nothing like what it had been in the past. Whenever there was an accident of a serious nature I would drop everything and fly directly to the site. I was always impressed with the quiet and determined way in which the situation was dealt with jointly by management and unions. Apart from these emergency visits I tried to go underground at least twice a month. I learnt a great deal this way – which was of help to me in the boardroom, as I could speak with recent coalface knowledge.

Research was the other area where we kept closely in touch with the unions. There was never any 'luddite' spirit against the introduction of new mining methods. On the contrary they were welcomed as contributing to safety and productivity. We used to go through our annual research programme with the union representatives and we discussed with them all the new ideas that had come our way. One of these was biological mining, whereby a particular breed of bugs would convert the coal into a liquid which would then be pumped to the surface. The union people listened to this with interest, and then one of them intervened. He asked – "There is only one question. Which union would they belong to?"

Based on our success in creating a partnership with the unions in safety and research I felt that we should widen our discussions with them to cover the full range of our policies. We accordingly set up a Joint Policy Advisory Committee at which we revealed all the details of our costs, proceeds and investments right down to individual mines. We also discussed our pricing intentions. Some thought we were running a commercial risk in so doing, but there was never any leak – and imparting such information helped in our wage negotiations. In taking this initiative I believe we were in advance of our time.

Luxembourg

I would like to consider for a few moments the European context. In 1950 six West European countries, including in particular France and Germany, signed the Treaty of Paris, setting up the European Coal and Steel Community, the precursor of the present European Union. Britain had been invited to join but refused. However it asked to be kept in touch with developments and a UK delegation was established in Luxembourg, which was the seat of the High Authority of the new Community. I was appointed by the NCB to be their representative on the delegation, and my wife and I spent four years there from 1952 to 1956.

The Grand Duchy of Luxembourg, with its population of only 350,000, then retained much of its old charm and way of living. There were still steam trams, powered by coal, running through the capital city, and no traffic lights. I remember when the first traffic lights were installed on the Pont Adolphe, crowds gathered and clapped every time the lights changed. The American Minister was the redoubtable Washington hostess, Perle Mesta, who was the inspiration of the musical "Call Me Madam". She entertained frequently and on one occasion invited all the mayors of Luxembourg to a reception, about 100 of them. They wore their best clothes for the occasion, including a "chapeau melon" or bowler hat.

On arrival their hats were taken by an attendant without issuing any tickets. For weeks afterwards the cafes of Luxembourg were filled with mayors exchanging bowler hats to try to find their own.

The President of the High Authority was Jean Monnet, one of the most remarkable men of the 20th century. He was convinced that in order to avoid future wars and promote stability and prosperity, European countries would have to co-operate on a more integrated basis than ever before. He devised an institutional framework consisting of a council of ministers, an executive, a parliament and a court of justice which has survived to this day over half a century later. Britain remained a reluctant participant – in my opinion much to our disadvantage.

Both Joe Gormley and I strongly supported the involvement of the British coal industry, and we served successively as presidents of the consultative committee in Luxembourg, which brought together the producers, workers and users of coal and steel in the member countries. In matters of coal policy we soon established a lead, and I wished that this had been the attitude of successive British governments in wider economic matters as the Community expanded its activities.

The Problem of Energy Efficiency

One of the most important aspects of energy policy has been that of energy efficiency. In this Britain has been at a disadvantage because our abundant indigenous resources, first of coal and then of oil and natural gas, encouraged profligate use. But we are soon to become net importers, especially of oil and gas. It requires strong motivation for people to use energy efficiently. This has only occurred twice in my experience in the past half century – immediately after the war, when coal, the principal energy source, was desperately short; and in the 70's when the Middle East oil crisis pushed up the price of oil, which had then become the dominant fuel, to unheard of heights. Because of the climate change threat, the government is keen at the present time to promote energy efficiency, but it has had relatively limited success. The motivation is not sufficiently there, and much more in the way of incentive is required. Although the price of oil has risen substantially in recent months, it has not so far had the same impact on consumption as in the 70's.

Current Energy Policy

There are three overriding aspects of current energy policy: climate change, energy dependence and fuel poverty. All three involve making better use of energy and increasing the range of energy sources, while keeping down emissions. But emissions, especially of carbon dioxide, are beginning to rise again and the government is concentrating unduly on renewables, especially wind energy, to solve the problem. I believe the solution goes wider than that. Other options need to be urgently considered, among them the nuclear option. Difficult as it may be, the future of nuclear power will soon have to be settled one way or the other.

As energy spokesman for the Liberal Democrats in the House of Lords I have been making proposals for three courses of action. First, I believe that coal, of which we still have abundant reserves, can once again play a major role both in limiting energy import dependence and in reducing emissions by applying clean coal technology. This has been developed and is already being applied in the United States and Canada, and I see no reason why we should not set up some of these plants here. The application of this technology could open up a substantial export market, particularly in China and India, where the consumption of coal is rising very fast.

Secondly, there should be a much more determined campaign for the insulation of the poorly constructed 20% of our homes, thus helping to reduce fuel poverty. For many years I have been closely involved with the National Home Improvement Council which is striving hard to improve the quality of our housing.

Thirdly we should increase the efficiency with which electricity is generated. I attach particular importance to this last issue. Large-scale conventional power stations lose about half the value of their input fuel through waste heat. Up to another 10% is lost in transmission and distribution. If these large losses can be avoided it would make a massive contribution to energy efficiency and correspondingly reduce emissions and costs. There is a way of doing this by taking generation as near to the consumer as possible. This is known as microgeneration or micropower. Five years ago, suiting action to words, I set up a company under the name of Micropower to promote the concept of small-scale electricity generation, making use of the waste heat and avoiding transmission and distribution losses, thus

achieving efficiencies of nearly 90% or double that of the average existing power station. Small-scale appliances providing both electricity and heat would be suitable for domestic and commercial use. This concept has the support of a number of leading energy companies and the first appliances are being test-marketed. The Micropower Council has now been set up to maintain the momentum and the government has been persuaded to develop a strategy for microgeneration.

Conclusion

This brings to an end my personal review of energy and related issues over the past half century. What are the lessons to be learnt? Perhaps there are two. The first is the continuing uncertainty of the energy scene, moving from feast to famine at short notice with corresponding price fluctuations. Predictions almost invariably turn out to be wrong. But the second is that, if there are clearly defined imperatives, such as dealing with climate change, reducing import dependence and eliminating fuel poverty, then, in spite of the uncertainty, firm and vigorous action has to be taken. These problems cannot be solved by themselves.

Derek Ezra

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