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PREM 19/1092

Financial Position of the Coal Industry.

Mineworkers Pay.

PART 7

NATIONALISED
INDUSTRIES

Part 1: June 1979

Part 7: September 1982

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
9.9.82		27.1.83					
15.9.82		8.2.83					
16.9.82		14.2.83					
23.9.82		18.2.83					
27.9.82		24.2.83					
30.9.82		1.3.83					
1.10.82		27.83					
19.10.82		3.3.83					
22.10.82		8.3.83					
27.10.82		10.3.83					
29.10.82		21.3.83					
3.11.82		28.3.83					
10.11.82		4.4.83					
18.11.82		28.4.83					
6.12.82		5.6.83					
9.12.82		9.5.83					
17.12.82		10.5.83					
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7.1.83							
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18.1.83							
19.1.83							

PREM 19/
1092

~~PART ENDS~~

● PART 7 ends:-

MCS to PM 10.5.83

PART _____ begins:-

TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

Reference	Date
EQO(83) 49	14/04/1983
CC(83) 8 th Meeting, item 4	10/03/1983
CC(83) 7 th Meeting, item 4	03/03/1983
CC(82) 53 rd Meeting, item 4	16/12/1982
CC(82) 52 nd Meeting, item 5	09/12/1982
CC(82) 46 th Meeting, item 3	02/11/1982
CC(82) 44 th Meeting, item 4	21/10/1982
CC(82) 43 rd Meeting, item 4	14/10/1982
CC(82) 42 nd Meeting, item 4	30/09/1982

The documents listed above, which were enclosed on this file, have been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate CAB (CABINET OFFICE) CLASSES

Signed J. Gray

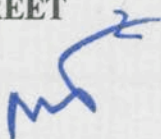
Date 7/2/2013

PREM Records Team



10 DOWNING STREET

Prime Minister



Of their own volition, the Coal
Board have postponed for 4 weeks
their plans for closing ~~the~~ both of the
two collieries, in Scotland
and Wales.

Since this is the Board's own
wish, and since Scotland and
Wales are being treated similarly,
this seems satisfactory: no action.

MCS 10/5



507

10 DOWNING STREET

From the Private Secretary

9 May 1983

Thank you for your letter of 29 April about the Government response to the Report of the Commission on Energy and the Environment. The Prime Minister has noted the terms of the response and has agreed that this should be announced as you propose.

TIMOTHY FLESHER

Mrs. H. Ghosh,
Department of the Environment.

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Prot. Ind.

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10 DOWNING STREET

From the Private Secretary

5 May 1983

Your Secretary of State minuted the Prime Minister on 29 April proposing a change in planning procedures for NCB opencast mining. The Prime Minister has now agreed to this proposal and I should be grateful, therefore, if you could arrange for it to be announced as part of the Government's overall response to the CENE report on coal and the environment.

I am sending a copy of this to Muir Russell (Scottish Office), Adam Peat (Welsh Office), David Edmonds (Department of the Environment) and Richard Hatfield (Cabinet Office).

Julian West Esq
Department of Energy.

TIM FLESHER

CU



Ref. AO83/1248

PRIME MINISTER

The Secretary of State for Energy, in his minute of 29 April, ^{with mcs?} has sought your agreement to transferring his responsibilities for authorising NCB opencast coal mining to local planning authorities. Local authorities already deal with applications for private opencast coal working and other mineral working, and the change is in line with a recommendation by the Commission on Energy and Environment. It is agreed by the Secretaries of State for Environment, Scotland and Wales who would become responsible for deciding any appeals against the local authorities' decision. The change will need legislation, but the Secretaries of State for Energy and for Environment would like to announce their intention as part of the Government's response to the CENE Report on Coal and Environment.

2. This seems a sensible move in policy terms and there are no machinery of government problems. I recommend that the Prime Minister should agree the change.

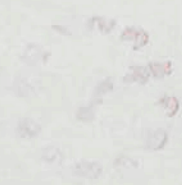
RA

ROBERT ARMSTRONG

4 May 1983



1933



COMPTON



No of BS 4

Re: Mr. Musth:

2 MARSHAM STREET
LONDON SW1P 3EB

01-212 3434

My ref:

Your ref:

A summary of
the proposed government
response is attached

29 April 1984

Dear Tim,

3/5

COMMISSION ON ENERGY AND THE ENVIRONMENT 'COAL AND THE ENVIRONMENT':
GOVERNMENT RESPONSE

1. The Commission on Energy and the Environment (chaired by Lord Flowers) presented their report on 'Coal and the Environment' to the Secretaries of State for the Environment, Energy, Scotland and Wales in September 1981. Since then there have been extensive discussions with all parties, and a draft Government response is almost agreed.

2. The intention is to announce publication of the response by means of a Written PQ and Answer tabled in both Houses (in the Commons by Geoffrey Rippon, MP and in the Lords by Lord Flowers) on 11 May. The full text of the response will be issued as a White Paper on the same day. A draft is at A. Following the announcement to the House, Mr Shaw and Mr Moore will hold a Press Conference here in Marsham Street. A Scottish and Welsh Minister might also attend.

yours sincerely
Helen Ghosh

MRS H F GHOSH
PS/Secretary of State

Tim Flesher Esq
PS/Prime Minister
10 Downing Street
SW1

c PS/Lord President
PS/Paymaster General
PS/Chief Whip

CENT COAL STUDY

SUMMARY OF PROPOSED RESPONSE ON MAIN ISSUES

BACKGROUND

1. The Commission's report was published in September 1981. It contained over 70 recommendations, most of which have been accepted. The most difficult issue to resolve has been that of the transfer of planning responsibility for NCB opencast workings. This has now been agreed by all four Secretaries of State (Energy, Environment, Scotland and Wales).
2. The response accepts the Commission's main conclusion that the best way to reconcile energy and environmental interests is through the progressive modernisation of the coal industry.

ENERGY POLICY AND COAL

3. The response stresses the place of coal in helping to meet UK energy needs, provided it is produced efficiently and competitively. The Government will play their part by maintaining investment at a high level, and by seeking to reduce obstacles to the operation of the free market. Industry is being encouraged to develop and take up the new technologies eg for coal and ash handling that will enable more coal to be used without unacceptable environmental costs.

PLANNING AND THE ENERGY SUPPLY INDUSTRIES

4. The prime responsibility for assessing the future demand for energy, and for justifying individual investment decisions that flow from such assessments, rests with the energy supply industries themselves. There needs to be a continuing dialogue between them and local planning authorities, and a commitment to consider individual project requirements early in the planning system. The practical difficulties of this are to be explored with all the parties through a study based on Yorkshire and the East Midlands. A code of practice is also in preparation to improve the handling of major cases at public inquiries.

ENVIRONMENT POLICY AND COAL

5. The broad aim is to apply the same environmental standards to the coal industry as to other mineral operators, and to ensure that the costs of meeting these standards are met by the industry itself. This underpins the Government's tougher approach towards permitted development rights under the GDO, to opencast working, to spoil tip reclamation and after-care, for example. The Board are also expected to upgrade environmental standards in older mining areas, as well as to achieve high standards in the new coal-fields

COALFIELD DERELICTION

6. A specific element in the derelict land programme has been set aside for the clearance of coalfield dereliction. This amounts to £6.7m (£3.5m on new starts) in 1983/84. Regional offices are also helping the NCB and local authorities to draw up realistic rolling programmes of clearance. The recommendation for a special Yorkshire Development Agency is rejected. The Government have also initiated action to assess the scale of the water pollution problem from abandoned mines, and will aim to find a sensible financial accommodation between the parties on remedial measures.

SPOIL DISPOSAL

7. Spoil is recognised as presenting a major environmental challenge. Working Parties at Belvoir are well advanced. A new exercise in Yorkshire is getting under way, with the aim of agreeing a strategy for spoil disposal in the coalfield. All disposal options are to be explored. To this end, the Government have also initiated a review of the dual tendering procedures for highway contracts, and have agreed to finance an experimental disposal pipeline on the Durham beaches.

SUBSIDENCE


8. Improved publicity about possible subsidence, more comprehensive information about people's rights, and an addition to the Code of Practice to provide compensation for residual loss of value have been agreed. An independent committee chaired by Lewis Waddilove is already reviewing the practical problems of the operation of the subsidence compensation system, and will report at the end of the year.

OPENCAST MINING

9. The Commission's recommendation that opencast mining should be brought within the normal minerals planning system is accepted. Local authorities will then be able to integrate opencasting with other forms of development. There is to be a move away from the idea of a Government-endorsed target and the level of opencast production will be for the NCB to determine in the light of the market, and to justify individual projects through the planning system. The Government will nonetheless issue guidelines covering both coal and environmental considerations that will be taken into account in deciding appeals and in approving development plans.

THE USE OF COAL

10. The Government endorse the Commission's view that positive encouragement can be given to increased industrial coal use. But any large scale return to coal must not be at the expense of the gains in air quality achieved in the last twenty years. Legislative powers to deal with air pollution are therefore to be reviewed, and coal marketing efforts will stress the importance of high maintenance and operating standards.



International concern for the effects of sulphur dioxide and nitrogen oxide emissions is recognised, and the Government emphasise their commitment to work towards positive solutions.

NCB/GOVERNMENT RELATIONS

11. Pressure is to be kept on the NCB to improve their environmental organisation and image. Liaison between the Board and Government departments and local authorities on environmental issues is to be strengthened.

April 1983



Pine Murtter

PRIME MINISTER

Agree to his
change in responsibility?
Sir R. Armstrong is contact.

JF 4/5

TRANSFER OF FUNCTIONS: CHANGE IN PLANNING PROCEDURES FOR NCB
OPENCASTING

I am writing to seek your agreement to a change in the planning procedures covering NCB opencast coal mining. At present, I am responsible under the Opencast Coal Act 1958 for authorising opencasting by the NCB and I issue deemed planning consent at the same time. There has been public pressure for some time to treat the NCB in the same way as other mineral operations and bring the procedures into line with normal minerals planning machinery. The Commission on Energy and Environment recommended such a change and I have agreed with the Secretaries of State for Scotland, Wales and the Environment that it would be desirable. I would be grateful for your agreement to the transfer of functions involved. Legislation will be needed to repeal the relevant sections of the Opencast Coal Act 1958, so that in future NCB applications to opencast will be determined by Local Authorities, and any appeals which go to public inquiry will be decided by the Secretaries of State for Scotland, Wales or the Environment as appropriate. This will bring the NCB into line with procedures covering the small, private licensed opencast sector as well as all other mineral operators, and will be widely welcomed. There will be informal procedures for consultation with me about any difficult cases to ensure that coal policy considerations are taken into account.

Background

During the late 1970s the Commission on Energy and the Environment (CENE) who were undertaking a major study of the environmental implications of UK coal production and use were asked by Ministers to evaluate the arguments for and against a change in procedure.



They considered evidence from the NCB, Government departments, local authorities and environmental bodies and concluded there was a strong case for change. Bringing the procedure into line with normal minerals planning legislation would ensure consistent treatment of public and private sector companies; would give the local authorities a positive rather than a negative role in relation to opencasting helping them to integrate mining with overall land use planning in their areas; and would better reflect the accepted role of the public in development control.

Public Announcement

The Secretary of State for the Environment and I would like to announce the change as part of the Government's overall response to the CENE Report on Coal and the Environment, which we hope to publish as a White Paper very shortly.

I am copying this minute to the Secretaries of State for Scotland, Wales and the Environment and Sir Robert Armstrong.

Approved by the Secretary of State for Energy and signed in his absence.

29 April 1983

Summary a week

GOVERNMENT RESPONSE TO CENE REPORT ON COAL AND THE ENVIRONMENT box

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ANNEX DETAILED RECOMMENDATIONS AND X-REFERENCE TO WHITE PAPER

INTRODUCTION

1. A very high level of investment has been made in the coal industry over the past ten years in order to provide a firm basis for the competitive supply of domestically produced coal. For despite all the uncertainty surrounding the level of future demand for energy, the Government share the widespread expectation that coal will continue to command a substantial sector of the UK energy market into the foreseeable future. Creating the right conditions for the successful exploitation, commercially and environmentally, of our indigenous coal reserves is therefore a major plank of energy policy.
2. This is the context within which the Government have assessed the thorough and constructive analysis by the Commission on Energy and the Environment of the environmental effects of coal mining and use. Their Report was published in September 1981. The Government and the National Coal Board are grateful to Lord Flowers and his colleagues for the authoritative contribution they have made in furthering understanding of the way in which energy and environmental needs interact in this important industry. Their deliberations and Report have been significant in influencing the development of attitudes and in initiating positive responses from all those concerned for the future of coal. The Government have consulted widely on the Commission's findings. There have also been wide-ranging debates in both Houses of Parliament. The depth of this consultative process is a measure of the interest generated by the Report and of the importance the Government attach to reaching the right conclusions on the Commission's recommendations.
3. The Commission concluded overall that, subject to important qualifications concerning spoil disposal, opencast extraction, and sensitive treatment of those affected by subsidence, there were no insuperable environmental obstacles to the role of coal as currently envisaged. The Government accept this broad conclusion. They believe, as did the Commission, that a modernised efficient coal industry, designed and operated to high environmental standards, can make an immense contribution to energy strategy, without imposing, at the same time, unacceptable environmental costs. The Board have made significant progress towards modernisation of the industry in recent years, and evidence is emerging of changed attitudes towards environmental matters throughout the NCB. The Government attach considerable importance to the continued development of these positive attitudes. In responding to the main recommendations in the Commission's Report, they welcome the progress that has already been made, and have agreed with the National Coal Board and others on further action in a number of areas.

4. The remainder of this White Paper contains the Government's response to all the main issues raised by the Commission's Report. It devotes particular attention to those on which the Commission expressed important qualifications - spoil disposal, opencast and subsidence - and on which the Government are determined to take firm action. They have initiated a major exercise in the Yorkshire, Nottinghamshire and Derbyshire coalfield on spoil disposal, designed to evaluate the main options and to establish a new framework within which spoil decisions can be taken. £2.5m is to be made available by the Government over three years to help finance a small number of experimental disposal schemes. And of the dual tendering procedures established to promote the use of more waste materials in highway construction projects are being reviewed. The Government propose to bring NCB opencast mining into the normal minerals planning system so that local authorities can achieve a closer integration of land use planning and mining, restoration and aftercare. Improved publicity about possible subsidence, more comprehensive information about people's rights, and an addition to the Code of Practice to provide compensation for residual loss in property value due to tilt or similar structural distortion, have been agreed and, as has already been announced, an independent review of the working of the subsidence repair and compensation system has been set up. The Government also confirm their commitment to improved environmental standards in older coalfield areas and in particular their intention to re-establish the momentum of clearance and restoration there through the identification of a specific coalfield element in the derelict land programme. And they are determined that any large scale return to coal as a fuel for domestic or industrial use should not reverse - as indeed it need not - the substantial gains in air quality achieved over the last two decades. On these and other issues the Government support the determination of the coal industry to achieve steady progress towards competitiveness and viability, and the improved environmental standards that are now generally expected of all major industries.

5. The Report on coal and the environment complements earlier reports by the Royal Commission on Environmental Pollution on nuclear power and the environment (their Sixth Report) and on oil production and the marine environment (their Eighth Report). Taken together these reports represent a major source of advice on current energy and environmental issues. They have each led to specific action to deal with the problems identified as well as initiating a lively and rewarding debate between government, the supply industries, and the public, and this will continue.

Energy Policy: the Role of Government

6. The Commission recognised that many uncertainties govern UK energy prospects. They attached particular importance to the Government's role in stimulating public debate and wider understanding of the broader framework within which particular energy policies contribute to national objectives. But they also accepted that, because of both the uncertainties and the necessary interaction of energy policy with other relevant policy objectives, any attempt to draw up a rigid energy blueprint for the future would be misconceived.

7. The Government agree with this approach. The fundamental objective of energy policy remains to ensure adequate and secure energy supplies at the lowest practicable cost to the nation. The means must be consistent with broader economic and other objectives, including those for the environment. The Government judge that the most important contribution they can make at the present time is through removing obstacles to the free operation of market forces. This is particularly important in the energy sector, where both resources and distribution networks have for several decades been substantially vested in public sector monopolies. Steps have already been taken to increase competition in the energy market, with the aim of widening consumer choice and bringing about more competitive energy pricing. The Government believe that a freer and more competitive market will regulate energy supply and demand with greater success and efficiency than central planning with its over-reliance on uncertain supply and demand forecasts. The Government have no intention of drawing up an energy blueprint.

Importance of national debate

8. The Government are firmly committed to promoting public debate on energy issues generally. All major decisions on energy policy have been brought to Parliament for discussion. The Select Committee on Energy clearly have an important part to play. Frequent meetings are also held with interested bodies such as industrialists, local authorities, trade unions, consumer and environmental groups. In these ways the Government have demonstrated their willingness both to explain the basis of current policy and to provide relevant information and analyses as contributions to informed public discussion.

Energy Investment Decisions

9. Against this background, responsibility for assessing potential future demand and drawing up plans to meet it rests with the supply industries. The Government will make assessments of the range of possible future demand, in discharge of their own responsibility for approving the capital investment programmes and development strategies of the public sector supply industries, and may from time to time make these available for general information, as in the case of the energy projections released to the Sizewell Inquiry; but they will not seek to impose their own plan for matching energy supply and demand. Particular supply investments are for the industries to plan and justify against economic and environmental criteria. The Government's role in relation to particular investments which are subject to their approval is akin in part to that of a banker. They assess the risks associated with the project and evaluate it in terms of the average expected rate of return on the investment, as well as taking account of the wider implications.

10. The Commission emphasised that one of the most controversial elements in the current debate concerns the scope for conservation, and raised the question of whether the present balance between investment in energy supply and in energy efficiency is right. Because the interaction between energy supply and demand is determined primarily by price, the Government believe that the economic pricing of fuels is vital for achieving the right balance of investment. The complexities of any trade-off are evident* - for instance some supply investments can themselves increase the efficiency of primary energy use. Certain decisions on the supply side - major decisions about investment and financing in the public sector - are for Government. But most specific decisions about supply investment are made by the industries themselves and decisions on the demand side are essentially for millions of individual consumers. The important consideration is to ensure that those who are responsible for taking investment decisions receive undistorted market signals and have access to the clearest possible information, so that they are able to make rational decisions. On the demand side, the Government supplement the message given by economic pricing by improving information flows on the considerable potential for cost-effective investment in efficient energy use, for example through the Department of Energy's energy conservation demonstration projects scheme and energy surveys.

* For an economic analysis of these see Department of Energy paper DEN/S/3(NE) "Investment in Energy Use as an alternative to investment in Energy Supply".

The Future of Coal

11. Within this context, the Government accept that coal will continue to play a major role in our energy future, provided it is produced efficiently and sold at competitive prices. The Commission examined the possible environmental consequences of UK coal consumption of the order of 110-170 million tonnes per annum (mtpa) and production of 100-150 mtpa by the end of the century. UK coal production in 1981/82 was 124 mt; the Department of Energy's latest projections span a range of UK coal demand of 100-140 mtpa by 2000, which is well within the range considered by the Commission.

12. Since 1974 Governments have supported investment by the NCB in the development of modern, efficient production capacity. New high productivity mines can be designed to high environmental standards and, as the Commission recognised, modernisation affords the best prospect of striking an acceptable balance between meeting the country's need for coal and safeguarding the environment. Investment by the NCB since 1974 has been over £4½ bn and continues at the very high level of over £800 mpa.

13. Over and above this investment finance, the Government have been providing massive aid to meet NCB's financial losses. Grant support totalling £575 m, within the NCB's External Financing Limit of £1,117 m was provided to the Board in 1981/82. This level of financial support to the industry is indicative both of the industry's serious financial problems and of the Government's commitment to its future. The Government's aim is that the NCB should progress as soon as possible to financial viability, and break even without relying on deficit grant.

14. Electricity generation is a major market in which coal will continue to play an important role. As the Commission concluded, there is also substantial scope for coal to substitute for oil in the industrial sector, though there are obstacles to the transition. The Government are providing constructive help to encourage switching to coal in industry through grant assistance made under the £50 m Coal Firing Scheme, and through a scheme to provide exchange risk cover on up to £15 m ECSC loans for coal-firing projects - both recently extended until the end of 1983 - and also through the Department of Industry's Support for Innovation Scheme. There is also a long-standing arrangement whereby coal firing is chosen for new or replacement fuel boilers in the public sector when the overall life-time costs, including the capital costs of the scheme, are no more than 5% above the costs of alternative oil firing. All such schemes however can only assist conversion in industry and commerce to a limited degree. The main effort must come from the NCB

through the offer of competitive terms and dependable coal supplies. As the Commission emphasised, a vigorous marketing effort is required to convince potential users of the benefits of coal-firing and this is now taking place. Manufacturers of coal-fired plant also have an important role to play in the promotion of the latest technology for coal and ash storage and handling, which has both environmental and economic advantages. Joint initiatives by the NCB and manufacturers, such as regional conferences (para 84), are particularly welcome.

15. New technologies offer the prospect of greater efficiency and fuel flexibility. The Commission carried out an analysis of end-use efficiencies of coal derived electricity, substitute natural gas and direct coal burn. They concluded that heat pumps could offer significant increases in efficiency. The Government agree with this, and would like to see cost-effective domestic heat pumps developed. Part of the Department of Energy's current energy conservation research, development and demonstration programme is directed towards this as well as towards demonstrating the cost-effectiveness of heat pumps, including advanced fossil-fuel heat pumps in industrial and commercial premises. The Commission saw advantages in terms of ease of emission control for new coal-fired district heating schemes and identified the importance of devising a cheap and equitable method of billing customers. As recommended by the Commission, the Department of Energy's research and development programme attempts to stimulate work in this area by British companies, but it is proving to be a difficult technical problem to devise heat meters that are cheap as well as reliable and accurate.

16. The UK already has a strong position in fluidised bed technology and the Government agree with the Commission that this should be maintained. The successful joint demonstration programme of the NCB and the plant manufacturers has played an important part in the commercial launch of the technology. Government assistance to extend the use of small and medium sized fluidised bed combustion boilers in industry is available through the Department of Industry's grants under its Support for Innovation Scheme. British manufacturers are pursuing the export potential of the technology: its fuel flexibility is an important characteristic here. In large scale power generation pressurised fluidised bed combustion promises the dual benefits of improvements in efficiency and control of sulphur and nitrogen oxide emissions. Under International Energy Agency auspices, the Government (with the NCB), together with the governments of the United States of America and Federal Republic of Germany are funding a £60m experimental project at Grimethorpe. The work currently agreed started in 1976 and is due to be completed in 1984.

Substitute natural gas (SNG) production could have a significant role in helping to meet UK energy needs in the next century and would be an important market for coal. BGC have demonstrated the slagging gasifier on a "quasi-commercial" scale at Westfield and are continuing their SNG programme with the aim of establishing a capability to introduce commercial plants which are environmentally acceptable when the need arises. The timing of the full-scale introduction of SNG is uncertain, as the Commission noted. The Department of Energy's latest projections indicate that it could be somewhat later than previously envisaged, perhaps in the period 2010-2020. It is too early at present to decide to invest in a full scale demonstration plant in the UK but the Government and BGC are keeping the technological developments and possible UK site requirements and environmental implications, particularly those from solid waste residues, under active review.

Education and Training

18. As the Commission recognised, the coal industry will have to adopt a wide range of new technology in the years ahead and this has implications for training throughout the workforce. The NCB give priority to this and, as recommended by the Commission, they have procedures, in which the Unions, the Universities and Polytechnics, the relevant professions and government departments are invited to participate, for reviewing the industry's training needs and ways of meeting them. Academic courses are independently monitored by the Mining Qualifications Board, the Council for National Academic Awards (CNAA), the Technician Education Council (TEC), and the Scottish TEC as appropriate. Future training arrangements within the industry were recently reviewed by the Manpower Services Commission and the Government are satisfied that these are adequate.

19. The Commission recognised that if energy developments were to proceed in an environmentally acceptable way much would depend upon how specific projects were handled within the town and country planning system. As well as the wider public understanding and debate on national energy issues, some means should be found of translating the implications of policy into possible project requirements. This would enable consideration of the energy industries' requirements in local authorities' forward plans.

Forward Planning

20. The Government agree that it is important for local planning authorities and the public to appreciate how individual projects fit into an industry's broader development programme and thus how they can contribute to the achievement of national objectives. The main responsibility here lies with the energy supply industries. The industries have confirmed their willingness to explore ways in which their development programmes, and the status of individual exploration and development projects within them, can be explained more systematically and the issues they raise can be debated with interested parties. The Government welcome this. Such consultations should form an important part of the process of ensuring that energy needs are taken into account in local authority land use plans and that adverse environmental effects are minimised.

21. The NCB have made a useful start by publishing their Ladder of Exploration in their Annual Report: this explains the stage reached on different mining projects. They intend to up-date this each year and to expand on it in discussions with Government Departments and Local Authorities (paras 98-102). The Government warmly welcome this initiative and urge other industries to make comparable arrangements.

22. It will normally be for the individual energy industries and local authorities in an area to agree on land requirements and to ensure that adequate provision is made in development plans. But there may be circumstances in which additional efforts involving central Government are needed to resolve difficult land use issues arising from energy developments, particularly in view of the long lead-times involved. Looking to the early part of the next century, the Commission concluded that there could be a shortage of sites for some large scale energy developments, such as substitute natural gas (SNG) plants, unless specific action was taken to safeguard them, particularly in the Yorkshire and East Midlands areas. The Government agree that this proposition is worth examining further. They

Therefore welcome the agreement of the coal, gas and electricity industries, the CBI and the local authorities in this area to take part in a joint study under the chairmanship of the Department of the Environment. This is currently examining the likely land requirements for coal-based developments in the Yorkshire/East Midlands area in the light of competing land use pressures, and will consider whether specific changes in planning policies or procedures would help to ensure adequate provision, while taking full account of the needs of other land users. The need for similar studies on related topics or in other areas will be kept under review by the Government.

Planning Procedures and Public Local Inquiries

23. The Commission recommended that the form and scope of public local inquiries into individual major projects should be wide enough to allow public discussion of all the issues which are likely to affect the decision, including relevant national issues. The Government agree, and indeed this has already happened at a number of recent inquiries. Such discussion makes an important contribution to the progressive development of national policies.

24. The Government have taken determined action to speed up planning decisions generally, and the new procedures are being monitored closely. A Code of Practice which should help Inspectors to plan and organise the procedures at major inquiries in the most effective manner is now in preparation. This will provide for pre-inquiry meetings at which key issues can be identified and clarified, and arrangements made for the prior exchange of written material and for reaching agreement on technical issues which are not in dispute. Advance submission of proofs of evidence and the practice of taking them as read will be encouraged but not insisted upon, as it is important to maintain the rights of all parties to give and to hear evidence. Inspectors are already asked to discourage repetitive and irrelevant cross-examination, and the Government do not think it would be fair to impose any further restriction on the right of parties to test evidence in this way.

Environment Policy and Coal

25. The Government's approach to the environmental issues raised by the continued mining and use of coal, as highlighted by the Commission, rests on the broad premise that the same environmental standards should apply to the coal industry as to other mineral operators and developers, and that the costs of meeting these standards should generally be met by the industry itself.

26. The Commission took the view that modern mining methods, properly applied, can substantially limit the adverse environmental effects which are inherent to the industry, and which properly form the main subject of their Report. The Commission were impressed, for example, by what can be achieved at new mines through the application of current best practice, and by the environmental benefits in general that can flow from modernisation. But the Commission also recognised that improvements at new mines form only part of the total picture.

27. The Government accept that overall environmental standards are greatly improved as new capacity replaces old. They also believe that this progress must not be restricted to new mining areas. Most mining, and most investment, will continue to take place in established mining areas where the environmental legacy of the past is frequently all too pervasive. Improving the environmental image of coal will depend as much on what can be achieved in these areas as it does on what is done in new coalfields. There is too wide a gap between the environmental standards rightly expected at new mines and those commonplace in many established mining areas. Some variations are acceptable to the extent that they reflect real differences in colliery prospects and local priorities. They are much less acceptable to the extent that they perpetuate bad environmental practices from the past. They agree with the Commission that the highest standards appropriate to the circumstances should be applied to new development in the older mining areas as well as to development in new coalfields. The Government therefore welcome the NCB's endorsement of the general principle that improvements to achieve acceptable environmental standards will be broadly commensurate with the scale and life expectancy of projects undertaken throughout existing mining areas.

28. This accords generally with the Government's broad commitment to the polluter pays principle. They expect the coal industry - and ultimately the coal consumer - to pay the costs of meeting the environmental standards of the day. These standards are in practice set locally, taking into account the benefits that can be achieved and the costs they impose on the industry. In this way, the costs of meeting environmental standards are built into the appraisal of each investment project. The Government believe this to be an efficient and equitable way of achieving improvements acceptable to the industry and to the community alike. At the same time Government guidance on such standards, and on the proper apportionment of costs, could play a useful role in certain areas in achieving the right balance overall between the need to produce coal cheaply and protection of the environment.

29. It is in this broad context that the Government have considered the argument for additional forms of compensation both for individuals and for the community in respect of the disadvantages they might bear in the national interest. They agree with the Commission that although it is right in certain circumstances to make provision for individuals unfairly disadvantaged by development, it would be immensely difficult in practice to devise a fair system of community compensation that would distinguish coal from any other form of development. Mining communities will continue to benefit from a range of public expenditure programmes, and their local authorities are free to reach a suitable accord with all developers in considering new planning proposals. It is also right that the NCB, like all other ratepayers, should make a fair and reasonable contribution through the rates they pay to the community. Most nationalised industries, including the NCB, are rated by means of formulae contained in statutory instruments. The Government are currently considering, in the context of their general review of the rating system, whether to hold a revaluation of all non-domestic premises, which would include those of the nationalised industries. In addition, it is likely that there will need to be in the near future a review of the particular formulae adopted for each of these industries. The Government have already announced a full revaluation in Scotland in 1985.

30. New mining and other forms of development clearly bring both employment and financial benefits to a local community. The Commission were concerned, however, that in the short term, perhaps because of deficiencies in the data from which the Rate Support Grant is calculated, a local authority may need to finance additional essential services from the rates alone. The Rate Support Grant settlement is based on the latest information about local authorities' expenditure needs at the time of the settlement in the autumn of each year. Inevitably there is some delay in bringing new information into the grant assessments. This is minimized as far as possible, and, in the case of new industrial development, is offset by the delay in bringing into the calculation new rateable value information. There is machinery through the Consultative Council on Local Government Finance for discussing these matters with local government. The Government are prepared for any specific concerns about new mining development to be discussed within this machinery should local authorities so wish.

DERELICTION

31. All extractive industries face the need to dispose of surplus land and buildings as earlier workings are abandoned and as new reserves are opened up elsewhere. Coal mining is no exception. Governments of all persuasions have long recognised that selective assistance is required where this has occurred - both to help clear environmental dereliction, and to encourage new job opportunities. Substantial progress has been made on both these fronts over the years, especially in the older mining areas of the North East, Scotland and South Wales. The Government reaffirm their commitment to this dual approach.

32. The Commission were anxious that such progress should be maintained in the coalfields and that both administrative machinery and financial resources should be equal to the task. They were also concerned that there should be no repetition of the problem of dereliction in the future as pits close and as land and buildings are declared surplus to requirements.

Prevention

33. The Government welcome the Commission's conclusion that the powers available to local authorities to prevent future dereliction are now generally adequate. These powers, sensibly exercised, should ensure that the mistakes of the past are not repeated. The NCB have undertaken to include restoration and aftercare proposals in all new planning applications for spoil tips, and local authorities are encouraged to include conditions covering these matters where appropriate when granting planning permission. In the case of new mine development, local planning authorities should also consider carefully how far it would be helpful and appropriate to impose conditions requiring preventive action to be taken to avoid water pollution following eventual closure.

Coalfield Dereliction

34. The Government, however, accept that there remains a considerable legacy of dereliction yet to be tackled, and that to this will be added land not currently subject to adequate restoration conditions. The results of the new Derelict Land and Mineral Surveys, expected later this year, will enable them to take stock of the extent of the problem and to review priorities. They are fully committed to tackling dereliction wherever it occurs and are keen to see all derelict land brought back into use as quickly as possible. The derelict land programme has been increased in England from £36.7m in 1981/2 to £45.7m in 1982/3, and to £75m for

1983/84. In addition the Government have brought in new legislation that raises the rate of grant for reclamation by the non-local authority sector (including the NCB) to 80% in the Assisted Areas and Derelict Land Clearance Areas. In Scotland and Wales responsibility for reclamation rests with the respective Development Agencies and the costs are met wholly by the Exchequer. Over the period 1981-84, expenditure on land restoration and environmental improvement in Wales will be around £34m, and in Scotland over £65m. The Government appreciate the Commission's concern that competing pressures on local government finance might result in reduced expenditure on derelict land reclamation generally. However, they have already taken steps to help secure local authority reclamation programmes by giving authorities separate (annual) allocations specifically for derelict land expenditure. The Government believe this to be the surest way of protecting derelict land programmes while restraining the overall level of public spending.

35. The Commission also recommended that the financial resources available for derelict land clearance in coalfield areas should be maintained in real terms, and the share allocated to Yorkshire should increase. The Government's first priority is to encourage joint schemes by local authorities and private developers for reclaiming land for immediate development. But they recognise that this is not always practical given the scale and nature of coalfield dereliction. From 1983/84 there will therefore be a specific element in the derelict land programme set aside for the clearance of coalfield dereliction: £3.5m has been allocated for new starts in 1983/84 in addition to the £3.2m already committed to on-going schemes.

36. The Government accept that progress in clearing coalfield dereliction in Yorkshire has not been as fast as the local authorities would have liked. They agree with the Commission that as far as possible it is desirable to secure a regular flow of funds to schemes in this and other coalfield areas. The identification of a specific element in the programme from this year will help. In the longer term they believe that the best way to achieve this is through the development of programmes of land release, reclamation, and redevelopment, jointly agreed between the NCB, local authorities and, wherever this is practicable, with private developers. Such programmes will need to take into account the likely availability of resources, the overall priorities expressed by the Government at the time, and the rate at which land can be realistically developed. This forward commitment will not be easy to achieve, in Yorkshire or elsewhere. Nonetheless the Department of the Environment's regional offices have begun discussions with selected local authorities and the NCB to establish how best such programmes can be drawn up, and any constraints overcome. The NCB already review each year their

operational property and land requirements, and the Government welcome their agreement to discuss with local authorities where and when land can be released for reclamation. This is an essential pre-requisite for positive action.

37. The Government recognise the substantial achievements of the Scottish and Welsh Development Agencies in tackling the reclamation of derelict land. The work of these bodies, however, goes far wider than reclamation and includes industrial development and other types of project throughout Scotland and Wales. It is not clear however that a new agency to concentrate exclusively on derelict land reclamation in Yorkshire would be more effective in establishing a faster momentum than would existing machinery based on the substantial expertise already available locally. Much has already been achieved by a combination of public and private sector resources and the aim will be to carry forward that work.

Abandoned Mines

38. Surface dereliction is clearly the largest and most significant problem arising from abandonment. But when mine workings have been abandoned in the past there is also, as the Commission recognised, the risk of polluted water escaping into nearby water courses. The Commission concluded that there was an urgent need to establish both the extent of pollution from abandoned mines, and the costs of remedial action. It was also necessary to settle the question of responsibility. They recommended that discharges from mines abandoned by the predecessors of the NCB, or by the NCB a long time ago, should be considered as a form of dereliction and the costs of remedial action met by central government.

39. The Government recognise that pollution from abandoned mine workings may be highly damaging, although fairly localised. They therefore accept that the locus of responsibility for all such workings needs to be settled. The Commission's approach to defining responsibility in relation to past and future abandoned workings provides, in the Government's view, a constructive basis for further discussion with the water authorities and mine owners. The Government have now taken steps, in conjunction with the water industry, the NCB and organisations reflecting other mining interests, to establish the scale and nature of the problem and to assess the kind and feasibility of remedial action required and the range of costs involved. The legislative implications are also to be examined.

40. The Government agree with the Commission that early discussion between the water authorities and mine owners as to the appropriate preventive or remedial

measures is highly desirable when workings are to be abandoned in the future and pumping discontinued. Such discussions are expected to take place as a matter of course now that discharges from working mines are to be brought under control with the implementation over a 4 year period of the outstanding provisions of Part II of the Control of Pollution Act 1974. The Commission recognised that amending legislation may be necessary to enable the water authorities to recoup the costs of any remedial work. Further amendments are also likely to be required, and the Government will therefore consult the water industry and mine owners on this and other specific proposals in due course.

SPOIL DISPOSAL

41. Current deep mining methods mean that in general large volumes of waste material are brought to the surface with the coal and require disposal. The vast majority of this waste material is tipped locally and spoil heaps are a common feature of coal mining areas. These practices, however, are subject to growing opposition. Although the NCB have made major advances through progressive restoration techniques in reducing environmental damage, the Commission concluded that over the next twenty years or so the disposal of colliery spoil will be one of the major environmental problems arising from deep mining. Difficulties will arise from tipping proposals in both existing and new mining areas.

Strategic Planning

42. The Government agree with the Commission that spoil disposal presents a major environmental challenge and that it suffers from the lack of an agreed policy framework. What has been acceptable practice in the past is unlikely to be acceptable in the future. This is widely recognised within the industry and outside. There are notable examples of improved tipping practices, particularly on new sites, and there is evidence of a greater willingness on all sides to consider a wider range of disposal options. Yet there is little agreement on the solutions and costs that are acceptable in the different circumstances. This is inimical to the satisfactory planning of spoil disposal.

43. The Government are determined to establish as quickly as possible a clear policy framework for spoil disposal. They accept that the most urgent problem is in the main Yorkshire, Nottinghamshire, Derbyshire coalfield. The NCB and local authorities have joined the Government in carrying out a major study in relation to this coalfield: it is seeking to establish the scale of future spoil production and the feasibility, including the costs, of alternative means of disposal, and will aim to agree as quickly as possible a policy for disposal which will accommodate the expressed concerns of all the parties. It will build upon a rigorous examination of the wide range of disposal options currently in use and help to finance a small number of additional schemes jointly agreed between the main parties.

44. The Government have also made clear that before any further planning applications are submitted by the NCB in the North East Leicestershire coalfield there should be an agreed long-term strategy for spoil disposal there. The reports of the two Working Parties considering the technical and economic feasibility of

the options are expected to make a substantial contribution towards the development of such a strategy. And although the planning [permission] at Asfordby envisages a mainly local tipping solution, the Government expect the Board, both at Asfordby and at other proposed sites in the coalfield, to take into account any changes in the technology or economics of spoil disposal (whether arising from the studies of the Working Parties or otherwise) over future years which might help to modify the environmental impact of mining in the area. In other coal mining areas, the spoil problem, while significant, is less urgent, and a closer degree of liaison between the NCB Areas and individual or groups of local authorities should help to secure the improvements to spoil planning that are needed.

45. The Commission recognised that any policy framework for colliery spoil would need to address two key issues: who should pay for spoil disposal, and how should the claims of colliery spoil be balanced against those of other forms of waste in competition for scarce sites. They recommended that the Government should establish guidelines on each of these issues. The Government accept that both are central to any planning exercise. The major study they have initiated in the Yorkshire, Nottinghamshire and Derbyshire coalfield will therefore address directly the question of whether the present distribution of costs and benefits to the different parties is equitable, and whether some redistribution between the consumer, and the national and local community, would provide a more acceptable all-round solution. It will also consider how far the need to dispose of other forms of waste in the region will present or foreclose options for colliery spoil. The Government will then consider, in the light of the study's findings, the feasibility of establishing guidelines on finance and on sites. It would be premature to take up a position on these issues now.

Alternatives to Local Tipping

46. The Commission concluded that, although large scale local tipping would continue, the alternatives can be very important in solving the problem of spoil disposal in particular cases, and considered the scope for increasing their use. Specifically the Commission recommended more research by the NCB into backstowing underground as one means of reducing the amount of spoil requiring surface disposal. The Government recognise that with existing technology there are important operational and safety obstacles to substantial stowage underground. The planning and lay-out of new mines, together with improved accuracy in coal-cutting, does, however, provide an opportunity to reduce the amount of spoil to be brought to the surface. These issues are currently being examined in detail by one of the Working Parties set up following the Secretary of State for the Environment's decision last year to reject the NCB's initial planning application to mine in the

North East Leicestershire coalfield. The Working Party, chaired by the Department of the Environment, are carrying out a thorough study of experience in other countries, and the NCB have already strengthened their research effort. In the longer term, the NCB's work on the development of mining technology will, in the Government's view, need to take closer account of the environmental difficulties arising from the disposal of spoil on the surface.

47. Coal is frequently mined in close proximity to other mineral workings, and the use of spoil in the reclamation of quarries and other excavations, including opencast coal sites, is an attractive disposal option of which both the NCB and local authorities are increasingly aware. This form of disposal can often be achieved locally by the careful phasing of mineral workings, and by the imposition of relevant restoration conditions. The Government wish to encourage steps in this direction, and look to an improvement in local liaison arrangements (para 100) to achieve a significant increase in the amount of spoil used locally in restoration schemes. Local authorities should consider carefully how their policies for mineral working and waste disposal can best achieve this.

48. The Government agree with the Commission that there are more limited opportunities for remote disposal of colliery spoil in old mineral workings, and in land reclamation schemes. But these opportunities need to be identified and examined thoroughly. Some valuable initiatives are already underway. The Yorkshire and Humberside local authorities are shortly to complete a detailed study into the feasibility of reclamation at Pyewipe on the Humber estuary using spoil from West and South Yorkshire. And the Working Party in the North East Leicestershire coalfield, chaired by the County Council, is currently looking in detail at the costs and benefits of several off-site options for the disposal of spoil. Their report is expected in July. The Government will consider carefully how far the results of both these cooperative exercises might assist in formulating guidelines for spoil finance and sites (para 45).

49. It is also sensible to exploit fully the potential for using spoil commercially in the construction industry. This potential includes its use as a source of fill or in cement stabilisation, for example. Spoil is suitable for a wide range of construction purposes, and the Government believe that there is scope for further joint research and product development by both the NCB and the construction industry. The Government are also determined to do what they can in their own programmes. The dual tendering system designed to encourage the use of waste materials in major highway schemes has been in existence in England and Wales for more than a decade now, and the Government have already announced that they

believe that the time has come to look again at the way in which it has operated, and to consider what arrangements would be more effective in achieving, for example, an expansion of the amount of spoil and other waste materials used. The review is being carried out by an interdepartmental group of officials and its findings will be published. The terms of reference are:

"to review the effectiveness of the dual tendering procedures aimed at increasing the use of waste material for road fill in accordance with DOE Circular 47/72 and, taking into account the consequential costs and benefits these produce for the different public expenditure programmes, to recommend whether the procedures should be continued, and if so whether in their present form, or with modifications; and if not, to recommend an alternative means whereby such costs and benefits can be properly balanced; and to report within 12 months."

The Government will then consider whether there are lessons that can be applied to encourage the use of waste materials in non-highway schemes. There are limits, however, to what can be done by Government, and much will depend upon the efficiency and effectiveness of the NCB in marketing its waste products and on the willingness of the construction industry to utilise such materials. The Government welcome the steps taken by the NCB to improve the marketing and research capability of the Minestone Executive, and are considering what further action might be taken. They also look to the construction industry to expand wherever possible the amount of spoil and other waste materials used in particular projects.

50. The Commission also considered the case for marine tipping from barges and recommended that the NCB should not use this method unless and until suitable techniques for safeguarding habitats and amenity are found. Dumping by barge at sea is confined to four collieries on the North East coast. The NCB have confirmed that they have no plans to extend this method, and the Government agree with the Commission that this is no longer an option to pursue for the future.

51. Beach tipping is mainly from mines along a six mile stretch of the North East Coast, where it has been the subject of intense local concern for many years. The NCB have no plans to tip spoil on any new beaches, and ideally would like to bring such tipping to an end. The costs of doing so in the immediate future are however prohibitive. The NCB, local authorities, and the Government are nonetheless determined to continue the search for a cost-effective and environmentally acceptable solution. They have now each agreed to contribute towards the cost of an experimental pipeline at Horden Colliery, which will take spoil some way out to

sea, and enable a full assessment to be made of the distance at which dispersals are adequate, and the extent to which there are any adverse impacts on the local marine environment.

Tipping Practices

52. The Government are clear that all the alternatives to local tipping need to be explored vigorously and imaginatively, and that it would be wrong to assume that present methods of disposal will necessarily be equally appropriate to the future. But the Government recognise, as did the Commission, that for the time being large amounts of spoil will continue to be tipped locally. They therefore agree with the Commission that priority needs to be given to minimising its local impact through a continuation of recent improvements in tip design and tipping practices, including progressive restoration. The Government welcome the considerable efforts made by the NCB in recent years to this end.

53. Where new tips require planning permission, and take land from agricultural use, they are normally subject to conditions requiring restoration to agriculture, and the Board attempt to minimise the loss of output by careful planning and supervision of restoration and after-care in consultation with ADAS (DAFS) and others. The Government are satisfied that the Board will continue to give these aspects of their work a high priority. They also welcome the NCB's proposed competition designed to encourage imaginative solutions to the spoil problem, and expect this, together with the steps that will flow from the Board's annual tip census, to produce positive results. The Board are also increasingly aware of the possible impact of their operations on wildlife and on the landscape and have ensured that local management consults the Nature Conservancy Council on all new tipping proposals. They have also agreed to explore ways in which more creative proposals for restoration and after-care can be obtained and evaluated.

54. Where this more enlightened approach is fully put into effect the environmental impact of new tipping schemes should be considerably improved. The Government look to the Board to ensure that this occurs. But as the Commission pointed out, there is insufficient experience so far to enable firm conclusions to be drawn. The Government will therefore continue to monitor closely the effectiveness of the new methods and consultation procedures and will encourage the Board to explore alternative options. They will look equally to the local authorities to exercise imaginatively the powers they have in relation to new tips, and in relation to the reworking of old tips once Section 1 (Section 19 in Scotland) of the Town and Country Planning (Minerals) Act 1981 is in force.

55. The Government recognise, however, that many tipping operations are carried out under the provisions of the General Development Order where it is more difficult to secure improvements in tipping practices. The Commission took the view that the NCB's rights under the GDO were too permissive: this made it difficult for local authorities to control the environmental impact of a substantial amount of current tipping. This was thought to apply particularly to the reworking of old tips, and to the retention of sites for use at a later date, as well as to day-to-day operations on 'live' tips. The Government agree that these are all areas where there might be cause for genuine concern, and they are currently consulting the industry and local authorities on their proposals to amend the GDO as it applies to the NCB and to other mineral operators. In the meantime, they believe that significant improvements can be obtained by strengthening existing links between NCB and local authority officials at Area and pit level. The steps agreed by the Board (paras 99, 100), whereby they will discuss regularly environmental questions with individual local authorities, including possible environmental improvements, should assist this process of securing voluntary agreement wherever practicable.

Lagoons

56. One controversial aspect of local tipping is often the disposal to lagoons of liquid tailings from coal preparation plants. The Commission recommended that wherever possible the use of lagoons should be avoided, and that new mines should be designed to prevent the discharge of such liquid effluents. The Government recognise that lagoons currently provide a cheap and effective way of separating the solid and liquid residues from preparation plants. Nonetheless, although the land is ultimately capable of being reclaimed and restored, lagooning is unattractive, takes up large areas of land, reduces tipping capacity, and, unless suitably fenced off, creates a safety risk. It can be avoided by the installation of filter presses and by the introduction of other new methods as they are developed although these could be substantially more costly. A specific programme to phase out existing lagoons would therefore be difficult to justify. The Board have nonetheless agreed that in designing new mines they will aim to avoid the production of liquid tailings. As part of their overall modernisation programme, they will also exploit all reasonable opportunities to phase out lagoons, taking into account the cost and environmental benefits likely to result from early reclamation. By this means they would expect to see a continuing reduction in the use of lagoons. The Government welcome the Board's commitment to improve the visual appearance of existing active lagoons by grassing the retaining banks.

SUBSIDENCE

57. Some degree of subsidence and consequent damage to buildings, services and drainage systems is an unavoidable effect of modern deep coal mining operations. The Commission concluded that if mining proposals are to be acceptable, local opinion needs to be satisfied that the effects will not be unduly damaging. It is thus in the nation's interest, as well as in the NCB's own interest, to ensure that, where appropriate, preventive and precautionary measures, repairs and compensation are planned and undertaken as effectively and flexibly as possible in order to reduce stress and inconvenience for those directly affected. The Government fully endorse these general conclusions.

Repair and compensation

58. The Government agree with the Commission that when subsidence damage to land or property occurs it is essential that people are aware of their rights, that claims are dealt with quickly and effectively, that good quality repairs are carried out quickly and that the legislation and the NCB's Code of Practice are interpreted sympathetically in order to minimise hardship, inconvenience and stress. In many cases the NCB will be able to carry out repairs to the property to make it reasonably fit for occupation within weeks of the damage occurring and a claim being submitted. Where further ground movement is expected, final repairs may have to be delayed. The Government endorse the Commission's view that in these circumstances there is an increased need for rapid and unobtrusive interim repairs.

59. The NCB's Code of Practice on mining subsidence was introduced in 1976. It provides for compensation to be paid for all physical damage to household goods, furniture and fittings, stock-in-trade and plant and machinery, and farmers' crop and stock losses. It also provides for independent arbitration on any difference between the Board and a claimant regarding entitlement to compensation under the Code. The Board are also prepared in special circumstances to make arrangements to alleviate hardship. In 1978 the NCB reached an agreement with the Royal Institution of Chartered Surveyors (RICS) on the payment of a substantial proportion of the surveyors fees incurred by claimants where compensation or repairs exceed £250. The discretion to deal flexibly with individual cases is an important feature of the current arrangements.

60. The Commission made only one recommendation for an extension to the existing rights to compensation. They recommended that there should be a new right, in legislation, to compensation for residual loss in property value, taking into

account but not superseding the duties already placed on the Board to make reasonable repair. The NCB recognise that there may be cases where, after completion of repairs, a property continues to exhibit residual evidence of subsidence by way of tilt or similar structural distortion (such as windows out of alignment) which reduces its market value. In these circumstances, the Board accept that compensation should be paid equal to the loss in market value at the time repair work is completed. The NCB propose that the Code of Practice should be extended to provide for this by adding a further paragraph to it as follows:

"Residual tilt and other structural distortion

Where on completion of permanent remedial works undertaken by or on behalf of the Board to a building or structure to which Section 1(1)(a) of the 1957 Act applies pursuant to their obligation under Section 1(2) of that Act, and notwithstanding the fulfilment of those obligations residual effects of subsidence consisting of tilt or similar structural distortion remain, the Board will make a payment equal to the diminution in the market value of the building or structure caused by such residual effects as at the date of completion of the remedial works."

The NCB have also drawn particular attention to the provision in the Code for arbitration in the event of any question arising between the Board and anyone claiming to be entitled to such a payment.

61. The Government welcome this initiative by the NCB as a sensible approach to meeting the need identified by the Commission. They have at present no reason to believe that a need exists for a wider right to compensation in this area but, as has already been announced, the operation of the repair and compensation system for subsidence damage as a whole is under review, now that the Code of Practice has been in operation for seven years. This is one of the issues the Government have, therefore, asked the Review Committee to consider further.

Review of the operation of the subsidence compensation system

62. The review of the operation of the subsidence compensation system is being carried out by an independent committee served by a secretariat drawn from the Departments of Energy and Environment and has now started work. Its terms of reference are: "To examine the practical problems of the operation of the repair and compensation system for coal mining subsidence damage; to consider possible improvements; and to report". The Review Committee will take evidence from any

interested parties and individuals who wish to present their views, as well as commissioning independent research of its own. Both the NCB and the local authorities will have key roles in assisting the Committee, which should complete its work by the end of the year.

Notification and Publicity

63. The Government recognise the importance of making information readily available and ensuring that people likely to be affected by subsidence damage are aware of their rights. There are two main ways in which the NCB give information about deep mining to the public at present - through publication of formal notices in newspapers under Section 2 of the Coal Industry Act 1975 and through answers to individual inquiries of the Board (over 120,000 in 1982). The Government welcome the NCB's agreement to supplement these arrangements by publishing in local papers annually, usually on a parish (or equivalent) basis, a less formal type of notice. These notices will contain information on the areas recently mined by the Board and those where it is intended to mine in the near future. They will also remind people that in the event of subsidence damage they have rights under both legislation and the NCB's Code of Practice, and will tell them where they can turn for more detailed information. This will be provided in an updated explanatory leaflet issued by the Department of Energy and made widely available in libraries, local authority offices, Citizens Advice Bureaux, as well as in NCB offices in both established and new mining areas.

64. The NCB are willing to cooperate with local subsidence liaison committees should residents wish to establish them. They can play a positive role in responding in a more coordinated way to local requests for information and in encouraging discussion of particular problems. Where new mines are to be developed, the NCB have confirmed that they will adopt an approach to publicity about possible subsidence damage which is as comprehensive as that taken at the Selby and North East Leicestershire projects, and which was welcomed by the Commission. The NCB are discussing with the Law Society publication of a register of mining areas and a standard form of mining search which could be used by solicitors in England and Wales on behalf of prospective purchasers of property in mining areas. The Government welcome all these measures which will contribute considerably to the information available to the public, and they will keep their effectiveness under review.

Prediction, prevention and precautionary measures

65. The NCB are able to predict the surface movements caused by underground mining in different geological circumstances with a high degree of sophistication. It is

more difficult for them to predict the extent of damage to individual structures because a wide range of factors is involved. In some cases, it is necessary to make reservations in predictions where areas are liable to faulting, and, as recommended by the Commission, the NCB have recently agreed to cooperate with University College, Cardiff in the investigation and study of such areas. The Board also operate a continuous surface movement monitoring programme in the coalfields, and they collaborate with the University of Nottingham on joint research on the mass between the coal seams and the surface, which is aimed at improving understanding of subsidence. Statistics submitted to the Commission by the NCB show that approximately one-third of properties in areas subject to subsidence effects suffer some damage; of these only some 0.5% are severely damaged and two-thirds fall in the "very slight or negligible" category.

66. Subsidence effects can be reduced through mining techniques, adaptations to existing buildings, and the incorporation of particular features into the design of new buildings. The NCB have confirmed that they are prepared to discuss the general scope for preventive measures to minimise subsidence damage to existing buildings if local residents would find such discussion helpful. Where such works are practicable and economic, the decision to do the work should be reached after discussion between the individual property or land owner and the Board. Special provisions are made in the case of buildings of historic importance.

67. Where new building is to take place in areas liable to mining subsidence, the NCB sometimes advise precautionary measures. The Commission recommended that after consultation with the local planning authority and the developer, these should be included as a planning condition of development. At present local planning authorities in mining areas consult the NCB when they receive an application, and their advice is generally passed on to the developer who takes suitable preventive measures as a matter of course. Conditions are not normally imposed. But neither are such measures always taken. The Government have therefore set up an internal review of the responsibilities of all the parties involved in relation to precautionary measures, with the aim of updating MHLG Circular 44/61 which deals with planning conditions in areas of mining subsidence in England and Wales. During this review the Government will be consulting all interested parties. The Government have not ruled out the possibility of placing some responsibility on the local planning authority, but they will wish to consider carefully the implications for liability and how these would fit in with the existing responsibilities of the NCB and the developer. This review will also cover other forms of mining activity such as old limestone workings and disused mineshafts. Revised guidance will be issued to local authorities and to others in England and Wales in due course, and consideration will be given to the issuing of similar guidance in Scotland.

Use of wetlands

68. The NCB recognise that land flooded through subsidence can sometimes form important wildlife habitats and accept the Commission's recommendation that they should discuss with local interests and environmental bodies whether positive use might be made of a site 'sterilised' by subsidence. They have now carried out a survey of flooded and marshy land in their ownership and are discussing a way forward with the Nature Conservancy Council, local authorities and other interests. The Government welcome this positive and cooperative approach.

OPENCAST MINING

69. Private sector operators, working under contract from the NCB, produced about 14m tonnes of coal by opencasting in the UK in 1981/82, and those working under licence a further 1m tonnes. The Commission concluded that even when the greatest possible care was taken, opencasting had a severe impact on the environment in both the short and long term. Public concern over opencast is much greater than that over a similar output of deep mining and, in recent years opencasting has taken place increasingly on urban fringes and on new greenfield sites, and has provided fewer opportunities for coordinated clearance and restoration of derelict areas. The Commission looked carefully at the procedures for authorising opencasting and at the level of output, and recommended changes to maintain the balance between environment, amenity and private rights, and the nation's need to exploit coal by opencast methods.

Framework for decision - making on opencasting

70. At present, a decision to authorise opencasting by the NCB is taken by the Secretary of State for Energy, who grants deemed planning permission, subject to conditions as appropriate, at the same time. Private sector contractors working under licence from the NCB require permission from the minerals planning authority in the normal way. The Government were aware of substantial public concern about the procedure for authorising NCB opencasting and asked the Commission to evaluate and comment on the representations they had received. The Commission concluded that there was a strong case for a change in procedure, both to give local authorities a positive role and to reflect the accepted role of the public in land-use planning. One of the most important reasons, cited by the Commission, for such a change would be to provide local authorities with an increased opportunity to influence the choice of sites in the forward programme of the Opencast Executive both for environmental and amenity purposes, and to ensure account can be taken of other planning considerations relevant to their area.

71. The Commission therefore recommended that applications for NCB opencast coal working should be dealt with under normal minerals planning machinery as for all other new minerals developments and not directly by the Secretary of State for Energy as at present. The Government accept this recommendation. The relevant provisions of the Opencast Coal Act 1958 will therefore be repealed so that local authorities will determine NCB opencast planning applications, and appeals will be decided by the Secretary of State for the Environment in England, and by the Secretaries of State for Scotland or Wales as appropriate. The Government consider

that this will provide an improved framework for decision-making on opencasting, as well as bringing the procedures into line with those covering all other mineral operators.

Level of opencast output

72. The Commission also considered the case for a rundown in opencast production but concluded that it would not be right to do this arbitrarily in view of the severe implications for the financial viability of the NCB's overall activities. They were concerned however that a target in excess of 15 mtpa could not be accommodated without unwarrantable damage to the British countryside. The Commission therefore recommended ^{that} as older, more unprofitable and less environmentally acceptable deep mines are closed and more efficient and profitable operations take their place, the volume of opencasting should be allowed to decline. In the meantime there should be no increase in the target of 15 million tonnes per annum.

73. Opencast coal is an important national resource which can be produced cheaply and profitably. Opencasting can also provide special coals such as anthracite and coking coal to meet particular needs, and the generally high quality of such opencast coal enables it to be used to upgrade coal from deep mines. Opencast mining is also an important element in the work of the civil engineering industry. These advantages must be set against important environmental considerations: the Government remain committed to maintaining and strengthening the framework of environmental control within which a balance can be struck.

74. The target of 15m tonnes of opencast coal output per year was originally established in 1974, at a time when there was a clear national need, following the oil crisis of the early 1970s, to increase opencast output by 50% over a period of a few years. The target was reached, and indeed slightly exceeded, in 1980/81, though opencast output has since fallen back somewhat. The Government have reviewed their approach to opencast output levels in the light of the Commission's recommendation, and other factors, and have concluded that they should move away from the idea of a Government endorsed target or ceiling on opencast output. In the longer term, the appropriate level of opencast output should be determined by the market subject to the acceptability of individual projects as determined through the planning system. It would therefore be for the NCB to decide the level of opencast output which they wished to aim for and to justify that, on a case by case basis, through the planning system.

Opencast Executive as a separate accounting unit

75. This move away from a specific Government-endorsed target for production should be seen in the light of the Government's determination to achieve a more competitive energy market. The Commission themselves concluded that opencast profits should not continue indefinitely to mask and cushion deep mine losses. They recommended that the Opencast Executive should be treated in the NCB's Annual Report and Accounts as a separate accounting unit, to permit a more informed assessment of the appropriate balance between the economic benefits of opencast production and its environmental costs. The Government accept this recommendation and are discussing its implementation with the Board.

Opencast Code of Practice and Guidelines for Development

76. At present, discussions between individual local authorities and the Opencast Executive on the programming of sites in their areas over a 5 year period are provided for in the Code of Practice agreed between the Executive and the Local Authority Associations in 1980. The Commission endorsed this approach, and, in view of the flexibility now available to the Executive in their forward planning, recommended that the Code should be extended to incorporate guidelines which would define more strictly the sites where opencast coal might be mined. Implementation of these guidelines would, in the Commission's view, need to take account of the economic benefit to the nation of opencast production.

77. The Government have considered this recommendation in the light of their intention to transfer responsibility for granting planning permission to local authorities, and to move away from a national target for opencast production. They believe it would be helpful to issue guidance along the lines proposed by the Commission which would make clear the sort of considerations which would be taken into account by the Secretaries of State for Environment, Scotland and Wales when deciding opencast appeals and approving development plans. The Government are holding discussions with both the Opencast Executive and the local authorities about the detailed form of such guidelines, which will also need to take account of experience gained so far in the operation of the Code of Practice.

Minimising environmental effects of opencasting

78. The Commission concluded that the visual intrusion of a site, the effects of dust, noise, and vibration from blasting and heavy traffic movements can, taken together, add up to a very severe diminution in the quality of life for those worst

affected. These effects can be ameliorated to some extent by sensitive planning of operations, including the siting of boundaries and baffle banks and by moving work away from residential areas quickly. The Government endorse the Commission's view of the importance of minimising these adverse effects through careful attention to both planning aspects and operating practices by both the Opencast Executive and the civil engineering contractors.

79. The proximity of a site to residential properties is an important factor in determining the number of people badly affected by the operations. Following an assurance to Parliament during the passage of the 1958 Opencast Coal Act, the NCB have been authorised to work coal within 50 yds of residential property only in wholly exceptional circumstances. The Commission recommended that the feasibility of extending this limit should be reviewed, and the Government welcome the agreement of the NCB and the Local Authority Associations to do so in the light of the new planning arrangements set out in para 71. The NCB have also confirmed their willingness to purchase individual properties adversely affected by opencast operations if a householder is obliged to sell for specific reasons such as a change of job or illness.

80. The Government welcome the NCB's commitment of additional funds for noise research. The NCB already have a programme of noise monitoring at several sites. In addition they are currently discussing with the British Standards Institute a revision of BS 5228 (Code of Practice for Noise Control on Construction and Demolition Sites), which will for the first time include guidance on the control of noise from opencast sites. The NCB's new programme, which will be discussed with interested parties, will look at the effectiveness of 'leq' measurements in reflecting noise levels, methods of representative sampling, the effectiveness of various techniques of noise reduction and the accuracy of predictive models.

Restoration

81. The Commission pointed to the Executive's well-deserved reputation for the quality of much of its restoration work on derelict sites, which can often be successfully transformed after coal extraction to provide worthwhile local facilities. However the Commission also cited criticism made by a number of bodies about possible adverse long-term effects, such as loss of ecological variety, landscape quality, reduction in soil fertility, and loss of agricultural productivity. These bodies were concerned that land reclaimed after opencasting was often bland and featureless, and that a more imaginative approach could be taken. The Commission endorsed these views, and recommended that legislative changes

should be made to incorporate details of the restoration programme - such as a survey of the agricultural, landscape, and ecological features of the site and a detailed forecast of its condition after mining and restoration - into the initial application to work the site.

82. Considerable progress has been made in improving the quality of restored landscape, and the Executive's standards in recent years have been generally regarded as exemplary. Their practice is to encourage the planting of trees and hedges to bring variety to the restored landscape, and the Government welcome this. Restoration normally takes place over a period of 5 years, and each scheme is a collaborative effort between the Opencast Executive, MAFF (or equivalent in Scotland and Wales), the county planning authority (district or general planning authority in Scotland) and the various owners and occupiers concerned. This will continue under the new arrangements provided by the various Planning Acts. Because it is not possible to give outline planning permission for mineral working, the principles of restoration must be decided at the time planning permission is granted, although the details can be modified later by agreement if this seems sensible. The intended after-use will also need to be decided when permission is granted, but the detailed aftercare programme can be settled in a scheme agreed subsequently. This emphasises the need to consider both restoration and after-care aspects thoroughly at the outset. The Opencast Executive have confirmed that they now consult the Countryside Commission and the Nature Conservancy Council in respect of all opencast applications and this should help to ensure that the landscape and wildlife aspects are incorporated in all agreed schemes. They also have a detailed soil report prepared during the consultation stages for each site to assist in drawing up suitable restoration schemes. In addition reports are obtained on the restored sites at the end of the period of agricultural aftercare. The NCB are also discussing with MAFF and the NFU ways of assessing the agricultural impact of opencasting. The Government welcome these steps and look to the Opencast Executive and the local authorities to build on these achievements. The new arrangements for dealing with opencast planning applications will ensure that the Board continue to carry out and develop further their high standards of restoration and after-care work.

83. The Commission considered in detail the likely environmental consequences of a revival in coal use, particularly in industrial markets and in urban areas. They assumed, correctly in the Government's view, that there would be widespread opposition to increased coal-burn should this result in practice in higher levels of air pollution and give rise to serious handling and transport problems.

84. The Government therefore welcome the general thrust of the Commission's recommendations. The Commission were right to warn against complacency amongst potential users and control authorities about the possible environmental consequences of greater coal-use. Uncertainty about the pace at which coal will succeed in penetrating industrial and other markets produces understandable caution in considering the need for change in practices and procedures. This should not be an excuse, however, for inaction. The Government are encouraged by the efforts being made by the NCB and manufacturers to emphasise the need for high standards of maintenance and control over new coal-fired equipment. They commend these efforts, and wish to see the full participation of the control authorities in them. As a further step, the NCB have convened a series of regional conferences designed to bring together local authorities, transport operators, manufacturers, and potential individual consumers, to discuss the scope for, and likely impact of, greater coal-burn. This initiative is warmly welcomed.

85. Training and education can also contribute to increased awareness of the benefits of coal use, and the NCB are increasing their efforts in this area through presentations to both technical students and potential users. They are also running advisory and after-sales services to help users to choose the best combination of equipment in order to ensure efficient and flexible operation, with the cheapest available fuel.

Coal Transport

86. The Commission came out strongly in favour of rail as the preferred method of transporting coal. They recognised, however, that there were circumstances when both road and water transport could be environmentally and economically preferable, and that all the options should be examined closely whenever a new coal project is being planned. Containers and pipelines were two other transport options considered by the Commission. They recommended that further research should be carried out on containers, but concluded that the use of pipelines for carrying coal was generally not feasible in the UK.

87. On balance the Commission's conclusions and recommendations on the transport and handling of coal are sensible and constructive. It is generally advantageous both environmentally and economically for the bulk movement of coal to be by means other than road. The NCB, British Rail and electricity utilities need to keep in close touch about this and have a mutual interest in ensuring that plans for coal movement and power station siting run broadly in step. The Government welcome the Commission's endorsement of the grants paid under section 8 of the Railways Act 1974 to encourage more environmentally acceptable ways of transporting coal. They have already extended the scheme to cover waterway users and have recently raised the rate of grant to 60% in circumstances where the environmental benefits justify a higher rate. The Government believe that further research on containers is desirable, and welcome the efforts of the NCB and others to develop commercially viable systems. The Transport and Road Research Laboratory has carried out research on hydraulic and pneumatic capsule pipelines to carry both coal and colliery spoil, and there are now a number of industrial applications of this work such as the Horden colliery pipeline (para 51). The Government would welcome further development work by the industry on the use of pipelines to carry colliery spoil, but they accept the Commission's conclusion that the scope for moving coal in this way is severely limited.

Coal Handling

88. The Commission concluded that, since adequate storage and convenient coal and ash handling facilities would be important to the environmental acceptability of increased coal use, the NCB should give this area priority in its R&D budget. They were also concerned about the lack of awareness amongst potential coal users of the range of modern coal-handling technology, and recommended a vigorous marketing drive. This should in their view be accompanied by greater efforts to extend current best practice in controlling dust and dirt from lorries transporting coal.

89. Action here is largely for the NCB and for equipment manufacturers. The Board are aware that their success in marketing coal to industry depends in part on the availability of reliable equipment to handle both coal and ash. The Government are satisfied that the level of research and development is adequate at present and agree with the Board that efforts should be concentrated on publicising to industry the improved methods now available. The Government are also encouraged by the progress made in developing automatic sheeting devices for lorry loads, and welcome the Board's decision to introduce a Code of Practice to control dirt and dust arising from all lorries leaving NCB sites. These and other related measures are expected to reduce the local environmental impact of coal handling and movement, and contribute in due course to a cleaner image for coal.

Air Pollution

90. Great strides have been taken in reducing atmospheric pollution in the last twenty years. The Government agree with the Commission that there is no longer a major cause for concern on health grounds over ambient levels of smoke and SO₂ from coal combustion. They will however continue to take positive measures to reduce smoke concentrations in the small number of urban areas currently exceeding or close to the limits laid down in the EC Directive on sulphur dioxide and suspended particulates. The question of the possible effect of increased coal-burn in the future on pollution levels is clearly important, and the Government share the Commission's view that any such effects are likely to be most marked in urban areas.

91. Although the market for domestic coal-burn in the foreseeable future is not expected to be large, the Government agree with the Commission about the need to keep smoke pollution to the lowest practicable level. The Government note that the Commission did not regard the further development of solid smokeless fuel as a viable option and concluded that if coal is to continue to be used for domestic heating in urban areas this will require more effort to develop reliable smoke-reducing appliances. The Government do not regard the issue as entirely clear-cut: technically the production of solid smokeless fuel need not cause severe pollution problems although there might be severe cost penalties in avoiding doing so. The Government also agree with the Commission that the environmental acceptability of direct coal-burn in the domestic sector must depend on the availability of suitable smoke-reducing equipment. A new generation of such appliances is now coming onto the market and the Government agree with the Commission about the need to monitor their performance carefully. The Warren Spring Laboratory is currently developing equipment to improve the monitoring of particulate emissions from them and the Government expect the NCB and manufacturers to maintain their efforts to produce more reliable equipment. An increase in the domestic use of coal or solid smokeless fuel, where these replace the use of gas, electricity or gas oil (from which smoke and sulphur dioxide emissions are very small or non-existent) rather than high sulphur oil, would need to be carefully watched in relation to the limits set by the EC Air Quality Directive, particularly in densely populated urban areas. The Government therefore recognise the need to keep the position under close review.

92. The Government welcome the Commission's view that industrial coal-burn can be positively encouraged in most circumstances. The Government nevertheless wish to ensure that such encouragement is accompanied by moves to ensure high standards of maintenance and control, in view of the need to maintain air quality standards.

They welcome the fact that the NCB's marketing strategy is directed towards this same objective. It is also an important consideration in approving grant under the Coal Firing Scheme (para 14).

93. The Government note the Commission's conclusion that existing control powers seem sufficient at present, but that there are doubts about whether these powers will be adequate should there be a substantial increase in coal use. The Commission recommended that consideration should be given to providing local authorities with prior consent powers over the choice of fuel or means of controlling emissions and, in certain cases, with a power of direction over the use of particular fuels in some buildings: they also proposed that the 'best practicable means' approach should be extended to processes controlled by local authorities. These issues will be fully considered in the context of a comprehensive review of air pollution control legislation which is to be undertaken. The Government accepted the need for such a review in their response* to the Fifth Report of the Royal Commission on Environmental Pollution. The Government intend their proposals to be issued in due course as a consultation paper. These will take into account the likely impact of increased coal-burn, and the Government expect them to go most of the way to meet the concerns expressed by the Commission.

94. The Government note the Commission's view that if the levels of air pollution are kept low enough to protect human health, there is no cause for concern about the effects on crops or vegetation, or on materials. Without dissenting from this view, the Government consider that further evidence would be valuable. More research is therefore needed, and is being undertaken.

95. Since the Commission published their report there has been growing international concern about emissions of sulphur dioxide and of nitrogen oxides, because of their contribution, through the as yet imperfectly understood working of atmospheric processes over long distances, to the formation of 'acid rain'. The Commission rightly recognised the uncertainties that existed at the time of their enquiry - and which to a certain extent still exist - about the causes, mechanisms and environmental effects of acid deposition: and they endorsed the approach adopted under the ECE Convention on Long-Range Transboundary Air Pollution (which, together with other Member States of the European Community, the UK ratified in July 1982) of a cooperative programme of research into all aspects of the problem.

* Pollution Paper No 18 (1982) Air Pollution Control.

96. The Stockholm Conference in 1982 showed clearly the extent to which 'acid rain' has become a significant political, as well as an environmental, issue. The ECE Convention, brought into force in March 1983, will further focus attention on the subject. Since the signing of the Convention in 1979, and indeed for some years before that time, the United Kingdom has cooperated actively with other concerned countries in studying the problem, which is essentially international in character. All countries in a continent contribute to the emissions that may cause acid deposition in other countries, and all must participate in the search for effective and equitable solutions. The Government's policy is to continue to work positively to that end, within the framework provided by the Convention.

97. The Commission concluded, and the Government agree, that most of the potential environmental problems from any increased coal production and use can be overcome by the more widespread application of current best practice. This is reassuring. Some problems will require changes in the framework of policy, legislation and controls, and the Government have made clear their intention to take the necessary action. But where higher standards are obtainable within the existing framework, the Government recognise that this requires the continued commitment of many organisations and individuals. They have therefore considered carefully how best such commitment can be secured and maintained.

The National Coal Board

98. The prime onus rests with the NCB. The Commission concluded that there is a need for a sustained and coherent lead from NCB HQ on environmental policy, and on the means whereby such policies can be effected locally. The Government welcome the progress that the NCB have already made in defining responsibility for environmental matters at Board level, and in establishing a committee structure at HQ and in the Areas to consider environmental issues. The Board have explained that their approach is to encourage environmental awareness at all levels of the organisation rather than to separate environmental concerns from line management through a separate environment department. It is too early to say whether the Board's approach is the right one. It will therefore need to be kept under review. The best test of the value of the current approach is whether tangible improvements are made to existing practices within a measurable period. The Government will look to the Board to provide evidence to this effect in an expanded statement in their Annual Reports and this will form the basis of the continuing and constructive dialogue between the Government, NCB and local authorities on environmental issues, and on priorities and their implementation.

Relations with Local Authorities

99. A key element in effective environmental cooperation is improved liaison between the industry and local authorities. The Government are encouraged by the consistently good relationships established between the Board and local authorities in some areas and by the progress that has been made elsewhere since the Commission embarked upon its study. The benefits of good working relationships are frequently to be seen on the ground. The Government nevertheless recognise that this is easier to achieve where the prospects for the industry are good and where the legacy of

the past is not too pressing. But the need for good relationships is just as great in areas where this is not the case. The Government look to the Board to make special efforts in the older mining areas when restructuring takes place.

100. The Government note the close and constructive relationship established between the Opencast Executive and local authorities on forward planning for opencast mining. The Board have now agreed to extend this approach to new investment in deep mines. They will discuss at regular intervals with individual local authorities the Board's development intentions in their areas, including environmental measures, and will take into account authorities' own priorities where possible. These discussions will embrace, where necessary, ways of drawing up programmes of derelict land release and clearance. The Government also acknowledge the willingness of the Board, and of the local authorities, to participate in the specific studies of spoil disposal (paras 43 and 44) and land availability (para 22), and believe that this will establish a helpful precedent for wider cooperation on strategic issues in the future.

Local Authority Associations.

101. In drawing up their response to the Commission's report, the Government have had frequent discussions with individual local authorities and with their Associations. They acknowledge the assistance they have received. In particular the Government welcome the formation of the Joint Minerals and Reclamation Group and believe this to be a valuable forum in which coal and other mineral issues can be aired. The Associations are ready to use this forum to discuss issues with the NCB and others where this would be helpful and the Government fully support their initiative. They also invite the Associations to consider the formation of a similar group to discuss the environmental consequences of energy use, particularly of increased coal burn.

Central Government

102. The Government have made clear that they accept the need for a closer dialogue between central departments and the NCB on environmental matters wherever it would appear useful. The basis for this will be the expanded statements in the Board's Annual Reports (paras 21 and 98). A start has already been made. The NCB gave a helpful presentation earlier this year to Environment and other Ministers: this included a broad indication of the Board's mining intentions and the environmental problems they foresee arising from them. They have also provided a positive statement of their environmental priorities and the means of implementing them.

The Government warmly welcome these initiatives by the Board and aim to build upon them. The Board have agreed to give a similar presentation to the Local Authority Associations shortly. The Government believe that, taken together, these steps will make a substantial contribution to the debate on coal and environment matters, and provide real evidence of the continuing importance both they and the public attach to them.

GENE REPORT

CHAPTER 22

<u>PARAGRAPH NO</u>	<u>RECOMMENDATION</u>	<u>WHITE PAPER PARAGRAPH NO</u>
13	Examine technical training and education requirements for the coal industry.	18, 85
	ENVIRONMENTAL EFFECTS OF DEEP MINING	
25	Amend General Development Order to require planning permission for surface development related to new underground access.	55
27	Examine distribution of Rate Support Grant in relation to new development.	30
29	Bring into force outstanding provisions of Part II of the Control of Pollution Act 1974 dealing with discharges from working mines.	40
30	Water discharges from abandoned mines to be regarded as dereliction comparable to abandoned pit heaps.	39
30	Cost of essential work to deal with discharges to be met by central Government.	39
31	Assess and plan for the effects of cessation of pumping. NCB to carry costs of work. Conditions covering measures on abandonment to be imposed in new planning permissions.	33, 40
31	Amend Section 46(6)(b) of the Control of Pollution Act 1974 so that water authorities recoup costs of remedial work in respect of mines closed by the NCB.	40
32	Amend General Development Order to clarify that permitted ancillary development relates only to that particular colliery.	55
	SUBSIDENCE	
34	Further research by NCB into the effect of subsidence on the mass between coal seam and surface, especially in geological fault conditions.	65
35	NCB should discuss alternative use of land sterilised by subsidence with local interests and environment bodies.	68
36	NCB should ensure that individual owners and business interests are aware of likely subsidence.	63, 64

PARAGRAPH NORECOMMENDATIONWHITE PAPER
PARAGRAPHS

36	Notices to be posted in streets where mining is about to take place.	63
36	Degree of publicity at Selby and Belvoir to be standard practice for new mining projects.	64
37	Public discussion of preventive measures available to reduce subsidence in existing buildings.	66
38	Precautionary measures to be included as planning conditions.	67
40	All repair work to be carried out speedily, efficiently and sensitively.	58, 62
41	Additional provision for compensation for residual loss in property value.	60, 61
	SPOIL DISPOSAL	
44	Landscape design proposals to be included in tip reclamation schemes from the outset. Supervisory period for restoration to be kept under review.	53, 54
44	Restoration of land supervisors to be chosen from wider group than ADAS and DAFS, and advice on wildlife to be sought from NCC.	53
48	Amend General Development Order to prevent continuation of waste deposition at sites where a prohibition order under the Town and Country Planning (Minerals) Act 1981 is in force, and to allow for restoration working.	55
49	Use of lagoons for the treatment of tailings to be avoided whenever possible.	56
50	New deep mines to be designed to avoid discharge of liquid effluent.	56
51	Strengthen research into backstowing.	46
52	Spoil disposal to be taken into account when considering both individual opencast programmes, and the phasing of a regional opencast programme.	47, 71, 82
54	No spoil tipping on further beaches and phase out marine tipping. Ecological consequences of pipeline deposition to the seabed to be fully examined.	50, 51
55	Government to consider NCB's suggestions to make greater use of colliery spoil by the introduction of an improved dual tendering system covering all appropriate building and civil engineering projects.	49

PARAGRAPH NORECOMMENDATIONWHITE PAPER
PARAGRAPH NO

56	Adopt alternatives to local tipping whenever possible.	52
56	Continue to investigate further improvements in local tipping practice.	52, 54
57	Where spoil disposal problem is most serious, improve coordination by ad hoc working parties. Priority to be given to working group in the Yorkshire and East Midlands coalfield.	42, 43
58	Establish guidelines on use of different types of site for remote reclamation; on availability of financial assistance; on priorities for different types of waste and priorities between regions in the use of remote disposal sites.	45
	DERELICTION	
60	NCB to continue to dispose of land and property not required for operational use to facilitate alternative industrial and commercial occupation.	36
61	Exempt local authority expenditure on derelict land clearance from counting against capital expenditure allocations.	34
62	Maintain DLG spending in coal fields with increased share of DLG to Yorkshire. Examine feasibility of establishing Development Agency.	34-37
	OPENCAST MINING	
65	NCB to make funds available for promoting further research into noise standards for opencast operation.	80
66	Discuss feasibility of extending minimum 50 yards limit for opencast sites near to residential properties.	79
67	Opencast Executive to make full use of the power to make discretionary purchases, to reduce hardship	79
69	Detailed restoration programme to be a condition of opencast applications: to include an analysis of loss of agricultural land, and a survey of the existing agricultural landscape and ecological characteristics. Appropriate legislation changes to be made as soon as possible.	82
70	Countryside Commission and Nature Conservancy Council to be consulted on opencast applications as a matter of course.	82

71	Planning applications for opencast to be dealt with under normal minerals planning machinery, rather than by the Secretary of State for Energy.	71
73	Volume of opencast mining to decrease as new, more efficient deep mines are developed. Present target of 15 million tonnes per year should not be increased in the meantime.	74
74	Guidelines defining suitable opencast sites to be adopted and rigorously applied within the Code of Practice adopted by the Opencast Executive and Local Authority Associations.	77
75	Opencast Executive to be treated as a separate accounting unit in the NCB's Annual Report and Accounts.	75
76	Review existing provisions to ensure that rates paid by NCB are appropriate to the environmental stress their operations can cause, as well as the benefits they can provide.	29
77	Responsibility for ensuring the introduction of practices available to be assigned at senior level in the Board.	98
	COAL MARKETS	
79	Stimulate dialogue with industrialists and local authorities on the scale of re-entry of coal into the industrial market.	84
80	Government to give a lead in the switch from fuel oil to coal in the public administration sector.	14
81	Government to stimulate commercialisation of fluidised bed technology. Formulate agreed programme for commercialisation and examine export potential.	16
	COAL HANDLING AND TRANSPORT	
82	Rail to be the chosen method of coal transport. Power station siting to take account of this.	87
83	Rail investment should be compatible with the plans of NCB and CEGB for mass transport of coal.	87
84	Current best practice to control lorry dust and dirt to be formalised and applied consistently. Code of practice to be drawn up for all NCB vehicles leaving sites.	89
85	NCB to associate themselves with, and support research into, automated load sheeting devices.	89

PARAGRAPH NORECOMMENDATIONWHITE PAPER
PARAGRAPH NO

87	Further research to be carried out into the use of containers for coal transport.	87
88	New coal projects to be examined in case there is the possibility of supply by waterway.	87
92	Vigorous marketing drive to persuade coal users to adopt up-to-date technology and to convince potential users that coal and ash handling can be done cheaply.	84, 89
94	NCB to ensure priority for research and development of handling and storage within overall R & D budget.	89
96	Government to take all necessary steps to ensure development of domestic scale heat pumps.	15
COAL CONVERSION		
97	Long-term contingency planning for SNG to proceed on the basis of forecast need for up to 10 sites by 2010.	17, 22
99	BGC and NCB to undertake necessary research into characteristics and means of disposal of solid residue created by SNG plant.	17
101	Government to make clear to potential developers of SNG plant that satisfactory experience of demonstration plant is needed before commercial development.	17
102	Plans to be drawn up for an early demonstration plant in the UK, if experience abroad is insufficient to assess adequacy with which UK health and safety and environmental standards will be met.	17
AIR POLLUTION		
110	Level of smoke pollution to be kept at lowest practicable level.	91
119	Performance of smoke reducing appliances and their effect on ambient smoke levels to be carefully monitored.	91
120	Government to co-ordinate research and development on heat meters, particularly for domestic use, as high priority.	15
124	Consider empowering local authorities to require prior consent to industrialists' choice of fuel or means of controlling emissions, and extending the best practicable means approach to processes controlled by local authorities.	93

PARAGRAPH NORECOMMENDATIONWHITE PAPER
PARAGRAPH NO

124	In exceptional circumstances powers might be granted to specified local authorities to direct the use of particular fuels in particular buildings.	93
	PLANNING AND ENERGY POLICY	
126	Systematic explanation of progressive evolution of national energy policy, and options for implementation, with regularly updated forecasts of project requirements.	7-10, 20
128	Undertake urgently a joint review of availability of sites for industrial and energy developments, initially in Yorkshire and the East Midlands.	22
130	NCB to publish widely their "Ladder of Exploration and Project Development".	21
131	Consultations between the NCB and Local Authority Associations before commitment of investment in projects advances too far.	100
134	Consider greater use of written evidence at public local inquiries.	24
134	Cross examination should only be used when its particular advantages in probing evidence can be fully used.	24

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PRIME MINISTER

NCB Chairmanship: Statement

The Opposition attempted to manufacture outrage over Mr. Lawson's statement. But all the points they made had already been gone over at great length in the press. It was merely boring to hear them repeated, and Mr. Lawson had few difficulties.

John Smith led for the Opposition. He said Mr. Lawson's statement was unacceptable to the Labour Party, to the workforce of the NCB, and to many Tory backbenchers. Mr. MacGregor had had no experience in the coal industry except in strip-mining. He asked whether the Coal Board or the Government would be paying the scandalous transfer fee. He said that the Government were tying the Opposition's hands on the eve of an election and that Mr. MacGregor would be dismissed by the incoming Labour Government. He scored an own goal by saying that Mr. MacGregor's appointment was for only three years when what was needed was a long term appointment.

In Questions the Opposition really tried to make three points. First, the transfer fee of £1.5m was a waste of money; represented £500,000 a year which could surely have been used to tempt a top manager from British industry. Second, Mr. MacGregor had been appointed as a hatchet-man, when what was needed was someone to lead the industry (preferably someone from within the industry). Third, Mr. MacGregor's appointment was a deliberate provocation to the workforce.

A number of Tory backbenchers, including Michael Morris, Patrick Cormack and William Clark, complained that the Secretary of State should have failed to have found an appointee from British industry, such as Michael Edwardes.

/Mr. Lawson

Mr Lawson said that there would be no incoming Labour Government, and the question of their sacking Mr. MacGregor therefore did not arise. It was natural that Lazard Freres should be compensated for the further loss of Mr. MacGregor's services; the cost would be met by the Government, and the amount was less than that lost by the NCB in one day. Mr. MacGregor was not a hatchet-man and should be judged by results (he added that hatchet-men come a great deal cheaper). Mr. MacGregor was not too old; Mr. Foot was only a few months younger, and was seeking responsibilities considerably more onerous. The Coal Board's objectives remained much the same as those agreed with Mr. Siddall and published in Hansard on 18 March. The Opposition had put forward no alternative candidate, and Mr. Scargill, not the Government, had made Mr. MacGregor's appointment an issue in the recent ballot.

WR.

28 March 1983

cc WK
BI

- 1) Mr Scholar
- 2) ~~Mr Rickett~~

PA

SECRETARY OF STATE FOR ENERGY
10, WHITE HALL, LONDON, SW1A 2JF

01 211 6402

ORIGINAL SENT
TO JOAN PORTER
30/3/83

APPOINTMENTS IN CONFIDENCE

Willie Rickett Esq
Private Secretary to
the Prime Minister
10 Downing Street
London
SW1

28 March 1983

Dear Willie,

NCB CHAIRMANSHIP

As you know, it has been agreed that my Secretary of State should announce to the House this afternoon his appointment of Mr MacGregor as the next Chairman of the NCB.

I attach the text of his proposed statement. May I assume that, if I have not heard from you or copy recipients by 1 pm, the Prime Minister and other Ministers are content with the text.

I am copying this letter to John Kerr, Jonathan Spencer, Nick Huxtable, Murdo Maclean, Michael Pownell and Richard Hatfield.

Yours ever,

J D WEST
Private Secretary

NCB CHAIRMANSHIP

With permission, Mr Speaker, I wish to make a Statement about the Chairmanship of the National Coal Board.

When I appointed Mr Norman Siddall as Chairman last year, he made it clear to me that, regrettably, his health would not permit him more than a one year term. Strictly speaking, that year comes to an end on 3 July, but Mr Siddall has kindly agreed to stay on until the end of August. He has already proved to be an outstanding chairman of the Coal Board, as I am sure is widely recognised on all sides of the House.

As his successor I have appointed Mr Ian MacGregor, currently Chairman of the British Steel Corporation.

Mr Macgregor is a Scotsman who was sent to Washington by the Government during the war to deal with certain aspects of the purchase of arms from the United States. After the war he decided to make his business career there, which he did with conspicuous success, notably with the Amax Corporation.

His first act on becoming Chairman of Amax in 1969 was to take it into the coal mining business: by the time he retired from the Chairmanship of Amax in 1977 he had built it up into the third largest coal mining company in the United States.

Mr MacGregor's qualities were recognised by the previous Government when they appointed him a Deputy-Chairman of British Leyland in 1977, but he did not return to Britain on a full time basis until 1980, when my Rt Hon Friend the Member for Leeds North-East appointed him Chairman of the British Steel Corporation for a three-year term.

Since then he has led BSC with vigour and determination through a period of intense difficulty for the steel industry both at home and abroad. Last year, for the first time ever, BSC's productivity came close to the best levels of its European competitors.

Mr MacGregor's experience in building up and running a successful coal-mining business and the outstanding leadership he has provided at BSC have demonstrated that he is admirably equipped to become full-time Chairman of the Coal Board. He has agreed to accept a three-year appointment starting on 1 September.

Mr MacGregor has obligations to his partners in the New York based investment bank of Lazard Freres, from which he was released for three years in order to become Chairman of BSC. I have agreed similar arrangements in order to enable him to take on the Chairmanship of the National Coal Board for a further three years. Accordingly, a fee of £1½ million will be paid to Lazard Freres in compensation for the loss of Mr MacGregor's services. Two thirds of that fee will be refundable on a pro-rata basis if Mr MacGregor does not complete his full three-year term.

As with the BSC arrangements, Mr MacGregor will remain a non-active limited partner in Lazards while serving as Chairman of the Coal Board. But this will not entitle him to receive any share in the so-called transfer fee. He will be paid £59,325 a year - the same salary as Mr Siddall.

The agreed compensation is less than that payable under the BSC arrangements.

£1½ million, although less than the maximum compensation payable under the BSC arrangements, is a substantial sum. Indeed, it is what the Coal Board loses every day. But I am confident that, in securing the services of Mr MacGregor as Chairman of the National Coal Board, it will prove excellent value for money for the taxpayer, the industry and the nation.

including members who have a vested interest in a successful coal industry

In making these arrangements, Mr Speaker, my concern has been to find the best possible leadership for the Coal Board at this critical time. The industry and those who work in it deserve nothing less. The coal industry in this country faces fundamental problems of over-production and uncompetitive costs. If it can tackle these problems, it can secure for itself an excellent future and transform itself into the successful modern industry we need.

Mr MacGregor's objectives will therefore be to continue the task started by Mr Siddall and to focus the Board's efforts on the earliest practicable return to profitability, on competing successfully in the marketplace and developing new markets for British coal, and on securing the highest possible efficiency and control of costs.

I am satisfied that Mr MacGregor is the best man for the job. This is an appointment which everyone with a genuine interest in the success of this great industry will welcome.



Not Fnd
Originals held
in Appointments

10 DOWNING STREET

From the Private Secretary

21 March 1983

APPOINTMENT OF MR. MACGREGOR

The Prime Minister was grateful for your Secretary of State's minute of 16 March.

Mrs. Thatcher agrees to your Secretary of State making an oral statement as he proposes; and, subject to the views of colleagues, to Mr. MacGregor both starting at the NCB on 4 July and remaining a part-time member of the BSC Board. The Prime Minister is also, subject to colleagues' views, content with the draft objectives attached to your Secretary of State's minute.

I am sending copies of this letter to the Private Secretaries to the Chancellor of the Exchequer, the Secretary of State for Industry, the Lord President of the Council and Sir Robert Armstrong.

Julian West, Esq.,
Department of Energy.

MR SCHOLAR

17 March 1983

cc Mr Walters
 Mr Mount
 Mr Vereker

NATIONAL COAL BOARD OBJECTIVES

The draft objectives for the NCB which Mr Lawson has just circulated are not satisfactory as they stand. They are identical to those which were circulated on 30 June last year and do not therefore reflect the opportunity to propose more ambitious objectives which is provided by the appointment of Mr MacGregor, after the ballot's verdict against a national strike to resist pit closures.

The draft should at least incorporate two additional points:

- A
- 1) the long term profitability should be specified more precisely than it is at present, particularly in regard to the timescale within which the NCB should bring its capacity into line with profitable sales. This objective needs to reflect the NCB's Corporate Plan, still to be agreed with the NCB.
 - 2) there should be a reference to coal imports in the long term profitability objective, which might be rephrased to conclude:

B

"..... by securing those sales which are profitable on a continuing basis in competition with other fuels, and with coal imports on the assumption of an eventual lifting of restrictions on CEGB's imports."

I understand that the Chief Secretary is likely to comment on the draft objectives in support of the first point above. It is of course important that Mr MacGregor's agreement to NCB's objectives should be settled at the same time as his appointment. In view of the importance of this appointment, the Prime Minister may wish to either discuss the objectives with him herself, or to register her interest in hearing of his reactions to them.

NICHOLAS OWEN

Original held by
Apts. (1)

PRIME MINISTER

APPOINTMENT OF MR MACGREGOR AS CHAIRMAN OF THE NCB

I have minuted the Chancellor separately about the outcome of my discussions with Ian MacGregor over the remuneration package he is seeking if he is to be appointed as Chairman of NCB when Norman Siddall retires later this year. I hope that agreement on this can be reached very soon. This minute is to discuss the form of any announcement and some related issues.

Announcement

Given continued speculation we must clearly make an announcement as soon as possible. That should be possible during the course of next week.

MacGregor's appointment to the BSC was the subject of a statement in the House by the then Secretary of State for Industry. In view of the controversy surrounding the appointment this was followed by a debate two weeks later. I am sure that I must announce the appointment of MacGregor to the NCB and the main elements of his remuneration package in an oral statement to the House. I would hope that we could avoid a debate and would certainly not be in favour of giving Government time for one.

If you agree that I should make an oral statement I will circulate a text as soon as final agreement is reached with all concerned.

Timing of the Appointment

Norman Siddall is due to retire on 3 July. He had, reluctantly because of his health, agreed to stay on until the end of August when it seemed that Alistair Frame could not take over at BSC until 1 September. Now that Frame is no longer available for BSC, I see no need to extend Siddall's appointment. MacGregor's present three year appointment at BSC finishes at the end of June and I would like MacGregor to start at NCB on 4 July, subject only to any comments Patrick Jenkin might have.

Mr MacGregor's Continued Membership of the BSC Board

Mr MacGregor has suggested that he might remain as a part-time Member of the BSC Board. This is a matter for Patrick Jenkin but we now need to take a view on the suggestion.

Mr MacGregor's Objectives at NCB

I must seek to agree with Mr MacGregor what his objectives should be as NCB Chairman. I attach draft objectives which are based closely on those I have already agreed with Norman Siddall after full discussion with colleagues. Subject to your comments, or those of the Chancellor, I will put these draft objectives to MacGregor.

I am copying this minute to the Chancellor of the Exchequer, the Secretary of State for Industry, and the Lord President of the Council and to Sir Robert Armstrong.

NR

Secretary of State for Energy

16th March 1983

OBJECTIVES

1 Although coal is one of the United Kingdom's major natural resources, in the Government's view the justification for coal production like that for any other business lies in the ability of those engaged in it to earn a satisfactory return on capital while competing in the market place. The basic objective for the National Coal Board therefore must be to earn a satisfactory return on its assets in real terms after payment of social grants. This return will need to be quantified in time to be introduced for the next financial year.

2 The NCB should aim to maximise its long-term profitability by securing those sales which are profitable on a continuing basis in competition with other fuels. It should plan its marketing, production and capital investment accordingly and bring productive capacity into line with its continuing share of the market.

3 The Board's objective should be to ensure that over the next five years its operating costs (including depreciation and capital charges but excluding interest) per tonne of coal produced are reduced in real terms for deep-mined and for open-cast production separately. (In this calculation, the GDP deflator should be used). This objective will be quantified in time to be introduced for the next financial year.

4 Either the Board or the Government may propose additional objectives from time to time. Any consequent adjustment to existing objectives would need to be discussed.

MR MOUNT

cc Mr Walters
Mr Scholar ✓
Mr Owen O/A

Lo! he hath spoken and they are sore amazed

COAL

This is the last of my valedictory thoughts.

I perceive four independent strands to current Whitehall thinking about coal policy;

(i) MISC 57 continues its work on building up endurance in the event of a miners' strike. I have from time to time sent you notes about the progress, and I am happy to report that this morning we for the first time glimpsed on the horizon the prospect of indefinite endurance, albeit at a very considerable cost for converting the main coal fired power stations to dual firing. There is some way to go, but it looks at the moment as if we can achieve nine months of endurance at very little cost on top of what we have already incurred; and twelve months' endurance at an additional cost of £70 million for further coal stocking capacity;

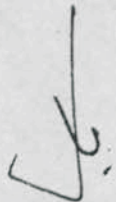
(ii) Decisions about the nuclear programme tend to be taken in their own right, but are of essential importance both to endurance in the event of a coal strike, and to future patterns of coal consumption. The main decisions still to be taken are the numbers of PWRs to be built, and their timing; and the rate of retirement of the Magnox stations, which will come to the end of their useful lives over the next ten years;

(iii) Meanwhile the NCB has ministerial approval for a closure programme, with the details of which you are familiar, and the outcome of the recent ballot should enable them to proceed at somewhat more than the basic Reference case rate. Nonetheless, a step change in the rate of closures

is needed before substantial inroads can be made to the existing scale of NCB losses;

(iv) And the prospective appointment of a new Chairman means that we shall have to turn our minds before long to the establishment of a wider coal strategy, and specific objectives for the new Board.

What has not yet been attempted is the unification of these issues through some clear thinking about costs. That will be, it seems to me, the main and most difficult area of work on coal in the coming months. The trade-off between savings made through accelerated closures (which themselves require extensive assumptions to be made about the amount of coal that can be sold at a profit) and the £800 million or so cost of converting to oil firing needs to be examined carefully. Equally the costs of keeping going our increasingly uneconomic non-coal capacity, ie old oil fired stations and Magnox nuclear stations, needs to be brought into the equation, as does the additional cost of coal stocking capacity and on-site hydrogen manufacturing capacity. We also need to have a very close look indeed at the Department of Industry assumptions about industrial endurance in the face of a coal strike, and in particular at the cost in terms of permanent loss in output if some industries have to go on short time or close. This represents a fairly formidable agenda, and I imagine that you will want Nick, who is no doubt generally familiar with the issues already, to play a leading part in the Whitehall discussion of it.



11 March 1983

10.3.83.
Mr. Roy Jenkins: Does the Prime Minister consider that the occasion of Mr. Scargill's welcome third defeat would be the right moment for a wise leader to abandon the foolish plan to appoint Mr. MacGregor?

The Prime Minister: No, Sir. I am delighted at the result of the miners' ballot, which seems to me the best result for the future of the coal industry, and therefore for the future of those who will work in it.

10.3.83,
Mr. Nicholas Winterton: Will my right hon. Friend join me in congratulating the miners on the decision that they have just taken against a national coal strike? Will she go further and, in welcoming their decision and associating herself with their good sense and responsibility, seek to appoint as the new chairman of the National Coal Board a person who is acceptable to all sections of the coal industry, to ensure that this industry, which I have had the pleasure to represent, can continue to play its vital part in the energy policy and future of this country?

The Prime Minister: I have already given my view that the result of the ballot is good news for the future of the coal industry. There is an extremely good future for the coal industry, as the Government have demonstrated by the amount that we have put into investment in coal. It is about £3 billion during the lifetime of this Government—twice as much as during the lifetime of the Labour Government. My concern for the coal industry, with an excellent future before it, is to secure the best management possible for the NCB.

Mr. Stoddart: Has the right hon. Lady considered this morning what *The Guardian* today described as a stinging rebuff to her by the European assembly in deciding to confirm that it will go ahead with an investigation of affairs in Northern Ireland? Does she realise the implication of what this mischievous and insolent assembly is doing for the future? For example, when Spain comes into the Common Market—[HON. MEMBERS: Speech.]—Just be quiet. When Spain comes into the

MR VEREKER

cc Mr Mount
Mr Scholar

MINERS' BALLOT

I am afraid none of the events so far have demonstrated that the miners are not irresistible . All they have proved is that they are not prepared to be led by the nose. Events have not however challenged the post-war impression of their invincibility for we have yet to beat a national stoppage.

I would be much happier if your draft reactions dropped the last sentence and inserted in the previous sentence "or clapped out" between "uneconomic" and "pits".

In my view the last thing we should do today is to lend credibility to Scargill. The point is made without the emotive sentence, "The way is now clear for the coal industry to put its house in order." Scargill will tell the miners in response to that, "Exactly - what did I tell you?"



B. INGHAM

10 March 1983



10 DOWNING STREET

PRIME MINISTER

COAL BALLOT

My contact in the NCB who is usually very reliable is forecasting a 2-1 majority against a strike.

Returns from Yorkshire show that they are likely to split 50-50 compared with 56-44 last time. North Derbyshire, the barometer area, could return 62-64% against and Lancashire 60% against a strike.

These forecasts are based on reports from individual collieries.

My contact tells me that they are being confirmed by journalists who have their own good contacts in the coalfields.

B Ingham
8.3.83

Next End

SEJV

NBPM

MS 8/3

SECRETARY OF STATE FOR ENERGY
THAMES HOUSE SOUTH
MILLBANK LONDON SW1P 4JQ

01 211 6402

CONFIDENTIAL

The Rt Hon Leon Brittan QC MP
Chief Secretary to the Treasury
HM Treasury
Treasury Chambers
Parliament Street
London
SW1

8th March 1983

Dear Chief Secretary

PROPOSED IMPROVEMENTS IN REDUNDANCY TERMS FOR MINeworkERS

Thank you for your letter of 24 February in reply to mine of 17 February. I have also received Norman Tebbit's letter of 24 February and Patrick Jenkin's letter of 1 March. Obviously developments in the last few days may require a change in the timetable of these terms, but I thought it best to write now to clear up the points you have raised.

I confirm my agreement to your points (i). I accept that the extra cost of the improved terms and higher level of redundancies in 1983-84 should be offset by an improvement in BGC's EFL. In view of the inevitable uncertainty in the estimated cost, I am prepared to revise the figure to £17m to match what is available from the improvement in BGC's EFL to -£31m. If in the event the cost should prove to be £18m, I will find some offset to the extra £1m. I note what you say about treating the extra cost in later years as an additional bid. However, you will appreciate that there is no firm baseline for finance for the coal industry in the later years.

Patrick Jenkin has now confirmed your point (ii). I will stress to Norman Siddall the importance of holding down recruitment, as you ask in your point (iii). At the same time, I will say that arrangements to monitor recruitment, and also to ensure that the full costs of redundancy are taken into account at Area Level, are set up. On the wider questions of incorporating the RMPS into the NCB's EFL, I agree that our officials should look at the issues further.

I had intended to lay before the House as soon as possible the Statutory Instrument which gives effect to the improvements. However, the period in which men are considering whether to strike is evidently not the time to do this. Once we know the outcome of the national ballot, on Thursday, I shall review the position.

I am copying this letter to the recipients of earlier correspondence.

Yours sincerely
Nigel Lawson

pp NIGEL LAWSON
(Approved by the Secretary of State and signed in his absence)

E. R.
NOTE FOR THE RECORD

The following is the result of my inquiries about this weekend's coverage of the coal industry.

The Sunday newspaper stories resulted from a briefing for 4 industrial correspondents by Geoffrey Kirk, the very experienced Director of Public Relations at the NCB, on Friday. Mr Kirk says he gave them an extract from Mr Siddall's speech today - a speech entitled, "No case for Butchering" - and made the following points:

- the NCB was not telling Mr MacGregor what policies he should pursue;
- the NCB was not arguing that he should not join the Board;
- it was arguing that the existing policies would require closures, but not immediately; the industry needed skilful therapy.

Mr Kirk feels particularly aggrieved at the Sunday Express's coverage (attached). He maintains there is absolutely no justification whatsoever for linking the chairman's use of the word "butchery" with criticism of MacGregor. Scargill has repeatedly accused Mr Siddall of "butchery".

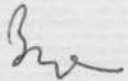
Mr Siddall decided to give an interview to BBC Radio 4 "World this Weekend" after reading the Sunday press.

For what it is worth, I am convinced Mr Kirk would not attempt to campaign against Mr MacGregor, least of all at this stage. He is far too responsible for that. And he knows only too well that Mr MacGregor is a factor in the ballot - a ballot which the NCB wants to win.

Mr Siddall proposes that his speech today should stand on its own; he is not intending to give interviews.

I have this morning also spoken to Mr Tebbit's office. He is to be interviewed on unemployment and trade union legislation on Panorama this evening. His office are advising him not to get involved in the miners' ballot and to insist that the interview is not about it. He is not of a mind to get involved. I said we agreed with that.

Mr MacGregor's Director of Public Relations, Mr R Melvin, telephoned me today to say that they were not getting involved and that Mr MacGregor would not be giving interviews. They were however suggesting to journalists they know well that they should investigate Mr MacGregor's record in the mining industry through the American Mining Congress. They would find he had a first class commercial and industrial relations record.



B. INGHAM

7 March 1983

STOP MacGREGOR! SIDDALL SAYS IT

by GORDON LEAK

COAL BOARD chairman Mr Norman Siddall is throwing his weight behind the intense and mounting pressure on Mrs Thatcher to scrap plans to appoint Mr Ian MacGregor as his successor.

In an eve-of-poll appeal to miners to reject strike action in this week's coalfield ballot, he will warn the Government that the industry does not need "a butcher," but skilful surgery.

The "MacGregor factor" is the only barrier to another humiliating rebuff by miners to their leader Arthur Scargill.

But if Mrs Thatcher refuses to withdraw the offer of the £59,000-a-year job, or if Mr MacGregor falls to decline it, there will be a cliff-hanger vote by pitmen on Tuesday.

A clear majority of the 220,000 miners are reluctant to strike.

They face losses of between £180 and £200 a week in wages and overtime in many areas.

And they accept that the closure of the worked-out Lewis Merthyr pit in South Wales is the worst possible case on which to fight.

But Coal Board and National Union of Mineworkers officials believe that unless the "spectre" of Mr MacGregor and wholesale closures is lifted there could be a narrow majority for a strike against pit closures.

Seething resentment among Coal Board members will surface in a speech by Mr Siddall to the Coal Industry Society in London tomorrow.

Future

His message to miners will be that the coal industry has a long and bright future with better job security than in most other industries.

There will have to be pit closures as mines become exhausted. But he will pledge that this will be done with "compassion" for the workers involved and can, for some time to come, be achieved without miners losing jobs.

Coal Board members argue that either of Mr Siddall's two deputies, Mr James Cowan or Mr John Mills—both mining engineers, with a lifetime in the industry—are better qualified for the job than Mr MacGregor.

Tory MPs are stepping up their campaign to persuade Mrs Thatcher to drop the MacGregor appointment.

"There is now a substantial body of opinion on the Government back benches against this proposal," said Mr Patrick McNair Wilson, MP for New Forest and a former Front Bench energy spokesman.

Focus

"Mr MacGregor is now regarded as a focus for conflict. If he is appointed the resolution of the coal industry's problems will become very much more difficult."

Difficulties in negotiating a compensation fee of about £1,500,000 with Mr MacGregor's employers Lazard Freres, the New York bankers, to pave the way for his transfer from British Steel to the Coal Board have held up the appointment.

Last night Mr MacGregor was said to be still undecided on the appointment.

Union officials said that if he is going to turn the job down he had better do it before the ballot boxes close on Tuesday.

"If the MacGregor bogeyman were to be laid to rest I think that would swing the lads back against a strike," said moderate North West miners' leader Mr Sid Vincent.

Pit ballot votes will be counted on Wednesday and the result declared on Thursday. If the coalfields vote to strike all pits will have stopped by a week tonight.

EMBARGO

14.00 hours, Monday, 7/3/83

"NO CASE FOR BUTCHERY"

Coal Board Chairman's Policies for the Present Crisis

The Chairman of the National Coal Board,
Mr. Norman Siddall said in London today (Monday):

I last addressed the Coal Industry Society in March 1975 when I spoke of the need to change course after 15 years of fighting for survival.

The world was reeling under the impact of the huge and rapid rise in oil prices which started in 1974. Suddenly everybody became eager to develop their own energy sources - and that meant, in Britain's case, coal and North Sea oil and gas.

In the eight years since then we have planned and invested for a bigger industry: now another change of course is needed, in a quite different direction from the last one I outlined. Total UK consumption of primary energy this year is running at about 310m. tonnes of coal equivalent. This is 36m. tonnes less than it was ten years ago and about 90m. tonnes less than it was expected to have been under the Plan for Coal agreed between the Government, the unions and ourselves in 1974. And the situation is not improving. Given the present trend, by 1985 the country could be using 100m. tonnes less than expected.

However, as Mr. John Raisman (Chairman of Shell UK and your last speaker) said, investment in new coal and oil fields has to continue to meet long-term needs, even though present prices and demand give little incentive. If new reserves of fossil fuels are not developed, there will almost certainly be shortages later on.

As he so rightly put it: to meet long-term needs, investment by both our industries must continue. The question is: How can we ensure that this happens?

We have to adapt to the present drastic fall in demand for our products while at the same time making sure that the policies we adopt do not harm our ability to provide the energy that the country is going to need in the future. In our case there is enough coal under the ground in Britain to meet the likely demand for the next 300 years, including making a healthy contribution to Western Europe's needs. Those reserves represent an immensely valuable natural asset. If they are not going to be used as quickly as we once thought, that is not a matter for total regret. Measured against man's existence on this planet and hopes for further industrial development, 300 years is not a long time. If their life is extended to, say 350 years, so much the better for our successors, inconvenient though it might be for those of us who have to grapple with the present problems.

The skill will be to get through our present crisis in good shape to meet the future demand for our products.

It would be tempting, but wholly misleading, to think that once the recession passes, our problems will all be over and we shall be besieged by all our former customers demanding as much energy as they used to take.

In fact, many of our customers have gone out of business: they have been lost to us for ever. Some of the biggest energy consumers, like steel, have lost many of their markets. Others, like paper-makers, have gone to Scandinavia where their raw materials are cheaper.

Many more industrialists, struggling with high energy prices, have learned to manage with less. Increased fuel efficiency must be welcomed, even though it means the energy producers are left with surplus stocks at the present time.

Faced with these changes in the world energy market, Governments are trying to increase coal consumption by helping industrial, commercial and horticultural users to convert from oil and gas to coal. After a slow start our own Government's grants scheme is now building up momentum. On top of that, since December we have had the European Community scheme to lend money for this purpose at rebated interest rates. Many of the most famous, companies in Britain - ICI, Fords, Unilever, Dunlop - are taking advantage of these arrangements. The latest count shows that 219 qualifying applications have been received by the Department of Industry, of which 44 were received in February alone. If each scheme receives a grant of 25 per cent of its cost, the total take-up will be £36m. out of the £50m. set aside by the Government. The result will be an additional coal burn of almost 1.5m. tonnes a year.

The only snag is that there is a deadline for applications at the end of this month. We very much hope it will be extended - at least until the full amount of the £50m. budgeted for is taken up. Potentially, demand for coal by manufacturing industry five years from now could be 5m. tonnes higher than it is at present. That would be good for everyone involved - the boiler manufacturers, the customers and the coal industry. Already, jobs are being created and it surely makes sense for the Government to continue its encouragement and help.

So much for the markets.

What progress has been made with the mining side of Plan for Coal since I spoke to you eight years ago?

The Plan had three main elements:

- expansion of capacity at certain long life-pits;
- extension of the life of collieries that would otherwise have exhausted, by creating access to new reserves; and
- construction of new mines

Obviously there had to be a national exploration programme to locate the new reserves needed to increase capacity. This work has been highly successful. Total proved reserves at existing and new mine sites now stand 3,800m. tonnes higher than they did eight years ago, despite the fact that we have mined about 900m. tonnes of coal since then.

What of the investment programme itself? So far, 260 major projects (that is, costing more than £500,000.) have been approved at a total cost of about £3,200m. Of these, 150 have been completed,

providing a total of 16m. tonnes of annual capacity - and high-quality, productive capacity at that. This leaves about 100 or so projects, in progress, including Selby, which will bring in a further 26m. tonnes of annual capacity at still higher rates of productivity.

Selby is a good example of the industry's potential. Within two or three weeks the first face will start to operate, right on schedule. This mammoth scheme is one of the few big capital projects in the United Kingdom to have kept to its timetable, and this is a source of great satisfaction to us all, but especially to the engineers, workmen and contractors who have made this possible. When it is completed, the output will be 10m. tonnes a year, produced at productivity per man about five times as great as the present national average.

Investment in coal, as in other energy-producing industries, has long lead times but the evidence that it is producing the intended results is now emerging. In recent weeks overall productivity - that is, for all employed - has created all-time records. Performance at the face, whether measured by daily face figures or output per machine shift has also reached best-ever levels. Productivity per faceworker is consistently exceeding 10 tonnes per manshift and any week now will reach 11 tonnes. Our Plan for Coal assumption was that it would not attain that standard until 1985, so in that respect we are two years ahead of programme.

I am often asked if we shall soon reach the technological limit for underground mining. Is further engineering and scientific progress still possible or are we approaching the ultimate plateau?

We certainly expect that in the next 20 years we shall not make any big move away from the present basic longwall system. The mining technique is fixed but that is not to say that productivity will stagnate. Machines will become still more powerful. Underground transport will be faster. Our main research and development effort will be to release the potential still available within the longwall system.

Improvements will come from applying microprocessor techniques, both to provide us with fast, accurate information about underground operations and, in some cases, to control those operations from a distance. We lead the world in applying these techniques yet, in my opinion, they are still only in their infancy.

So, on the production side we are at last getting good results and can confidently expect further improvements for a good many years yet.

There is an immediate problem, though, of imbalance. I have already mentioned the gap between coal sales and production, running this year at about 9m. tonnes. There is also an imbalance between

the rate at which we have been introducing new, low-cost capacity and the rate at which we have been pulling out of the old, high-cost pits. The 150 major capital projects completed so far have a total annual capacity of about 16m. tonnes. The Tripartite report which led to Plan for Coal said that up to 1985 an average of 3 to 4m. tonnes capacity a year would be lost, mainly through exhaustion of mines and possible exceptional mining difficulties. In fact the 64 collieries closed since 1973-4 represented an average reduction of only about 1m. tonnes a year based on their output in the last full year before they closed. So we have created new capacity with better working conditions faster than we have got out of the old, and that is holding us back as an industry.

About 12 per cent of our output comes from persistently unprofitable collieries and was responsible for financial losses of about £250m. in 1981/82. This clearly cannot continue if our operations are to be cost-effective.

The Board's intention is to tackle this burden with determination, for the future of the industry demands that we should. But we shall do it with compassion for the people involved. Here I want to refer to our past record.

Of about 23,000 men working at the collieries closed since 1973-4, 67 per cent were transferred to other jobs within the industry. Of the total number of men made redundant since 1973/74 (both through closures and for other reasons), about 90 per cent

were over 55 years old and went on terms that they gladly accepted. The cases where a man wanted to stay in the industry but could not be found a job have been very few.

I have said often in the past that I am not in the business of butchering the pits. Our policy is, rather, one of skilful therapy, the aim being to deal with our current difficulties in such a way that the industry's ability to meet future demands is preserved.

The people who manage the coal industry are the custodians of one of Britain's most important natural assets. This country has about ten times as much coal in the ground as it has oil and natural gas.

The future importance of those coal reserves has been recognised by all political parties. Since 1974 we have had in effect a bipartisan policy towards coal. Despite the recession and the sharp fall in current demand, the present Conservative Government has kept up the same high rate of investment in coal as its Labour predecessor. This year we have available for capital spending over £800m. On top of that, there are Government grants of about £520m. The money borrowed for investment projects has to be repaid with interest but the grants, which are equal to about £10 a head for every man, woman and child in the country, are a way of giving the industry time to modernise itself and overcome its present difficulties without hardship to the men involved. It is time we started to be independent of outside help - to take control of our own destiny.

That brings me to the present situation in our industry.

Tomorrow the mineworkers will be voting on a recommendation that they should give their National Executive authority to take industrial action to prevent the closure of "any pit, plant or unit except on the grounds of exhaustion, including those currently threatened in South Wales". In other words, the Union have tried to widen the question to cover possible closures, apart from Tymawr/Lewis Merthyr, which was the original issue.

Maybe that shows the Union leaders realise that it will be difficult to persuade men in other coalfields to strike over that particular closure. The pit has certainly come to the end of its economic reserves. We have been trying to keep it going for the last four years.

Mr. Scargill interrupted his Executive meeting last Thursday to put what he described as a compromise. He wanted me to agree to operate an experimental face in a last attempt to put the pit right. I had to point out that the present face was itself an experiment. We agreed to mechanise it at a cost of £1.5m. Since it started the results have got worse and worse, through no fault of the management or men.

Geology has beaten us. The roof is brittle, breaking up as soon as the power-loading machine has passed, leaving cavities which have to be made safe before work can go on. The seam is affected by old

workings above and below it, which all miners know causes problems. The floor is too soft to take the weight of the machine and gets churned up, contaminating the coal.

The colliery manager - the man on the spot - has said: 'Nothing has been spared in attempts to get the thing to work, but it's a nightmare'.

The results speak for themselves. Since last July output has been only 28,000 tonnes which works out at 65 tonnes a shift, compared with a rate of about 350 tonnes at similarly-equipped faces elsewhere in the industry.

The pit lost about £80 a tonne last year. Is there any wonder I told Mr. Scargill I was not prepared to undertake another experiment there?

As I said earlier, we are creating new capacity through capital investment - unlike most other heavy industries in this country. There is no hope for the industry if we are to be doomed to work places like Tymawr/Lewis Merthyr until the very last tonne has gone. No pit is ever completely exhausted before closure, so the words on the ballot paper are misleading.

As every mineworker knows pits do come to the end of their economically workable reserves and we have, without fuss or bother, closed dozens of pits which have got into that state.

It is right that mineworkers should be concerned for the well being of their own people in other collieries but that is not an issue in the case of Tymawr/Lewis Merthyr where there is a job for every man within a few miles of his own home. Travelling expenses are subsidised and transfer allowances of up to £1,550 will be paid.

The figures quoted earlier show how successful we have been in coping with the human problems that arise when pits are shut.

Let me spell out our policy for the benefit of the men who will be putting their crosses on those ballot papers tomorrow.

We have to re-structure this industry to adapt output to what our customers will buy from us, and at what price. We shall pay our workpeople the best wages we can afford out of the money we earn.

For as long as possible we shall go on offering alternative jobs when pits close, with voluntary redundancy for the older men on terms that will be acceptable to them. None of the actions we are taking now or are likely to take in the foreseeable future, whether by closing pits or reducing manpower at continuing pits, need cause any compulsory redundancy.

It is my duty as Chairman to make it clear to the people of the industry what will be the consequences of a national strike and to begin with I want to correct something Mr. Scargill said last

Wednesday. He said, and I quote: "It is a myth that the CEEB have 5-6 months of coal stocks. In fact, power stations have only sufficient for 8-9 weeks".

That is wrong. Stocks now lying on the ground at power stations would be enough at the rate of consumption usual in the spring and early summer to last more than twice as long as Mr. Scargill claims.

So if the mineworkers do vote for a strike, I am bound to warn them that they would have to be prepared to stay out for a very long time. It would be the height of summer before there was any noticeable effect of a strike.

And a strike can do nothing to protect jobs. In fact it would have the opposite effect. Already this year, without counting the effects of the recent action, strikes in support of NUPE and the railway workers, and an overtime ban have lost the industry £64m. That is money that will not be available for wages. Money that might have helped to keep down the price of coal, thus protecting miners' jobs. A strike now would lose present and potential customers.

My message to mineworkers is this: Vote 'No' to a strike tomorrow - because the problems won't go away.

A strike would only make them worse.

- It would be a long strike

- It would lose the miners a lot of money

- It would lose the industry a lot of money which it needs for the future

- It would lose the Board a lot of present and potential customers

4021/3/83/M/11/LSG

7th March 1983



MB/Tord

J West

10 DOWNING STREET

MUS 7/3

Prime Minister

Asfordby

Mr Lawson asked me to put

this point to you.

Since you decided on

Thursday not to go ahead.

with announcing the decision on

Asfordby while a strike is

threatened there has been a

change in the situation - the

miners' ballot. Does this

justify a change in the
decision — i.e. should we
announce, in order to
influence the ballot favourably?

Agree no change to
Thursday's decision?

MCS 4/3

No - it may not

and we should then
need that lead to
play later
not

PRIME MINISTER

Engagements

Q1. **Mr. Barry Jones** asked the Prime Minister what are her official engagements for 3 March.

The Prime Minister (Mrs. Margaret Thatcher): This morning I presided at a meeting of the Cabinet and had meetings with ministerial colleagues and others. In addition to my duties in the House, I shall be having further meetings later today.

Mr. Jones: Does the Prime Minister understand that the south Wales miners are angry because investment in their coalfield slumped to only £14 million last year? Does she concede that the provocative appointment of Mr. MacGregor appears to be a signal that the coalfield can be mauled and cut back hugely? Is that not why the miners have no confidence in the Government?

The Prime Minister: Precisely where investment is made is a matter for the National Coal Board. "Plan for Coal" has been carried out and extensive investment has been made in the NCB because new pits have a very good future. I have no statement to make about the chairmanship either of the NCB or the British Steel Corporation.

Mr. Skinner: She is backing off.

Q2. **Mr. Ward** asked the Prime Minister if she will list her official engagements for 3 March.

The Prime Minister: I refer my hon. Friend to the reply that I gave some moments ago.

Mr. Ward: I thank my right hon. Friend for that reply. Does she agree that the threatened coal strike is both unnecessary and unjustified? Will she take this opportunity to remind the miners that they receive enormous subsidies from the public—[HON. MEMBERS: "What about farmers?"]—and that taxpayers are entitled to expect that that money will be used sensibly and economically, not to keep uneconomic pits in production?

The Prime Minister: I agree with my hon. Friend. The pit in question is 120 years old and its losses this year are expected to be about £13,000 per man employed.

Mr. Foot: Does the right hon. Lady agree that one of the causes of the problem in the coalfield is the great mistrust of Government policy that prevails there, partly because of what has happened in the past few years and partly because of what is projected? Does she appreciate that that is likely to be increased by the latest unemployment figures? Does she see any prospect of a fall in unemployment? Does she not understand that the Government calculate an increase of some 280,000 in the number of unemployed? How many of them will be in south Wales? How many of them will be miners?

The Prime Minister: I believe that the right hon. Gentleman started off on the subject of coal. Following "Plan for Coal", investment in that industry during 1974 to 1978-79 was about £1,500 million. About £3,000 million was invested in coal between 1978 and 1982-83. That shows this Government's faith in the future of coal. Once those excellent pits are in production, there is hope that coal might be produced more cheaply. If that happens,

there is hope that electricity costs might be reduced, which would help the many industries that now complain about the cost of electricity.

The right hon. Gentleman knows that the actual figure for unemployment is down, but I would be the first to admit that the seasonally adjusted figure is up. As I have said many times, the only way to get more jobs in a world recession—the right hon. Gentleman will have seen the German figures that were also published today—is to be as competitive both in price and in design as the best of the rest of the world.

another 650 available. That is considerable progress in a short time. Much more needs to be done, but it cannot all be done in a day. It would have been much easier if the Opposition had done something about it before.

Mr. Crouch: Has my right hon. Friend reached any conclusion about the shambles that has been caused at Hyde Park corner as a result of the commissioner's action to slow up the free flow of traffic there?

Mr. Whitelaw: I understand that that action was decided upon by the GLC, not the commissioner.

Mr. Skinner: Will the Minister confirm that it was not until my question appeared on the Order Paper today that a planted question appeared from one of his Back Bench hon. Friends also appeared? Should he not be more anxious to congratulate the disabled people at Cressy Fields, Alfreton, who refused to pay their television licences last year? Is this not a victory for extra-parliamentary activity.

Mr. Mellor: The hon. Gentleman's belief in the conspiracy theory of life does him no credit. The question to which he refers was tabled and answered properly. I am sorry that he cannot bring himself to welcome a helpful concession that will benefit many people.

Mr. Waller: Does not the history of such a concession show that one has only to introduce concessions to produce anomalies? Would it not be better if such assistance as is given in these concessions were given in cash, as the pensioners' organisations wish?

Mr. Mellor: Overall, what my hon. Friend says is our policy, but we inherited an anomalous set of concessions. I see no reason for denying the concession to the disabled when it is available to elderly people who live in the same type of accommodation. My hon. Friend's argument is right with regard to a further widening of these concessions.

Mr. Allen McKay: Would the Minister care to look at my ten-minute Bill of 26 October 1982, passed by the House by 187 votes to nil? When will he put the will of the House there expressed into practice with regard to concessionary television licences for old people?

Mr. Mellor: I have already made the position clear. I see no reason for not extending the concession to disabled people who live in the same circumstances as the pensioners to whom I referred earlier. However, there seems to be every reason for not imposing further costs on ordinary licence payers by extending the concession more widely, regardless of need.

Extradition Law (Report)

19. **Mr. Stanbrook** asked the Secretary of State for the Home Department what consideration he has given to the representations made to him following the publication of the report of the inter-departmental working party on extradition law.

Mr. Mayhew: Comments are still being received. We are considering the responses and will be deciding what action to take on the working party's recommendations.

I should like to take this opportunity to express our appreciation to all those who have given such detailed consideration to the report and have been willing to give us the benefit of their own knowledge on the issues that have been raised.

Mr. Stanbrook: Is it not a fact that we have only 44 extradition treaties and that most of them are more than 100 years old? Is it not desirable to dispense with the need for a treaty and agree to extradite for all offences that are made extraditable by the laws of both countries?

Mr. Mayhew: That is an important matter about which my hon. Friend is a great expert. We should be unwise to reach a final conclusion until we have considered all the responses to the working party.

The Prime Minister: I refer the hon. Gentleman to the reply that I gave some moments ago.

Mr. Lofthouse: Does the Prime Minister recollect my question to her on 8 February, when I informed her of the reaction of the mining industry to the rumoured appointment of Mr. Ian MacGregor? Is the Government's announcement during the past two hours, directly after the decision of the national executive of the National Union of Mineworkers, that great democratic union—*[Interruption.]*—Yes, that great democratic union, to ballot its members, a deliberate act of provocation on her part to make sure that the miners vote for a strike, which is something she has wanted for many months? Can she tell the House whether Mr. MacGregor has accepted the offer?

The Prime Minister: As the hon. Gentleman probably heard me say earlier, I have no announcement to make about the future chairmanship of the National Coal Board.

Mr. Lofthouse: It has been on television.

The Prime Minister: The hon. Gentleman should not always believe as gospel what he sees on television. I have no announcement to make about the future chairmanship of the National Coal Board. As the hon. Gentleman knows, Mr. Siddall's appointment comes to an end, I believe, at the end of July, and he cannot carry on. There is no secret about the fact that Mr. MacGregor is being considered for the chairmanship. There are good reasons why his name should be considered. When he was chairman of AMAX, in his first year—

An Hon. Member: Reading.

The Prime Minister: Yes, because I want to be accurate in what I say. When he was chairman of AMAX, Mr. MacGregor took it into coal production, and coal operations expanded by 75 per cent. between 1971 and 1976 making AMAX the third largest producer of bituminous coal in the United States. In 1976, after the worst year for United States mineral consumption since the depression of the 1930s, AMAX, unlike other United States mineral companies—

Mr. Lofthouse: This means that the Prime Minister has appointed him.

The Prime Minister: —embarked on a \$2 billion expansion programme. That is the background. I have no announcement to make. May I make it clear that no one has yet been appointed to the job.

Mr. Latham: On a point of order, Mr. Speaker. May I ask you to consider the convenience of hon. Members? There is serious overcrowding on the Opposition Front Bench below the Gangway, which I believe should have your immediate attention.

Mr. Cryer: On a point of order, Mr. Speaker. I wonder whether you have received a request from the Minister of State, Home Office to make a statement retracting his explicit and clear endorsement of police violence towards the women at Greenham Common when replying at Question Time to my hon. Friend the Member for Workington (Mr. Campbell-Savours).

Mr. Speaker: Order.

4. **Mr. Lofthouse** asked the Prime Minister if she will list her official engagements for 3 March.

Business of the House

3.32 pm

Mr. Michael Foot (Ebbw Vale): Will the Leader of the House state the business for next week?

The Lord President of the Council and Leader of the House of Commons (Mr. John Biffen): Yes, Sir. The business for next week will be as follows:

MONDAY 7 MARCH—Debate on a motion to take note of the review by Lord Jellicoe, Cmnd. 8803.

Motion on the Prevention of Terrorism (Temporary Provisions) Act 1976 (Continuance) Order.

Proceedings on the British Fishing Boats Bill.

TUESDAY 8 MARCH—Remaining stages of the Energy Bill.

Motion on financial assistance to Opposition parties.

WEDNESDAY 9 MARCH—Debate on a motion to take note of the White Paper on the Government's expenditure plans, 1983-84 to 1985-86, Cmnd. 8789.

THURSDAY 10 MARCH—Motions on the following Northern Ireland orders: Appropriation, Rates (Amendment) and Licensing (International Airports).

FRIDAY 11 MARCH—Private Member's motions.

MONDAY 14 MARCH—Remaining stages of the Housing and Building Control Bill.

Mr. Foot: May I put four matters to the right hon. Gentleman? I am grateful to him for providing a debate on the public expenditure White Paper for which we asked, but I fear that we are still awaiting a response from the Government on other matters. We have asked constantly for a debate on disarmament, which he has promised, but there seems to be no prospect of it in the near future. The Secretary of State for Defence seems to be setting up a new department in his Ministry each week instead of preparing speeches on this matter. I should have thought that the Leader of the House could have arranged a debate by now.

We should like a debate on the discussions within the Government on what is euphemistically entitled "family policy" to cover social policy generally.

We have asked for a debate on the second Brandt report, and I believe that the right hon. Gentleman has accepted our request. I hope that he will tell us when it will take place and whether the report will be placed in the Vote Office, as we have requested.

Will the right hon. Gentleman look again at the request I have made on numerous occasions for a debate on the Charter Consolidated and Anderson Strathclyde merger? The right hon. Gentleman knows that there is widespread interest on this matter not just in Scotland but throughout the country. We believe that the interference with and overruling of the Monopolies and Mergers Commission raises an issue of major importance. There is no possibility of a Supply day being used in the proposed arrangements for next week, but there are some other aspects of business which could easily be postponed. Will the right hon. Gentleman consider that?

In view of the widespread interest in any appointment to the chairmanship of the National Coal Board, I hope that the right hon. Gentleman will agree that any such appointment should be announced in the House, which is the right way to do it as so many questions have been put down. I hope that the right hon. Gentleman will agree immediately to that request.

is no prospect of Government time being made available for a debate on the subject. However, it is highly suitable

CONFIDENTIAL

MR SCHOLAR

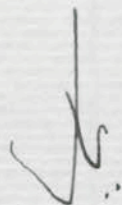
PA

cc Mr Rickett
Mr Mount
Mr Ingham

MACGREGOR

Ferdie Mount is worried about the danger of the Government seeming to climb down, if we confirm now that we have approached MacGregor but MacGregor subsequently proves too expensive; and, on reflection, I think he is right. If our best judgement is that we are almost certainly going to end up getting him, then I see no point in denying that we are after him, and some benefit in explaining why - that he is the best man for a difficult job. But if we think there is a significant possibility that we shall be unable to agree terms with him, we must be more cautious, because otherwise Scargill will certainly be able to claim that the failure of MacGregor to materialise is his doing. So in the latter case we suggest a reply along these lines:

"The Right Honourable Gentleman has referred to Mr Ian MacGregor. I have the greatest respect for Mr MacGregor, who is doing a difficult job most successfully at British Steel. [examples] As to the Chairmanship of the National Coal Board, the appointment has not yet been made and we shall of course inform the House when it is. The House will understand that any discussions the Government may have of possible major appointments are held in confidence."



3 March 1983

CONFIDENTIAL

SUBJECT

SECRET



file

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Ford
cc Master

48

10 DOWNING STREET

From the Private Secretary

3 March 1983

Asfordby

The Prime Minister discussed the NCB's application to mine at Asfordby with your Secretary of State and the Secretary of State for Energy this morning.

The Prime Minister said that it was fully recognised that this decision was one for your Secretary of State to make on his own, in his semi-judicial capacity. She enquired, however, about the reasons for the delay in his decision.

Your Secretary of State explained that he had just received an interim report from the working parties which had been set up following his predecessor's decision in March last year, on the disposal of spoil. The final report would not appear until later, probably in July. He had now been advised that the interim report provided a sufficient basis on which he could make his decision. He was therefore, near the point where he could reach his conclusion. The Prime Minister said that it would be important, once the decision was made, to be ready to publish it as soon as possible. She would wish to be consulted about the timing of the announcement.

I am sending a copy of this letter to Julian West (Department of Energy).

M. C. SCHOLAR

David Edmonds, Esq.,
Department of the Environment.

SECRET



SECRETARY OF STATE FOR ENERGY
THAMES HOUSE SOUTH
MILLBANK LONDON SW1P 4QJ
01-211-6402

W F Rickett Esq
Private Secretary to
the Prime Minister
10 Downing Street
London SW1

2 March 1983

Dear Willie,

COAL

Thank you for your letter of yesterday and its attached briefing note for the Prime Minister. I am sorry about the confusion over the figures.

In fact, all the figures in your note are correct with the single, slight qualification that grants to the coal industry (your point 9), which do indeed average about £550 million a year, are now expected to be about £520 million in 1982/83.

I attach a revised brief including all the points in yours, together with other material which the Prime Minister may find useful. I am assured that you may have confidence in the figures it contains.

Yours ever,

J D WEST
Private Secretary

Ref. A083/0713

PRIME MINISTER

Cabinet: Industrial Affairs: The Coal Industry

I understand that the Secretary of State for Energy has been in touch with you about the developing dispute in the coal industry. He will no doubt wish to report briefly to the Cabinet tomorrow under the Industrial Affairs item.

MAIN ISSUES

2. The main issues at this stage are:
 - a. How likely is a national miners' strike?
How widespread would any strike short of this be likely to be?
How long would a national strike, or more limited action, be likely to last?
 - b. The extent of power station endurance and, in particular, the timing of measures (principally the implementation of maximum oilburn) designed to prolong endurance.
 - c. The handling of publicity and what the Government's public stance should be.

(a) The Situation

3. At present the situation is very confused. The South Wales coalfield is already on strike and the National Union of Mineworkers (NUM) has called a strike in South Yorkshire beginning on Monday. In most other areas the local NUM Executive Committees have recommended a strike (although in some cases, eg Nottinghamshire, rather half-heartedly) and are organising pithead ballots over the next few working days. By next Wednesday we should have a clearer picture of the extent of support for the various strike calls. An emergency meeting of the NUM National Executive Committee (NEC) has apparently been summoned for tomorrow (Thursday) although its precise purpose is not yet entirely clear. One question which it will probably consider is whether to organise a national strike ballot, as some areas (eg North Wales and Cumberland) have demanded; a 55 per cent majority in a ballot is required for a national strike.



Since some staff groups (eg the clerical and administrative staff) are known to oppose a strike, the NEC may well prefer, in the light of last November's experience, to encourage local strikes and avoid a national ballot, although this will make it more difficult for the NEC to control the situation.

4. It is therefore impossible to judge at this stage how widespread industrial action is likely to be or for how long it might last.

(b) Power Station Endurance

5. I understand that power station endurance now stands at about six months. This is on the following three assumptions:

- a. maximum power station oilburn (and, presumably, exports from Scotland) from the start of a strike; and
- b. no replenishment of power stations' stocks of lighting-up oil; but
- c. replenishment possible of other ancillary materials, which are required in much smaller quantities and, therefore, need replenishment much less frequently.

This further assumes that all pitheads and power stations will be effectively picketed throughout a miners' strike. However, if a miners' strike were to be confined to a few areas and coal deliveries continued to be possible to power stations in other areas, endurance could be longer than six months and possibly indefinite. It will be next week before we can assess the likelihood of this; much will depend on the attitude of the National Union of Railwaymen, which so far, has provided co-operation only in South Wales.

6. At some stage Ministers will have to consider whether to authorise the maximisation of power station oilburn. The Department of Energy advises against doing so immediately for the following three reasons:

- i. the Electricity Boards can be relied on to move without prompting to maximum power station oilburn as soon as a strike begins. If they do so, they will bear the costs. But if the Government presses them to do so, the Boards may seek a grant, as they did previously; the cost might be of the order of £20 million per week;



- ii. an early move to maximum oilburn might prove unnecessarily provocative; it would quickly become common knowledge;
- iii. to delay a decision until a large-scale strike seems certain would reduce total endurance by only a few days at most.

7. This assessment seems right. But to avoid unnecessary delay in the event of a large-scale strike the Secretary of State for Energy might be authorised, in consultation with the Chancellor of the Exchequer and the Secretary of State for Scotland, to arrange for the necessary measures to be taken as soon as a large-scale strike seems certain.

(c) Publicity

8. Past experience suggests that publicity should be left so far as possible to the National Coal Board and that they will handle it skilfully. A low profile at this stage by the Government seems best; in particular, it will be important to avoid any suspicion that the Government is involved in the decision to close the Tymawr-Lewis Merthyr pit or that a major programme of closures is being planned at the Government's behest. You will want to ask the Secretary of State to report on the National Coal Board's publicity plans.

CONCLUSIONS

9. Subject to the discussion, you will want to draw attention in your summing up to any conclusions reached about:
- a. the present industrial relations situation;
 - b. the timing of measures to maximise power station endurance; and
 - c. the handling of publicity.

You will also want to ask the Secretary of State for Energy to keep you and the other Ministers directly involved in close touch with developments.

Robert Armstrong
 Approved by
 ROBERT ARMSTRONG
 and signed in his absence.

2 March 1983

Prime Minister

May John Vercher

attend for this item of

Cabinet?

ms 2/3

PRIME MINISTERcc Mr Mount
Mr InghamCABINET, 3 MARCH: THREATENED MINERS' STRIKE

Mr Lawson will no doubt make an oral report to Cabinet tomorrow about the prospects for a national miners' strike over the closure of the Merthyr Colliery in South Wales.

The Extent of Support for the Strike

The picture is confused, because there has been no national ballot and decisions of varying degrees or significance are being taken by each NUM region. In general, in the militant areas (Scotland, Yorkshire and Kent, all of whom have shown substantial support for a strike in the last two ballots) strikes have been called by the local NUM executives to start from next Monday, 7 March. In these areas there is unlikely to be significant formal consultation of the membership, and support for the strike will have to be gauged by whether anyone turns up for work. In the less militant areas, where there has not been a majority for a strike in the previous two ballots, local executives have in general called for pithead votes on their recommendation to strike as from 8 March: the votes are likely to be taken around 7 March. So in these areas there is still a good chance that the strike will not be supported, because the local executives tend to be significantly more militant than the membership as a whole. For convenience I have set out the position as I understand it today in the attached annex: but I must stress that information about local NUM intentions is unreliable.

Decisions for Ministers

There are no decisions for Ministers until it becomes apparent that we are faced with a virtually complete national strike which is likely to last for some time. It will then be necessary to decide about oil burn, and there may be one or two smaller matters arising from our plans to withstand a coal strike. But for

the moment all we need to do is sit tight and wait for events to unfold, with the security of two years of preparation and six months worth of coal stocks at the power stations.

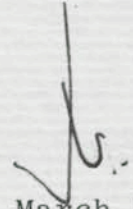
Presentation

The media are already doing it all for us. The hopeless nature of the Merthyr pit is widely recognised, as is the fact that this would be an extraordinarily bad time of year for the miners to embark upon a serious strike. It is of course essential that we continue to leave it to the NCB to take the lead in making the case against the strike, and they are doing this very well. And it is equally necessary to avoid giving any impression of alarm at the prospect of a long miners' strike, or any indication at all of softening our approach to pit closures.

The Longer Term

The NUM's immediate objective is to prevent the closure of Merthyr. But even they probably realise that that is doomed to failure. To the extent that they have thought about it at all (and my own view is that they have just drifted into it) they probably hope at least to achieve the longer term objective of making the moderate membership more militant on pit closures generally. They may even hope to secure, in the closing stages of a long strike, some concession from the NCB about the future rate of closures elsewhere.

We need to keep that firmly in mind too. Merthyr is a truly "hopeless" case, with one of the highest losses per ton of any pit: but it is equally important to get some of the bigger ones closed. Neither we nor the NCB should attempt to secure the closure of Merthyr by indicating that "less hopeless" cases are safe. The best outcome from the Government's point of view would be an ineffective strike, which discredits miners' solidarity (and the usefulness of the strike weapon) in the face of closures.


2 March 1983

Position on 2 March 83

	<u>Percentage of Votes for a strike</u>		<u>Consultation</u>	<u>Status</u>
	<u>Jan 82</u>	<u>Oct 82</u>		
I <u>55% and over</u>				
SCOTLAND (16,000)	63	69	Pithead meetings today, but vote unlikely	Local Executive has called for strike from 7 March
YORKSHIRE (60,000)	66	56	None proposed	Local Executive has called for strike from 7 March
SOUTH WALES (23,000)	54	59	Pithead show of hands gave 55% for strike	All out strike started on 28 February
KENT (3,000)	54	69	Pithead meetings today - vote unlikely but NB that strikers could lose their redundancy pay	Local Executive has called for strike from 7 March
II <u>Under 55%</u>				
DURHAM (21,000)	46	31	Pithead votes on 7 March	Local Executive has called for ballot on strike from 8 March
NORTHUMBERLAND (26,000)	37	32	Expected, but date unknown - probably early next week	Executive expected to call today for ballot
NORTH DERBY (11,000)	50	40	"	"
NCTTINGHAMSHIRE (33,000)	30	21	Expected, but date unknown - probably early next week	Local Executive has called for both <u>local and national</u> ballots, but majority recommends a strike from 8 March
OTHERS (c. 20,000)			Some form of consultation likely next week	



Secretary of State for Industry

See

DEPARTMENT OF INDUSTRY
 ASHDOWN HOUSE
 123 VICTORIA STREET
 LONDON SW1E 6RB 3301
 TELEPHONE DIRECT LINE 01-212
 SWITCHBOARD 01-212 7676
 / March 1983

NBPM
ms 3/3

Rt Hon Nigel Lawson MP
 Secretary of State for Energy
 Department of Energy
 Thames House South
 Millbank
 London SW1P 4QJ

Dear Nigel,

PROPOSED IMPROVEMENTS IN REDUNDANCY TERMS FOR MINeworkERS

You sent me a copy of your letter of 17 February, and I have since seen Leon Brittan's and Norman Tebbit's of 24 February.

2 I can certainly confirm to Leon Brittan that I should not, as a consequence, come forward with proposals in respect of my scheme. None the less, the proposals could increase the risk that steel and shipyard workers will also press for increases. However, these schemes are very difficult to compare with one another taking into account the whole range of age points throughout the schemes and I would not expect that comparability arguments would be strong.

3 We must obviously assess the political implications of such enhanced public sector redundancy schemes against the substantial criticism of their generosity as compared with most private sector schemes. We must have very sound grounds on which to defend the proposed improvement, but you and Leon must be the best judges of that.

4 I am copying this letter to the Prime Minister, the Home Secretary, the Secretaries of State for Scotland and Wales, the Chief Secretary, the Secretary of State for Employment, Sir Robert Armstrong and John Sparrow.

You are
Pat

Next Ind,
Coast, Pt 7

13 MAR 1983





FILE

SW

10 DOWNING STREET

From the Private Secretary

1 March, 1983

South Wales Miners' Strike

I attach a note which I prepared as briefing for the Prime Minister for Question Time today. It is based largely on figures which Mr. John Moore used in the House yesterday. The other figures were obtained from your Department by the Parliamentary Section here. In short, all the figures that it contains came from your Department. When I showed this to the Prime Minister, she expressed a particular interest in using the figures in paragraphs 2, 6, 7 and 9, and we checked these again with your Department. The Prime Minister subsequently used most of these figures in the House. I should be grateful if you could check them once again to ensure that they are correct.

W. F. S. RICKETT

J. D. West, Esq.,
Department of Energy

SW



Prime Minister ^{(2) →}
Now settled
MUS 2/3

PRIME MINISTER

SOUTH WALES MINEWORKERS' STRIKE

As you know, the NUM Area Executives in Yorkshire, Scotland and Kent have recommended their members to join the strike against the closure of Tymawr/Lewis Merthyr from Sunday. At the same time ballots or other forms of consultations are planned in several other NUM areas for the end of this week or early next week. In most cases, the Area NUM leadership are recommending a vote for a strike.

The Deputy Chairman of the NCB, James Cowan, has today given me his assessment of the position. He believes that the workforce is not yet ready for a strike. Even in Yorkshire, it is not yet clear that men from all parts of the coalfield will respond. Meanwhile the Board are taking the line that Tymawr is a hopeless case, that they have no intention of backing down, and that if the situation develops into a national strike it will be a long one.

The next few days, while ballots are taking place and grass-roots opinion is crystallising, will be crucial. It will suit the militants to be able to represent the issue as a struggle against a Government-inspired plan for pit closures. The right tactic for us is to keep as low a profile as possible and avoid substantive comment that goes beyond what the NCB have already said. I will, though, take an early opportunity of getting over the point that the Government has no intention of intervening, in order to strengthen the NCB's message that a strike would last a long time.

I am copying this minute to the Home Secretary, the Secretaries of State for Scotland, Wales and Employment, Sir Robert Armstrong and Mr Sparrow.

Handwritten signature

Secretary of State for Energy

18 March 1983

Nat. Ind.

Coal Pt 7



THE UNITED STATES

DEPARTMENT OF THE INTERIOR

As you know, the National Industrial Conference Board has been organized to study the coal industry and to report on its findings to the public. It is now in the process of collecting information from the coal industry and other interested parties. It is hoped that this information will be of great value to the public and to the government.

The Board is composed of representatives of the coal industry, labor, and the public. It is now in the process of collecting information from the coal industry and other interested parties. It is hoped that this information will be of great value to the public and to the government.

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Handwritten initials or signature, possibly "J.L."

Director of the Bureau of Mines
Washington, D.C.



SECRETARY OF STATE FOR ENERGY
 THAMES HOUSE SOUTH
 MILLBANK LONDON SW1P 4QJ
 01 211 6402

✓ CJV

Prime Minister (2)

MUS 25/2

CONFIDENTIAL

John Kerr Esq
 Private Secretary to the
 Chancellor of the Exchequer
 Treasury Chambers
 Parliament Street
 London
 SW1

25 February 1983

MF

Dear John,

NCB : SOUTH WALES STRIKE

As you will know, the South Wales NUM have voted in favour of a strike in the coal-field from Monday morning in protest against the closure of Tymawr/Lewis Merthyr pit. After a re-count the vote was 55.41% in favour of a strike and 44.59% against.

The NCB's assessment is that there will be very wide support for a strike across the coal-field, although it is possible that there will be some limited opposition.

The South Wales NUM Area are likely to send representatives to other coal-fields to seek support. The Board's initial assessment is that Arthur Scargill is unlikely to favour a national strike on this closure.

I will report further as the position develops.

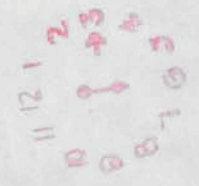
I am copying this letter to Michael Scholar, Tony Rawsthorne, Muir Russell, Adam Peat, Jonathan Spencer, Barnaby Shaw, Richard Hatfield and Gerry Spence.

Yours ever,

J D WEST
 Private Secretary

10

20 11885



20



Prime Minister

The Chief Secretary
agrees to the improvedTreasury Chambers, Parliament Street, SW1P 3AG *miners' redundancy*

Rt Hon Nigel Lawson MP
Secretary of State
Department of Energy
Thames House South
Millbank
London SW1P 4QJ

*terms, subject to various
conditions.*

*MUS 25/2
24 February 1983*

2 Nigel,

PROPOSED IMPROVEMENTS IN REDUNDANCY TERMS FOR MINeworkERS

Thank you for your letter of 17 February in which you seek certain improvements to the statutory redundancy terms for mineworkers.

The improvement in the terms which you propose is extremely generous. For example, a 50 year old made redundant will receive, in his years to 65, some £60,000 if the £35 limit in the Social Security (No 2) Act 1980 is reduced by 3 per cent a year in real terms, or £65,400 if the limit is maintained. This compares to the £45,600 receivable under present terms. It is also debatable whether it is necessary to disclose the improved terms now rather than later when it would be clearer whether they would be required to achieve a higher level of closures. I am prepared nonetheless to agree to the improvements but only if you and Patrick Jenkin can agree to the following points.

- (i) Our understanding of the public expenditure consequences of the proposals are set out in the Annex to this letter. My agreement to the proposals is subject to your agreement that these consequences will be dealt with in the following way:-

For 1983-84, the extra costs fall under three heads:-

(a) Extra social costs count towards the NCB's EFL. The Board will absorb these costs within the existing EFL from the additional operating cost savings as a result of the extra redundancies. Annex B of your letter suggests that these savings will be higher than the £8 million extra social grants referred to in the Annex to this letter.

(b) The Annex suggests that the cost for the RMPS scheme of the improved terms and the hoped for higher level of redundancies is £18 million. I must ask that you agree now to find offsetting savings for this expenditure, either from your Departmental programmes or the energy nationalised industries. A possible source here is BGC. That Corporation's latest monitoring return forecasts an underspend in their 1983-84 EFL of £17 million with a projected outturn of -£31m.

(c) Line 2 of the Annex shows that expected redundancies on the existing RMPS terms and on the basis of the NCB's "reference case" would add £20 million to the PEWP baseline for the RMPS scheme. Since this cost arises from existing policy, and in the special circumstances of the coal industry, I am content not to press for offsetting savings on this particular occasion.

For the later years, the extra cost should be treated as an additional bid in the 1983 PES in the normal way, and I should make clear now, that there should be no presumption that an increase in your programme will be agreed.

- (ii) I should like Patrick Jenkin to confirm that the proposed improvements to the miners' scheme would not cause him to come forward with proposals for additional public expenditure for the steel and shipbuilding schemes. If he saw difficulties with his schemes, we would need to think again about your proposals.
- (iii) The purpose of the redundancies would be frustrated if the NCB maintained a level of recruitment which was above the barest minimum necessary. I know that your officials have put in a special effort recently to impress upon the NCB the importance of minimising new entrants to the industry and I should be glad if you could impress this upon the Chairman of the Board when you notify him of the improvements. In addition, our officials should confirm that the Board's recruitment policy is satisfactory and agree with the Board arrangements to monitor recruitment.

If you can confirm your agreement to the points at (i) and (iii) above and Patrick Jenkin can give the confirmation sought at (ii), I can then give my agreement to the proposals.

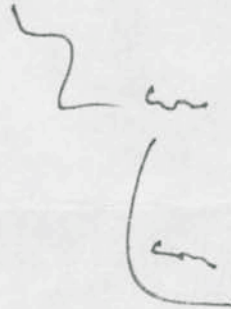
When announcing the new terms it will be important to do so in a low key way which does not draw attention to the extremely generous level of benefits, provided at taxpayers' expense, available under the scheme. No doubt this can be done in a way which permits the NCB to make maximum use of the new benefits within the coal industry.

I also suggest that our officials should consider the case for including the RMPS payments within the NCB's EFL. There may be technical difficulties about this, but it needs to be examined. Existing arrangements may give the NCB an incentive to regard RMPS payments as "a free good" since they fall outside the Board's own finances. This concern is, I think, reflected in your suggestion that the Board should be pressed to agree to effective methods of ensuring that the full costs of redundancies, not just the costs falling on the Board's account, are taken into account at Area level, where decisions on redundancies are made. I certainly support that.

Finally, let me say that I strongly support your proposals to obtain some reimbursement of the cost of the improvements from the European Coal and Steel Community.

S E C R E T

I am sending a copy of this letter to the Prime Minister, the Home Secretary, the Secretaries of State for Industry, Employment, Scotland and Wales, to Sir Robert Armstrong and John Sparrow.

A handwritten signature in dark ink, consisting of a stylized 'L' followed by 'e' and 'n', with a large loop underneath.

LEON BRITTAN

S E C R E T

Nat Ind ; Coal. Pt 7

25 FEB 1961

10 11 12 1 2 3
↑
B 7 6 5 4



Caxton House Tothill Street London SW1H 9NA

Telephone Direct Line 01-213 6400
Switchboard 01-213 3000

45

Prime Minister (2)

Some miners

will get £60-65,000

in redundancy money.

The Rt Hon Nigel Lawson PC MP
Secretary of State for Energy
Department of Energy
Thames House South
Millbank
LONDON SW1

But the average

MS 24/2

for the 50-54 group

24 February 1983

is £26,000 (see

Policy Unit note

attached).

MS

D Nigel.

POSSIBLE IMPROVEMENTS IN REDUNDANCY TERMS FOR MINeworkERS

Thank you for copying to me your letter of 17 February to Leon Brittan.

I understand the reasons why you feel that improvements, concentrated on the 50-54 age group, are necessary. However there is no doubt that any announcement will provoke the usual outcry about the generosity of public sector redundancy terms compared with entitlements under the general redundancy scheme. There could also be unhelpful reactions from other public sector groups.

I would therefore hope that, in introducing the improvements, you could play down the big maximum figures which the media tend to fasten on (£60-65,000, I understand, for a miner dismissed at 50 who draws full make-up and other payments until normal retiring age). I realise, of course, that you can only go so far in this direction without diminishing the package's attractions to the miners. It would also be advisable, I think, to emphasise that continuing payments are a fall-back for those unlucky enough not to find another job, not an entitlement. It would be unfortunate if the Government appeared to be assuming that fit men made redundant at 50 had virtually no chance of finding other work.

I am copying this letter to the recipients of yours.

[Handwritten signature]

Nat Ind : Coal : Pt 7

24 FEB 1938

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1938

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Not and coal



NBP

ms 24/2

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

The Rt Hon Nigel Lawson, MP
Secretary of State for Energy

23 February 1983

Dear Nigel

PIT CLOSURES

I was interested to read John Moore's letter of 18 February. It is helpful to have this account of forthcoming developments. My reading of the situation which John describes is that though there is always the danger of local action spreading, this is not regarded as a serious risk over the next few weeks. But we can consider the matter again after his report on Philip Weekes' meetings.

I am sending copies of this letter to the Prime Minister, Home Secretary, the Secretaries of State for Employment, Industry, Scotland and Wales, to John himself and to Sir Robert Armstrong and John Sparrow.

John

GEOFFREY HOWE

Nat Incl

Coal

P+7

24 FEB 1983

10 11 12 1
9 8 7 6 5 4
3 2

SECRET

Prime Minister (2)

CC TV

Mus 23/2

2 Mr's

44

SECRETARY OF STATE FOR
TRADE AND INDUSTRY
SOUTH
LONDON

01 211 6402

The Rt Hon Leon Brittan QC MP
Chief Secretary to the Treasury
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

23rd February 1983

Dear Chief Secretary

Thank you for your letter of 14 February in which you agreed to my proposal to continue the restrictions on the CEGB's coal imports for the first six months of 1983/84.

I can assure you that I do not need homilies about the undesirability of artificial market distortions in general or import controls in particular. But we have to keep our eye on the ball. In particular, we must not allow any misjudgement about coal imports to prejudice the strategy for pit closures that we agreed at the Prime Minister's meeting on 27 January. That strategy could well take us to the brink of a national strike: we do not wish to step over it. The benefits from achieving the maximum feasible rate of closures far outweigh the costs of curtailing CEGB coal imports. Moreover, the scale of closures necessary to return the NCB to commercial viability is such that we may well be approaching the brink for a number of years to come. I should add that the question on imports is not merely whether it creates sympathy for the miners, but whether it stiffens their resistance to closures.

Against this background I would be willing to allow the CEGB to bring in up to 0.75 m tonnes in the first half of 1983/84 and to see whether we can go to 1 m tonnes, or even a little more, for the whole year.

I myself believe that it would make good sense to reschedule the arrivals from Australia, to avoid any further significant increase in the CEGB's stocks now held on the Continent. I see the argument for selling some of these stocks to generate cash to offset the cost of rescheduling, as you suggest. I can certainly agree, if you think it would be helpful, for my officials to involve yours in settling figures for the costs of the various options, though at the end of the day I believe that we have to consider the question of CEGB coal imports strictly in the context of the programme of pit closures, where our main economic objective lies.

SECRET

SECRET

We have now lost the immediate opportunity for the CEGB to renegotiate contracts with its main Australian supplier though I have asked the Board to keep their options open to the maximum extent possible. I suggest our officials agree quickly a note setting out the possible courses of action, including the public expenditure implications. The NCB's EFL will certainly need to be adjusted to reflect the decisions we will reach.

I am copying this letter to the Prime Minister, Willie Whitelaw, George Younger, Nicholas Edwards, Norman Tebbit, Sir Robert Armstrong and John Sparrow.

Yours sincerely
Nigel Lawson

PP NIGEL LAWSON
(Approved by the Secretary of State
and signed in his absence)

SECRET

23 FEB 1973





Prime Minister (2)

DEPARTMENT OF ENERGY
THAMES HOUSE SOUTH
MILLBANK
LONDON SW1P 4QJ
01-211
3932

CONFIDENTIAL

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Parliament Street
LONDON SW1

22 February 1983

MF

Dear Geoffrey.

PIT CLOSURES

As foreshadowed in my letter of February 18, Philip Weekes held three meetings today on Tymawr/Lewis, Blaengwrach and other pits in the Welsh coalfield. The meetings were attended by BACM and NACODS, but boycotted by the NUM.

At Tymawr/Lewis Mr Weekes formally announced that he would be stopping any further development and that the pit would close by the holiday season. He has informed the Welsh Office, local MPs, and the NUM. At Blaengwrach he said that he expected the pit to close when the present faces ceased operation. Everybody was now clear that this pit would close later in the year, although a formal announcement will be delayed until nearer the time.

At the general meeting he said that he was very worried about both Brynlliw and Abertillery as well as mentioning a number of other pits which were giving cause for concern. There will be a re-convened meeting on Brynlliw on 2 March. At that meeting it is expected that the NUM will ask for a technical inspection of the pit. If so there will be a further meeting within a month, at which the actual closure will be announced.

It seems probable that the NUM Welsh Area will hold a delegate conference tomorrow, which will consider a recommendation to hold a ballot on Friday on whether the coalfield should take strike action next Monday. The Board's preliminary estimate is that there is likely to be widespread industrial action in South Wales next week.

As you may have seen from the media a 'sit-in' is already taking place at Tymawr/Lewis, which is led by Des Dutfield, the South Wales NUM President. Strike action is also taking place at Mardy, Tower, Nantgawr and Penrikyber, which is reported to be against the NUM for having failed to take earlier action against closures in the coalfield.

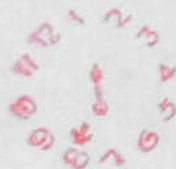
The Coal Board's proposals for Snowdown were endorsed last weekend by Kent miners and are now being put into operation.

I will report further as the position develops.

I am sending copies of this letter to the recipients of my letter of 18 February.

John Moore
JOHN MOORE

22 FEB 1983



SECRET

43

MR MOUNT

cc Mr Scholar ✓

MISC 57

MISC 57 continues its work on long-term endurance in the event of a miners' strike. In the light of our discussion with John Guinness, and for the convenience of Nick Owen when he arrives, it may be helpful if I set out what seem to me the main current issues:

(i) The endurance target. Ivor Manley still believes (pace John Guinness) that both the threat and the endurance of a miners' strike over over pay exceeds that of a miners' strike over closures, because he does not believe that solidarity among the regions would ever be great enough to lead to a long strike over closures. That may of course simply reflect the fact that he has more modest assumptions than we about the likely extent of closures. In either case, he believes that six months endurance would be plenty to enable us to win a strike. Douglas Smith will not commit himself beyond saying that these days long strikes are not unknown, and that we would have to be prepared for at least three months. Here as always in MISC 57 our task is to remind the Group that what we are really in is the business of deterrence, and that the miners must believe in our ability to endure for longer than them, because the limiting factor of our actual endurance in practice cannot precisely be foreseen. My own view, as you know, is that the Government's nerve as we approached exhaustion of coal stocks would be a critical factor;

(ii) Coal stocks. There is nothing new or particularly difficult here. The Group is working on increasing power station coal stocks in Great Britain to the maximum through acquisition of land adjacent to power stations, which might give an Autumn peak stock of up to 38 mt;

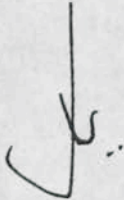
(iii) Dual firing. The Prime Minister is very keen on this. But it is very expensive to convert from coal burning to dual firing; and of course very expensive to run on oil as well. And we might need to find ways of laying pipelines for oil access. But the Group is taking this seriously because (a) the benefits are large: the extra endurance would probably take us through the Summer, in the case of a strike beginning in the Autumn, and (b) although it would cost some £1,000 million to convert the twelve largest power stations, the new Nigel Wicks philosophy enables that figure to be offset by the savings achieved through an enhanced rate of pit closures;

(iv) Long-term changes to the generating system. As Dungeness B comes up to full capacity later this year, and with Heysham and Torness coming on stream later in the 1980s, the preponderance of coal and generated electricity will fall. The construction of the cross-channel link, theoretically by the mid-1980s, will also help. The Group will endeavour to quantify these factors;

(v) Ancillary materials. The CEGB have now given a written assurance that their ancillary stocks, combined with their covert plans for replenishment, will stretch to 26 weeks' endurance. The Group will be checking that their plans are reasonable, but it has always seemed to me likely, given that replenishment would only be needed once or twice for each power station during the period, that there would be ways of getting the necessary materials in;

(vi) Carbon dioxide for nuclear power stations. This is a new feature on the MISC 57 agenda. Nuclear power stations need large quantities of carbon dioxide for cooling, and hitherto we have not assumed that the supplies would be interrupted in the event of a miners' strike. But, given the NUM's opposition to nuclear generated electricity, and in the circumstances of a very long strike, we may need to have plans to cope with that. It would cost only about £40 million to provide the necessary storage facilities, but we would have to find a way of doing it without drawing attention to the weakness;

(vii) Industrial coal stocks. Finally, the Group will be doing some work on the implications of the much shorter endurance of industrial coal stocks - in general about 10 weeks, with the capacity for perhaps another week or two if the necessary measures are taken. We shall be asking two questions: whether it matters, and whether substitute fuels can be found. A preliminary examination indicates that the big consumers, who could not easily substitute their fuel supplies, could be closed down for an extensive period without much permanent damage to the economy, but there would no doubt be awkward and smaller industries where we may need to take special measures.



22 February 1983

Prime Minister *Lee J* Nat *J*

CONFIDENTIAL

MUS 21/2



DEPARTMENT OF ENERGY
THAMES HOUSE SOUTH
MILLBANK
LONDON SW1P 4QJ
01-211 3932

Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Parliament Street
London SW1

18 February 1983

Dear Chancellor

PIT CLOSURES

I am writing to let you have an account of the latest developments.

Earlier in the week the Board started interviewing all the men at Snowdown to establish whether they were interested in redundancy or in transfer to the three other pits in Kent. The Board will also be interviewing older men at Betteshanger and Tilmanstone to establish whether they would be interested in redundancy, thus making room for men from Snowdown. So far there has been no strong reaction from the NUM. I have just heard, however, that there will be a mass meeting of the men at Snowdown on Sunday, when the local NUM branch will be recommending acceptance of the Board's terms.

In South Wales, the working party on Britannia set up in December (which included an NUM representative) seems to have accepted that the pit would close when the present workings were exhausted in 12-18 months' time. Philip Weekes, Area Director for South Wales, will be holding three colliery review meetings on 22 February. The first will be on Tynawr/Lewis Merthyr, where he will tell the NUM and other unions that it is not technically possible to continue working the pit for very long. There will consequently be no further development at the pit and it will run to closure at holiday time, ie about July. Those wanting other jobs will be found them at nearby pits. At the separate meeting on Blaengwrach the unions will be informed that there will be no further development and it will have to close in the autumn. The pit is on its last face and already 25 men are being transferred to other pits. There would be a third meeting dealing

CONFIDENTIAL



with other collieries. At that meeting Philip Weekes will express his concern about Brynlliw, Abertillery, Wyndham/Western and Blaenant. He will say that he was particularly concerned about the workability of Brynlliw and that he would want a further meeting on this pit in a month's time. He would also say that a decision on Wyndham/Western and Abertillery cannot be long delayed. At the same meeting by way of diversion he would also mention Blaenant. This is a productive pit, but loses money because of the poor market for its output. The Board are not planning to close it in the near future, but they do plan some retrenchment there. Celyn South would also be mentioned, although there is no plan to close this colliery in the immediate future.

On the positive side the Board will be looking favourably at a substantial investment at Betws, limited development at Deep Navigation and possibly some additional exploration for anthracite in South Wales.

The Board would certainly expect some reaction from the NUM, although on balance they doubt whether there will be industrial action either as a result of the decisions on closure taken at Tymawr/Lewis Merthyr or at Blaengwrach, both of which most of the Welsh NUM leaders, at least in private, show signs of accepting as inevitable. The NUM might appeal to the main Board who will want to turn down the appeals. While the Board think there is a greater danger of local industrial action over Brynlliw, this closure is likely to be more difficult to handle at the meeting in late March than the meeting next week. The Board's general assessment is that Arthur Scargill would probably not want a national strike over closures while Norman Siddall remains as Chairman. They cannot, of course, every rule out the possibility of local action spreading.

In addition National Smokeless Fuels, a wholly owned subsidiary of the Board, will be announcing on 28 February their intention to close the Coedley coke ovens in South Wales and the Fishburn coke ovens in Durham. While the Board had originally been planning only to close one set of coke ovens, they are now intending to close two in view of the deterioration in the market.


I will send you a further report after Philip Weekes's meetings on 22 February.

CONFIDENTIAL



-3-

I am sending copies of this letter to the Prime Minister, Home Secretary, the Secretaries of State for Employment, Industry, Scotland and Wales and to Sir Robert Armstrong and John Sparrow.

 Private Secretary

PP JOHN MOORE

(approved by Mr Moore and
signed in his absence)

CONFIDENTIAL

42A

MR SCHOLARcc Mr Mount
Mr WaltersPROPOSED IMPROVEMENT IN REDUNDANCY TERMS FOR MINERS

Mr Lawson has written to the Chief Secretary seeking his agreement to improved redundancy terms for miners for the 50-54 year old age bracket. I do not suggest that the Prime Minister intervene in this correspondence unless it looks as though the Treasury disagrees with the proposal; but the Prime Minister may wish to know that we strongly support it.

Ferdie Mount and I were discussing only this morning with Department of Energy Officials what should be our approach to the wide range of difficult issues arising over the next few years in the coal industry. It is quite clear that the only route to reducing massive losses of the NCB, which will continue throughout the 1980's unless something is done, is through reduction in capacity. That means pit closures, and after the election, closures at a rate well in excess of that which Ministers have judged appropriate for the interim. In pursuit of that objective, other objectives, including imports, may have to be subordinated. The main obstacle to an enhanced rate of pit closures lies in the resistance that will be encountered to compulsory redundancies. Given the age structure of the industry, redundancy terms for the 50-54 year old age group must be at least as attractive as those given to the older age group and are essential if several thousand people are not to be made involuntarily redundant. We were told this morning that redundancy payments for the older group average around £26,000 (lump sum equivalent), but even so some of those who took redundancy a few years ago are now realising that their payment does not last forever.

17 February 1983

CC JV
42

Prime Minister (2)

01 211 6401

Mr Lawson proposed
improved redundancy terms
for miners (again).

MS 17/2

17th February 1983

The Rt Hon Leon Brittan QC MP
Chief Secretary
HM Treasury
Parliament Street
LONDON SW1

Dear Chief Secretary

ms

PROPOSED IMPROVEMENT IN REDUNDANCY TERMS FOR MINeworkERS

Following the Prime Minister's meeting on pit closures, held on 27 January to discuss my minute of 21 January, the National Coal Board have been considering the potential for achieving further acceleration in the rate of closures of uneconomic capacity without risking a probability of national industrial action. They have come to the view that some further improvement of the redundancy terms is essential if they are to attract sufficient "willing redundancies" to blunt the National Union of Mineworker's ability to stimulate national resistance to closures. Norman Siddall has emphasised this point to me. I believe it would be better to introduce these improvements now than to wait until later in the year, when circumstances may be such that we appear to be introducing them under the pressure of a developing confrontation on closures. I also wish to avoid giving the National Coal Board any possible excuse for delay on closures.

The attached note (Annex A) sets out the proposals to which I would now like your agreement. The improvements proposed apply almost wholly to persons aged 50 to 54 years at redundancy. They are much more limited in scope than the across-the-board improvements made in March 1981.

The reason for concentrating on this age group is as follows. Since the general improvements in terms two years ago, the Board have very much increased the rate of redundancy, and consequently the number of men on colliery books fell by 12,000 in 1981/2 and should fall by between 9,000 and 10,000 in 1982/3. But some 95% of redundancies have been of men age 55 or over, for whom the present terms provide substantial weekly benefits. The numbers of such older men in the Board's employment have been substantially reduced, (from 37,200 in December 1980 to about 26,000 today). In 1983/84 about 60% of redundancies will continue to be over 55s, but the Board believe it will not be possible to achieve the closures in the Board's 'reference case', let alone a higher level, without also making several thousand people aged under 55


redundant. The re-employment prospects of people aged between 50 and 55 made redundant in mining areas are poor, especially in the peripheral coalfields, and in the Board's view such people will not accept redundancy in sufficiently large numbers unless they are assured of a significant weekly benefit, continuing through to the normal retiring age if necessary. (The payment of "unemployment benefit equivalent" to these men, which is the major element in the proposed improvements, would of course cease if a man obtained a new job).

Because the improvements suggested are of continuing weekly benefits rather than of lump sums payable at redundancy, the costs of applying the improvements to the level of redundancies projected from 1983/84 in the 'reference case' are initially quite small: about £2 million in 1983/84 and £8 million in 1984/85, rising to around £20 million a year later. But the aim would be, of course, that a substantially higher level of redundancies would be achieved through the improved terms. If, as the Board believe possible, there were 2000 additional redundants in 1983/4 as a consequence of the improvements, the total cost of the improved terms for these might be £20-25 million in 1983/4 and £15-20 million a year in later years. These costs, and the cost of improvements for redundancies already projected, would be more than recovered through reduced operational costs for the industry in 1984/5 and subsequent years. This applies whether the additional redundancies arise through more closures or through other rationalisations, as is shown in Annex B. I shall at the same time be monitoring the Board's manpower policies closely, and will press them to agree to effective methods of ensuring that the full costs of redundancies, not just the costs falling on the Board's accounts, are taken into account at Area level, where decisions on redundancies are made.

I shall be aiming to obtain some reimbursement of the cost of the improvements from the European Coal & Steel Community. A large part of the cost arises, of course, from an increased number of redundancies, and reimbursement of part of the cost of these can be expected almost automatically. My officials have already discussed the proposed improvements informally with the Commission, who have confirmed that the form of what is proposed causes no particular difficulties. But it would at best take several months to get formal Commission agreement to reimburse 50% of the cost of the improvements, or longer if - as is possible - the request became entangled in wider discussions on Community coal, in which our demands for increased reimbursement of social costs, and the financial resources available to the European Coal & Steel Community, are central issues. Apart from other difficulties of delay, the fact that proposals were being considered by the Commission would be bound to leak. This would bring progress on redundancies to a halt until the new terms were announced. I will, however, put in a formal request for the European Coal & Steel Community financing as soon as I have your agreement to the improvements.

I would be grateful for your agreement by 23 February. During the week beginning 28 February I must in any case lay before Parliament an order amending the redundancy scheme, and to avoid undesirable attention being drawn to the improvements and, more particularly, to the reasoning behind them, it is most desirable that the improvements are incorporated in this order. I would propose that they be effective for persons redundant on or after 6 April 1983.

I am copying this letter to the recipients of my minute of 21 January, and also to Patrick Jenkin, who is responsible for redundancy schemes in the steel and shipbuilding industries and may wish to comment on any implications of my proposals for those schemes.

Yours sincerely


PP NIGEL LAWSON

(Approved by the Secretary of State and signed in his absence)

THE PROPOSED IMPROVEMENTS IN REDUNDANCY TERMS FOR MINeworkERS

A Persons aged 50 to 54 at redundancy

1 At present these people receive (together with statutory redundancy pay):-

a Lump sum payments under the Government's Redundant Mineworkers Payments Scheme (RMPS).

b Immediate payment of their pension under one or other of the coal industry's schemes. This would presently amount in most cases to around £25 per week, though as men gain more service in the earnings-related schemes the amount will gradually increase in real terms. The pension is paid by the Schemes but the Government reimburses the cost of paying it early.

2 We propose that these people should receive also under the RMPS:-

a Once their entitlement to unemployment benefit is exhausted (normally a year after redundancy), as long as they remain unemployed payments equal in amount to the entitlement to unemployment benefit which they would have but for this exhaustion (ie currently £40.45 a week for a man with a dependent wife).

b A supplementary payment making their pension up to £35 per week, or whatever amount is subsequently prescribed by regulation under the Social Security (No 2) Act, 1980 as the amount of occupational pension which may be drawn together with unemployment benefit by a man aged 60 or over. In a way analogous to the operation of that Act, any pension received in excess of £35 per week would result in abatement of unemployment benefit equivalent.

The overall effect of these proposals is that a beneficiary would receive £35 per week plus unemployment benefit or unemployment benefit equivalent. On the assumption that the £35 limit will probably be increased more slowly than the cost of living, the

pension payment will gradually catch it up and the supplement will disappear.

Furthermore, the real value of pensions payable to new redundants in later years will be higher, and after about 1987 it is unlikely that many will receive the supplement.

3 In addition, these beneficiaries should receive concessionary coal on the same basis as retired employees of the Board, as do persons aged 55 or over at redundancy at present. The cost to be reimbursed by Government, as for the older men.

B Persons aged 55 or over at redundancy

4 These people currently receive under the RMPS lump sums (if aged up to 59 at redundancy), an earnings related weekly benefit of up to about £60 a week for 5 years (or to the retiring age if earlier), and unemployment benefit equivalent to the retiring age. In addition, they receive their pension once the earnings related benefit finishes.

5 The only improvement proposed for these people is to pay a pension supplement once earnings related benefit is exhausted, on the same basis as for persons age 50 to 54 at redundancy. No such payments would be made for 5 years, by which time the expected fall in real value of the £35 limit would make the amount of supplement payable very small. But the addition will be valuable presentationally, particularly in dealing with persons aged 55 or 56 who are sometimes wary of accepting redundancy in view of the 4 or 5 years elapsing between expiry of the earnings related benefit and the retiring age.

C Persons aged under 50 at redundancy

6 These people receive lump sum payments only under the RMPS on an age, experience, and final earnings related scale. It is not proposed to increase the maximum amounts payable to people in their late forties, but to make these maxima apply from age 40 onwards with quicker progression at earlier ages.

COSTS AND BENEFITS OF IMPROVED TERMS
FOR REDUNDANCIES IN 1983/84

	£ MILLION, OUT-TURN				
	1983/84	1984/85	1985/86	1986/87	1987/88
Cost of improvements in terms applied to 10,500 redundancies already planned for 1983/84	2	5	8	9	9
Costs of existing and improved terms for additional 2000 redundants in 1983/84	20	7	9	9	10
Total additional cost for 1983/84 redundants	22	12	17	18	19
Cash saving on assumption redundancies associated with extra closures (about 0.6 mtpa)	13	33	37	39	42
Net benefit (total £76m)	- 9	21	20	21	23
Cash saving on assumption redundancies associated with general manpower reductions	11	23	25	27	29
Net benefit (total £27m)	- 11	11	8	9	10

West Ind
Coals 177

7.11.17



Prime Minister (2) *not Ind*
 cc J.v. 41
 Mus 15/2

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Nigel Lawson MP
 Secretary of State
 Department of Energy
 Thames House South
 Millbank
 London SW1P 4QJ

14 February 1983

Nigel,

CEGB COAL IMPORTS

Thank you for your letter of 8 February about the imports of coal from Australia by the CEGB. I am disturbed at the suggestion that we should continue with import restrictions into next year. It is only with the greatest reluctance that we agreed to maintaining these restrictions for 1982-83. Apart from the significant costs to public funds involved, imports are one of the very few market disciplines on the NCB and there is the strongest case against such artificial distortions to the market.

It is perhaps debatable whether permission for the CEGB to import cheaper coal would really win sympathy for the miners. Nonetheless, over the next few months, our primary aim must be to achieve a higher rate of pit closures. To lift the restrictions suddenly could increase the risk of a national strike. For this reason, I am reluctantly prepared to accept that some restrictions could continue for the first 6 months of 1983-84. I hope that it will be possible to increase the rate of imports significantly, say to the 1m tonnes a year, mentioned in your letter. We must certainly look at the position again in the Autumn when progress on the rundown should be clearer.

You suggest that there might be a case for paying up to £25 million to reschedule the current Australian contracts. Our assessment - which the figures attached to your own letter bear out - is that such rescheduling only makes financial sense if we assume that import restrictions will continue for a further lengthy period of 2-3 years or more. But we have not yet agreed any such assumption. If that is what you have in mind when you refer to limiting imports "for some time", then I think you should put a full case to your colleagues, covering all dimensions of the problem. I am advised, for example, that if imports were to be restricted for a longer period, then the case for selling off the coal currently

stocked on the Continent would be much stronger. Doing so could generate cash to reduce the costs which your proposals imply.

I cannot therefore agree to your proposal for rescheduling these contracts as it stands. The CEGB may, if they wish, explore with the Australians the cost of this option further, but it must be made absolutely clear that there is no commitment of any kind on the part of the Government to proceed. If you do decide to put fresh proposals forward, I should be grateful if Treasury officials could be involved in settling the figures at an early stage. I suggest that they should also examine carefully the public expenditure consequences of the options for, while I note that you have not proposed an increase in the NCB's EFL, I understand that you think this could well be required.

/so small and You also asked for an increase in the level of compensation to be paid this year above the ceiling I agreed last May. It is important for financial discipline that we should stick to ceilings that we have settled, particularly since the excess is to pay for costs falling due next year. I am not prepared therefore, to agree to an increase of £5 million in the EFL. In any case, I should be reluctant to agree to any figure when, as I understand it, the administrative arrangements for the scheme have not yet been finalised nor firm estimates for costs in 1982-83 provided to the Treasury. We really must get guidelines agreed quickly.

I am copying this letter to the Prime Minister, the Home Secretary, the Secretaries of State for Employment, Scotland and Wales, to Sir Robert Armstrong and Mr Sparrow.

Law

Lea

LEON BRITTAN
14 February 1983

15 FEB 1983

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 Q1. Mr. Lofthouse asked the Prime Minister if she will list her official engagements for 8 February.

Coal
The Prime Minister Mrs. Margaret Thatcher: This morning I had meetings with ministerial colleagues and others including one with Prince Sadruddin Aga Khan. In addition to my duties in the House I shall be having further meetings later today, including one with the Prime Minister of Nepal. This evening I hope to have an audience of Her Majesty the Queen.

B
Mr. Lofthouse: Will the Prime Minister inform the House whether Mr. Ian MacGregor has been offered, formally or informally, the chairmanship of the National Coal Board and if not, is she about to do so? Is the right hon. Lady aware that if this is the case—[*Interruption.*] Some Tory Members may think it funny but the miners do not—many responsible sections of the mining industry will feel that this appointment is based on political dogma and that Mr. MacGregor will be given a licence to butcher the manpower of the mining industry as he has done with that of the steel industry? If this is the case, is she aware—[HON. MEMBERS: "Too long"]—that there will be unity in the mining industry, the like of which she has never seen before? The miners know full well how to deal with callous and stubborn women.

The Prime Minister: As the hon. Gentleman will be aware, Mr. Siddall's present term as chairman of the NCB ends on 3 July. He is doing a wonderful job, but the Government have always been aware that he wished to serve for only a limited period. I am not yet in a position to make any announcement about Mr. Siddall's successor or about Mr. MacGregor's future when his current term ends in June. The present chairmen of both the NCB and the British Steel Corporation are both very able and are both doing a superb job.

Mr. Luce: In view of the widespread desire for progress on multilateral disarmament, will my right hon. Friend discuss with Vice-President Bush this week the prospect in Geneva in the next few months of picking up the Soviet disarmament proposals by the scruff of the

Mr. Neil Thorne: I am delighted to hear that my right hon. Friend is entertaining the Prime Minister of Nepal. Is she aware that this is the first occasion on which a serving Prime Minister of Nepal has visited Britain since 1907? At her meeting with him will she express the gratitude of the British people for everything that the

✓ CC JV ^{Not Ind} (2)

Prime Minister

40

Mr Lawson wants to

Continue to limit

coal imports pretty

seriously.

MUS 8/2

8th February 1983

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
London SW1

CEGB COAL IMPORTS

For the last two years we have accepted that the CEGB's coal imports into the UK should be limited to 0.75mt a year. The Board have firm contractual commitments for some 2.3mt a year of Australian coal. The surplus tonnage has been put into stock on the Continent and the CEGB has been compensated for the additional costs involved via discounts on purchases from NCB and the latter's deficit grant. In 1981/82 the cost was £18.8m and this year the out-turn is expected to be about £35m.

I have been considering what to do in 1983/84. To remove all restrictions on the CEGB's imports would be very damaging to the NCB's efforts to achieve a higher rate of pit closures. It would lead to an early visible reduction in shipments of NCB coal from the North East and Scotland to Thames-side. Above all, it would give Scargill an issue over which he could almost certainly get a majority vote for a national strike, and on which - almost uniquely - the miners could count on substantial public support. Indeed, I fear that any significant increase in imports would materially increase the risk of a national miners strike on closures.

At this stage I believe that the most we are likely to wish to allow in this year is no more than 1mt, unless circumstances change radically. I propose to ask the CEGB to limit imports to 0.5mt during the first six months of 1983/84 and to defer for some months the decision on what to do in the latter half of the year. If the NCB are able to raise the rate of pit closures without provoking a national miners' strike, and in particular if we are able to move even faster on closures later on, then we may want as part of this strategy to continue to limit imports for some time.

There is next the question of whether to continue to put surplus arrivals of coal into stock on the Continent or whether to sell it off. The international coal market is very depressed at the moment and it is clear that the loss in 1983/84 from selling would be up to £20 a tonne greater than the cost of putting it into stock. I believe therefore that we should rule out sales for the moment.

Another possibility that I have asked the CEEB to explore is rescheduling their deliveries from Australia over a longer period. The present contracts largely run out in March 1985. The Board believe that they might be able to arrange with their suppliers to halve the rate of arrivals (without altering the total contractual take) for a cost of around £25m, though this figure is subject to considerable uncertainty pending the outcome of negotiations. Outright cancellation would cost perhaps £60-70m and would be most unwelcome both to the Board and to the Australian Government who have been in touch with me on a number of occasions.

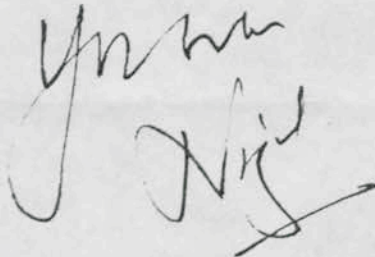
I believe that rescheduling to halve the rate of arrivals makes good sense. This will reduce substantially the rate of addition to Continental stocks which at present stand at 3mt and which in practise now have little strategic value, given the level of stocks at the power stations. We will, however, have to continue to compensate the CEEB for the extra costs involved in keeping out the remaining arrivals (over and above what we agree to allow in) and for holding this and past years' stocks on the Continent.

On the basis of rescheduling arrivals to half the present rate and restricting imports to the present 0.75mt, the cost of compensation would be of the order of £50m in 1983/84. With imports of 1mt, the cost would be about £45m. The figures are subject to considerable uncertainty, as noted above. Continuation of the present policy (ie 2.3mt arrivals, 0.75mt imports) would cost about £30m in 1983/84 since no compensation would be paid to the Australian suppliers; but the costs would be significantly greater than the other options in subsequent years because Continental stocks would be higher. The attached schedule shows these and other options.

At this stage I seek your agreement to authorise the CEEB to open negotiations with their Australian suppliers when they meet early next week. The objective should be to halve the rate of arrivals for the remaining period of the contracts at a cost of up to £25m. The Australian authorities will not be best pleased but I believe we can defend a commercial negotiation of this nature. Of course, if we cannot agree with them to reschedule on satisfactory terms, we would simply stick to the existing arrangements.

There is also the question of compensation for 1982/3 referred to in our correspondence of 4 August and 8 September. The CEEB's estimate for the year is £35m though this includes an element of advance payment for costs that will in fact be incurred in 1983/84. You suggested that payments in 1982/83 should be scaled down to reflect only the costs arising in this year. I can accept the principle of this, and the figures set out above for 1983/84 relate only to the costs falling before 31 March 1984. But at this stage reapportionment of compensation for 1982/83 would simply add pro rata to the compensation payments for 1983/84 which would seem to serve little purpose. I would be grateful therefore if you could agree to increasing the NCB's EFL and deficit grant by £5m to make good the difference between the expected out-turn and the £30m previously agreed.

I am copying this letter to the Prime Minister, the Home Secretary, the Secretaries of State for Employment, Scotland and Wales, to Sir Robert Armstrong and Mr Sparrow.

A handwritten signature in dark ink, appearing to read 'Nigel Lawson', with a large, sweeping flourish at the end.

NIGEL LAWSON

CEGB COAL IMPORTS

<u>Arrivals from Australia (mt)</u>	<u>Imports into UK (mt)</u>	<u>Balance of arrivals</u>	<u>Costs (£m)</u>		
			<u>1983/84</u>	<u>1984/85</u>	<u>Total for two years</u>
2.3	0.75	stocked	30	40	70
2.3	0.75	sold	50	55	105
1.15	0.75	stocked	50	30	80
1.15	1.0	stocked	45	30	75
0	0.75	-	85	20	105

The 1983/84 costs are based on CEGB estimates and are subject to considerable uncertainty particularly where contractual renegotiation is involved. Compensation to suppliers occurs in 1983/84. The 1984/85 costs assume unchanged prices from the previous year.

- B FEB 1985

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10 DOWNING STREET

From the Private Secretary

27 January 1983

Pit Closures

The Prime Minister took a meeting this morning to consider the issues raised in your Secretary of State's minute of 21 January on pit closures. As well as your Secretary of State, the Home Secretary, the Chancellor of the Exchequer, the Secretaries of State for Scotland, Wales and Employment, the Chief Secretary, Treasury, the Parliamentary Under Secretary of State, Department of Energy (Mr. Moore), Mr. John Sparrow, Sir Robert Armstrong and Mr. Peter Gregson were present.

The following were the main points made in discussion:

- a. Although the NCB's preferred strategy had been designed on the basis that it should provide a better than even chance of avoiding a national strike, this could not be guaranteed. If the Government endorsed the NCB's preferred strategy, it would have to be on the understanding that the Government acknowledged that the risk of a national strike could not be ruled out, and would not withdraw support from the strategy if this risk materialised.
- b. Many of the pits most vulnerable to closure in 1983/84 would be in Scotland and Wales. This was inevitable since the worst losses were being made in those areas; moreover, any local strikes confined to Scotland and Wales would probably benefit rather than harm the NCB's finances because of the heavy losses being made in those areas.
- c. The proposed closures in South Wales might be more readily accepted if the NCB was able to announce plans for future investment elsewhere in that coalfield. It was recognised that it would be wrong to encourage the NCB to undertake uneconomic investment, but there might be some scope for getting maximum credit for such investment in South Wales as the NCB was already contemplating. The NCB was already aware of the need to handle the closures in South Wales with political skill. In the overall national context, it was intended to combine the closure proposals with proposals for significant new investment in the English coalfields, for example at Asfordby, if approval for that project could be given soon.

SUBJECT

cc Master Set

bc JV

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d. It was suggested that some of the pits which the NCB proposed to close might be suitable for offering to the workforce on a "buy-out" basis. The difficulty was however that the pits had been declared by the NCB to be uneconomic and the workforce had not contested this but had rather argued that the pits should be kept in operation on a subsidised basis.

e. Although it was generally agreed that a more rapid closure strategy than that proposed would not be desirable in 1983/84, the longer term strategy would need to be considered in due course. This could usefully take account of the analysis - which was arguably based on some highly optimistic assumptions - of the NCB's financial prospects which would inevitably arise in the course of the examination of the NCB's draft corporate plan. The further work by the Official Group on Coal (MISC 57) on the scope for extending power station endurance in the longer term would also be relevant.

f. It was noted that the forthcoming Monopoly and Mergers Commission report on the NCB would show that 20 million tonnes of capacity was permanently uneconomic, and that a further 20 million tonnes was marginal. It would be important to get these points across as an illustration of the impact of the coal industry in its present state on industrial costs and jobs.

The Prime Minister, summing up the discussion, said that the meeting fully endorsed the proposed pit closure strategy for 1983/84 set out in the minute of 21 January from the Secretary of State for Energy. The strategy for the longer term would need to be considered at a later date. Meanwhile all necessary work should proceed on exploring the scope for further increasing power station endurance in the longer term.

I am sending copies of this letter to John Halliday (Home Office), John Kerr (HM Treasury), Muir Russell (Scottish Office), Adam Peat (Welsh Office), Barnaby Shaw (Department of Employment), John Gieve (Chief Secretary's Office), Mike Seeney (Mr. Moore's Office, Energy), Gerry Spence (CPRS), Richard Hatfield (Cabinet Office) and Peter Gregson (Cabinet Office). I would be grateful if you and they would ensure that this letter is given the usual very restricted circulation.

Julian West, Esq.,
Department of Energy.

NOTE OF A MEETING HELD AT 10 DOWNING STREET ON THURSDAY 27 JANUARY AT 11.40AM
TO DISCUSS NCB PIT CLOSURES

Present

Prime Minister
Home Secretary
Chancellor of the Exchequer
Secretary of State for Scotland
Secretary of State for Wales
Chief Secretary, Treasury
Secretary of State for Energy
Secretary of State for Employment
Parliamentary Under Secretary of State,
Department of Energy (Mr Moore)
Mr Sparrow

Sir Robert Armstrong
Mr P L Gregson

The meeting considered the minute from the Secretary of State for Energy to the Prime Minister dated 21 January setting out a preferred strategy for pit closures by the National Coal Board (NCB) in 1983/84.

The following main points were made in discussion:

a. Although the NCB's preferred strategy had been designed on the basis that it should provide a better than even chance of avoiding a national strike, this could not be guaranteed. If the Government endorsed the NCB's preferred strategy, it would have to be on the understanding that the Government acknowledged that the risk of a national strike could not be ruled out, and would not withdraw support from the strategy if this risk materialised.

b. *Many* Most of the pits *most vulnerable to* ~~scheduled~~ for closure in 1983/84 would be in Scotland and Wales. This was inevitable since the worst losses were being made in those areas; moreover, any local strikes confined to Scotland and Wales would probably benefit rather than harm the NCB's finances because of the heavy losses being made in those areas.

In public presentation however it would be important not to suggest that there was a deliberate plan to concentrate closures on Scotland and Wales.

c. The proposed closures in South Wales might be more readily accepted if the NCB was able to announce plans for future investment elsewhere in that coalfield. It was recognised that it would be wrong to encourage the NCB to undertake uneconomic investment, but there might be some scope for getting maximum credit for such investment in South Wales as the NCB was already contemplating. The NCB was already aware of the need to handle the closures in South Wales with political skill. In the overall national context, it was intended to combine the closure proposals with proposals for significant new investment in the English coalfields, for example at Asfordby, if approval for that project could be given soon.

d. It was suggested that some of the pits which the NCB proposed to close might be suitable for offering to the workforce on a "buy-out" basis. The difficulty was however that the pits had been declared by the NCB to be uneconomic and the workforce had not contested this but had rather argued that the pits should be kept in operation on a subsidised basis.

e. Although it was generally agreed that a more rapid closure strategy than that proposed would not be desirable in 1983/84, the longer term strategy would need to be considered in due course. This could usefully take account of the analysis of the NCB's financial prospects which would inevitably arise in the course of the examination of the NCB's draft corporate plan. The further work by the Official Group on Coal (MISC 57) on the scope for extending power station endurance in the longer term would also be relevant.

- which was
arguably based
on some
highly optimistic
assumptions -

The Prime Minister, summing up the discussion, said that the meeting fully endorsed the proposed pit closure strategy for 1983/84 set out in the minute of 21 January from the Secretary of State for Energy. The closure strategy for the longer term would need to be considered at a later date. Meanwhile all necessary work should proceed on exploring the scope for further increasing power station endurance in the longer term.

f. It was noted that the thought.



SECRET

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P.0947

PRIME MINISTER

NCB Pit Closures

BACKGROUND

The papers for your meeting tomorrow on NCB pit closures are the minutes to you from the Secretary of State for Energy of _____

- Flag A
- a. 21 January, outlining the NCB's proposed strategy on closures and his own recommendations; and
 - Flag B
b. 18 January, summarising likely power station endurance this year.

Flag C
The letter of 21 January from the Parliamentary Under Secretary of State, Department of Energy (Mr Moore) to the Chancellor of the Exchequer, which was copied to you, provides relevant background information on the present state of play on the most contentious extant pit closures.

2. The need for substantial pit closures is not in dispute either as between Departments or as between the Government and the NCB; there is no other way in which the Board's substantial financial losses, which, as the Secretary of State reports in his minute continue to increase sharply, might be contained and perhaps eventually reduced. But the speed and extent of pit closures clearly has to be balanced against the risk of a national strike.

MAIN ISSUES

3. The main issue for Ministers at this stage is what should be the strategy for pit closures in 1983/84. The Secretary of State for Energy also touches on the question of the desirable rate of closures in the longer term but does not seek any decisions at this stage.

The immediate future

4. In the recent past the NCB has achieved the closure of some 2 million tonnes _____



SECRET

of capacity per annum, mostly on the grounds that the reserves of the pits concerned were exhausted. Most of these closures have proved uncontroversial, even since Mr Scargill assumed the Presidency of the National Union of Mineworkers (NUM). However, the scope for continuing to base closures on exhaustion - however widely defined - is limited; and to continue with the closure programme of some 2 million tonnes capacity per annum would be most unlikely even to contain the NCB's financial losses, let alone allow a start to be made on reducing them. The NCB's view, therefore, is that a faster rate of closures is essential. Their judgement is that roughly doubling the present rate of closures (ie a programme of 3-4 million tonnes per annum) is the most that can realistically be achieved in the near future without running a serious risk of a national strike.

5. The Board's tactics have broadly four aspects, namely:

- a. To concentrate closures initially in those areas where the scale of losses is recognised to be extremely high, ie mainly Scotland and South Wales, and to avoid any closure proposals in central England or in pits which the miners could reasonably present as profitable in some sense.
- b. To be seen to be flexible about particular closure proposals and, in particular, to be ready to consider carefully any counter proposals for economies put forward by the NUM or the workforce.
- c. To ensure that closures in some areas are accompanied by well publicised investment proposals in profitable areas.
- d. To move only gradually, so as to ensure that a higher rate of closures becomes acceptable to both the miners and the general public.

Their judgement is that these tactics will avoid the danger of a national strike, since they see little prospect that miners in profitable pits will be prepared to engage in a lengthy strike over closures in demonstrably unprofitable areas. There is, of course, a risk of local industrial action, but the Board judges that this could be contained and need not be damaging provided that it does not emerge on too many fronts simultaneously.



SECRET

6. Their proposal, therefore, is roughly to double the present rate of closures, ie a programme of 3-4 million tonnes per annum. This would involve the closure of perhaps 10 pits, about half of which would be in South Wales with the remainder equally divided between Scotland and the ~~Norther~~ East; there might also be a number of mergers of pits involving reductions in capacity and manpower but not actual closures. Overall, some 15,000 jobs per annum would be lost, but without the need for more than a few compulsory redundancies. The Board thinks that a programme of this size might have enabled them to break even by 1986-87, before the recent deterioration in their prospects. However, in practice the financial consequences can only be guessed at; much will depend on the rate of closures that the Board actually manages to achieve. It seems likely that this sort of programme would contain and probably significantly reduce the scale of the Board's losses; but it would by no means eliminate them.

7. The Secretary of State's minute deliberately does not set out any form of blueprint for the closure programme over the next 18 months or so. His view, which the NCB fully shares, is that the Board will have to be opportunistic to a very large degree. As the letter from the Parliamentary Under Secretary of State, Department of Energy, demonstrates progress is possible, although some tactical retreats may well be necessary. Moreover, although the Board has a broad idea of how it would like to proceed, unforeseen opportunities to achieve closures quickly may well arise, which it will want to seize. For these reasons, the NCB is not seeking endorsement of a detailed closure plan, and neither is the Secretary of State. On balance this seems the right approach. There is, of course, the danger that it will result in fewer closures than originally hoped for. But if that proves to be the case it does not seem likely to be because the NCB lacks the resolution but because they judge that the risks of a national strike are becoming too great.

Power station endurance

8. As the Secretary of State points out, the risk of a national strike on this issue cannot be completely discounted. He argues that if this situation does arise the Government must be prepared to face a national strike and to do everything it can to help the NCB to win it.



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9. As the Secretary of State's minute of 18 January demonstrates, power station coal stocks are now equivalent to something over 20 weeks endurance and the peak endurance level of some 27 weeks will be reached in May/June. These assessments take account of the likely scope for replenishing power stations' stocks of ancillary materials, especially lighting-up oil. The Department of Energy is confident that these levels of endurance could be achieved in practice.

The longer term

10. The Secretary of State's minute does not deal in any detail with the longer term, although he indicates that a closure rate of 10 million tonnes capacity per annum or more would be required if the Government's objective for the NCB were to return to viability within the next 5 years or so. No final decisions are required on these issues at this stage. You may therefore wish to defer discussion on what the longer term closure rate should be. More work needs to be done on the available options including the job losses involved both nationally and locally and the contributions which the various options would make to improving the NCB's viability. These options also need to be considered against an assessment of the scope for further improving power station endurance in the longer term on which the Official Group on Coal will be submitting a report to Ministers by Easter.

HANDLING

11. You will want to invite the Secretary of State for Energy to speak to his minutes. The Chancellor of the Exchequer and the Chief Secretary, Treasury will wish to comment on the public expenditure implications of the Secretary of State's recommendations; and the Secretary of State for Employment on the industrial relations implications.

CONCLUSIONS

12. You will want to reach conclusions on the following matters:



SECRET

- a. whether, as the Secretary of State for Energy proposes, the strategy for pit closures in 1983/84 should be to aim at around double the 2 million tonnes a year rate of the past decade;

- b. whether Ministers should review later this year the options for the desirable closure rate in the longer term.

PLG

P L GREGSON

26 January 1983

forming folder

MR SCHOLAR

Prime Minister

MCS 26/1

cc Mr Mount
Mr Walters

PIT CLOSURES

Mr Lawson's note of 21 January, which will be discussed at the Prime Minister's meeting on Thursday, recommends that the Government endorse the NCB's strategy for pit closures - the fastest programme of closures which is consistent, in the Board's view, with a probable avoidance of a national coal strike.

We have seen, although Mr Lawson has sensibly decided not to circulate, illustrative lists indicating the closures likely to be necessary under various assumptions. The scale of closures needed for the NCB to operate commercially, without cross-subsidy, would be truly colossal; and would certainly lead to a national coal strike. The most radical option considered by the NCB does not go that far: it states as its objective breakeven by 1986/87. Even that would involve closing some 38 pits by 1984, including about a dozen in Yorkshire and the Midlands where a strike would really bite.

We do not believe it would be right to pursue any strategy which made a national coal strike likely. For all our preparations, the outcome of such a strike would be uncertain, and the wider repercussions undesirable. But we do not believe that we should be put off a particular strategy because a national coal strike was possible. We do not therefore question Mr Lawson's judgement that we should pursue a policy of closing pits at roughly twice the present rate, giving rise in all probability to localized industrial action in those areas (Scotland and Wales) most affected.

Such a policy will enable us to build up to an enhanced rate of closures over a period of time, so that the fact of closure on uneconomic pits becomes more widely regarded as reasonable.

In the meantime, both because the NCB's judgement may turn out to be wrong, precipitating a national strike earlier than we expect, and because eventually a national coal strike is probably unavoidable in order to bring the NCB anywhere near breakeven, we must maintain our capacity to withstand loss of coal production.

J.

25 January 1983

Not Invol BI

JS



DEPARTMENT OF ENERGY
THAMES HOUSE SOUTH
MILLBANK
LONDON SW1P 4QJ
01-211 3932

CONFIDENTIAL
COMMERCIAL-IN-CONFIDENCE

Prime Minister (2)

Rt Hon Leon Brittan QC MP
Chief Secretary
HM Treasury
Parliament Street
London
SW1

Mus 24/1

21 January 1983

M

Leon Brittan

FOUNDRY COKE PRICES

Thank you for your letter of 23 December. I am glad that you can agree that aid to the NCB should be continued to enable National Smokeless Fuels Limited to hold down foundry coke prices until the end of 1983 on the basis which I suggested in my letter of 17 December. As I explained, NCB's EFLs could not accommodate the extra £8m involved, but I am prepared to find the offset from BGC's EFLs.

I see no difficulty about drafting the announcement in the way which you propose. I suggest that our officials should quickly prepare a draft which we can approve, with a view to an early announcement.

I am sending copies of this letter to those who received copies of the previous correspondence.

JOHN MOORE

Next Ind
Coal, P27.

24 JAN 1985



010

SECRET

Prime Minister (2)
(C)

ms 24/1

DEPARTMENT OF ENERGY
THAMES HOUSE SOUTH
MILLBANK
LONDON SW1P 4QJ
01-211 3932



37 ~~38~~

Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
LONDON SW1

21 January 1983

Dear Geoffrey.

MS

NCB PIT CLOSURES

I am writing to report on recent developments at Snowdown in Kent, and in South Wales.

Snowdown

As you will probably have seen from the newspapers, the NCB have told the unions that they are willing to accept the BACM/NACODS compromise proposal for Snowdown that one face should continue to function until the new seam is developed. The Board have added an important proviso, namely that the face should achieve very demanding production targets, ie some 50% above what has recently been achieved. If these targets are not met the face will be closed down and the pit will be put on a development only basis.

The Board inter alia adopted this compromise to show that the local colliery review procedure does work and that the Board is willing to consider constructive suggestions from the unions. The compromise involves a reduction of nearly 400 in the Snowdown labour force. The new targets are in fact unlikely to be met, in which case the Board will put the pit on a development only basis at a time of their choosing later in the year.

Against the local NUM's wishes, the men at Snowdown organised their own meeting on 15 January, at which they voted by a small margin to accept the Board's compromise. However, in the vote organised by the local NUM over the weekend, the coalfield as a whole voted to reject the Board's proposals and to seek further negotiations with the Board. Norman Siddall has made it clear that, while the Board is willing to have further discussions, they propose to go ahead and implement their compromise proposal, which the Snowdown men themselves have endorsed. There is another meeting with the Kent NUM on 20 January. The Board's assessment is that at most this could lead to industrial action in the three Kent pits.

South Wales

Following the Welsh NUM's climbdown over a strike on 17 January, Emlyn Williams asked for discussions on two pits, Tymawr and Blaengwrach. The first round of discussions were held on 17 January and involved the officials' union, NACODS, as well as the NUM. The Board's current thinking is that they will make it clear at a subsequent meeting in the next few weeks that it is the Board's intention to close these two pits without, however, looking for any compulsory redundancies -

SECRET



SECRET

the majority of men under 55 will be redeployed to other Welsh pits. There were some indications at the meeting on 17 January that Emlyn Williams was working towards agreed closure at the two pits. At Mr Williams' request the Board agreed to let the NUM have a list of vacancies in pits near Tymawr. The Board also confirmed that they would be sinking a bore-hole near Blaengwrach, although they made it clear that they were not prepared to undertake further investment in the existing seams at that pit. The NUM will be holding meetings at the two pits over the weekend, which could lead to localised industrial action, although the Board do not judge the risks to be great". Tymawr has a workforce of about 630 and lost £6m in 1981/82 or some £84/t on its production of 76,000t. Blaengwrach has only 222 men and lost £14/t or £1m on its production of 63,000t.

Discussions on Britannia will be resumed after the joint NCB/NUM report on investment possibilities is completed at the end of this month. The Board will then make it clear that there can be no question of further investment in this pit. This will mean that the colliery will have to close after the current face is worked out in December 1983 or January 1984. In 1981/82 Britannia with a workforce of 445 lost £2m or £19/t.

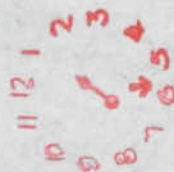
The Scottish Area of the NCB are currently considering whether to follow-up their success at Kinneil with starting the closure procedure at Sorn (200 men, £1m loss in 1981/82) or Cardowan (1100 men, £10m loss in 1981/82).

I am sending copies of this letter to the Prime Minister, the Home Secretary, the Secretaries of State for Scotland, Wales and Employment, Sir Robert Armstrong and Mr Sparrow.

JOHN MOORE

SECRET

27 JAN 1983



36

CC J.V. (A)

(PR)

Prime Minister (1)

Prime Minister

M

This is for discussion at
your meeting on Thursday.May John Moore
accompany Nigel Lawson?

Yes not Mrs 21/1

NCB PIT CLOSURES

As foreshadowed in my minute of 10 December, I am writing to report on the NCB's considered proposals on closures, which I discussed with Norman Siddall on 21 December and 17 January, and to set out my own recommendations.

The Board's prospects have recently deteriorated sharply with the loss of 2mt of paid-for sales to the CEGB in 1983 and some loss of sales as well as lower prices in other markets. This is fundamentally a result of the weakening of world energy prices and the recession. While the Board are taking remedial action to reduce these losses, their losses before deficit grant in 1983/84 now look like being at least £500m compared with the £410m expected when the EFL was set as recently as last October. Unless remedial action is taken these losses will grow progressively in the years ahead. On the plus side, however, recent events have shown a reluctance on the part of the miners themselves to strike, while Scargill, though by no means a spent force, no longer has the standing in the industry he had when he secured the Presidency of the NUM by a landslide only a year ago.

The Board are therefore convinced that the rate of closures should be speeded up. Basically there are two alternative strategies for the period immediately ahead. The first is to pursue the fastest programme of closures which is consistent, in the Board's view, with the probable avoidance of a national strike. The second is to attempt to close 10mt of loss-making capacity or even more in 1983/84, accepting the near certainty of a national strike as soon as the NUM realises what is happening. That course would have to be based on the belief that the Coal Board is now, unlike in February 1981, in a position to win, or to avoid losing, any such strike.

Norman Siddall and his colleagues advocate the first of these two options for the period immediately ahead. In the present circumstances I agree with them. I have little doubt that, if we are to have any chance of returning the coal industry to something approaching viability within the next 5 years, the second option is essential. However, the time to embark on it is as soon as possible after an election, and not in the year immediately preceding one. In addition, the Board will then have accustomed the miners to accepting a higher rate of closures on economic rather than exhaustion grounds:

It is impossible as it would be imprudent to attach a precise figure to the number of closures in 1983/84 under the Board's preferred strategy. Roughly speaking it could amount to double the 2mt a year of capacity that has been closed over the past decade including mergers and partial closures, but it could be more or less than this. To minimise the risk of immediate national strike action and to maximise the chances of closing uneconomic capacity the Board will want to take it step by step and play it by ear.

The Board envisage that during the next year or so most of the closures will be in Scotland and (in particular) South Wales, where, of course, there is a high proportion of loss-making pits. In the Board's view this strategy, while making strike action in Scotland and/or South Wales quite likely, significantly reduces the chances of the central belt of the English coalfield coming out and thus resulting in a national strike. And, of course, a local strike confined to Scotland or South Wales would probably benefit the NCB's finances, given the heavy losses at present being made there from deep mining. I will, of course, keep colleagues informed of the Board's precise plans, pit by pit, as they develop.


Although, in Norman Siddall's considered view, the preferred strategy will not provoke a national strike, and indeed has been specifically designed not to do so, Scargill will do everything he can to foment and escalate disputes. If therefore, we wish the Board to embark on this strategy they must know that we are prepared, if need be, to face a national strike and to give the Board wholehearted support in fighting and winning any such strike. To this end, we must continue taking maximum precautions to maintain endurance at power stations. I have minuted separately on this issue. But there is no way of eliminating the risk of a



strike altogether, short of confining closures to the small number of pits that the NUM agrees have reached exhaustion, which would be unacceptable both to the Board and to ourselves. In my view, the risk is worth taking. If contrary to Norman Siddall's educated guess, the proposed strategy were to lead to a national strike, it would be widely seen as totally unreasonable and the NUM's support from other unions and the general public is likely to be minimal. By contrast, a policy of closing upwards of 10mt of capacity in 1983/84 would be seen as a dramatic change in the Board's approach and is likely not only to be highly provocative to the miners but also to receive less support from the general public.

The Board plan on a reduction in manpower of some 15,000 in 1983/84, although many of these would come from continuing pits. There would be very few compulsory redundancies. The Board's strategy for closures could eliminate losses of up to £100m in a full year. This relatively low figure compared with the present scale of the Board's losses emphasises that this strategy is but the first step in what will need to be a sustained programme lasting a number of years. But it is the success of this first step that will make subsequent steps possible.

I am sending copies of this minute to the Chancellor of the Exchequer, the Home Secretary, the Secretaries of State for Scotland, Wales and Employment, Sir Robert Armstrong and Mr Sparrow.

S. D. 
Approved by the
SECRETARY OF STATE FOR ENERGY
and signed in his absence

21 January 1983

Not Ind.: NCB Clowes

At 7



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21 JAN 1983
11 12 1 2 3 4 5 6 7 8 9 10 11 12

LONDON

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21 January 1983

Matched
Coal

PA

✓

MR SCHOLAR

cc Mr Mount

POWER STATION ENDURANCE

There is no need for the Prime Minister to do more than acknowledge Mr Lawson's note of 18 January. She may be concerned about the position on lighting-up oil: my understanding is that the Department of Energy aim to have sufficient lighting-up oil in power stations by next November to match 26 million tonnes of coal.

Mr Lawson's note will however form part of the background to the Prime Minister's meeting, now planned for 27 January, on pit closures. You have seen some of the detailed work done by the Department of Energy for that meeting, and Mr Lawson knows that both we and the Treasury have been shown it. But I understand that he has concluded that it would be wrong to circulate formally to his colleagues material of such sensitivity, and that the note he will produce for the Prime Minister's meeting will be short, and confined to the central judgement of the maximum rate of pit closures the unions will tolerate without a national strike.

J.S.

19 January 1983



cc: J (B)

34 Prime Minister²

SECRET AND PERSONAL

ms 18/1

[Handwritten mark]

PRIME MINISTER

POWER STATION ENDURANCE

Following your endorsement of the MISC 57 report circulated on 3 December, my Department has discussed with the CEGB plans for coal deliveries to their power stations in the next few months. These plans will ensure only a modest fall in coal stocks this winter, consistent with steadily increasing endurance, and a smooth build-up to 30 million tonnes for November. Stocks of ancillary materials will by then be sufficient for 20 weeks endurance. Meanwhile, the figures for coal endurance in this minute assume some replenishment of the less bulky ancillaries, though not of lighting-up oil.

The accelerated rate of deliveries now underway will very largely counter the effects of high winter coal-burn. Stocks at CEGB power stations are expected to fall slightly from 24½ million tonnes at the beginning of January to just under 24 million tonnes in March (assuming average temperatures for those months). Thereafter, stocks will increase to 30 million tonnes by late summer. Power station coal stocks in Great Britain as a whole should not fall below about 26 million tonnes this winter, compared with a minimum of 13 million tonnes last year.

If there is a coal strike this winter, endurance will be the longer the later it starts - rising from about 20 weeks for a strike beginning today, to about 23 weeks for one beginning in mid-February, 25 weeks in mid-March and a peak of 27 weeks in May/June, reducing again to no less than 24 weeks in November.

I am copying this minute, for the usual limited circulation, to the Home Secretary, the Chancellor of the Exchequer, the Secretaries of State for Defence, Scotland, Wales, Industry, Transport and Employment, Sir Robert Armstrong and Mr Sparrow.

[Handwritten signature]

Secretary of State for Energy
18 January 1983



10 DOWNING STREET

From the Private Secretary

17 January 1983

NATIONAL COAL BOARD AND RELATED ISSUES

Because of the certainty of the Falklands Debate next week, I am writing to postpone the meeting at 1730 hours on Tuesday 25 January. This meeting will now take place after E on Thursday 27 January, at approximately 12 noon.

I am copying this letter to the Private Secretaries to the Chancellor of the Exchequer, the Secretaries of State for Defence, Employment, Industry, Energy, Transport, Wales and Scotland, the Chief Secretary, Treasury, and Sir Robert Armstrong. Copies also go to Mr. Gregson (Cabinet Office) and John Sparrow (CPRS).

CAROLINE STEPHENS

Mrs. Lesley Pallett,
Home Office.

RB

MR MOUNT

cc Mr Walters
Mr Scholar ✓

(This just to keep you in the picture as an issue still fraught with difficulty)

PIT CLOSURES

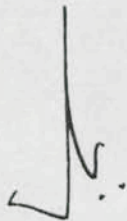
I attended a discussion in the Department of Energy on Friday about pit closures, in preparation for which the attached draft letter for Mr Lawson to send the Prime Minister had been circulated. (There are a number of annexes, which I have if you or others would like to see them: but we agreed that it would be too risky for Mr Lawson to circulate to his colleagues with what are in effect lists of pits to be closed.)

As I think you know, the position is that the Department of Energy have more or less rejected the NCB's first attempt at a discussion document on pit closures, and Mr Lawson therefore proposes that the Prime Minister's meeting on 25 January will consider only his own letter. This necessarily means that the approach that we would have preferred - starting with the Board's projections for demand and price, and the criteria established in the objectives letter - will not be possible. Instead, Ministers will be invited to take a tactical decision: what risk of a national strike are they prepared to take and when, and in the light of that how fast can they risk closing pits.

I have argued, with some support from Nigel Wicks, that Mr Lawson's paper must at least make some attempt to put the problem in a wider perspective of the present over-capacity of the NCB in deep mined coal. And the Treasury are insisting that the paper make it clear that the objective sought by the NCB (breakeven) is not a commercial objective at all: if the NCB were a commercial organisation, it would not tolerate any loss-making pits, and the resulting cross-subsidy from the profitable ones. The implementation of such a commercial criterion would result in closures on a truly enormous scale. Even the implementation of the Board's objective, which is roughly speaking option (c) would result in a pattern of closures highly likely to lead to a national strike (there would be, for instance, 6 pits closed in Yorkshire and 7 in the Midlands).

The judgement about the rate at which closures can take place without a national strike is of course a complex one. There are many intermediate courses of action between the Board's "reference case" and option (c). The NUM's perception of what is reasonable will change over time as a corpus of closures builds up. Non-coal factors will play a part, notably the election. But it was clear from the meeting that there is a consensus among the Department of Energy, the Treasury, Employment and the CPRS that the right course of action is to tell the Board to go for the closures implied by the reference case (which are mostly, but not all, in Scotland and Wales) until after the election. The Department of Employment placed particular emphasis, rightly I think, on the fact that many of the option (c) closures would involve compulsory redundancies (some 14,000 in all) which brings the closures issue into a different dimension of industrial relations.

Finally, the Department of Energy and the Treasury now acknowledge what John Hoskyns argued from the day he arrived here: that sooner or later the Government would have to face, and win, a major national coal strike. John thought it would probably have to be on pay, but our plans for deterring that proved successful. It does seem considerably less likely that we could bring the Coal Board anywhere near breakeven without winning a strike, and that of course carries the major risk that embarking upon and then losing a strike is the most expensive option of all.



17 January 1983

DRAFT

File No.

Addressed to:

PRIME MINISTER.
NO 10 DOWNING STREET
SW1.

Copies to :

Originated by:
(Initials and date)

[Handwritten signature]
13/11

Seen by:
(Initials and date)

Enclosures:

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Sec of State
(Initials and date)

SECRET

DEPARTMENT OF Energy

NCB PIT CLOSURES

As foreshadowed in my minute of 10 December, I am writing to report on the NCB's considered proposals on closures and to set out my own recommendations on these proposals.

2. The Board have considered three options:
- (a) to maintain their present policy of closing some 2mt of capacity pa, largely consisting of pits nearing the exhaustion of their reserves;
 - (b) to reduce capacity through closures and mergers by some 3m-4mt on both 1983/84 and 1984/85 - their reference case; and
 - (c) to attempt to close 10mt of capacity in 1983-84 - their rapid case.

Option (a)

- 3. Norman Siddall told me the Board had rejected this option out of hand for two main reasons. First, if adopted, there would be no

Enc. 3

*Intro shd explain
against what
background the option
shd be judged.
- The objective
- Downside cost
projections
- ∴ Derived
capacity.*

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File No.

viability within the foreseeable future. Secondly, in the period immediately ahead the number of exhaustion closures or closures that were likely to be uncontroversial for other reasons would not amount to anything like a programme of 2mt pa.

Option (b) - Reference Case

4. This is the option recommended by Norman Siddall and his colleagues. Details of the pits, including their losses, manpower and productivity, which the NCB would propose to close and merge under this option are set out in Annex A, while the financial implications of this and other options are set out in Annex D. The emphasis would be on heavily loss-making pits, rather than on pits nearing exhaustion (many of which have closed over the last two years). Briefly, the Board would propose to close 6 pits in South Wales with a manpower of 3300, 2 or possibly 3 in Scotland (1400-1600 men) and 2 in the North East (2500 men). There would also be several partial closures and mergers which would eliminate loss-making capacity and reduce manpower. At the request of the Welsh NUM, discussions on two of the pits to be closed, TYMAWR and BLAENGWRACH, will start on 17 January and discussions on the closure of SORN, which may close during the current FY, will start soon after our meeting on 25 January. By concentrating on closing pits in the major loss-making areas in South Wales, Scotland and the North East the Board would expect to avoid a serious risk of a national strike in the Central coalfields, although there are likely to be strikes in the South Wales and/or Scottish areas. The Board would hope to achieve the great majority of their closures without compulsory redundancies, ~~although the option is based on a reduction of 14,000 men on colliery books in 1983/84.~~ Without the recent deterioration in the Board's market prospects (see para 7 below) the Board would expect to breakeven under this option in 1986/87.

Safety did they
consider it? It
was never an
option.

10 pits

6 1/2 k man

✓

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Option (c) - Rapid Case

5. Details of this option are set out in Annex B. Under this option the Board would close 38 pits in 1983/84 and reduce their manpower by 25,000 - 30,000. Widespread compulsory redundancies would be needed. Nine of the Board's 12 Areas would be affected. Leaving aside the recent deterioration in their market prospects, the Board claim they would also only break even under this option in 1986/87, although our own ~~statistics~~ ^{studies} suggest that they might break even by 1985/86. In cash terms there are considerable advantages over option (b) provided that a national strike fails. If a national strike succeeds, the costs would be very much greater than if the reference case is carried through successfully. (See Annex D).

Additional Option - Reference Case Plus

6. I asked Norman Siddall to consider an additional option between options (b) and (c), which would involve bringing forward some of the closures in the major loss-making areas planned for 1984/85 into 1983/84. We agreed that such an approach was consistent with his own clear view that option (b) should be the minimum strategy and that the Board should do everything in its power to accelerate the rate of closure and seize all opportunities which arose without, however, taking action that seemed likely to precipitate a national strike. Annex C illustrates what might be achieved in this way.

Recent deterioration in the NCB's Prospects

7. Since the NCB formulated their original options their prospects have worsened significantly. They have already lost 2mt of sales to the CEEB over the next year, and my Department's short-term forecasts suggest that a further loss of sales of around 2mt pa ~~suggest that a further loss of sales of around 2mt pa~~ over the next three years is possible. There is also no sign yet of an increase

38 pits

25k man

limit

How likely is a
Nat. Strike?(Include Norths,
Midland & Yorks)(para 11
annex D)Try to make
this compatible
with the others.

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in real coal prices, to which the NCB look for a substantial contribution to their return to viability. Productivity is also lagging. So far this year OMS has increased by only 1.2% instead of the 3.4% expected. Increased productivity and reduced costs are crucial to NCB's plans. If all these adverse trends are confirmed, NCB's 1986/87 EFR might be some £600m greater at 1982/83 prices than forecast in the Development Plan. Such a deterioration would mean that the distance to be covered - and the closures required - to return to viability will be substantially greater than NCB have so far forecast.

Consideration of the Options

8. I believe we should accept the Board's view that option (a) is unacceptable and needs no further consideration.

Financial

9. As is clear from Annex D and paragraph 7 above the Board face very serious financial problems. Unless there is an early and marked ^dupturn in the economy, there can be no prospect of the Board breaking even after social grants within 5 years on the basis of present policy, let alone of their making a positive return on the vast sums of capital which the nation has invested in this industry. Maintenance of the present policy, ie option (a), would leave the Board requiring an EFL of ~~at least~~ ^{over} £1100m in 1987/88 before taking account of the deterioration referred to in paragraph 7 above.

10. Although the financial consequences of option (b) depend to a large extent on whether or not it results in strike action, it is assumed that a strike is avoided. If so, the option will cost at least £900m less over 5 years than option (a) and is obviously preferable to it. The cash costs of option (b) can be reduced by a further £300m if the

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"Reference Case Plus" is implemented. Either version of this option costs more than a successful option (c), but a lot less than an unsuccessful one.

11. The financial consequences of option (c) depend crucially on the outcome of a national strike which will almost certainly occur if this option is adopted. If, but only if, the programme is carried through either without a strike or with a strike that the Board clearly wins, this option has clear financial attractions compared with option (b) - the saving to the PSBR could be some £900m over the 5 year period. The recent deterioration in the Board's prospects strengthens the case for taking early and radical action. On the other hand, the clear lesson of February 1981 is that if the Board do not win a strike and are again forced to agree a moratorium on closing anything other than on exhaustion grounds, the financial prospects of the industry would become catastrophic. The financial consequences of such an outcome are likely to be some £1250 worse than option (b) and are indeed considerably worse than that for option (a), as in addition to very few closures the Board's ability to shed manpower without closures is likely to be greatly restricted and the Board's ability to keep down costs, notably wage costs, would be greatly reduced.

A further £900m?

|| * ✓

Strike Action

12. If we adopt any option other than option (a) we must be prepared to face a national strike and to give Norman Siddall and his colleagues our whole-hearted support in winning it. The closure of pits, notably in areas of high unemployment and in closed mining communities, affects men's basic interests much more fundamentally than pay. Whatever steps are taken to mitigate the immediate effects of a particular closure, we can never be certain that it will not spark off a national strike, which Arthur Scargill will do everything in his power to encourage.

X no. not for (b)

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File No.

SECRET/6.

Had Scargill not foolishly linked the pay issue with the closures issue, he would have been well-placed in the months ahead to have won a national ballot on closures. However the risks of a national strike and the Board's chances of winning one differ considerably depending on which option is adopted.

13. Norman Siddall believes the risks of a national strike arising from option (b) are 40/60 against. Some acceleration should be possible without these risks rising above 50%. On the other hand Norman Siddall believes there is well over a 50% risk of local strikes in the South Wales, Scottish and Kent coalfields, which might result in limited sympathetic strike action in a few pits in the central coalfields. Given the heavy losses made in these three areas such an outcome would positively benefit the NCB's finances.

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exactly.

14. Norman Siddall is confident of being able to deal with any regional strike action arising out of option (b). Even if this develops into a national strike the Board will be well placed vis-à-vis both the miners and public opinion. The Board could plausibly argue that (unlike in 1981) the prospects of the central coalfields are assured. The limited surgery, but not butchery, being undertaken in the high loss-making peripheral coalfields is not likely to attract ~~much~~ ^{great} sympathy from miners in the central coalfields. Following the Select Committee report and other publicity, public opinion is likely to support the Board and the Government if the Board adopt this option.

15. The main reason why Norman Siddall advises against the rapid case is that he is far from confident that the Board would win such a strike (particularly in a year during which the NUM think there might be a General Election). In view of the number of closures involved in the rapid case, it

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committed to a major closure programme. The fact that 9 of the Board's areas would be affected and there would be widespread compulsory redundancies would lead to entrenched opposition by the workforce. The Board also believe that the adoption of such a strategy in the near future would immediately re-establish Arthur Scargill's standing and credibility, which they have successfully undermined, as he would be able to claim that his repeated warnings were now shown to be fully justified. ~~While~~ The Board are well aware that the stocks at power stations enable us to hold out for a long period, they believe the miners would also be prepared for a very long strike, particularly if the Board were unwilling to give satisfactory undertakings on future closure policy in order to settle a strike. While the Board are currently thinking a national strike would last for 2 months, I believe it could well be longer. We would certainly need to be prepared for it to be longer.

Employment Consequences

16. Under option (b) the Board would expect to reduce manpower in industrial grades on colliery books by some 14,000 in 1983/84 compared with reductions of about 8,000 in 1980/1, 12,000 in 1981/82 and 9-10,000 in 1982/83. Of this total rather more than 10,000 job losses would be at the collieries which would close wholly or partially in 1983/84. About 4,000 would be in South Wales, 2,500 in the North East, and 1,400 in Scotland. The other reductions would be achieved by increased efficiency at continuing collieries. There would be additional job losses, perhaps another 2-3,000 in all, of ancillary industrial and non-industrial staff. Some 70% of the job losses would be accounted for by voluntary redundancies, either at the pits being closed or at nearby pits which would be taking in men from the closed pits. At the moment the Board only envisage compulsory redundancies at one of the

why?

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pits to be closed in South Wales.

17. If option (c) were implemented the manpower reduction at collieries in 1983/84 would be between 25,000 and 30,000 with some actual closures probably spilling over into 1984/5. The number of redundancies would be nearly as great, with very limited re-deployment. --- of the redundancies would be compulsory. There would be nearly 8000 job losses in South Wales and around 5000 in both the North East and Scotland, the remainder being in the central coalfields.

Conclusion

18. Taking all these considerations into account I believe that on balance the right approach initially is to back Norman Siddall's judgment and urge him to launch option (b), while doing everything possible to bring forward additional closures without, however, at this stage courting more than a 50/50 risk of a national strike. The accelerated version of option (b) would mean a significant increase in the tempo of closures compared with recent experience, notably non-exhaustion closures, and is likely to attract widespread public support and be accepted by the majority of miners themselves. Success with this option will further undermine Scargill's position and make it easier to increase the pace of closures at a later stage.

19. Whilst the financial attractions of the rapid case are obvious if the outcome of the strike is successful, I think it would be imprudent to adopt it immediately. But once the higher level of closures postulated by option (b) has been successfully established, I think we should look again at whether the Board could not move to a still higher gear immediately after we have been re-elected. Furthermore we should keep under review the possibility of increasing the tempo at an earlier date, notably if

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but by series of

ie the "Reference
Case"

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SECRET/9.

a national strike develops. If Scargill succeeds in bringing about such a strike we must do everything in our power to defeat him, including ensuring that the strike results in widespread closures.

20. A note on the present power station endurance position is at Annex E.

21. I am sending copies of this letter to the recipients of my minute of 10 December.

MR WALTERS

cc Mr Mount
Mr Scholar

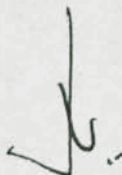
PIT CLOSURES

Thank you for your note of 7 January, in response to my earlier one to you covering the NCB's draft discussion document. I have now had a word with Ferdie about all this, and in preparation for the Prime Minister's meeting planned for 25 January I have discussed it with John Guinness in the Department of Energy.

The Department of Energy and the Treasury are agreed that the present draft is hopeless, and that it will have to be rewritten entirely. Between them they are making suggestions to the NCB as to how that should be done, including the need to take account of the worsened market prospects since the first draft was prepared. I told John Guinness that in our view the document would be seriously at fault if it did not take as a starting point the objectives set by Ministers for coal, in Mr Lawson's 18 June 1982 letter. I also said that there seemed to us little point in having a discussion document at all unless it made a serious attempt to assess future levels of demand and price - otherwise, we might as well proceed merely on the basis of judging what is the maximum rate of closures we can get away with.

But that is what we are going to have to do anyway, since the NCB will not have a revised document in time for the Prime Minister's meeting. Mr Lawson will therefore be sending the Prime Minister, and a few selected colleagues, a longish letter setting out the options and containing his recommendations. The letter will also have a number of annexes giving illustrative lists of closures, together with their location, losses and numbers employed. It will therefore be a pretty sensitive document, but none of the MISC 57 papers have leaked yet. I understand that Mr Lawson will be advised, consistently with the NCB's own judgement, that a rate of closures significantly faster than what the NCB described as the "reference case" in its earlier draft would lead to a national strike.

Since something a good deal better than the reference case is needed in order to achieve savings as rapidly as Ministers are likely to want them, we will have to give serious thought to a strategy of closing pits at such a rate that a national strike is likely, and assuming that we can win such a strike. I shall want to offer advice about that when I see the details of what Mr Lawson proposes: there has hitherto been a tendency on the part of the NCB and the Department of Energy to exaggerate the strike risk, ie to assume that a national strike becomes a possibility at a rather lower level of pit closures than is realistic.



11 January 1983

MR. VEREKER

PIT CLOSURES


I agree with most of your grumbles with the draft on pit closures. I think the document is very muddled and contains an inadequate and inconsistent account of demand and price. These are the critical elements in the whole strategy and, even in the low case the real price after 1985 is supposed to increase by 2% per annum. (It is not clear to me how they have dealt with the problem of restrictions on imports to the CEGB.)

In principle the exercise should take the following form.

- a. Forecast the world price of coal, taking into account the range of probable responses of the energy supply to price, on the one hand, and the effects on demand on the other.
- b. Find the import price of coal into the United Kingdom.
- c. Construct cost indices, taking account of real wages and capital cost, to find the amount that can be supplied, at costs excluding the royalty or rent element, from existing known sources.

This should tell us the range of closures that are needed. The trouble is it is all highly conjectural, especially Stage (a).

There is no evidence that they have done this sort of exercise. But we must allow that it is a draft document and perhaps does not properly represent what analysis has been done. Let's discuss it more.



7 January 1983

ALAN WALTERS

SECRET



cf 50
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Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

John Moore Esq, MP
Parliamentary Under Secretary
of State
Department of Energy
Thames House South
Millbank
LONDON SW1P 4QJ

31 December 1982

NBPM

msb/1

Dear John

THE SOUTH WALES NUM STRIKE DEMAND

It was helpful to have the full report in your letter of 21 December about the industrial relations position in South Wales. I am sure that colleagues will want you to continue to keep them in the closest touch with these sensitive matters.

I am sending copies of this letter to the Prime Minister, the Home Secretary, the Secretaries of State for Defence, Industry, Scotland, Transport, Wales and Employment and to John Sparrow and Sir Robert Armstrong.

[Handwritten signature]

GEOFFREY HOWE

MR WALTERS O/R

cc Mr Mount
Mr Scholar ✓

PIT CLOSURES

I have been sent, on a personal basis, the attached NCB draft of their financial projections to 1992/93, which is in effect the Board's discussion document on pit closures. I have undertaken that we will not trouble the Prime Minister with it at this stage, and will use it only to prepare ourselves for the official and, ultimately, Ministerial discussions which will begin in mid-January on the basis of a final version. I should be grateful if you and Ferdie would have a look at it and let me have your reactions (I am sparing Ferdie the rather bulky Annexes, except for the crucial Annex F); and I am sending a copy of this note to Michael Scholar to keep him abreast of what will be a major issue in the New Year (he will recall that Mr Lawson referred to the existence of the draft in his note of 10 December to the Prime Minister).

The NCB and, frankly, to some extent Ministers also, see pit closures chiefly in the context of industrial action, threatened or real. That is one perspective. But there are others. I think a better starting point for this debate is to remind ourselves of the wider context:

(i) It is absolutely fundamental to the Government's strategy to reduce the burden of the loss making state enterprises. The principal loss makers are the constituents of the triple alliance - coal, steel and rail. BSC has survived, with its five main centres of production, in the face of all economic logic, for political reasons. BR is on a shakier political base, but we shall do well to keep open the possibility of substantial network reductions until after the election. Can the Government retain the credibility

of the strategy if it shrinks from substantial reductions in unwanted coal production?

(ii) And there is already a very specific Government objective for coal, born out of the CPRS study of relations with nationalised industries, to which we were midwife. On 18 June 1982 Mr Lawson circulated to his colleagues the text of the objectives he had agreed with Mr Siddall. The second paragraph reads as follows:

"The NCB should aim at that share of the market, which they can profitably sustain in competition with other fuels, including imported coal. The Board should not plan on any continuing tranche of sales which will not be profitable. The Board should bring its productive capacity into line with its continuing share of the market."

Seen in this context, the NCB's discussion document is a poor relation of the firm policy on closures we expected from Mr Siddall in the aftermath of his victory over Scargill on pay. It is also difficult to follow; but we must make allowances for its being only a draft.

The opening passage on the Board's Objectives sets the tone for the rest. They are muddled, and difficult from the objectives set by Mr Lawson. The Board then offer two illustrative strategies, "rapid" and "conventional". The difference between the two is about 6% less deep mined coal production by 1986/87, achieved by a faster rate of closures. The Board assume that adoption of the rapid strategy would be accompanied by a 4-week national coal strike, and the conventional strategy by some local action. Neither strategy relates output to demand at all clearly, and there is no consideration of the relative cost of imported coal. It could not be argued that either strategy brings the Board's capacity into line with its continuing share of the market. Nonetheless, the Board's recommendation, accompanied by dire warnings of impending industrial relations problems, is that they adopt the conventional strategy.

The financial consequences of the two strategies are hard to disentangle from the paper. Under the conventional strategy, the EFL falls to zero by 1989/90, with coal being sold at a profit somewhat before then (as we already know, the greatest losses can be most easily saved because they are concentrated in a few pits). Figures for the rapid strategy are not shown on the same basis.

The recipients of this note may well be struck by the similarities with the Serpell report: a weak analytical starting point, uncertain financial projections, a radical strategy dismissed as impracticable, a comfortable strategy embraced as being consistent with the achievement of breakeven by the end of the decade.

So the issues on which we need to reach a judgement are these:

1. How do the levels of production in the two strategies relate to the level of demand, and the relative price of imports?
2. What are the precise financial consequences that the Board foresees for its two strategies?
3. How likely are they to be achieved?
4. At what rate of pit closures does the threat of localised resistance become a threat of a national coal strike?



24 December 1982

de J. v.

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Treasury Chambers, Parliament Street, SW1P 3AG

John Moore Esq MP
Parliamentary Under Secretary of State
Department of Energy
Thames House South
Millbank
London SW1P 4QJ

23 December 1982

2 Jan.

mt

Prime Minister

JA

29/1/82

FOUNDRY COKE PRICES

Thank you for your letter of 17 December seeking agreement to the continuation of foundry coke grant for another year.

I am disappointed that it has not yet proved possible to produce an adequate plan for returning NSF to viability. Your suggestion that this grant should be extended yet again at a possible cost to the Contingency Reserve of £8 million is therefore particularly unwelcome. That said, it is encouraging that at least in the foundry coke area, NSF operations should become profitable again within the next year or so. I was glad to see that coke stocking grant can now finally be terminated this year, that there have been real cost reductions; and that the closure of one coke oven next year has been confirmed (although it is important that there should be no further slippage in the precise timing). The figures from the Company's plan shown to Treasury officials suggests that NSF should start to be able to cover their operating costs on foundry coke, without the need for grant, during 1983-84.

Against this background I am very reluctant to agree to an extension of the foundry grant for another year. It is clearly not a significant factor in the costs of foundries, which are in any case free to import. Looking at NSF alone, I see no reason why they should not simply increase their prices by the amounts suggested in your option (a) and carry any short-term further losses against the profits they will start to make once the surplus plant has been closed. I accept, however, that it might be unfair to the private sector company, British Bensol Carbonising to terminate the grant at short notice, and allow NSF's losses to be carried by the public sector. Even if the long-term future of this Company is in doubt, I accept that we would not wish to precipitate matters by sudden action. For this reason, I am prepared to contemplate the phasing out of the grant over a year as you propose, provided the following two conditions are agreed.

CONFIDENTIAL
COMMERCIAL IN CONFIDENCE

First, the Department would find £8 million compensating savings from the NCB or elsewhere, so that no claim on the Contingency Reserve is necessary. (I accept that the NCB's deficit grant will need to be increased by up to £8 million). I should like to know before any announcement where the savings are to be found. Second, the early announcement about the continuation of the grant should make it unequivocally clear that it will end in December 1983. Please could your officials clear the text of the announcement with Treasury officials.

I look forward to seeing NSF's revised plan early in the New Year.

Copies of this letter go to the Prime Minister, members of E Committee, Norman Lamont, Sir Robert Armstrong and Mr Sparrow.

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LEON BRITTAN

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Went. Ind:

Coal Pt 7



DEC 29 1962

SECRETARY OF STATE FOR ENERGY
THAMES HOUSE, LONDON
WILLIAM PITT BUILDING

01 211 6402

CCP
Prime Minister (2)

ms 23/12

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ms

SECRET AND PERSONAL

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
HM Treasury
Treasury Chambers
Parliament Street
London
SW1

23rd December 1982

Dear Chancellor

POWER STATION ENDURANCE

Your minute to the Prime Minister of 13 December asked for the extra costs of building up CEGB power station coal stocks to 30mt by November 1983 to be absorbed within existing EFLs.

I will of course press the CEGB and NCB to minimise the cost of next year's accelerated delivery exercise. However, we must be willing to finance that cost by an increase in the NCB's deficit grant and EFL, as for this year's exercise.

Neither Board will co-operate in raising power station stocks further above commercial levels if the costs would fall on them or their customers. Their EFLs for next year are already demanding. Nor would it help to say that we are willing to increase EFLs next September, if necessary - if we are to achieve our strategic objectives, we must offer the Boards financial compensation.

I am copying this letter to the Prime Minister, the Home Secretary, the Secretaries of State for Defence, Scotland, Industry, Transport and Employment, Sir Robert Armstrong and John Sparrow.

Yours sincerely
Nigel Lawson

NIGEL LAWSON
(Approved by the Secretary of State
and signed in his absence)

next Ind. Coal. Pt 7

CONFIDENTIAL

Nat Industries ~~ECJV~~



DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB
TELEPHONE DIRECT LINE 01-212 5902
SWITCHBOARD 01-212 7676

From the
Minister of State

Norman Lamont MP

The Rt Hon Leon Brittan QC MP
Chief Secretary
HM Treasury
Parliament Street
London SW1

NBPM
Mus 23/12

23 December 1982

Dear Chief Secretary

FOUNDRY COKE PRICES

I have just seen a copy of John Moore's letter to you of 17 December about the financial assistance which has been given to the NCB since June 1982 to hold down the prices of foundry coke produced in this country by National Smokeless Fuels and British Benzol Carbonising. I believe that John has set out very clearly the difficult position facing both the producers and users of foundry coke in this country.

I am particularly concerned about the size of the price increases that would be necessary for NSF to cover their operating costs of making and selling foundry coke. I fully appreciate the need to bring this financial assistance to an end and I am pleased to see that NSF have made plans to reduce output and control costs. However, I must stress that the foundry industry is in such difficulties - foundries are still closing at an average of one per week - that they could not bear an increase of £28 per tonne (over 30%) or anything approaching this. I also feel that such an increase would appear to the foundry industry to be at variance with the recent announcements that there should be no increase in industrial gas and electricity prices.

Nevertheless, despite the difficulties faced by the foundry industry, some increase in foundry coke prices is clearly required and I would like to support option (a) in John Moore's letter involving £5 per tonne list increases on both 1 January and 1 July 1983. I believe these reasonable price increases should be coupled with an early announcement about the restructuring planned by NSF so that the foundry industry in turn can see that every effort is being made to control the costs of producing coke. I hope therefore that you will be able to agree to continue the modest level of support to the NCB during 1983 which this option implies.

CONFIDENTIAL

CONFIDENTIAL



I am copying this letter to the Prime Minister, members of E Committee, John Moore, Sir Robert Armstrong and John Sparrow.

yours sincerely,

John Atty

NORMAN LAMONT

(approved by Mr Lamont and signed in his absence)

23 DEC 1982



CONFIDENTIAL

28 da

bc P. Gregson, CO



10 DOWNING STREET

From the Private Secretary

23 December 1982

Assured by Mr

West that this dispute settled with Tony
and no delay in coal deliveries

Dear Julian,

MIS 17/1

Power Station Endurance

The Prime Minister has seen your Secretary of State's undated minute and the minute of 13 December from the Chancellor of the Exchequer concerning the recent report by the Official Group on Coal (MISC 57) on power station endurance.

The Prime Minister recognises that Ministers' decision to opt for the maximum feasible rate of deliveries of coal to the power stations after the Christmas holidays and to aim for higher stocks next autumn may require difficult and complex negotiations with the Electricity Boards and the NCB about the implications for their EFLs. She is however concerned that the urgent action which has been agreed following the MISC 57 Report should not be delayed - especially the action to accelerate coal deliveries after the Christmas holidays, but also any early action which needs to be taken to improve endurance next autumn. She therefore very much hopes that the clarification of the implications for EFLs and the discussion of this with the industries can be pressed ahead quickly and handled in a way which will not delay progress on these matters.

B.K. |

I am sending a copy of this letter to the Private Secretaries to the Home Secretary, the Chancellor of the Exchequer, the Secretaries of State for Defence, Scotland, Industry, Transport and Employment, and to Mr. Sparrow and Sir Robert Armstrong.

Yours sincerely,

Michael Scholar

Julian West, Esq.,
Department of Energy.

DA



27

SECRET AND PERSONAL

Prime Minister ①

P.0927

Agree / write as proposed?

Yes mb

MR SCHOLAR

Ms 22/12

POWER STATION ENDURANCE

Further to my minute of 17 December, it now seems that the discussion of financial arrangements relating to the measures to improve power station endurance has been caught up in a wider negotiation about finance involving the Government, the NCB and the Electricity Boards. It is therefore most unlikely to be settled before Christmas. There is no intervention which it would be useful for the Prime Minister to make on the substance at this stage, but it is vital to keep the pressure up. If the Prime Minister agrees, a letter on the lines of the attached draft for your signature would be helpful.

Pg

P L GREGSON

22 December 1982

SECRET AND PERSONAL



SECRET AND PERSONAL

nr type
DRAFT LETTER FROM MR SCHOLAR TO SEND TO MR WEST, DEPARTMENT OF ENERGY

POWER STATION ENDURANCE

The Prime Minister has seen your Secretary of State's undated minute and the minute of 13 December from the Chancellor of the Exchequer concerning the recent report by the Official Group on Coal (MISC 57) on power station endurance.

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I am sending a copy of this letter to the private secretaries to the Home Secretary, the Chancellor of the Exchequer, the Secretaries of State for Defence, Scotland, Industry, Transport and Employment, and to Mr Sparrow and Sir Robert Armstrong.

SECRET AND PERSONAL

Not And Coal

26 B.

Mr Wolfson

PR

P.0928

MR SCHOLAR

I am more impressed by X and Y men by para 4; and am inclined now to let the matter rest pro tem, having registered the point. Agree? Yes DW

POWER STATION COAL STOCKS

You raised with me a short time ago the question whether the fact that a MS 22/12 proportion of power station coal stocks had been delivered on deferred payment terms might mean that if there were further industrial action by the miners they would succeed in persuading the power station workers not to handle the coal concerned on the grounds that it really formed part of the pithead coal stocks, which would be declared "black" by the miners, rather than power station coal stocks.

might

2. We have discussed this with officials of the Department of Energy. The financing arrangements for the extra coal delivered to the Electricity Boards under the accelerated deliveries programme are complex. However, I gather that they now apply to only about 3 million tonnes out of the 26 million tonnes of coal held at power stations in England and Wales; this is planned to increase during 1983 to 6 million tonnes out of total coal stocks of 30 million tonnes. Moreover, the Electricity Boards regard themselves as having formally taken delivery of this coal and having negotiated with the National Coal Board the sort of advantageous payment terms that are not uncommon in the private sector. The Electricity Boards would apparently not accept that the coal in question (which is not, of course, separately identifiable at the power stations) is in any sense part of pithead coal stocks which happen to be stored at the power stations.

but would the Courts? X

3. You may have seen reports in the press today that the new pricing arrangements agreed between the CEGB and the NCB involve the delivery of some coal for which payment is not specified. This is simply the rolling forward of the present arrangements.

4. The Department of Energy is confident that the miners are most unlikely to take any interest in the financing arrangements for coal stocks or, even if they were to do so, to seek to construct an argument of the sort outlined above.

However, even if the miners were to seek to persuade the power station workers to "black" the coal in question, it seems unlikely from previous experience that they would be successful in doing so. Power station staff are keenly aware of the rapid and very serious damage to the economy which would result from any industrial action by them, and the adverse effect this would have on public opinion. As a result there has been relatively little industrial action in the electricity supply industry over the last decade. Power station workers did not take industrial action during the two miners' strikes in the 1970s. It seems improbable that they would do so if there were to be a miners' strike in the foreseeable future.

5. The conclusion is therefore that the contingency referred to in paragraph 1 is highly unlikely. If it were to occur it would of course be open to the Electricity Boards, in the last resort, to dispose of any argument of this sort by paying the NCB for all the coal stored at the power stations.

Pq

P L GREGSON

22 December 1982

219
Noted
Coal

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Prime Minister (2)

SECRET

ms 22/12



DEPARTMENT OF ENERGY
THAMES HOUSE SOUTH
MILLBANK
LONDON SW1P 4QJ
01-211 3932

Rt Hon Sir Geoffrey-Howe QC MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
LONDON SW1

9/ December 1982

Geoffrey

[Handwritten mark]

THE SOUTH WALES NUM STRIKE DEMAND

As you will have seen from Press reports, the South Wales Area of the NUM has threatened to call a strike with effect from 17 January, unless the NCB give them various undertakings, including promises of higher recruitment and investment. The call has been backed by substantial show-of hands votes at most of the coalfield's 33 pits. (A full ballot vote is not necessary before an individual NUM Area calls a strike). However, Emlyn Williams, the South Wales NUM President, is reported as saying that the date for action has been set well into the future so as to provide ample time for meaningful negotiations. As a first step, the Welsh NUM would like a meeting with the Chairman of the Board.

The rules of the NUM provide that an Area wishing to take industrial action must obtain the consent of the union's National Executive Committee before doing so. (This committee next meets on Thursday 13 January). It can be expected that South Wales's move will not be overtly opposed by the other Area leaders on the NEC, though it is by no means certain that, if a strike were to start, it would 'spread like wildfire' to other coalfields, as Arthur Scargill has suggested.

The South Wales Area poses the most difficult problems of all the Board's Areas in terms of returning to viability. Its operating loss was some £96 million in 1981/2, out of a total operating loss on deep mining of £226 million. This year the loss may be £125 million, or over £15 per tonne of coal produced. Productivity as measured by output per manshift was only 61% of the national average (1.47 compared to 2.4).

The pace of closures in South Wales in the last three years has been slow; three full and three partial closures have been carried out. The number of men on colliery books has also fallen more slowly than in other loss-making Areas: by only 4% during 1981/2 as compared to nearly 12% in Scotland, over 9% in the North East, and over 5% nationally. The reduction in South Wales



manpower has been limited because the NUM there have until recently done their utmost to prevent men from accepting redundancy under the improved terms, which have proved attractive elsewhere. The NCB have responded by holding down recruitment to a very low level. This caused resentment since miners have been anxious to find their sons jobs in the pits, given the poor employment prospects in Wales. More recently it has proved possible to obtain some redundancies, so that during the first six months of 1982/83 manpower fell at a rate equivalent to 7-8% in the year. But there is much leeway to be made up in comparison with other Areas.

Investment in South Wales has been falling as a proportion of the Board's total investment since 1977/78. This reflects the Board's wish to optimise the return on their investment funds, particularly by investing in the most profitable coalfields. In the recent past the Board has been particularly reluctant to invest in South Wales in view of the low level of closures and or manpower reduction.

It was against this background that the South Wales NUM recently saw Philip Weekes, the Area Director. Weekes was, of course, unable to hold out much hope of either increased investment on increased recruitment, other than promising two or three small schemes already in the pipeline.

Norman Siddall has decided to see the South Wales NUM in January. Whilst he was reluctant to see them under threat of a strike, he believes that a meeting might help divide the South Wales NUM from Arthur Scargill. Although Scargill has been encouraging the South Wales NUM to take action, in the hope that this would spread to other coalfields (as in February 1981), and give him the national strike he failed to secure in the recent ballot, the South Wales NUM are more interested in negotiating increases in investment rather than acting as Scargill's shock troops - there is little love lost between Emlyn Williams and Scargill.

Furthermore, Siddall sees advantage in delaying any industrial action in South Wales for a few weeks, while the Board assess reactions on the two current closure issues outside South Wales (Kinneil in Scotland and Snowdown in Kent), and a possible further closure in Scotland (Sorn). For this reason also the Board have now agreed to a joint technical examination with the NUM of the position at Britannia colliery (which will inevitably close within two years unless the Board sanction further investment). Scargill is reported as having said this is a surprisingly optimistic approach and this in itself may lead the NUM to postpone their action. However, when Siddall does see the South Wales NUM, he will not be able to offer them any substantive concessions, although he would prefer to be able to keep the discussions going for some time.

SECRET



I should report further as the Board's thinking and the situation develops.

I am copying this letter to the Prime Minister, the Home Secretary, the Secretaries of State for Defence, Scotland, Industry, Transport, Wales and Employment and to John Sparrow and to Sir Robert Armstrong.

John Moore
JM

JOHN MOORE



DEPARTMENT OF ENERGY
 THAMES HOUSE SOUTH
 MILLBANK
 LONDON SW1P 4QJ
 01-211 3932

CONFIDENTIAL

COMMERCIAL-IN-CONFIDENCE

Rt Hon Leon Brittan QC MP
 Chief Secretary
 HM Treasury
 Parliament Street
 LONDON SW1

Prime Minister (2)

A further subsidy (£8m)

for foundry coke.

17 Dec 20/12
 17 December 1982

Dear Leon,

FOUNDRY COKE PRICES

As you will remember, we agreed last February to extend until 31 December the assistance which we have given to the National Coal Board since June 1981 to hold down the list prices for foundry coke charged by the two UK producers, National Smokeless Fuels Limited (NSF), a wholly owned subsidiary of the NCB, and British Benzol Carbonising Limited. We made that aid conditional on NSF's producing a plan for eliminating uneconomic capacity and returning to viability. I have received this plan, which has been sent to your officials, and expect to write to you about it shortly. Since, however, I am satisfied that a decision on foundry coke would not affect the wider choices which we shall need to make NSF's future generally, and since time is pressing, I propose that we shall now deal separately with the continuance of this aid.

The present level of grant to NSF is £6m over the period April-December with a further £1m of support to British Benzol Carbonising through NCB. This is roughly equivalent to £25/t of foundry coke sales. However, taking account of cost increases since March, NSF would need to increase prices by £28/t to cover their operating costs of making and selling foundry coke. Their other products, principally blast furnace and domestic coke are also loss-makers. After this aid to hold down foundry coke list prices and coke stocking aid (which, as you know, will not be paid after 1982-83) they forecast a loss of £17.2m for 1982-83.

NSF's present list price for foundry coke is £93.30/t ex-oven. (Their average proceeds are lower because of discounting). The latest changes in exchange rates mean that UK list prices for foundry coke are now in line with most of those on the Continent, France excepted.

The foundry industry is still in decline and, even with the benefit of recent decisions on industrial gas and electricity prices, is in no position to pay an extra £28/t for coke now. Although coke accounts on average for only 6% of foundry costs, the pressure on margins is already such that many firms including large modern foundries, would go to the wall. NSF would therefore be forced either to concede discounts or to accept the loss of business either because of closures or to imports. This need not, however, rule out any price increase at all. It seems that the market would allow an increase of some £10/t by January 1984, although there are different options on the phasing.



Happily, new trends in NSF's control of costs give us an opportunity to bring the aid to an end. The management are tackling their problems constructively and have made determined efforts to increase efficiency and reduce costs. They have cut total operating costs - other than payments for coal - by 2.5% in real terms in each of the last two years, largely by tighter manning levels. The price which they pay for coal is now fully aligned with the price of imported coal. More important, they have decided to close one of their foundry coke ovens in 1983, probably the middle of the year. When that is done, they will be able to meet UK demand for foundry coke from their remaining ovens at full throughput. On this basis, with a price increase of £10/t, the production of foundry coke should be reasonably profitable from 1984.

I suggest that we should take this opportunity to bring the present aid to an end at 31 December 1983. NSF should then be able to operate economically. Their prices will reflect the costs of production at an economic level and will not be inflated by low throughput. Thereafter we should leave the market to determine their prices and sales. It would not, however, be realistic to seek to cut off the aid at 31 December this year. As I explained above, NSF could not increase their prices enough to cover the loss of aid and, since neither they nor NCB are in a position to absorb increases losses, the loss of revenue would simply add to the PSBR. Politically too, an abrupt ending of the aid would create the maximum pressure for its continuance, and would be hard to defend at a time when we are arranging for industrial gas and electricity prices to be held steady.

If we continue aid, however, it should cover NSF's operating losses on foundry coke only to the extent that they cannot be made up by a reasonable price increase. I see two options:-

- a. assume price increases of £5/t list prices on 1 January 1983 and a further £5/t on 1 July 1983. Allowing for the continuing need for discounts to foundries whose survival is at stake, the cost would be £7m in the calendar year 1983;
- b. assume price increases of £5/t on 1 July 1983 and a further £5/t on 1 January 1984. On the same basis the total cost would be some £9m.

For comparison, if NSF's list prices remained unchanged throughout the year the aid required would be some £9.5m. Although the state of the foundry industry makes me hesitate about forcing up their raw material prices too quickly, I judge that an increase of £5/t from 1 January 1983 is reasonable. Further, foundry coke prices have not increased since July 1981 (when we arranged for them to be reduced to their 1980 levels) and there is a good case for asserting the principle that foundry coke prices are not fixed for all time.

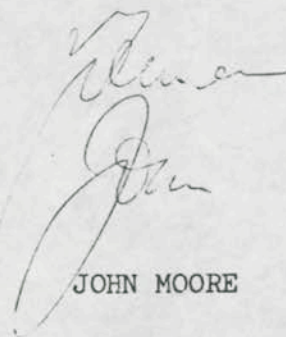
I have also considered the position of British Benzol Carbonising. As a small private sector producer in competition with NSF they are in a vulnerable and politically sensitive, position. Although their financial position has improved over the last year, they are not in a position to compete with NSF unless they too enjoy a measure of support, nor are they in a position to withstand the strains which would result from an abrupt ending of our aid on foundry coke prices.



Further, I believe that the best chance of avoiding their becoming a permanent pensioner of NCB, lies in phasing out the aid to them, at the same time as we phase it out to NSF. I therefore propose that we arrange for continuing aid to them through NCB as before. The cost would be some £1m in the calendar year.

The total aid would therefore be £8m. As before this should take the form of an increase in NCB's deficit and EFL, which the NCB would then pass on to NSF and British Benzol Carbonising as they have done so far.

As before, I would propose to announce our decision on these arrangements in a low key written answer as soon as possible. I hope that NSF would be able to arrange any price increases for as early in January as possible. I am sending copies of this letter to the Prime Minister, the Members of E Committee, Norman Lamont, Sir Robert Armstrong and Mr Sparrow.



JOHN MOORE

COPIED TO

Prime Minister -
Members of E Committee
MR. Lamont D/Industry
Sir Robert Armstrong
MR. Sparrow
Ps/SOS
PUS
MR. Manley
MR. Guinness
MR. Wilson
MR. Thynne
MR. Wakely
MR. Agrell on file
MR. Bagwell
MR. King

NAT. IND.

26

COPY 1 OF 9 COPIES

CF PIB of accounts
MUS 20/12



SECRET AND PERSONAL

2ppm

P.0920

MR SCHOLAR

Prime Minister (2)

To note.

Handwritten initials: 'Dawson' and 'M'

Mr Gregson will ensure that

you are alerted so as to ensure this is settled before Christmas.

MUS 17/12

POWER STATION ENDURANCE

You minuted me on 6 December, in my capacity as Chairman of the Official Group on Coal (MISC 57) recording that the Prime Minister agreed, subject to the views of her colleagues, with the recommendations in the report which I had submitted on 3 December for improving our capacity to withstand a miners' strike during this winter and from next autumn onwards.

2. We have now had minutes to the Prime Minister from the Secretary of State for Energy and from the Chancellor of the Exchequer, both dated 13 December. They agree with the recommendations in the report, subject to further study of whether, in addition to the other measures proposed and approved, we should increase stocks of carbon dioxide at nuclear power stations. MISC 57 will cover that issue as part of our next report early in the New Year.

3. The Chancellor of the Exchequer has however made certain conditions about financing the extra stocks of coal (£40 million) and ancillary materials (£25-£35 million) at power stations. He proposes that the industries should be asked to plan on the basis of absorbing these costs within existing EFLs. In the case of coal he is prepared to agree that the industries should be told that the Government would be willing to consider an increase in EFLs in September or October 1985, depending on the latest monitoring information. He is also prepared to agree now that, if it is clear in the autumn that the industry cannot absorb the cost, up to £40 million will be made available from the Contingency Reserve for this purpose, although he has not proposed that this should be made known to the industries. In the case of ancillary materials the Chancellor sees no need to signal any advance willingness even to consider revising the EFLs, although his minute implies that he would in practice be willing to see the EFLs revised in the autumn for this purpose if it proved to be necessary.



SECRET AND PERSONAL

4. The Secretary of State for Energy sees difficulty about these conditions. He believes that he will not be able to persuade the industries to increase the stocks to the extent the Government wishes unless the EFLs can be increased. On the other hand, there are good grounds for the view that it is far too soon to contemplate increases now in the EFLs for 1983-84, bearing in mind in particular the experience of underspends against the 1982-83 EFLs and that the industries should be encouraged to try and absorb the increases within existing EFLs. He is therefore being advised to fall in with the view that the EFLs need not be increased now, provided that the industries can be told that increases in their EFLs will be forthcoming in the autumn to cover the extra costs of stocks, if, despite efforts to absorb these extra costs, the need for a relaxation can be demonstrated at that time.

5. We understand that, if the Secretary of State for Energy responds in this sense, Treasury officials will advise the Chancellor to concur. I am therefore hoping that it will prove possible to resolve this matter before Christmas without seeking an intervention from the Prime Minister. If not, I shall alert you and offer advice on how the Prime Minister might settle the issue. Premature and unnecessary relaxation of the discipline of EFLs must of course be avoided. We must not however lose sight of the vital importance of improving power station endurance. Action in respect both of this winter and of next autumn must be put in hand soon after Christmas if we are to achieve our objectives.

PLG

P L GREGSON

17 December 1982

SECRET AND PERSONAL



✓ des 25B

Prime Minister (2)

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

I have permitted in,
at Peter Gagnon's

suggestion, a possible
meeting towards the end of Jan

PRIME MINISTER

so that you can review the options

NCB PIT CLOSURES

But we may need an earlier meeting -
or no meeting at all. M11 17/12

Nigel Lawson sent me a copy of his minute of 10 December in which he reported on his preliminary discussions with the Chairman of the Coal Board about the Board's thinking on pit closures.

2. This is a helpful analysis and I agree with Nigel that there does not seem to be any need for any immediate action, beyond that agreed as a result of the recent MISC57 Report, until we have considered very carefully the Board's considered advice following their meeting on 17 December. When Nigel puts his proposals to us, I think that it would be helpful if he were to provide at the same time some appraisal of the Board's draft Corporate Plan and financial prospects. No doubt it is already clear that the Board's disastrous financial position points to maximum possible closures over the next year or so. Nevertheless, our discussions on the industry's capacity ought to take place against the background of some quantification of its future financial prospects.

3. I am sending a copy of this minute to the Home Secretary, the Secretaries of State for Defence, Energy, Scotland, Industry, Transport, Wales and Employment and to John Sparrow and to Sir Robert Armstrong.

G.H.

16 December 1982

Net 8/1
Coal

PRIME MINISTER

NCB CHAIRMAN

I can understand Patrick's eagerness to hang on to Ian MacGregor. I can also understand Nigel's keenness to hire him. But I do not think it would be right either to assume that both the BSC and the NCB could be run successfully by part-time Chairmen, or to expect a 71-year-old to take on that task.

And we think there is a further problem. MacGregor is known, to some extent rightly, as a man who will implement the strategic decisions of Ministers without much regard for the consequences for manpower. He is, in short, seen as a hatchet man. His appointment to the NCB would probably therefore make it much harder to achieve even a fairly conservative rate of pit closures without aggravation. And to appoint him as a "half-time hatchet man" would probably stir up the NUM in a way that few other issues could do.

So I think that both the BSC and the NCB should have full-time Chairmen; and that given that MacGregor can fill only one of those positions, he should stay at BSC. Surely it would in any case be folly to move a senior Chairman from a position in which he is generally regarded by Ministers as performing exceptionally well, to one in which we have no idea how well he would perform?

There is therefore no escaping the search for a new full-time Chairman of the NCB. Siddall and MacGregor being ruled out, we should ask Nigel to produce a short list - to which both Siddall himself and Robert Armstrong's Public Appointments Unit could be invited to contribute. If we have found one good man, I cannot believe that it is beyond our power to find another.

FERDINAND MOUNT

15 December 1982

25
JC JV

Prime Minister

POWER STATION ENDURANCE

I have seen the report of MISC 57 circulated under Mr Gregson's minute of 3 December.

The CEGB have now completed the feasibility studies referred to in paragraph 17(i) of the report and have concluded that power station coal stocks in England and Wales could be increased by 4 million tonnes to 30 mt by November 1983. This would represent 24-26 weeks endurance in terms of fuel supplies. I will ask the Board to work to this target and will discuss further with them, the NCB and British Rail, the logistics of delivery and the details of the additional costs involved. I propose to finance these costs in the same way as those incurred earlier this year, and will write to the Chancellor with details in due course.

As regards ancillaries, I am concerned at the proposal that we should take no action to increase stocks of carbon dioxide at nuclear power stations - on which a significant 15 per cent of our electricity supplies depend - beyond the present level of 3 weeks. I believe we should seriously consider the earliest possible increase in storage capacity and I propose to pursue with the CEGB how quickly and at what cost stocks of carbon dioxide could be brought up to 20 weeks endurance allowing for a single replenishment.

MISC 57 recommended that the NCB should offer discounts of about £3/tonne on supplies to certain industrial consumers with the aim of persuading industry to hold larger stocks this winter than they might otherwise have done. Officials in my Department and the Treasury have agreed that the cost might be met by an increase of up to £2.5m in the NCB's deficit grant, though the Board's EFL would remain unchanged for the moment. I hope the Chancellor can confirm quickly that he is content for me to proceed on this basis.



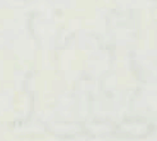
I am sending copies of this minute to the Home Secretary, the Chancellor of the Exchequer, the Secretaries of State for Defence, Scotland, Industry, Transport and Employment, and to Sir Robert Armstrong and Mr Sparrow.

RS

Secretary of State for Energy

14 December 1982

CONQUEROR

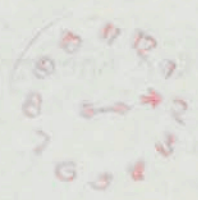


LONDON



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741 DEC 1982



GOVERNMENT
OF GREAT BRITAIN
LONDON



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

PRIME MINISTER

POWER STATION ENDURANCE

I have seen Mr. Gregson's minute of 3 December covering a report by the Official Group on Coal (MISC(57)) and Michael Scholar's subsequent minute of 6 December.

2. The case for increasing endurance further is strong. I agree, therefore, with the conclusions in paragraph 17 of the Group's report. But we must do everything possible to minimise the cost to the Exchequer. To that end we should take the following steps:-

- (i) The Boards should be asked to plan on the assumption that the cost of £40 million, referred to in paragraph 17(i), for increasing coal stocks by a further 4 million-6 million tonnes above the existing maximum level of 26 million tonnes, should be absorbed within existing EFLs. We should tell the industries now that if they can convince us that that is impossible, we should be willing to consider the case for increasing EFLs in September or October next year on the basis of the latest monitoring information. If it is clear at that stage that the industries cannot absorb the cost, then in the last resort up to £40 million should be made available from the Contingency Reserve for this purpose. My officials will need to discuss with the Department's officials the precise details of the costings if claims on the Contingency Reserve or increases in the NCB's deficit grant become necessary.



It should be made clear to the industries that if their EFLs have to be increased, any "unspent balances" at year-end cannot be diverted for other purposes. The NCB's deficit grant can, if necessary, be increased to reflect costs falling on that Board, provided that this expenditure is subject to the normal ground rules.

- (ii) These conditions should apply equally to the proposal in paragraph 17(iii) of the Group's report that some £25 - 35 million should be made available to enable the Electricity Boards to increase stocks of ancillary materials to match in endurance the agreed level of coal stocks. The CEGB have so far been prepared to absorb within EFLs the extra costs for ancillaries and they ought to do so in this case. Moreover, the industry undershot its EFL substantially last year and would have done the same this year but for the decision to bring forward part of the cost of next year's price standstill. In these circumstances, I do not see any need in this case to signal any advance willingness to reconsider existing EFLs.
- (iii) Treasury officials have now discussed with Energy officials the financing of the £2.5 million which is said to be the cost to the NCB of encouraging industry to carry high coal stocks throughout the winter. We have agreed that this will not require any specific increase in the EFL or in existing deficit grant limits. But there might be a case for increasing the amount of deficit grant payable in total this year. Officials can consider this further when the details of the costs are clearer.

3. Finally, I note the Group's intention of covering in their next report the question of more extensive dual firing of power stations. The difficulties here are no doubt horrendous but I



certainly agree that this is something that we should consider very carefully. I also agree that officials should consider further the question of carbon dioxide supplies to the nuclear stations.

4. I am sending a copy of this minute to the Home Secretary, the Secretaries of State for Defence, Scotland, Industry, Transport, Energy, Employment and to Sir Robert Armstrong, John Sparrow and Mr. Gregson.

G.H.

13 December 1982

Prime Minister²

To note.

MUS 10/12

PRIME MINISTER

m

NCB PIT CLOSURES

This minute reports on my recent preliminary discussion with Norman Siddall about the Board's thinking on pit closures. He will give me the Board's considered views on the different options after the meeting of the Board on 17 December. I have made it clear that we shall need three or four weeks thereafter to consider their proposals.

Period up to Christmas

The Board will be holding an appeal meeting against the closure of Kinneil with the NUM on 14 December - NACODS and BACM have already agreed to its closure. Norman Siddall believes that, although there is likely to be a good deal of shouting, there is most unlikely to be serious industrial action in Scotland and, even if there is, it is even more unlikely to spread to other coalfields. The Board are relying on the various transfer payments to the men, nearly all of whom will be reallocated to other mines, to ensure that the pit closes by the end of the year. The Board also expect to hold an appeal meeting with the NUM on Britannia in Wales on 16 December. The Board have no immediate plans to close this colliery. Unless, however, further investment is undertaken soon the colliery will have to close within two years, although the closure might be brought forward. I shall be reporting separately on the threat from the NUM in the South Wales Area to take strike action if there is not increased investment and recruitment in South Wales.

An appeal meeting on Snowdown has been tentatively set for 22 December. At present BACM and NACODS will attend, while the NUM is expected to boycott it. The Board are unlikely to announce a final decision to put it on a development only basis until early in the New Year. When such a decision is announced there could well

be industrial action in the Kent coalfield, although the Board believe that it is unlikely to spread significantly. Some 300 men in Kent have shown interest in receiving redundancy terms, which offers the prospect of avoiding a united front even in Kent.

Following the recently agreed closure of West Cannock in Staffordshire (590 men, 311,000t production in 1981/82), further agreed closures at Marley Hill in Durham (690 men, 213,000t production) and Parkhill in Yorkshire (450 men, 260,000t production) are likely to take place fairly soon. The risks of industrial action over these are negligible.

Pit Closures in 1983

The Board are acutely aware of the fact that they can only improve the financial position of the industry if they reduce their excess capacity by closing high cost pits. The MMC's report on the NCB, which has just been received, concludes that "in 1981/82 the 10% of the deep mined output (10.8m tonnes) that comes from pits with the highest losses per tonne, involved operating losses of £263m at average proceeds". Norman Siddall has been using similar figures. The report also shows that pits are losing up to over £100 per tonne - compared with the current pithead price for steam coal for the CEBG of about £36 per tonne. Most of the persistently high loss-making pits are in Scotland, Wales, Kent and the North East. If this capacity is not closed, we shall be faced with a serious and continuing deterioration in the Board's finances with no prospect of the Board achieving financial viability within the foreseeable future.

Against this background the Board have recently sent us a draft Corporate Plan which has been circulated to interested Departments. In it the Board have outlined a rapid strategy and a reference case. The former involves bringing the profitable supply and demand more rapidly into balance by closing, as a first step, some 10m tonnes of capacity in 1983/84. The reference case involves the closure of 3m-4m tonnes of capacity in both 1983/84 and 1984/85 compared with 2m tonnes pa in the past few years. Provided that 3m-4m tonnes of closures are achieved and a number of other provisos are met - it is by no means certain that they can be - the Board could expect to break even in four years' time.



The Board favour the "reference case" approach. They recognise that the rapid strategy would lead to a major confrontation with the NUM - probably a national strike lasting several weeks at least. The reference case is likely to involve significant industrial action in Wales, Scotland and Kent. The chances of this spreading elsewhere cannot be ignored, as Scargill is likely to try to persuade the whole Union to take a stand on principle, when the first or second controversial closure is announced.

If the Board adopt the reference strategy, they are likely to have two main options for achieving 3m - 4m tonnes of closures in 1983/84. First, they might launch a limited number of closures in Scotland and Wales in the early part of the year, while completing the action at Snowdown. In these circumstances Norman Siddall's current estimate is that there is a high risk of local action in Scotland, Wales and Kent, but that it will probably not result in widespread action, involving the central coalfields in England.

Alternatively, the Board might wish to reduce capacity somewhat more rapidly, notably if their market position deteriorates further. In this case it would be necessary to bring forward some closures of pits nearing exhaustion in the central coalfields, notably in Nottinghamshire and the Midlands. Norman Siddall's current view is that this would considerably increase the dangers of national industrial action, although the Board nevertheless have a reasonable chance of confining serious action to the Welsh, Scottish and Kent coalfields. The Board are particularly anxious to avoid closures for the time being in the other major loss-making area, the North East. The Board point out that there have been a substantial number of closures in that area, unlike in Wales, in the recent past and they believe that such a move would greatly increase the risk of a national strike. The Board, however, propose to continue the manpower run-down in the North East and are expecting to close one colliery in that area towards the end of 1983.

Norman Siddall has made it clear that a key element in his strategy of dividing the areas will be the adroit use of investment. He attaches particular importance to an early go-ahead for Asfordby, to which both the Nottinghamshire and the Leicestershire miners attach great importance. As the events of February 1982 ~~1982~~ 1981 made clear, unless the support for the Board of their moderate areas can be retained, the chances of a national strike are greatly enhanced.



I made it clear to Norman Siddall that the Government would require adequate time to consider the Board's proposals, when they are received, before the Board becomes committed to any particular course of action which carried any real risk of widespread industrial action. He readily accepted the point and agreed to tell me in greater detail about the Board's preferred plans after they had been fully discussed on 17 December. He pointed out that there would certainly be time for proper consultation as the Board would not wish to launch any controversial closures (other than Kinneil and Snowdown which have already been under discussion for some months) until late January or February. This would mean that, if there was any serious industrial action, it would be unlikely to occur until late February or early March, when spring and hence low electricity demand will be in prospect. We shall, of course, need to give detailed consideration to the question of timing, when the Board have formulated the options more clearly. We shall also need to assess the risks attached to the various options.

My officials will be keeping in close contact with the Board to see how their thinking develops. I do not think we need take any immediate action beyond the MISC 57 report which you received recently. After the Board have outlined possible courses of action following their meeting on 17 December, we shall then need to consider the various options and all their implications very carefully indeed.

I am sending copies of this letter to the Chancellor of the Exchequer, the Home Secretary, the Secretaries of State for Defence, Scotland, Industry, Transport, Wales and Employment and to John Sparrow and Sir Robert Armstrong. In view of its content I should be grateful if they would ensure that it is given very restricted distribution.

J.P. Cright

SECRETARY OF STATE FOR ENERGY

10 December 1982

(Approved by the Secretary of State and signed in his absence.)



17 DEC 1952
RECEIVED
STATE DEPT
12 17 52

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cc HO
KMT
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22 Rm.

MR GREGSON

POWER STATION ENDURANCE

Thank you for your minute of 3 December, to which was attached a copy of the report, dated 3 December, of the Official Group on Coal (MISC 57). The Prime Minister has seen these papers. Subject to the views of her colleagues, she agrees to the recommendations in paragraph 17 i. - vii. of the report.

I am sending copies of this minute to John Halliday (Home Office), John Kerr (HM Treasury), Richard Mottram (Ministry of Defence), Muir Russell (Scottish Office), Jonathan Spencer (Department of Industry), Richard Bird (Department of Transport), Julian West (Department of Energy), Barnaby Shaw (Department of Employment), Gerry Spence (CPRS) and Richard Hatfield (Cabinet Office).

MCS

6 December, 1982

file

Prime Minister

①

MR SCHOLAR

cc Mr Mount

Agree, subject to colleagues,

to the recommendations in para 17
of the note attached to Mr Gregson'sPOWER STATION ENDURANCE

minute (at flag A)?

I am sure that the recommendations in the latest report of MISC 57, sent to you under cover of Peter Gregson's note today, are right. But there is one particular judgement in the report itself upon which much depends.

MLS 3/12

That is the question of the likelihood of a national strike in the new year over pit closures (paragraph 9). There were some differences of view about this within MISC 57, the Department of Energy being inclined to see a slightly greater risk than the Department of Employment. My own view is that a national strike is very unlikely over pit closures, unless the NCB play their hand much worse than they have so far.

Nonetheless some risk remains, more than justifying the Group's recommendation to rebuild coal stocks at the maximum feasible rate early in the new year. And we must always bear the sensitivity of the pit closures issue in mind when addressing other issues arising in the coal industry.

3 December 1982



cc JV

SECRET AND PERSONAL

P.0905

MR SCHOLAR

POWER STATION ENDURANCE

Your letter of 3 November 1982 to the Private Secretary to the Secretary of State for Energy instructed the Official Group on Coal (MISC 57) to report to Ministers urgently on the target level of power station coal stocks for autumn 1983; the adequacy of the facilities planned for next autumn for the storage and manufacture of ancillary materials at the power stations and the steps that might be taken to increase these; and the steps that might be taken to induce coal-burning industry to build up its stocks over the summer.

2. The Group's report on these questions is attached. Its conclusions are summarised in paragraph 17.

3. The attached report deals only with the position up to next autumn. Further work is required before Ministers can be in a position to decide on the desirable level of power station coal stocks in the longer term. The Group will be reporting further to Ministers on this early in the New Year. This report will also cover the question, which was raised at the Prime Minister's meeting on 28 October, of whether more extensive dual-firing of power stations should be considered. Although this was discussed in the report by MISC 57 circulated with the minute of 22 June 1982 from the Secretary of State for Energy to the Prime Minister, it would be useful to look at it again in considering options for the longer term.

4. It would be helpful to have decisions as quickly as possible on the proposals in paragraph 17 of the report on which early action is necessary, ie the proposed extra power station coal stocks next autumn and extra stocking capacity, the increased coal delivery rates after Christmas, the increased stocks of ancillary materials next autumn and the proposed discounts to promote stock building by coal burning industry.



SECRET AND PERSONAL

5. I am sending copies of this minute and the attached report to the Private Secretaries to the Home Secretary, the Chancellor of the Exchequer, the Secretaries of State for Defence, Scotland, Industry, Transport, Energy and Employment and to Mr Sparrow and Sir Robert Armstrong.

Pg

P L GREGSON

3 December 1982

SECRET AND PERSONAL

20

SECRET

AND PERSONAL

WITHSTANDING A COAL STRIKE IN 1983

Report by the Official Group on Coal (MISC 57)

INTRODUCTION

The Prime Minister asked the Official Group on Coal (MISC 57) to prepare a report for Ministers urgently on:

- i. what should be the target level of power station coal stocks next autumn (including if necessary an increase in coal storage facilities) and the steps necessary to achieve this by next autumn;
- ii. the adequacy of the storage and manufacturing facilities for ancillary materials planned for the power stations by next autumn and the steps that might be taken to increase these in the light of i.;
- iii. what further action might be taken to induce coal burning industry to build up its stocks in the later summer of next year.

This report also considers the rate of coal deliveries this winter, on which an early decision is required.

POWER STATION COAL STOCKS: THE PRESENT POSITION

2. By the autumn of this year coal stocks at power stations had been built up to the maximum possible within existing storage capacity. In Central Electricity Generating Board (CEGB) power stations these stood at about 26 million tonnes.* This is equivalent to about 20 weeks endurance, so long as there is no constraint about the availability of ancillary materials.

* NOTE: This is consistent with the 29 million tonnes shown in the weekly statistics circulated by the Department of Energy, since these are on a Great Britain basis.

SECRET

AND PERSONAL

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POWER STATION COAL STOCKS: AUTUMN 1983

3. Further work by officials will be required before Ministers can usefully consider the desirable level of power station coal stocks in the longer term. In particular, careful consideration will be required of the scope for increasing power station coal stocking capacity well above the present levels, so as to extend power station endurance from November into May/June, when coal consumption drops significantly. The Group will report to Ministers on this early in the New Year. Meanwhile, this report considers what might be done to increase power station coal stocking capacity by autumn 1983.

4. We concluded that it might be possible, subject to further work by the CEGB in examining the feasibility, to accommodate an extra 4-6 million tonnes at CEGB power stations by November 1983 using land within the power stations, some of which may currently be devoted to recreational or amenity purposes. The Scottish Office is exploring the scope for a parallel increase of 0.5 million tonnes in the coal stocking capacity of Scottish power stations. Local authorities would have to be consulted about the proposed change in use of the land involved, and some work would have to be undertaken. It would seem however, subject to further investigation, that the additional stocking capacity would be available by the early summer. A much longer timescale would be required for the acquisition of new land. The planning procedures and site preparation work involved are such that any additional stocking capacity on new land would be unlikely to be available by the autumn of 1983.

5. The additional stocking capacity on existing land of 4-6 million tonnes seems likely to increase endurance by about 4-5 weeks, ie to the beginning of May in the event of a miners' strike beginning in mid-November. The cost of increasing coal stocking capacity by this amount and of transporting the extra coal to the power stations over the summer would be about £40 million; an increase in the industries' external financing limits (EFLs) would therefore be required. There would not seem to be any objections, on industrial relations grounds, to taking such measures. Although the proposed change in the use of land would become known both to power station workers and to the miners, it would be difficult for the miners to object to extra power station purchases of coal at a time of over-production.

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6. We therefore recommend that Ministers should agree in principle that, subject to further work on feasibility, the CEGB should increase coal stocks by autumn 1983 by a further 4-6 million tonnes above the existing maximum level of 26 million tonnes, or to the maximum extent which proves practicable, by increasing coal storage capacity on existing land; and that the SSEB should similarly seek to increase coal stocks by about 0.5 million tonnes above the present maximum of $2\frac{1}{2}$ million tonnes. If, contrary to present expectations, it were to prove possible to increase stocking capacity further by the use of new land by autumn 1983, this should also be done; otherwise such proposals would be put forward for consideration by Ministers in the context of the study of optimum coal stock levels in the longer term.

THE RATE OF COAL DELIVERIES THIS WINTER

7. At present the Electricity Boards are taking delivery of coal at the normal commercial rate. Between now and Christmas the rate of delivery is expected to be approximately equal to the rate of coal burn so that maximum power station coal stocks should be maintained until then. If the normal commercial rate of coal delivery were to be maintained, CEGB power station coal stocks would fall to 22-24 million tonnes by the beginning of March, as the result of the seasonally high electricity demand early in the New Year and the fall in coal deliveries over the Christmas holidays, and would be rebuilt to 26 million tonnes by September 1983. The position in Scotland is broadly similar. Ministers need to consider whether the Electricity Boards should be told to rebuild power station coal stocks faster than presently planned. In considering this question they will need to weigh the physical constraints on doing so against the possible risks of industrial action in the coal industry during this winter.

Physical Constraints

8. A rapid rate of rebuilding of power station coal stocks early in 1983 could result in logistic difficulties for the railway system over the summer, as well as for the Electricity Boards and the National Coal Board (NCB). If power station coal stocks were already at their maximum level at the beginning of the summer, the rate of coal delivery would be determined by the rate of power station coal burn, which over the summer is relatively low and variable. Rapid fluctuations in delivery rates would cause severe operating problems for the railways. However, the logistic problems involved would be eased somewhat if it

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were to prove feasible to increase power station coal stocking capacity as discussed in paragraph 4 above.

Industrial Action This Winter

9. The issue of pit closures is likely to come to a head in the first part of next year. There is a high likelihood of local or regional strikes particularly in Scotland, South Wales and Kent, the areas which will be most affected by closures; however, this level of industrial action would not seriously affect electricity supplies. There is also the possibility that a national strike might be threatened, although there must be some doubt about whether there would be sufficient or continuing support for this in areas not immediately affected by closures.

10. In the event of a national strike starting early in March, power station endurance would be more than 20 weeks (subject to the adequate availability of ancillary materials) on the basis of the present rate of coal delivery; and endurance would be greater than this if a strike were to start later in the year, because of the decreasing rate of power station coal consumption throughout the spring. Power station endurance is unlikely to be significantly less than 20 weeks (subject, again, to the availability of ancillary materials) in the event of a strike starting in January or February. Nevertheless, since the situation is uncertain and could easily change quickly following a controversial closure announcement, it seems prudent to rebuild power station coal stocks as quickly as is practicable in the New Year. The costs involved in accelerating deliveries above planned levels would be relatively modest. We therefore recommend that the rate of coal deliveries after the Christmas holidays should be such as would rebuild coal stocks at the maximum feasible rate early in the New Year consistent with the operation by the Electricity Boards, the NCB and the British Railways Board of a practicable delivery programme over the spring and summer. This delivery programme should be such as to permit the adoption in due course of rates of delivery which would permit CEGB stocks to be increased to 30-32 million tonnes and SSEB stocks to about 3 million tonnes by the autumn of 1983 (depending on the further work to determine additional stocking capacity on existing land).

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ANCILLARY MATERIALS

11. At present storage facilities for most ancillary materials are sufficient for only 9 weeks. As agreed by Ministers, the Electricity Boards are currently working urgently to increase storage and manufacturing capacity so as to provide for 20 weeks endurance by autumn 1983. If it turns out that coal stocks can be increased to around 25 weeks endurance by autumn 1983 it would ideally be desirable to provide for similar endurance in respect of ancillary materials. The Electricity Boards' current view is that modifications to the existing plans could put in jeopardy the achievement of the 20 week target by autumn 1983 (for example, if this involved fresh survey or design work, or revisions to orders already placed with suppliers).

12. The Group consider that the first priority should be to achieve the 20 week target. The shortfall should not have a serious effect on overall power station endurance. Measures to conserve the most bulky ancillary material, lighting-up oil, would probably reduce endurance by only about 1 week (out of 25), and some replenishment of the less bulky ancillary materials should prove possible. Nevertheless we recommend that the Electricity Boards should be encouraged to take such steps as would be feasible to increase endurance in respect of ancillary materials to 25 weeks by autumn 1983, subject to the constraint that no action should be taken which would jeopardise the achievement of the 20 week target. The cost of doing so is likely to be in the range £25-35 million. If the Electricity Boards could not absorb these costs, their EFLs would have to be increased. Further consideration of the optimum level of stocks of ancillary materials should be undertaken as part of the longer term study.

13. The one ancillary material for which increased storage provision is not planned is carbon dioxide, which is required as a coolant in nuclear power stations. Storage capacity of this is sufficient for only 3 weeks. In the past pickets have always been prepared on safety grounds to allow supplies of carbon dioxide to be replenished. In reality safety is not a problem, since, if stocks of carbon dioxide were to run low, nuclear power stations could be closed down. If this were to happen to all nuclear power stations, power supplies would be reduced by perhaps 15 per cent. The cost of increasing storage facilities for carbon dioxide to 20 weeks would however be of the order of £40-60 million. Since it seems very probable that replenishment would be

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possible during industrial action, we do not recommend that the Electricity Boards should be asked to increase storage capacity of carbon dioxide. Officials will however explore further the arrangements for replenishment during industrial action and will report to Ministers if it seems likely that more serious problems could arise than those currently envisaged by the Electricity Boards.

INDUSTRIAL COAL STOCKS

14. The Group considered the steps that might be taken to improve industrial endurance of a miners' strike both immediately (bearing in mind the possibilities of industrial action discussed above) and by next autumn.

15. There appears to have been a substantial building up of coal stocks prior to 1 November, and the NCB believe that a large proportion of their industrial customers stocked up to the limit of their normal stocking sites. These stocks now appear to be being drawn down rapidly, because the perceived threat of a coal strike has diminished, and for financial reasons. The NCB believe that much of industry will have cut stocks to an average of 2-3 weeks burn by mid-January. There is thus a danger that a coal strike in the first few months of 1983 could find industry ill-prepared. The NCB believe that they will need to offer discounts of about £3/tonne on additional deliveries to appropriate customers, and extended credit terms to BSC, in order to persuade industry to continue to carry high stocks throughout the winter. We recommend that the NCB should be authorised to do so. About three-quarter million tonnes of coal deliveries to industry might be accelerated in this way. The total cost to the NCB would be up to £2.5 million. The financing of this will have to be discussed between the Treasury and the Department of Energy.

16. The Departments of Energy and Industry will be discussing further with the NCB the measures that might be taken to encourage a build-up of industrial coal stocks in advance of 1 November 1983. Possible measures include financial inducements to increase stocks held by coal depots and merchants and to persuade industrial consumers to stock coal away from their normal stocking grounds. The Group will report on this early in the New Year and on the steps that might be taken in the longer term to encourage industry to install more substantial coal stocking facilities (eg in the form of silos).

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CONCLUSIONS

17. Ministers are invited:

- i. to agree that, subject to further work on feasibility, the CEGB should increase coal stocks by autumn 1983 by a further 4-6 million tonnes above the existing maximum level of 26 million tonnes, or to the maximum extent which proves practicable, by increasing coal storage capacity on existing land within power stations; and should take any opportunity to increase stocking capacity further by the use of new land if, contrary to present expectations, this were to prove possible by autumn 1983; and that the SSEB should similarly aim for an increase of 0.5 million tonnes to a maximum of 3 million tonnes; the cost of doing so would be about £40 million, necessitating an increase in the industries' EFLs;

- ii. to agree that the rate of coal deliveries after the Christmas holidays should be such as will rebuild coal stocks at the maximum feasible rate early in the New Year consistent with the operation by the Electricity Boards, the NCB and the British Railways Board of a practicable delivery programme over the spring and summer; this programme should be such as would permit the adoption in due course of the delivery rates necessary to achieve the increase in power station coal stocks referred to in i. above;

- iii. to agree that the Electricity Boards should be encouraged to take such steps as would be feasible to enable stocks of ancillary materials to match in endurance the target level of coal stocks referred to in i., subject to the constraint that no action should be taken which would jeopardise the achievement of the existing 20 week target; the cost of doing so would probably be in the range £25-35 million and if this could not be absorbed by the Electricity Boards their EFLs would have to be increased;

- iv. to note that no action is being proposed to increase stocks of carbon dioxide at nuclear power stations above the present level of 3 weeks but that officials will explore further the arrangements for replenishment during industrial action and will report to Ministers if it seems

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likely that more serious problems could arise than those currently envisaged by the Electricity Boards;

- v. to note that the Official Group will be doing further work to determine the optimum level of power station coal stocks and stocks of ancillary materials in the longer term;
- vi. to agree that the NCB should be authorised to offer the discounts to some industrial customers discussed in paragraph 15 above; and to note that the Treasury and the Department of Energy will consider how the costs involved of £2.5 million should be financed; and
- vii. to note that the Group will report further to Ministers early in the New Year on possible measures to extend industrial endurance by autumn 1983 and in the longer term.

Cabinet Office
3 December 1982

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Coal 47

MR MOUNT

cc Mr Scholar ✓
Mr Wolfson
Mr Ingham

COAL

MISC 57 has begun the next phase of its work, ie preparing for possible industrial action in the new year over pit closures, and establishing endurance targets for next Autumn. Some quite far reaching aspects of coal policy are involved, and it may be helpful if I record one or two points.

Analysis of the Latest Ballot

In a major concession to us, and in contradiction to much the Department of Energy has argued over the last two years, Ivor Manley said that he was "quite sure" that the deterrent effect of high coal stocks had a substantial effect on the last ballot. We had the greatest difficulty in launching the concept of deterrence at the beginning of the MISC 57 exercise, and it was nice to hear this said. But not everyone is converted: Douglas Smith repeated his oft asserted view that going on strike was like contemplating crime: you don't try and work out the consequences. In his view, there is little extra deterrent effect in 24 weeks endurance over seven weeks. None the less the group as a whole now takes as accepted wisdom that it is right to plan for maximum endurance throughout the year as a deterrent to industrial action.

Closures

You know the general background to the closures issue, and the inevitability of some closures regardless of the existence or otherwise of a "hit list". The Treasury's view is that between one third and half of the NCB's capacity comes from uneconomic pits, and that an economic closure programme would be on such a

scale that massive industrial action would be inevitable. Certainly it was cheaper to carry extra stock if that gave the NCB the power to close more pits. The target should therefore be a level of endurance which would permit a rate of closures which was considered by the NCB "managerially sensible" (which would, of course, itself be a limited programme concentrating on the main loss makers).

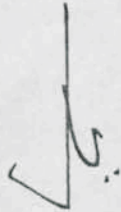
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In Ivor Manley's view, /the normal pit closure programme would cause industrial relations difficulties early in the new year. The NCB were determined to deal with their uneconomic tail, and a further ballot on a strike call was possible. But Scargill would find it difficult to bring about a national strike: the NCB interpreted the last ballot result as indicating miners' resistance to national action against all closures. The main focus of discontent would be over Kenneal in Scotland and Snowdown in Kent. There would certainly be a substantial majority for strike action in the Scottish pits in support of Kenneal, as (less importantly) in Kent; a similar result could be expected in Wales. But of course the NCB could face with equanimity the prospect of a long strike in Scotland and Wales, and our endurance in Scotland is very high (because of hydro-electricity and the interconnector). The key to the effectiveness of strikes against closures therefore lies in Yorkshire, since it would be much harder to do without the Yorkshire power stations. He and Douglas Smith both thought that even in Yorkshire an all-out strike in support of closures elsewhere was very unlikely for any extended period.

So a tentative conclusion on pit closures is that there will be a considerable amount of fuss and aggravation, possibly extending to localised industrial action, but no real threat of an extended national strike. Taken with our current endurance position, and the outcome of the recent ballot, the NCB are therefore in a stronger position than ever before to proceed with a sensible closure programme.

Prospects for the Autumn

The group is working on two main new elements: ancillary materials (which proved to be on the critical path this year), and achieving another six weeks or so of endurance by expanding power station stocking capacity. I will not trouble you with the details of the former, which are still under discussion; on the latter, the main point is that it is increasingly cost-effective to buy the extra endurance, because each ton of coal lasts for longer as the endurance period extends into the warmer weather.

18 November 1982



Prime Minister

(2)

To note

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

Mw 11/11

PRIME MINISTER

NUM WAGE SETTLEMENT

I read with interest Ferdy Mount's analysis of the industrial relations scene in his minute to you of 3 November.

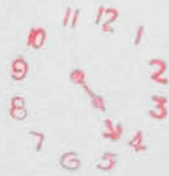
2. I am not sure that we are quite as far down the road as he suggests. There are some important negotiations still to come in the current pay round and we must remember that the NUM did have some success in using the threat of strike action. I agree that we must now do all we can to prevent 8 - 9 (or even 6.5) per cent becoming the going rate for the rest of the pay round. In my view the NCB might be asked to respond to exaggerated accounts of the miners' settlement, such as those in recent Press comment on the water service and gasworkers' claims. In any speeches we make on the subject of pay during the coming weeks, the general message should be one of lower inflation, lower pay expectations, and no automatic annual increases.

3. I am copying this minute to Ferdy Mount.

(G.H.)
10 November 1982

NAT IND: MINEWORKERS PAY: PT 7.

11 NOV 1982



COMPTON

11

Prime Minister

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(1)

3 November 1982

Policy Unit

Next Ind

Top Copy on National Health, Nurses Pay, etc.

The nurses review body point

is now water under the bridge. Agree to? Nurses Pay, etc.

PRIME MINISTER

CABINET, 4 NOVEMBER: INDUSTRIAL RELATIONS: PAY

rus 3/11

18

Mr Fowler's proposals on nurses' pay, the miners' ballot result, and the decisions needed on the Megaw report raise far-reaching and fundamental issues about the Government's approach to pay and industrial relations. We see a clear risk that decisions are going to be taken which will set in concrete existing assumptions and expectations about pay. These run counter to what is needed to increase employment.

The Industrial Relations Background

We have achieved a significant and probably permanent shift in the balance of power, towards employers and away from unions. The unions have declining membership; increasing financial difficulties; and no role in Government. The three constituent elements of the triple alliance have each in turn been defeated - the steel workers after a long and fruitless strike in the first half of 1980, the railway workers after two strikes earlier this year, and the miners' executive has twice running been contradicted by the membership. Public service unions are even less effective: whatever the direct costs of the civil service strike of 1981, one clear benefit is that the civil service unions will be most reluctant to stage a repeat performance; and the health service unions show every sign of having no idea how to keep up the momentum of their industrial action. In the private sector, there have been few serious disputes in the lifetime of this Government, because the consequences in lost jobs are all too clear.

Now is the time, therefore, to follow up this advantage on all fronts: to give not an inch to those unions, such as NUPE, whose backs are to the wall; and to drive the hardest possible bargain with those, such as the water workers, who still have disruptive potential.

The Longer Term

And now is the time to think of the longer term, and the next Parliament, during which we must get away from automatic annual pay increases, if we are to get our unit labour costs down to those of our competitors. We must prepare the ground for low multi-year settlements; for the end of the concept of the pay round; for greater regional pay differences; and, above all, for any pay increases to be linked to performance. The Government will be giving up all hope of taking a lead in these developments if it goes on putting more and more of public sector pay into the hands of arbitrators, review bodies, and Megaw-type systems. Affordability and market factors, the corner stones of our policy, will disappear from sight, to be replaced by an ever more pervasive, and ever less realistic, going rate.

Present Issues

Against that background it is clear to us that to offer the nurses a review body is unnecessary and undesirable. It is unnecessary because it is the unions, not the Government, who need a way out of the dispute, and because there are other and less damaging ways of meeting the Government's commitment to the nurses (these were covered in John Vereker's earlier note, which you have seen).. It is undesirable because it takes a very large number of public servants out of market-determined pay, and almost certainly sets a norm for the whole NHS.

Structuring the pay offer so as to provide 12.3% from August 1982 to March 1984, which Mr Fowler will propose, is also undesirable. He has authority to offer 7½% for this year and 4½% for next and it is far better to stick to those, defensible, figures than to put over 12% into circulation. And even if a Review Body/12.3% deal were to prove acceptable to the nurses, we still continue to doubt whether settling with the nurses makes it easier to settle with the TUC affiliates. It is not the nurses who are on strike.

Megaw will no doubt come to Cabinet separately. But it hangs like a shadow over all discussions of public service pay. The Chancellor's Committee, MISC 83, is recommending it. If we have to have it, it must be made consistent with our longer term objectives by the inclusion of satisfactory safeguards, including provision for temporary suspension at reasonably short notice.

Finally, the outcome of the ballot on miners' pay raises several questions about the future handling of coal issues. The most immediate is the point on which we understand Mr Lawson will be writing round today: how to get into circulation the fact that the pay offer amounts to only 6½% on average earnings. There are still dangers with the miners, especially over pit closures, and we should avoid allowing Scargill to accuse the NCB of bad faith. Bernard thinks it would be right to go as far as arranging a written PQ, the answer to which would contain the right figure, and drawing the media's attention to it. We agree.

I am sending a copy of this note to the Chancellor of the Exchequer.

fm

FERDINAND MOUNT



File
17
cc. John Vereker

10 DOWNING STREET

From the Private Secretary

3 November 1982

The Prime Minister held a meeting on Thursday, 28 October to discuss the possible miners' strike. The Home Secretary, Chancellor of the Exchequer, the Secretaries of State for Defence, Industry, Energy, Employment, Sir Robert Armstrong and Mr. Gregson were also present.

Now that a pay settlement has been reached with the miners, I will not be recording the conclusions of this meeting, since they were all concerned with the possibility that there would be an adverse result of the ballot. The Prime Minister has, however, asked me to write to you to let you know that she would like to consider at an early date what the Government's policy should be in the future towards power station coal stocks; and, in the light of this year's experience, what arrangements are being made at the power stations for increasing storage and manufacturing facilities for ancillary materials so that stocks of these can match the desired level of power station coal stocks.

As a basis for this, the Prime Minister would like the Official Group on Coal (MISC 57) to prepare a report for Ministers urgently on:

- i. what should be the target level of power station coal stocks next autumn (including if necessary an increase in coal storage facilities) and the steps necessary to achieve this by next autumn;
- ii. the adequacy of the storage and manufacturing facilities for ancillary materials planned for the power stations by next autumn and the steps that might be taken to increase these in the light of i.;
- iii. what further action might be taken to induce coal burning industry to build up its stocks in the late summer of next year.

The Prime Minister would like MISC 57 to report on this matter by the end of November.

I am sending a copy of this letter to the Private Secretaries to the Home Secretary, the Chancellor of the Exchequer, the Secretaries of State for Defence, Scotland, Industry, Transport and Employment and to John Sparrow and Sir Robert Armstrong.

Julian West, Esq.,
Department of Energy.

CONFIDENTIAL

SECRETARY OF STATE FOR ENERGY
TIAMES HOUSE SOUTH
MILLBANK LONDON SW1P 4QJ

afsr
Prime Minister (2)

Hus 2/4

Tel: 01 211 6402

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
London SW1

2 November 1982

Dear Chancellor,

NUM WAGE CLAIM

As I informed Cabinet this morning, the official outcome of the ballot is that 39% of the votes were cast in favour of authorising the NEC to take strike action, if necessary, on both the wage claim and closures, while 61% voted against. The Union have now accepted the wage offer and have called off the overtime ban.

I attach a table showing in detail the way the men voted this time compared with earlier in the year. Overall 6% fewer of the Union's members voted for a strike now than did so in January. The swing away from a strike was particularly noticeable in Yorkshire, Nottinghamshire, Derbyshire and Durham. But some areas were more ready to strike now, notably Kent and Scotland, where there are current closure issues (Snowdown and Kinneil) adding to traditional militancy. South Wales also gave greater support for strike action. In sum, the peripheral areas, where most of the uneconomic capacity is to be found, have (with the exception of the North-East) provided increased support for strike action, while the central areas (including Yorkshire) where closures are much less of a threat, have become more moderate. This indicates the importance of the closure issue in the minds of mineworkers most likely to be affected.

The outcome is a devastating defeat for Scargill personally given the leading role he played in the campaign. A number of factors combined to bring it about. The Board pitched the pay offer at the right level. It seemed all the more attractive in the light of the falling RPI figures combined with your forecasts about the future level of inflation. As was widely reported in the newspapers, many of the miners (and their wives), who were primarily interested in pay, were not prepared to face the financial consequences of a long strike (the large power station stocks were particularly important in convincing them that any strike would be a long one). Both the linking of the pay and closures issues and the imposition of an unpopular overtime ban boomeranged against Scargill. Finally, the Board carried out a very effective PR campaign, while Scargill's demagogic style was clearly out of tune with the great majority of his membership.

/I should.....

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I should like to thank you and other colleagues most warmly for keeping a very low profile during the ballot campaign. The Board have emphasised to me how vital this has been in achieving the right result.

In view of the size of the majority I do not think that colleagues this year need avoid drawing attention to the real nature of the offer, which did in fact receive some publicity before the ballot. The NUM ballot paper itself stated that the offer was equivalent to 7.2% on base rates (plus a little on the incentive scheme). I believe we too should now use this figure. We should also make the point that the increase on overall earnings is equivalent to 6.5%, while continuing voluntary redundancy will mean that the impact on the NCB's total wage bill will be lower still. I certainly propose to use these points in the context of the other energy nationalised industry claims. I have asked the NCB to debrief their counterparts in other nationalised industries on these points in full.

I am sending copies of this letter to the Prime Minister, other members of E, George Younger, Nicholas Edwards, and to Sir Robert Armstrong and John Sparrow.

Yours sincerely,

S. D. 

PP. NIGEL LAWSON

(Approved by the Secretary of State
and signed in his absence).



<u>NUM AREA</u>	<u>Percentage of Votes for</u> <u>Strike Action, if necessary</u>	
	<u>January 1982</u>	<u>October 1982</u>
Cokemen	32	22
Cumberland	52	36
Derbyshire	50	40
Durham	46	31
Durham Mechanics	32	22
Durham Enginemen	21	11
Kent	54	69
Leicestershire	22	13
Midlands	27	23
Northumberland	37	32
Northumberland Mechanics	32	26
North Wales	18	24
North Western	40	44
Nottinghamshire	30	21
Officials & Staff	14	10
Power Group	17	15
Scottish	63	69
Scottish Enginemen	54	53
South Derbyshire	16	13
South Wales	54	59
Yorkshire	66	56
National Average	45	39



SECRET AND PERSONAL

Prime Minister (1)

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Agree 1 mile

MR SCHOLAR

Approved

as proposed?

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Industrial Action in the Coal Industry

Although the result of the miners' ballot will not formally be known until tomorrow, all the reports indicate a substantial vote in favour of the National Coal Board's pay offer and against industrial action. We must however continue to plan against the possibility of trouble next year. Even if pay has been settled for this year, pit closures will continue to be a matter of serious concern to the miners; and in future years it may not prove easy to persuade the miners to accept modest pay settlements.

2. Ministers will therefore need to consider the following matters:

- i. what should be the target level of power station coal stocks next autumn and what action should be put in hand from now on to achieve that level;
- ii. what action is necessary to bring the level of stocks of lighting-up oil and other ancillary materials in line with the target level of coal stocks;
- iii. what further action might be taken to induce coal burning industry to build up its stocks in the late summer of next year.

3. On i. our planning for this year's possible strike showed how difficult it would be to replenish coal stocks once a strike had begun. We cannot plan for higher power station coal stocks than this year's levels unless power station coal storage capacity can be increased. We therefore need to consider urgently the cost and feasibility of planning for a higher level of power station coal stocks next autumn. Otherwise we shall be told in the New Year that it is already physically impossible to increase capacity in time. Moreover there is much to be said for taking any visible measures at a time when industrial action has just been ruled out.

4. On ii. work is already supposed to be in hand to increase storage capacity for ancillary materials but we shall need to be sure that the necessary action will now



SECRET AND PERSONAL

be pressed ahead quickly and that the levels to be provided for match those we regard as appropriate for coal.

5. On iii., we noted this year that coal burning manufacturing industry was likely to run out of supplies long before power station endurance came to an end. If power station endurance is further extended the gap will widen. It is therefore worth considering whether the NCB can be persuaded to introduce a low-price summer coal scheme for industry even more attractive than their normal arrangements.

Am
6. If the Prime Minister agrees, the best way of proceeding would be for the Official Group on Coal (MISC 57), which I chair, to be commissioned to prepare a comprehensive report on these questions for Ministers. Depending on the Prime Minister's wishes, I attach the draft of a letter which you might send to the Department of Energy for this purpose.

CONQUEROR

PLG

P L GREGSON

1 November 1982

SECRET AND PERSONAL

DRAFT LETTER FOR MR SCHOLAR TO SEND TO MR WEST, DEPARTMENT OF ENERGY

WITHSTANDING INDUSTRIAL ACTION IN THE COAL INDUSTRY

Now that a pay settlement has been reached with the miners, the Prime Minister would like to consider at an early date what the Government's policy should be in the future towards power station coal stocks; and, in the light of this year's experience, what arrangements are being made at the power stations for increasing storage and manufacturing facilities for ancillary materials so that stocks of these can match the desired level of power station coal stocks.

2. As a basis for this, the Prime Minister would like the Official Group on Coal (MISC 57) to prepare a report for Ministers urgently on:
 - i. what should be the target level of power station coal stocks next autumn (including if necessary an increase in coal storage facilities) and the steps necessary to achieve this by next autumn;
 - ii. the adequacy of the storage and manufacturing facilities for ancillary materials planned for the power stations by next autumn and the steps that might be taken to increase these in the light of i.;
 - iii. what further action might be taken to induce coal burning industry to build up its stocks in the late summer of next year.

The Prime Minister would like MISC 57 to report on this matter by the end of November.

3. I am sending a copy of this letter to the Private Secretaries to the Home Secretary, the Chancellor of the Exchequer, the Secretaries of State for Defence, Scotland, Industry, Transport and Employment, and to John Sparrow and Sir Robert Armstrong.

SUBJECT

SECRET AND PERSONAL

NB

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This letter was not sent.
It is to be used as a
record of the meeting only.

3/11

10 DOWNING STREET

From the Private Secretary

29 October 1982

The Prime Minister held a meeting on Thursday 28 October to discuss the possible miners' strike. The Home Secretary, Chancellor of the Exchequer, the Secretaries of State for Defence, Industry, Energy, Employment, Sir Robert Armstrong and Mr. Gregson were also present.

The meeting had before it a minute of 25 October from the Secretary of State for Energy to the Prime Minister enclosing a report by the Official Group on Coal (MISC 57(82)23) on power station endurance in the event of a miners' strike.

There was a discussion of the possible sequence of events immediately following a ballot result in favour of a strike. It seemed likely that a strike would not begin until the second or third week in November. In the intervening period it seemed probable that Mr. Scargill would seek negotiations with the NCB, especially if the vote for a strike was only marginally higher than the required 55 per cent. It seemed doubtful, however, that he would be genuinely ready to reach an agreement on any tolerable basis. The NCB were likely to stand firm both on their pay offer and on their existing statements about closures and redundancies. It would be undesirable for the Government to seek to persuade them to do otherwise.

Concern was expressed about the conduct of the ballot and the fact that the Electoral Reform Society, although giving implied endorsement of the validity of the ballot, was in practice able to do no more than count the votes provided to it by the NUM. The NCB had been encouraged to make available to the press, at an appropriate stage, any information in their possession which suggested that the ballot had been conducted unfairly.

It was recognised that, as soon as the strike began, the police would face a major task in handling mass picketing. It was agreed that it was highly desirable to keep access to power stations as free as possible from interference by pickets. If the result of the ballot was in favour of a strike, the Home and Scottish Offices should arrange urgent consultations with Chief Officers of Police, followed by local discussions with Electricity Boards on detailed contingency plans as envisaged in paragraph 11 of MISC 57(82)23.

/It was noted

SECRET AND PERSONAL

- 2 -

It was noted that early in the strike the question would arise of whether those affected should seek legal redress under the Employment Acts. The probable date for commencement of the 1982 Act, which would make the NUM themselves vulnerable to legal action, was 1 December, in line with the general undertaking that 2 months should normally be allowed after Royal Assent to permit an Act to be printed and made available to the Courts. It was agreed that, for the time being, no advice should be given to the Electricity Boards about the use of remedies under the Employment Acts.

There was a discussion of the CEGB's proposed operational strategy for optimising the stocks of both coal and lighting-up oil as outlined in paragraph 23 of MISC 57(82)23. It was agreed that the CEGB should, at least initially, proceed on the basis of the proposed strategy which would provide overall power station endurance of 16 weeks but that meanwhile every effort should be made to replenish stocks of lighting-up oil as well as ancillary materials and that, if these efforts proved successful, the strategy of prolonging endurance to 20 weeks by optimising the use of coal stocks would be reinstated. The CEGB should be encouraged to explore all available means of securing replenishment without Service assistance including the use of non-union lorry drivers and, if this proved to be practicable, civil helicopters.

It was agreed that the marginal restrictions on electricity demand outlined in paragraph 26 of MISC 57(82)23, which would have only a minimal effect on endurance, should not be introduced before Christmas and that the option would need to be reconsidered nearer that time. Meanwhile however there would be no inhibition on appeals to the public by Area Boards to economise in the consumption of electricity.

On further work, it was agreed that, although in the early stages of a strike the approach would be to rely on existing stocks of coal in power stations, while endeavouring to ensure replenishment of lighting-up oil and other ancillaries, it might be necessary at some stage to examine more radical options for extending endurance, including the use of Servicemen to move pithead stocks to power stations by rail and road, increased coal imports and their delivery to both power stations and coal-using industry, and substantial reductions in consumption. Following an adverse ballot result, the Official Group on Coal (MISC 57) should put work in hand on all available options for extending endurance beyond that provided by existing stock levels and should report to Ministers.

/I am sending

SECRET AND PERSONAL

- 3 -

I am sending copies of this letter to the Private Secretaries to the Home Secretary, the Chancellor of the Exchequer, the Secretaries of State for Defence, Industry, Employment, and to Sir Robert Armstrong and Mr. Gregson. I should be grateful if you and they would ensure that this record is seen only by those specifically authorised by your Secretary of State to do so.

Julian West, Esq.,
Department of Energy.



I think we
may await
the results -
in view of the

10 DOWNING STREET

write this weekend.

Prime Minister

There may be no
need for this record
to be circulated

Coal meeting record not

I know that you are
concerned about sensitive records
and papers being sent out of
the building.

I believe that I need to send
to Mr West (Mr Lawson's P.S.)
the attached to ensure that the
conclusions of the meeting are put
into action.

Do you authorize me to send it?

MCS 29/10

NOTE OF A MEETING HELD AT 10 DOWNING STREET ON THURSDAY 28 OCTOBER AT 9.30AM
TO DISCUSS THE POSSIBLE MINERS' STRIKE

Present

The Prime Minister
Home Secretary
Chancellor of the Exchequer
Secretary of State for Defence
Secretary of State for Industry
Secretary of State for Energy
Secretary of State for Employment

Sir Robert Armstrong
Mr P L Gregson

The meeting had before it a minute of 25 October from the Secretary of State for Energy to the Prime Minister enclosing a report by the Official Group on Coal (MISC 57(82)23) on power station endurance in the event of a miners' strike.

There was a discussion of the possible sequence of events immediately following a ballot result in favour of a strike. It seemed likely that a strike would not begin until the second or third week in November. In the intervening period it seemed probable that Mr Scargill would seek negotiations with the NCB, especially if the vote for a strike was only marginally higher than the required 55 per cent. It seemed doubtful however that he would be genuinely ready to reach an agreement on any tolerable basis. The NCB were likely to stand firm both on their pay offer and on their existing statements about closures and redundancies. It would be undesirable for the Government to seek to persuade them to do otherwise.

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to it by the NUM. The NCB had been encouraged to make available to the press, at an appropriate stage, any information in their possession which suggested that the ballot had been conducted unfairly.

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On further work, it was agreed that, although in the early stages of a strike the approach would be to rely on existing stocks of coal in power stations, while endeavouring to ensure replenishment of lighting-up oil and other ancillaries, it might be necessary at some stage to examine more radical options for extending endurance, including the use of Servicemen to move pithead stocks to power stations by rail and road, increased coal imports and their delivery to both power stations and coal-using industry, and substantial reductions in consumption. Following an adverse ballot result, the Official Group on Coal (MISC 57) should put work in hand on all available options for extending endurance beyond that provided by existing stock levels and should report to Ministers.

P. L. Gregson

28 October 1982

PRIME MINISTER

PREPARATION FOR A MINERS' STRIKE

There is only one difficult issue for discussion at your meeting tomorrow: whether to encourage the Electricity Boards to use the provisions of the Employment legislation against the NUM, if NUM pickets prevent replenishment of power station stocks of coal and ancillary materials.

Pickets which prevent coal leaving pitheads would of course be immune from legal action, so it is unlikely that miners will need to use pickets to stop coal entering power stations, except for the small amount that is imported. But NUM pickets at power stations could prevent delivery of ancillary materials such as lighting up oil. They and the NUM itself could certainly be sued by the Electricity Boards for an injunction to stop, or for damages.

It is surely for precisely such circumstances that our Employment Legislation has been designed. Indeed, we would be dealing with secondary picketing of a particularly blatant kind, where miners were not only away from their place of work, but stopping delivery of materials other than coal. As the MISC 57 report says, not to use the legislation would bring into question the Government's whole approach to industrial relations. The possibility of vigorous resistance by miners to injunctions should not deter us from trying to reap the enormous benefit to the community as a whole of establishing that if secondary picketing has damaging consequences, the unions have to pay.

So we should certainly indicate to the Electricity Boards our willingness to see them use the provision of the law, and we should do so now in order to encourage them to think the issues through, and to consult among themselves. Of course it does not follow that they will seek injunctions at the first sign of picketing: they may well want to wait and see whether the ancillary materials can be replenished by stealth, and they must be allowed to reach

their own judgement of when to begin legal proceedings.

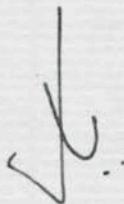
Other Issues

It is unlikely that shortage of coal, of which we have about 20 weeks' worth, will be the reason for the strike ending. So the use of servicemen is probably an issue only if they are needed to replenish ancillaries. No decision on that is required now.

The CEGB's operational strategy for maximising endurance is right, given the shortage of lighting up oil; and it can be adjusted as we can go along. It is encouraging that the CEGB are now planning in this kind of detail.

I am sure it would be wrong to try and gain a little extra endurance by early measures to restrict electricity consumption. Far better to give the miners the impression that we can cope very well and for long periods without hardship, except to them.

Finally, if the ballot goes the wrong way, Bernard will be pressed by the media for a reaction. Clearly the position on the record is that this is still a matter between the NCB and the NUM (and quite a wide range of circumstances may arise, depending on the exact outcome). Bernard has put a separate note to you, with which I agree, suggesting an unattributable line.



27 October 1982

1. MR SCHOLAR
2. PRIME MINISTER

I suggest that you
consider these two lines at - or after -
your two meetings tomorrow.

MCS 27/10

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(A)

PRESENTATION - PROTECTIONISM; COAL

I need to clear two lines with you before the visit to Germany.

First, protectionism. The meeting of E tomorrow has been widely trailed and there is considerable interest in the outcome of the meeting.

I have had to work very hard over the last week to stop the press writing us into a hard, protectionism stance. Your question time yesterday was an enormous help. I have also led the Lobby to believe there will not necessarily be any hard decisions tomorrow. But we need to ensure that we do not get a rash of silly protectionist stories after E.

Could I suggest an agreed unattributable briefing line (for both Lord President who has a Thursday Lobby and your press office) as follows, subject to the committee discussion:

"Ministers today discussed trade policy against the background of rising protectionist pressures in the world. They stressed the importance of maintaining an open trading system, especially to major trading nations like Britain. We export roughly 30% of our GDP — still the highest of any country in the world.

Ministers however expressed their concern about the unequal operation of the system - where, for example, countries profit from the open system but remain partly or substantially closed to imports themselves.

They called for more research preparatory to the GATT Ministerial conference in Geneva next month. At that conference the UK can be expected to press strongly for a fairer operation of the system. This would require greater reciprocity if the system is to be strengthened in line with the UK's aims."

COAL

We need to be absolutely clear before the weekend on how to react to the result of the miners' ballot.

If it rejects strike action we should lie low; offer no comment; and allow the press to crucify Scargill and praise the miners for their common sense.

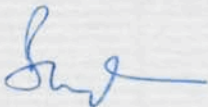
as high a
proportion
as any
major
industrialised
country.
MCS

If the ballot votes for strike action, however narrowly, we should not assume a strike is inevitable, we should say unattributably:

"We regret the decision. The miners will now have to consider their position knowing that no more money will be forthcoming, that stocks of coal are historically very high indeed and that a strike would be cripplingly costly to them. Everybody knows you can't strike yourself to prosperity; you can only strike yourself into trouble."

ACTION

You may think we should ensure these lines are available to Ministers if you are content with them.



B. INGHAM
27 October 1982

I think this is better, in reflection, than
'strikes cost jobs' - since this can be
interpreted by Scargill as a threat
to close pits.



SECRET AND PERSONAL

11

Prime Minister

You will also wish

to consider the line suggested

in Bernard's note to you

(Play A).

P.0878

PRIME MINISTER

Industrial action in the coal industry

BACKGROUND

MIS 27/10

The papers for your meeting at 9.30am on Thursday 28 October are the minute to you of 25 October from the Secretary of State for Energy, and the report by the Official Group on Coal (MISC 57) circulated under cover of that minute.

MAIN POINTS FOR DISCUSSION

2. At this stage, when the result of the miners' ballot is not known, there might be four broad areas for discussion:

i. the outlook for the ballot, insofar as that can be judged;

ii. the likely sequence of events in the immediate aftermath of an adverse ballot result;

iii. the matters raised in the MISC 57 report on which Ministers are invited to take a view;

iv. whether any further contingency planning should be put in hand at this stage.

OUTLOOK FOR THE BALLOT

3. Although you will not want to waste time on vain speculation, you might ask the Secretaries of State for Energy and Employment whether they have any "feel" for the likely outcome of the ballot, which will probably not be formally announced until next Monday or Tuesday but which will no doubt leak over the weekend.



SECRET AND PERSONAL

THE IMMEDIATE AFTERMATH OF AN ADVERSE BALLOT RESULT

4. You might then ask the Secretaries of State for Energy and Employment about the likely sequence of events following an adverse ballot result. It seems unlikely that the miners will immediately go out on strike. There will probably be some further exchange^s between the NCB and the NUM. These may be perfunctory if the majority in favour of industrial action is substantial. A vote of very close to 55 per cent for industrial action might however cause the NUM to seek more substantive negotiations. No Ministerial decisions are required at this stage, but Ministers may wish to give some initial consideration to the issues that might arise and the advice, if any, that they might wish to offer to the NCB.

5. Ministers will presumably wish the NCB to stand firm on the present offer and to avoid further important commitments on closures. A major objective for the NCB will probably be to preserve management authority, and this also points to standing firm. It will however be in the interests of the NUM to try and lay the blame for a strike on the intransigence of the NCB and the Government. They might even, if the ballot result was close, be keen to engage in genuine negotiation so as to achieve some minor victory under the threat of strike action, without running the risk of a strike which could crumble.

6. The judgements about tactics in the immediate aftermath of the ballot are therefore likely to be both difficult and crucial. It would be useful to know from the Secretary of State for Energy whether the ^{NCB}~~NUM~~ has considered any options which might be worth pursuing following an adverse ballot (for example forms of words about closures) ^{and} which might be relevant either to genuine negotiation or to ensuring that the blame for the strike lies clearly on the NUM rather than the NCB.

MISC 57 REPORT

7. The main purpose of the MISC 57 Report is to give Ministers the latest assessment of endurance both of power stations and of industry.



SECRET AND PERSONAL

Assuming no coal deliveries to power stations but replenishment of stocks of ancillaries other than lighting-up oil, power station endurance is estimated at 16-20 weeks. Within this range actual endurance will depend on success in replenishing lighting-up oil and the measures which the CEGB take (subject to decision by Ministers) to optimise the use of their stocks of both coal and lighting-up oil. The average endurance of coal-burning manufacturing industry is estimated at 6 to 8 weeks.

8. The report also takes the opportunity to draw attention to a number of matters on which Ministers will have to take a view before a strike begins. It is not essential that they should take decisions on all these matters now. In some cases it may be more sensible to defer decisions. Ministers should however be aware of the issues, which are listed in the last paragraph of MISC 57(82)23, ie:

the task which will fall to the police in dealing with picketing

the possible need to give advice to the Electricity Boards about seeking legal redress under the Employment Act

the possible need to use Servicemen to replenish ancillaries

the CEGB's operational strategy for optimising stocks of coal and lighting-up oil

the timing of measures marginally to reduce electricity demand

No decisions are sought about the police and Servicemen at this stage. Ministers may however like to have a preliminary exchange about the use of the Employment Act and to take decisions about two straightforward technical issues - the CEGB's operational strategy and the timing of marginal reductions in demand.



SECRET AND PERSONAL

Employment Act legal remedies

9. The issues are discussed in paragraphs 13 and 16-19 of the MISC 57 Report. The Secretary of State for Energy offers no recommendation on this question, but I understand that his view is that to invoke the legal remedies, certainly at the outset of a miners' strike, would play into the hands of the NUM, since it would enable them to present their dispute as being principally about the preservation of trade union immunities and therefore to gain greater cooperation than might otherwise have been forthcoming from the trade unions in other important industries. His view is that the right approach is to concentrate initially on trying to make the picketing less effective, by securing, with police assistance, the replenishment of ancillary materials including, if possible, lighting-up oil.

10. A final decision is not required at this stage on the principle of using legal powers in the context of a miners' strike. Although there are some strong arguments against doing so, circumstances could arise where it would be the right course to follow. Having noted the possible need at some stage to offer the Electricity Boards advice, Ministers might agree at this stage merely to tell the Electricity Boards that the Government would expect to be consulted in good time before the Board took any final decision to instigate legal proceedings.

The CEGB's operating strategy

11. Stocks of lighting-up oil and other ancillary materials stand at only 9 weeks. The CEGB are reasonably confident that they could achieve replenishment of ancillary materials other than lighting-up oil. This would require on average only one lorry load per power station per day. Replenishment of lighting-up oil would involve a further 5 to 6 lorry loads per power station per day in England and Wales and will thus be more difficult, although perhaps not impossible, to achieve. (In Scotland there is no problem as lighting-up oil can be delivered by sea.)



SECRET AND PERSONAL

12. Because of the uncertainties about lighting-up oil in England and Wales the CEGB has devised an operating strategy for power stations which would enable existing stocks of lighting-up oil to be made to last for 16 weeks. This involves less oilburn and more coalburn than previously planned; it is therefore half as expensive as the original strategy (£10-15 million per week as against £20-30 million per week). It also preserves flexibility. If in the event the replenishment of lighting-up oil proved possible, the operating strategy could, apparently, easily be revised to extend endurance further, perhaps to close to 20 weeks.

13. The alternative approach - to revert to the original strategy of maximising oilburn as a means of conserving coal stocks - assumes that somehow supplies of lighting-up oil would be made available. If this assumption were to prove correct, endurance would be 20 weeks. But if it were to prove false, endurance could well be very much less than 16 weeks, as discussed in paragraph 23 of the MISC 57 report, since supplies of lighting-up oil would have been seriously depleted.

14. The MISC 57 Report invites Ministers to endorse the CEGB's proposed strategy. The Secretary of State for Energy recommends that they should do so.

Marginal restrictions on electricity usage

15. Paragraphs 26 and 27 of the MISC 57 Report discuss whether very limited restrictions on electricity usage should be introduced from the outset of a miners' strike. MISC 57 concludes - and the Secretary of State for Energy agrees - that the best approach would be to delay such measures until after Christmas; only 2 or 3 days' endurance would be sacrificed by the delay.

FURTHER CONTINGENCY PLANNING

16. The Chancellor of the Exchequer may raise the question whether officials should do further urgent contingency planning. He might argue



SECRET AND PERSONAL

on the following lines. The Government's present strategy is to undermine the miners' will to continue with a lengthy strike by demonstrating that its effects are relatively slight and that, in particular, electricity supplies will not be interrupted for a very considerable period, during which time the miners will have lost thousands of pounds in earnings which they may never succeed in recouping. But the present assumed power station endurance, of 16 to 20 weeks, may not prove sufficient for this strategy to succeed. He may therefore suggest that further detailed work should be undertaken immediately by MISC 57 about the practicalities of moving pithead coal stocks to the power stations during a strike, thereby substantially increasing power station endurance.

17. A good deal of work was done on the problems of moving coal to power stations last year and was reported in MISC 57(81)33, circulated to Ministers by the Home Secretary under cover of his minute of 6 December 1981. Using Servicemen to move coal by rail was not thought practicable. Moving the coal by road through the use of Servicemen would be a formidable undertaking. To move $\frac{1}{2}$ million tonnes of coal per week - twice as much as was transported by road during the rail strikes earlier this year, when power stations were not picketed - would involve 4-5,000 lorry movements per day between pitheads and power stations continuously for 20 weeks. The law and order problems of coping with pickets not just at the power stations but also at the pitheads would be enormous, and these would arise from the very outset of the strike. One of the objectives of building up the present level of power station stocks has been to avoid this kind of crisis and confrontation in the early weeks of a strike. A major risk might be that power station workers would refuse to handle coal brought in by Servicemen in this way. Moreover even if the operation were to be totally successful (and this was not thought likely), power station endurance would still not be indefinite but would have been prolonged from around 16-20 weeks to 21-28 weeks.

18. If Ministers wish to pursue this option, despite the difficulties identified earlier, officials would need to be asked to up-date the previous



SECRET AND PERSONAL

work as quickly as possible. It is however unlikely that it could be taken much further unless consultations could be authorised with the NCB and CEGB and the Ministry of Defence were given the opportunity to examine access by roads to pithead dumps and power stations and to see how far the loading and unloading facilities, designed primarily for rail handling, would need to be adapted. Until a strike became inevitable, such consultations and activity would be highly sensitive.

HANDLING

19. You may like to suggest that the meeting might be structured on the lines proposed in paragraph 2 above, ie the outlook for the ballot, the aftermath of an adverse ballot, the points raised in the MISC 57 Report, and any other contingency planning issues. You will wish to invite the Secretary of State for Energy to open the discussion. Contributions will no doubt be offered by the Secretary of State for Employment on industrial relations matters, by the Home Secretary on the law and order implications, and by the Chancellor of the Exchequer on the overall strategy in relation to the dispute.

CONCLUSIONS

20. You will want to reach conclusions on the following matters:

i. tactics in the aftermath of an adverse ballot (if Ministers have any views at this stage);

ii. legal remedies under the Employment Act, ie whether the Government should offer any advice to the Electricity Boards at this stage or should merely ask to be consulted in good time;

iii. the CEGB's operating strategy, ie whether to endorse the strategy of conserving, at least initially, the stocks of lighting-up oil so that total endurance would be 16 weeks;



SECRET AND PERSONAL

- iv. marginal restrictions on electricity usage, ie whether these should be deferred until after Christmas;
- v. the need for any further contingency planning.

Pq

P L GREGSON

27 October 1982

10

MR BUTLER

*Mr. Venokas
Many thanks*

FRB

27.10.

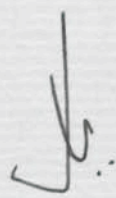
THE MINERS

You asked to see the recent advice we have put to the Prime Minister. I attach -

(i) A copy of my notes of 14 October and 22 October summarising the position and prospects for the ballot; and

(ii) A copy of MISC 57's paper for the Prime Minister's meeting on Thursday morning.

I shall be doing a separate brief for the meeting, of which I will also send you a copy.



26 October 1982



cc JV
 Prime Minister (2) 9

Prime Minister

This is for your Thursday

POWER STATION ENDURANCE

meeting - MCS 25/10

The Official Group on Coal (MISC 57) has reviewed power station endurance in the event of a miners' strike. I attach their report.

Coal stocks at power stations now exceed 28 million tonnes, despite the miners' overtime ban. In principle this would be sufficient, with maximum oil burn, for 20 weeks endurance. In practice the period of endurance will depend on the delivery of other essential materials, of which lighting-oil is the bulkiest and therefore most critical. The greater the degree of success in getting such supplies to the power stations through the (presumably unlawful) picket lines, the closer will be the period of endurance to the full 20 weeks - hence the importance of the consultations with the police mentioned in the MISC 57 report.

The CEGB have devised an operational strategy for minimising consumption of lighting-up oil. This would stretch existing stocks (equivalent to 9 weeks normal consumption) to 16 weeks. But we need to consider carefully, early in any strike, what can be done to replenish lighting-up oil and other essential materials with a view to increasing endurance further.

I agree with officials' conclusion that no restrictions on electricity use should be imposed at the outset.

I am sending copies of this minute and attachment, for the usual limited circulation, to the Home Secretary, the Chancellor of the Exchequer, the Secretaries of State for Industry, Defence, Transport, Employment and Scotland, Sir Robert Armstrong and Mr Sparrow.

I.P. Clark

pp Secretary of State for Energy

25 October 1982

(Approved by the Secretary of State and signed in his absence)

6/27/77
SECRET

AND PERSONAL

POWER STATION ENDURANCE

Note by the Official Committee on Coal (MISC 57)

INTRODUCTION

1. This report:-

- (a) sets out the present stock position in the power stations and in industry;
- (b) seeks decisions from Ministers on a number of issues, related principally to the response to the picketing of power stations by the miners; and
- (c) sets out the operational strategy which the Central Electricity Generating Board intends to follow.

FUEL SUPPLIES

2. By the end of October coal stocks at the power stations will in principle be sufficient for 20 weeks endurance; and the Electricity Boards expect supplies of fuel oil to oil-fired power stations to continue uninterrupted during a miners' strike. But in practice endurance will depend on how far measures are necessary to conserve supplies of lighting-up oil. This is discussed below. It will also depend on the weather; a severe winter as in 1981-82, could reduce endurance by about one week; a mild winter, such as in 1980-81, might increase it by a similar amount.

3. This estimate of total endurance is less than in our previous report because the CEGB is now sceptical that an increased rate of coal imports during a miners' strike would be practicable or would add much to the endurance of the electricity system as a whole. The main considerations are:-

- (a) coal imports can be landed only at the Thameside power stations. It would be impossible during a miners' strike to distribute imports to inland power stations. Because stocks at all power stations are now close to the limits of physical capacity, there is virtually no scope for altering distribution patterns to leave a shortfall at the Thameside power stations thereby accommodating increased imports.

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AND PERSONAL

Thus extra imports would not increase endurance of the electricity system as a whole; and

- (b) increased power station oilburn depends on extra oil imports by sea. The trades unions are expected to co-operate with this. If an increase in coal imports led to pressure from the NUM to handle no more than normal levels, the extra oil imports - which are by far the more important - could be jeopardised.

4. The Department of Energy is pressing the CEGB to ensure that any realistic opportunity is taken to increase imports in a helpful way. However, at this stage the assumption must be that it is unlikely that increased coal imports will add much to endurance.

5. The average endurance of coal-burning manufacturing industry would probably be about 6-8 weeks, though in some cases it would be much less. The available information about the main coal-using industries is in the Annex. But press reports that power station coal stocks are much higher than this may have encouraged some extra stocking where physical and financial constraints permit.

6. Finally, useable pithead stocks now stand at well over 10 million tonnes. The resumption of coal deliveries could therefore begin as soon as a strike had ended.

SUPPLIES OF ANCILLARIES

7. A wide range of ancillary materials is required for the normal operation of all types of power station. Stocks by the end of October will be sufficient for 9 weeks. (Increased storage facilities are under construction, but they will not be ready until next year). The main problem in England and Wales is likely to be the replenishment of stocks of lighting-up oil, which is required in much greater volume than other ancillaries; in Scotland deliveries of lighting-up oil by sea, direct to the main power stations, are expected to continue. The CEGB are taking all possible steps to arrange additional temporary storage at the power stations. The measures that might be taken to replenish stocks or to make existing stocks last longer than this are discussed below.

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AND PERSONAL

PICKETING

8. The National Union of Mineworkers (NUM) has not yet decided whether to picket the power stations in the event of a strike, but the assumption must be that they will do so. Some nuclear and oil-fired power stations in remote areas may escape picketing, but the main coal-fired stations, many of which are located in mining areas, are likely to be picketed continuously and on occasions by large numbers.

9. The NUM will almost certainly seek support from other trade unions. The main practical effect of this is likely to be an agreement on the part of the trade unions concerned, including the railway trade unions, not to cross NUM picket lines, however nominal they might be. Although the point has not been put to the British Railways Board, it seems unlikely that they or probably other managements would succeed in overcoming the unwillingness of their employees to cross picket lines.

10. Thus, normal deliveries to the power stations of both coal and ancillary materials are likely to be substantially interrupted. The Electricity Boards will therefore have to consider how far it might be feasible to circumvent picketing and their attitude to invoking the legal remedies available under the Employment Act 1980 (and potentially under the Employment Bill 1982).

Circumvention

11. Assuming that normal deliveries by rail are successfully prevented, about 35 lorry loads per week (30 of them consisting of lighting-up oil) would be required to keep power station stocks of ancillaries well topped-up; the Department of Energy is exploring with the CEGB whether sufficient stocks could safely be maintained with a lesser rate of deliveries. It seems possible that the Electricity Boards will find non-union drivers willing to undertake deliveries of ancillary materials; but it seems unlikely that drivers would be found willing to attempt deliveries of coal through an NUM picket line. If they do, the police would normally attempt to clear a way through the pickets. In the event of mass picketing, well-tried arrangements exist for the reinforcement of one police force by others; in total about 20,000 police could be made available to handle picketing, of whom 10,000, specially trained in crowd control techniques, would form the pool from which reinforcements would be drawn. If the result of the NUM ballot favours a strike, the Home and Scottish Offices will arrange urgent consultations with chief officers, which

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will provide the framework within which local discussions with the Electricity Boards on detailed contingency plans can take place.

12. If willing drivers cannot be found the Electricity Boards could, in principle, seek Service assistance to replenish stocks of ancillary materials. If the suppliers of the materials to be moved were prepared to make their vehicles available this would probably not require a State of Emergency. If, however, the suppliers were unwilling, a State of Emergency would be required to permit the requisitioning of the necessary vehicles. In either situation the Services would require the Police to clear a route through the pickets.

Legal Remedies

13. Under the Employment Act 1980, miners picketing places other than their own place of work (eg. power stations) have no immunity from civil action and anyone who suffered or reasonably anticipated loss as a result of interference with employment or commercial contracts to which he was a party could seek an injunction against individual pickets or those who organised the picketing. Anyone not complying with the terms of such an injunction could on evidence being provided to the court be fined or imprisoned for contempt. The Employment Bill 1982 when commenced will bring the legal immunities from civil actions for trades unions into line with those for individual officials. It will then be possible in the above circumstances for the NUM itself (or any other union involved in secondary picketing as well as individuals) to be made subject to an injunction or sued for damages.

MATTERS FOR THE ATTENTION OF MINISTERS

14. At this stage the main matters for the attention of Ministers are as follows:-

- (a) the likelihood of access to the power stations for deliveries of ancillary materials;
- (b) what advice to offer the Electricity Boards about the use of the available legal remedies;
- (c) the wider ramifications of Service assistance;

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AND PERSONAL

(d) whether the CEEGB's proposed operational strategy is broadly acceptable; and

(e) whether early measures should be taken to reduce by a small amount the demand for electricity.

(a) Access to the power stations

15. Access to the power stations will depend on the willingness of drivers to attempt deliveries, the strength of picketing and the tactics of handling both picketing and deliveries. Decisions about operational tactics and law enforcement are a matter for Chief Constables. In general they can be expected to seek to clear a way through to the power stations for drivers willing to attempt deliveries. There is, therefore, a chance that stocks of many ancillary materials will be replenished, since the quantities involved are often relatively small and deliveries required infrequently. But where there is a large number of pickets, or where picketing is violent, the Police will have to judge whether to force a way through, at a particular time, would create more public disorder than they could tolerably handle. At this stage it is difficult to make any firm judgement as to how far access to the power stations is likely to be maintained.

(b) Advice to the Electricity Boards about legal remedies

16. The question of whether to seek legal redress would be a matter for those whose contracts were affected by the industrial action. It is, therefore, an issue which is largely outside the control of the Government. The Electricity Boards would, of course, be particularly seriously affected by the successful picketing of power stations and the question might quickly arise whether they should take legal action; this is clearly a matter on which they would seek the Government's guidance. But it has to be recognised that other employers affected by unlawful picketing eg. companies delivering supplies to power stations, coal merchants, could always themselves take legal action against the NUM or individuals.

17. It could be argued that for the Electricity Boards not to seek legal redress in the circumstances of a miners' strike could well bring into disrepute not only the Employment Act 1980 but the whole approach of legislation on industrial relations matters.

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18. On the other hand, to seek an injunction could well play into the hands of the NUM. The NUM leadership has been seeking to present the dispute as less concerned with pay than with the future of the coal industry and the credibility of the union to defend miners' interests. There seems little doubt that the NUM would seize the opportunity to present themselves as in the vanguard of a fight to retain trade union immunities. In these circumstances, other trade unions, including those with members in the electricity supply industry, might prove more willing actively to support the miners than would otherwise be the case.

19. The best approach therefore seems likely to be to delay a final decision on the question of legal proceedings until a clear picture emerges of whether continued deliveries to the power stations are likely to prove practicable. But Ministers may wish to consider whether to offer the Electricity Boards preliminary advice at this stage.

(c) The wider ramifications of Service assistance

20. The Electricity Boards are currently most reluctant to call for Service assistance since they fear that to do so would jeopardise the co-operation of their own staff. This is not a matter for early decision. Normal Service notice of seven days could be reduced as the situation develops, thus enabling Servicemen to be deployed soon after a final decision to do so had been taken. But the option should clearly not be dismissed; in circumstances where the only means of keeping the power stations in operation would be by using Servicemen to replenish stocks of ancillary materials there would be little to be lost in terms of endurance by making the attempt.

(d) The CEGB's Operational Strategy

21. On the assumption that supplies of lighting-up oil cannot be augmented significantly beyond present stocks levels of 9 weeks but that deliveries of other ancillary materials - which are required in small volumes and at less-frequent intervals - can be maintained, the CEGB has considered how best to optimise stocks of both lighting-up oil and coal. This is best achieved by operating coal-fired power stations at a steady level and by reducing oilburn overnight in line with reduced demand.

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AND PERSONAL

22. The only decision required at this stage concerns the operating strategy to be employed from the beginning of a miners' strike. It would be possible to move from a strategy designed to minimise the use of lighting-up oil to one designed to minimise coal burn if the replenishment of stocks of lighting-up oil were to prove possible.

23. The CEGB has devised an operating strategy for optimising the use of stocks of both lighting-up oil and coal, which would extend endurance to 16 weeks with present stocks of lighting-up oil. If replenishment of stocks of lighting-up oil were to prove possible, the strategy could be adjusted to prolong endurance to approaching 20 weeks. The CEGB believes that the right starting point is to adopt pessimistic assumptions about the extent to which the replenishment of stocks of lighting-up oil will prove possible. If the initial operating strategy rested on the assumption that replenishment would prove possible and in the event this proved not to be the case, endurance could be significantly less than 16 weeks, because stocks of lighting-up oil would have been seriously depleted. For example, one week's operation on the assumption that replenishment would be possible would extend endurance by 1-2 days beyond 16 weeks, if this proved to be correct. But if stocks could not be replenished total endurance would have been reduced by 1 week ie. to 15 weeks.

24. Ministers are invited to endorse the operating strategy proposed by the CEGB.

25. The costs of the CEGB's preferred strategy would be of the order of £10-15 million per week, mainly in increased oilburn. A strategy based on minimising coal use might cost £20-30 million per week, because a higher rate of oilburn would be involved. The financing of these costs is a matter for later consideration.

(e) Restrictions on Electricity Demand

26. It would be possible, by Order under the Energy Act 1976, for the Government to seek to reduce electricity demand by about 5 per cent by restricting advertising, public lighting and industrial and commercial electric space heating. Ministers need to consider whether they would wish to take such a step, and, if so what the best timing might be.

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AND PERSONAL

27. Assuming that a miners' strike starts early in November, a reduction of 5 per cent in demand from the very start of a strike would increase total endurance by roughly 7-8 days. To delay the introduction of such a measure for, say, 10 weeks (ie until after Christmas), when electricity demand would have reached its winter peak, would extent endurance by about 5 days. It could be argued on the one hand that an early introduction of measures along these lines would demonstrate to the miners the Government's resolve to withstand a lengthy strike. On the other hand, such a move could well be interpreted by the miners (and the public) as indicating that their strike was having an early effect; and the public could well tire quickly of even the relatively minor restrictions involved, particularly over Christmas. Moreover, to delay the introduction of these measures by even as much as 10 weeks reduces total endurance by only a few days. The best approach therefore seems to be to wait for a period.

CONCLUSIONS

28. Ministers are invited:-

- (i) to note the likely stock levels described in paragraphs 2-6 and the steps that might be taken to attempt to replenish stocks of ancillary materials;
- (ii) to note that, although the Police can be expected to seek to clear a way through power station pickets, it is difficult at this stage to reach any firm judgement as to how far access to the power stations is likely to be maintained;
- (iii) to consider what advice, if any, to offer the Electricity Boards about seeking legal redress and the timing of doing so;
- (iv) to note that a decision about the use of Servicemen does not arise at this stage, but that the option might need to be considered;
- (v) to endorse the CEGB's proposed operational strategy as described in paragraph 23; and to note the likely costs involved;

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(vi) to agree that early measures should not be taken to restrict electricity demand.

Cabinet Office

22 October 1982

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AND PERSONAL

ANNEX

Average Endurance Level
of coal-using establishments
at end-June 1982

Food Manufacturing and Processing	10 weeks	Unlikely to be a shortage of foodstuffs as a result of a miners' strike.
Non Ferrous Metals	11.6 weeks	
Foundries	4 weeks (end July)	Plus 5 weeks at stockholders.
Motor Vehicles	7.4 weeks //	Longbridge 3 weeks but increasing. Dagenham 20-40 days.
Cement etc	6.8 weeks	Believed now to be 8 weeks
Paper and Board	4.7 weeks	Endurance of coal-using paper mills ($\frac{1}{4}$ of the industry) varies from nil to one month.
Total Manufacturing (including the above, but excluding Iron and Steel)	6.6 weeks	
Iron and Steel	at least 8 weeks (September) <u>at each works</u>	4 of the 5 major works can be supplied by sea (but in 2 cases with a train journey as well). British Steel Corporation's orders are low. <u>An average of 3 months stock of steel held by consumers and stockholders.</u>

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Max had

PA

MR SCHOLAR

cc Mr Rickett
Mr Ingham
Mr Mount O/R

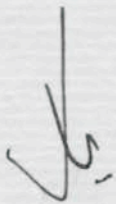
QUESTIONS: THE MINERS

It is possible that either tomorrow or on Thursday the Prime Minister will be asked what advice she has to give the miners in their forthcoming ballot.

There is a strong temptation to reply robustly - by, for instance, advising the miners to recall that there are 49 million tonnes of unused coal in Great Britain at present, and that all of it could have been imported at half the price. But we should not say anything before the ballot which might carry the implication that the Government intends to reduce the size of the industry further by pit closures.

So I suggest instead that the Prime Minister might reply as follows:

"I should advise them to accept an offer which promises a real increase in living standards over the coming year; and to reject the call for a strike, which can only worsen the prospects of the coal industry and those who work in it."



25 October 1982

PA
P. Scholar
We discussed, by which
tell me that it would be
entirely counter-productive for
the Govt and especially the
Prime Minister to advise
the miners.

a P. Venetor

MR SCHOLAR

cc Mr Rickett
Mr Ingham ✓
Mr Mount O/R

QUESTIONS: THE MINERS

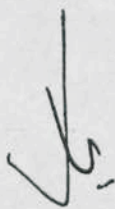
John 25/10/82

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25 October 1982

Secret

Caroline's 25/10

You may like to see that this is agreed.

Not incl

8

(1)

M.

PRIME MINISTER

Miners' Strike Ballot

You asked for a meeting ^{next week} to take stock ^{of the situation which might arise} after the miners' strike ballot next Thursday and Friday.

Peter Gregson's MISC 57 has produced a further report on the Government's preparedness, and also on a number of decisions which remain to be taken - the advice which might be given to electricity boards on the use to be made of the new Employment Act, their use of lighting-up oil and other ancillary materials, the role of the police and servicemen, and so on.

Mr. Lawson will be forwarding this to you early next week under cover of a minute giving his comments on the situation. I suggest that this forms the paper for your meeting, and that we invite the usual small group: Mr. Whitelaw, the Chancellor, Mr. Lawson, Mr. Nott, Mr. Tebbit, Mr. Jenkin, Sir Robert Armstrong, Mr. Gregson and John Vereker. We have arranged the meeting for 0930 on Thursday.

Agree to these arrangements?

Yes
no

MLS

22 October 1982

① Mr Rickett *misses*

② Mr Ingham

Isn't X a bit high
profile? *P. Scholar*

MR INGHAM

cc Mr Scholar ✓
Mr Rickett
Mr Mount

MINERS' EARNINGS

It may be helpful for you to have this aide memoire of the point we discussed earlier this afternoon, since it is bound to come up in the Lobby again.

Scargill is claiming that the miners need a 45% pay rise to bring them up to the purchasing power they had in 1975; and he alleged yesterday some academic respectability for this, in the shape of Ruskin College (!).

This kind of claim can be substantiated only by choosing the starting date very carefully, working on basic rates only, and taking an inflated estimate of the November RPI. The use of basic rates is particularly misleading, since the productivity scheme started in 1975 and has grown rapidly as a proportion of earnings since then.

I am sure it is right to say unattributably that Scargill's claims are the signs of a desperate man, and that in fact when adjusted for the RPI, miners' earnings are already higher than they were in 1975. This could also come up in Questions, so I am sending a copy to Messrs Scholar and Rickett.

*I think it is one thing
MCS 22/10 for me to say things
unattributably. but
critical and to make for
The PM to be on the record.
However, where is amount
of a matter of fact in
direct to*

*as on level of earnings -
I think it is OK
founded it
does not
Suggesting fact is
panicking*

*John
26/10*

22 October 1982

Prime Minister (2)

To note.

MR SCHOLARcc Mr Mount
Mr Ingham
Mr Wolfson

PA

MUS 22/10

Handy on
ms.THE MINERS

You asked me to update the assessment in my note of 14 October, which the Prime Minister saw.

The Ballot

The only new factors which might influence the outcome of the ballot are the publication of the New Earnings Survey, showing that miners are at their highest level in relation to average earnings since the survey began in 1970; and the success of Scargill's rallies in creating an impression of widespread support among miners for the NUM claim. There are still reverberations from the pay/closures link on the ballot paper, but it is difficult to judge which way that will affect the outcome. Mr Lawson has declined to forecast the outcome to Cabinet; I understand that the NCB Area Directors are hopeful, but that Siddall himself is more cautious and expects a close outcome. It still seems to me unlikely that Scargill will get his 55% majority.

PR

The NCB's campaign continues to look good, Siddall has been particularly explicit on a No vote meaning a long strike. Scargill has on the whole had a bad press. The Government has succeeded in keeping out of it. But Bernard is bound to be continually asked by the Lobby for a reaction, and has agreed with me that he should point out the increasing desperation of some of Scargill's claims - such as the need for a 45% increase to get back to 1975 purchasing power (which ignores the effect of the productivity scheme). The Department

of Energy have started their preparatory work on the PR implications of an adverse vote, and we are being consulted.

Endurance

The build-up of stocks continues at a satisfactory pace, only slightly affected by the overtime ban. MISC 57 has confirmed the endurance position - 20 weeks for coal, 16 weeks for ancillaries - and has identified the secondary issues which need to be put to Ministers. Mr Lawson will be circulating the report next week (we have discussed the handling of it and you will be advising the Prime Minister separately). The main issue at present is what advice to give Electricity Boards about the use of legal remedies if miners picket power stations and prevent replenishment of ancillaries.

Handling

If the ballot goes wrong we shall also need permanent Ministerial machinery to handle MISC 57's work. No doubt the Cabinet Office will be advising on that, but I am sure the Prime Minister ought to continue to chair it, unwelcome though that may be from a diary point of view.

J.

22 October 1982

CONFIDENTIAL

MR VEREKER

cc Mr Rickett
Mr Wolfson ✓
Mr Mount

THE MINERS - GOVERNMENT PUBLICITY

You invited comments on the Manley/Smith correspondence.

My feeling at this stage is that the NCB is working well and that the Government could only damage its efforts by getting overtly involved, except in three respects:

- to bring out by Written Answer the extent to which the taxpayer subsidises miners and how we could fuel ourselves more cheaply;
- in a similar way to set out the extent to which the country is prepared for a long stoppage; and
- preferably by oral Answer the Government's determination not to undermine Management.

But I am sure this should be done without fuss. Any hint that the Government is panicking would be disastrous. If information is on record we can ensure it reaches the most telling places.

It also seems to me that we are letting Scargill get away with too much - vide his interview with Carol Thatcher. It would be unhelpful to discredit his cavalier use of statistics on the basis of his interview with Carol Thatcher. But Scargill will be mouthing these untruths or selective untruths at every opportunity. Nor will he stop if challenged.

But could we not persuade the Sun to do a centre page spread on King Arthur's amazing way with figures based on the analysis of his interview claims?

The NCB are seeking to raise an issue a day while Scargill is on his tub thumping tour - eg, £4 attendance money and free transport. The Scargill list of lies could form one such effort.

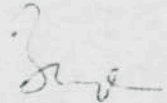
CONFIDENTIAL

CONFIDENTIAL

-2-

I am inclined to agree with you that we do not have a clearly understood strategy for the dispute as a whole. We are organised for the run up to the ballot and have a system for tactical fine-tuning. But now is the time to identify issues for the two periods following an adverse ballot result - ie, between the result and a strike afterwards.

I think it would be useful to have a fairly small meeting on these two points of the overall strategy. I think it should be a mixed meeting of officials - Manley, Smith, Vereker, Gillis, Moorey, Ingham, plus whoever else Messrs Stanley and Smith wish to have along.



B. INGHAM

19 October 1982

CONFIDENTIAL

Next Find
6

Prime Minister (4)

You may like to
see this resumé.

PA

MR MOUNT

COPY NO 2

MCS 14/10

cc Mr Scholar ✓
Mr Ingham
Mr Wolfson
Mr Shipley

M

THE MINERS

You and the others concerned here may wish to have an assessment of where we stand in relation to the miners, in the light of the prospective ballot on 28 - 29 October and of our preparations for industrial action.

Prospects For The Ballot

You may have seen Paul Routledge's forecast of the question on the ballot paper, in today's Times. It reads as follows.

"Are you in favour of the special conference recommendation that the national executive committee be given authority to take industrial action (if necessary) to prevent the closure or partial closure of any pit, plant or unit (other than on grounds of exhaustion) and at the same time bring about a satisfactory settlement of our wages claim?"

The Department of Energy are unable to confirm that that will be the question: they tell me that Paul Routledge is a close associate of Scargill anyway, and is probably drawing on the draft that Scargill will put to his executive. If the ballot paper does turn out similar to this forecast, there is no doubt that it will have succeeded in closely linking closures and pay, albeit in a hopelessly ungrammatical fashion. That will have the effect of considerably increasing the stakes: a Yes vote, prompted by the fear of closures, strengthens the executive's arm over pay; but a No vote, prompted by unwillingness

to strike over pay, weakens the executive's ability to threaten industrial action over closures.

It is worth recording how the miners voted last time (January 1982). On an 82% turnout, 55% of those voted against industrial action, and 45% for. A minimum of 55% in favour is of course required to authorise industrial action. The breakdown of the votes is attached at Annex A. I think all of the reasons for caution on the part of the miners last year apply with at least as great force this year: the fact that they have no genuine pay grievance, the reasonable nature of the offer in comparison with inflation or the going rate, and their financial commitments (mortgages and cars) which would have to be met without strike pay. The only factors working in the other direction are the fear of closures, which is real, and the possibility that the miners may feel that the general climate of industrial relations is worsening, making industrial action more likely to command public support. But the miners will know that our endurance in the face of a strike (of which more below) is much higher than last year. The Department of Energy at this stage believe that the ballot will be too close to call; I am still optimistic that Scargill will not achieve the necessary 55% majority.

The PR Campaign

Ministers have agreed that it is right to leave the NCB to persuade the miners that the offer is generous under the circumstances, and that it will not be increased even in the face of a strike threat. From my reading of the press over the last two weeks (and I think Bernard Ingham shares this view) the NCB are doing a good job so far. I have been sent copies of some of their briefing papers, which contain all the points we would expect them to make; and I understand that the Department of Energy will be writing to me shortly with further details of the campaign. I have discussed with them the need to prepare now for the possibility of an adverse vote, and the more active campaign the Government itself will have to run should industrial action begin, and at my suggestion Ivor Manley, the Deputy

Secretary responsible, will be calling a meeting shortly.

Meanwhile Bernard Ingham has been taking the line with the lobby that the Government is quite prepared for a strike and that there is no question of our leaning on the NCB to increase the offer. The Department of Energy have suggested to me that in order to ensure that the miners really do know that they would be voting for a strike, we could now take the line that we are somewhat pessimistic about the outcome. I think this would be going a bit far: but we could certainly go as far as indicating that the Government recognises that, because of the wording of the ballot, the voting might well go the wrong way, and that we are fully prepared for a very long strike if necessary.

Endurance

MISC 57 meets on Friday morning to go over the endurance position, with which I think all concerned are broadly familiar. I attach for convenience the latest power station statistics (Annex B): you will see that coal stocks at power stations in Great Britain now exceed 27 MT. You will recall that officials have been working to an endurance target established last year by ministers of 20 weeks. Allowing for maximum oil-burn during a strike and various other measures, that would require 30 MT at power stations in Great Britain, or 27 MT in England and Wales alone. The Department of Energy are satisfied that, not withstanding the overtime ban, we are well on target to those figures by the beginning of November. Indeed the effect of the overtime ban is probably beneficial, in that miners will be getting a dose of what it is like to lose a proportion of their pay, but deliveries of stocks from pitheads to power stations seem to be being reduced by only one third. And, of course, the NCB is saving money by not paying overtime.

I understand, and this will have to be explored more fully in MISC 57, that the CEGB is yet again revising its calculations of the number of weeks of endurance represented by the likely

level of coal stocks. It may be that because of the distribution of stocks, and their tendency to deteriorate over time, that endurance will be somewhat less than 20 weeks. We need not be too concerned about that, because as ministers already know, the critical element in endurance this Winter will be supplies of ancillary materials. MISC 57 will be receiving a further report from the Department of Energy about them. The main problem will be over lighting-up oil, and depending on the assumptions we make about the ability to replenish power stations covertly, endurance will be in the 16-20 week range, provided weather conditions are average. These figures do of course assume no power cuts and no use of troops, and are subject to analysis in MISC 57.

Jr.

14 October 1982

HOW THE MINERS VOTED

The voting pattern on an executive recommendation to reject the offer and authorise industrial action "if necessary,"

Area	Valid votes	Yes	%	No	%
Yorkshire	51,797	34,425	66	17,372	34
Nottinghamshire	29,305	8,894	30	20,411	70
S. Wales	19,626	10,687	54	8,939	46
Colliery Staff	16,158	2,206	14	13,952	86
Durham	12,895	5,880	46	7,015	54
Scotland	11,632	7,313	63	4,319	37
Midlands	11,627	3,118	27	8,509	73
Derbyshire	10,053	4,978	50	5,075	50
North West	6,373	2,577	40	3,796	60
Northumberland	5,481	2,018	37	3,463	63
Durham Mechanics	5,371	1,720	32	3,651	68
Power Group	4,260	711	17	3,549	83
Cokemen	4,028	1,286	32	2,742	68
Scottish Enginemen	3,864	2,069	54	1,795	46
S. Derbys.	2,827	455	16	2,372	84
Leicester	2,736	610	22	2,126	78
Kent	2,271	1,217	54	1,054	46
N'land Mechanics	1,848	585	32	1,263	68
N. Wales	958	173	18	785	82
Durham Enginemen	633	142	21	521	79
Cumberland	622	325	52	297	48
Power Group 2	226	88	39	138	61
TOTAL	204,621	91,477	45	113,144	55
Majority of 21,667 on a turnout of 82 per cent					

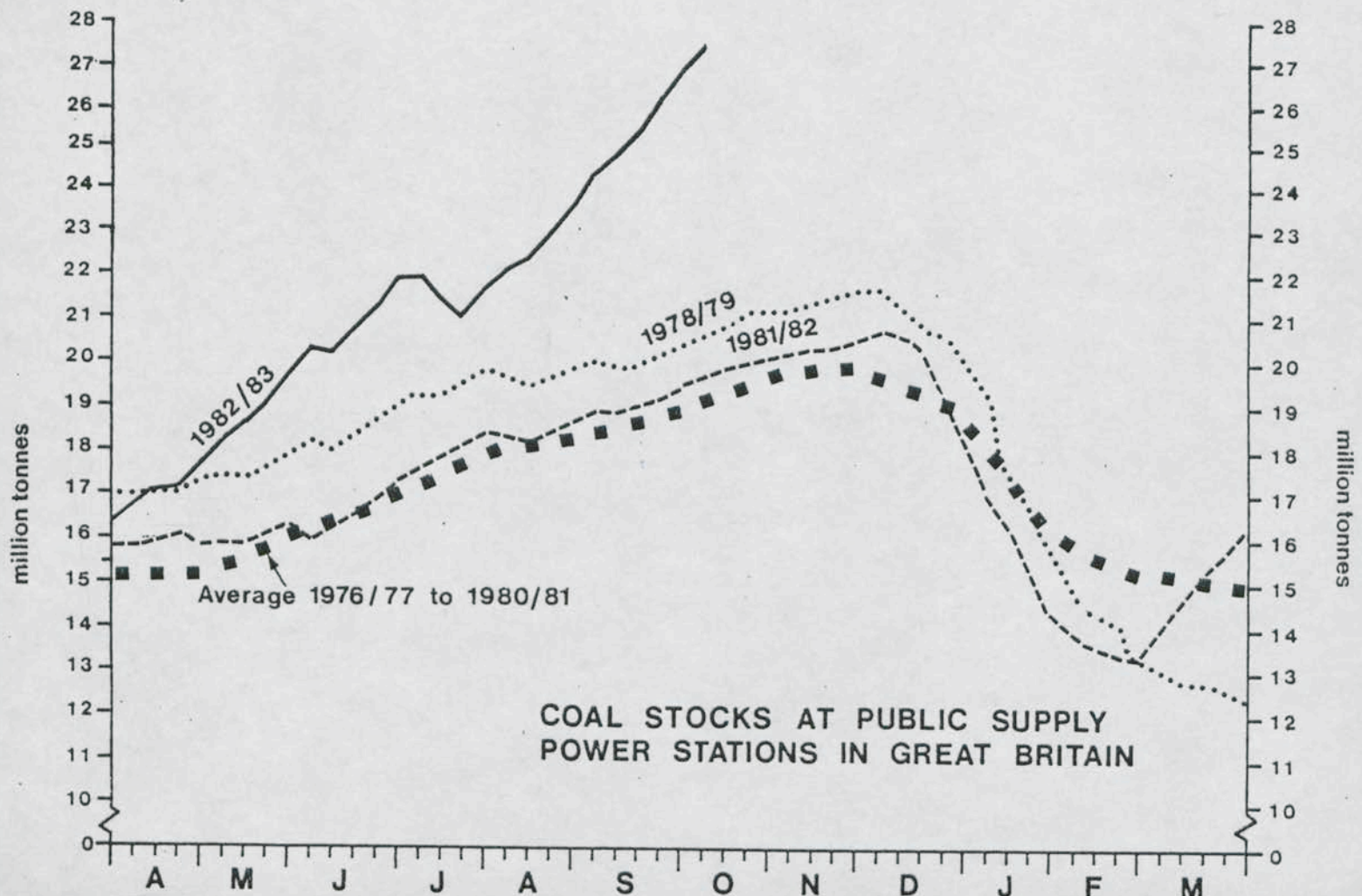
WEEKLY COAL AND POWER STATION STATISTICS (1)

EcS Division, Dept. of Energy, Thames House South, Millbank SW1P 4QJ. Phone: 01-211-6928
 Week ending3.10.81: 11.9.82 18.9.82 25.9.82 2.10.81

COAL
STATIONS
POWER

COAL	PRODUCTION	deep mines	2.30:	1.93	2.29	1.77	2.26
	(m. tonnes)	opencast	0.29:	0.34	0.33	0.31	0.32
		TOTAL	2.59:	2.27	2.62	2.08	2.58
COAL	PRODUCTIVITY(2)	'overall' o.m.s	2.40:	2.39	2.50	2.29	2.46
	(tonnes/manshift)	'production' o.m.s	9.53:	9.77	10.02	9.32	9.84
COAL	UNDISTRIBUTED STOCK						
	(m. tonnes)	TOTAL	20.79:	21.59	21.48	21.25	21.15
STATIONS	COAL STOCKS	(m. tonnes)	19.70:	25.33	26.08	26.54	27.18
	COAL CONSUMPTION	"	1.60:	1.35	1.32	1.35	1.37
	COAL RECEIPTS	"	1.81:	1.89	2.07	1.81	2.01
POWER	OIL STOCKS(3)	"	1.35:	1.36	1.39	1.37	1.47
	OIL CONSUMPTION(3)	"	0.03:	0.06	0.07	0.07	0.07
	OIL RECEIPTS(3)	"	0.17:	0.04	0.10	0.06	0.17
POWER	ELECTRICITY SUPPLIED (4) (GWh)						
	Nuclear	"	481:	666	646	613	772
	Other Steam	"	3,634:	3,174	3,102	3,246	3,273
	TOTAL	"	4,115:	3,840	3,748	3,859	4,045
	TOTAL - temperature corrected	"	4,127:	3,874	3,877	3,836	4,027

(1) Great Britain unless otherwise stated. All latest figures are subject to revision.
 (2) NCB mines only. (3) Oil-fired boilers only. (4) Steam stations only.



CONFIDENTIAL

Prime Minister (2) Nat Ind

To note. Please see Mr

MR. SCHOLAR

c. Mr. Mount

Lawson's
letter of 24 Sept.

MINERS' PAY

MW

MUS 27/9

The Prime Minister may want to have our assessment of the prospects for the miners' ballot.

The NCB's negotiations with the NUM seem to have followed the line agreed at the Prime Minister's meeting on 10 September, and the outcome is a satisfactory degree of confusion about the figures: Scargill has tried to represent the offer as 7.2%, but up to 9% has been mentioned in the media. We have no reason to dispute Mr. Lawson's and the NCB's assessment that there is a reasonable chance of success in the ballot.

One obvious danger is that Scargill will succeed in presenting the issue as being closely related to the prospects for closures. I have discussed this with the Department of Energy, and they assure me that the NCB are well aware of this danger, and are preparing a careful PR strategy for the period building up to the ballot. We must also play our part: Mr. Lawson is of course right in asking colleagues to keep the lowest possible profile, but we must remember the potential impact of Government announcements on other issues. The RPI figures will be helpful, as would be an early announcement of a low pay factor for the public services; on the other hand, any increase in the offer for the NHS, especially for the ancillaries, could be seriously damaging.

Preparations are of course in hand on a contingency basis should the ballot go the wrong way. The Department of Energy will be considering between now and the end of October the kind of public stance the Government would then have to take, and MISC 57 will be meeting early in October to review the position of coal stocks and ancillary materials.

Mr. Lawson's letter of 21 September to the Chief Secretary reveals the prospect of a much higher EFL - some £1,200 million - than the £960 million provisionally assumed last year; but the

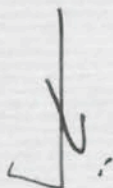
/ Treasury

CONFIDENTIAL

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- 2 -

Treasury tell me that they see little room for reducing it, save to the extent that Mr. Lawson can persuade the NCB to accept a lower figure for capital investment, perhaps providing some £30 million. I do not think there is much of a link to be made between the EFL and the pay negotiations: the only scope for substantial savings in the EFL would arise from an accelerated programme of closures.



J.M.M. VEREKER

27 September 1982

cc) V

Prime Minister (2)

SECRETARY OF STATE FOR ENERGY
THAMES HOUSE SOUTH
MILLEBANK LONDON SW1P 4QJ

MS 27/1

01 211 6402

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
London
SW1

24 September 1982

Dear Chancellor,

NUM WAGE NEGOTIATIONS

As foreshadowed in my letter of 15 September, Norman Siddall and James Cowan came to see me on 22 September following a series of visits to the coalfields. They told me that they felt they had to make an offer of £155m if the Board was to have a reasonable chance of winning the ballot. When I pressed them on whether, in light of the improved inflation figures, a slightly lower offer might not do the trick, Siddall and Cowan reaffirmed that in their view any offer lower than £155m, which was equivalent to just over 8% on base rates (or 6½% on average earnings), would not stand a reasonable chance of acceptance in the inevitable pithead ballot.

At the meeting on 23 September Arthur Scargill began by reiterating that the Board and the Government could and should find the necessary funds, eg from the savings achieved from reduced manpower. He also claimed that the Board were trying to link closures and other job losses with pay. After rebutting these and other tendentious points, the Board duly put on the table an offer of £155m in the form of 7.2% on base rates and £1.50 on incentives. The Board said that they were prepared to rejig the offer including putting the full sum on base rates, in which case it would represent an 8.2% increase.

The NUM then adjourned. They subsequently sent a message to the Board that the NEC had unanimously rejected the offer and by a majority had decided to call a Delegate Conference on 4 October prior to a ballot on 28-29 October.

Scargill then told the Press that the negotiations were at an end and that the NUM would ballot their members on the question of whether they would support their Executive in seeking undertakings that there would be no closures except on grounds of exhaustion and on going back to the Board for

a realistic pay offer with authority to take strike action, if necessary. The exact form of the question is only likely to be decided on 4 October. He also indicated that there would be an overtime ban following the Delegate Conference.

I will report further following the Delegate Conference on 4 October. In the interim could I renew my request to all colleagues to maintain the lowest possible profile on all this. I shall be urging the NCB once again to launch a major PR programme to convince their workforce of the value and generosity of the offer and that a vote against the Board's offer is a vote for a strike. In the run-up to the ballot on 28-29 October I should also be most grateful if colleagues could consult me on any announcements that might have an impact on the outcome of the ballot.

I am sending copies of this letter to the Prime Minister, other Members of E, George Younger, Nicholas Edwards and to Sir Robert Armstrong and John Sparrow.

W. Simon

J.P. Clark

PI NIGEL LAWSON

(Approved by the Secretary of State and signed in his absence.)

PA

Nat Ind

MR. MOUNT

c. Mr. Walters
Mr. Scholar ✓

NCB's EFL for 1983/84

You and Alan will wish to see the attached letter from Mr. Lawson to the Chief Secretary, proposing an increase in the NCB's External Financing Limit from the provisional figure set last year of £960 m. to £1209 m., (The terminology in the letter is puzzling at first sight: the EFR is the External Financing Requirement, which is the estimate before the limit is set; the IFR is the Investment and Financing Review, a large document which reviews annually the prospects for nationalised industry financing; the situation is made worse by Mr. Lawson using IFR instead of EFR in the third paragraph.)

In the Prime Minister's absence, we shall have to leave it to the Chief Secretary to have the first go at this proposal, in his bilateral meeting tomorrow. But the Prime Minister will certainly take a close interest in the outcome when she returns. I have discussed the position with the Treasury. They do not see much room for reducing the EFL below the £1200 m. figure, save to the extent that Mr. Lawson can persuade the NCB to accept a lower figure for capital investment. There might be £20-30 m. slack there; otherwise the only scope for substantial savings would arise from an accelerated programme of pit closures. Indeed, some of the assumptions in even the £1200 m. figure are probably optimistic, e.g. over the present rate of closures and on productivity.

Mr. Scholar may wish to note that we will probably have something to say about this, and its relation to the breakdown of today's pay negotiations, but not - unless he advises to the contrary - for the Delhi box.

J.M.M. VEREKER

23 September 1982

Prime Minister (2)

Mus 21/9

01 211 6402

The Rt Hon Leon Britton QC MP
 Chief Secretary to the Treasury
 HM Treasury
 Parliament Street
 London
 SW1

21 September 1982

MS

Dear Chief Secretary,

NCB'S EFL FOR 1983-84

I am writing about the NCB's EFL 1983-84, which I hope we can discuss at our bilateral on 24 September.

In the past few days the Board have sent my Department new and even more gloomy forecasts of sales and revenues. These have been copied to your officials.

As a result of the continuing recession in Britain and a substantial weakening of export markets, the Board now expect:-

- a. to sell 108.5m tonnes in the UK in 1983-84 compared to 113mt in the current year. 2mt of the latter figure represented delayed sales to the CEEB as a result of the earlier ASLEF strikes. In a number of their markets, notably the industrial and coke oven markets, the expected price increase in November will be well below the rate of inflation;
- b. to export some 8mt compared with 8.7mt in the current year - exports were originally forecast to amount to 11mt in 1983-84. The price per tonne achieved by exports in 1983-84 is forecast to be some £3/t lower than in the current year. The price could weaken further.

I believe that we can reduce the Board's proposed IFR of £1438m substantially even after taking account of the latest reduction of £90m in their forecast revenues. My proposals are in Annex A. They are based on a level of inflation of around 7½% this October and 6½% next autumn, affecting both the Board's prices and their pay settlements. (I have assumed settlements of 8% on basic rates and 6½% on earnings in November 1982 and 6½% on rates in November 1983.) I also assume that there will not be a strike this autumn.

I have carefully considered what assumptions to make about NCB's revenues. Their EFR bid of £1438m was clearly over-optimistic on both the volume of sales and prices. On this basis, I had it in mind to propose an EFR of below £1200m, involving savings of £345m, which however would have been offset by an allowance of £100m on account of reduced revenues. The latest deterioration of £90m reported by the Board changes the position. I had discounted £25m of this in the proposed EFR of £1200m. As for the remaining £65m of the £90m, I would propose that we should look for savings of a further £45m, mostly in the Board's capital investment programme. The overall result is total savings of £389m, against which £160m should be offset for lower revenues, producing net savings of £229m. The EFL would be £1209m; the capital expenditure approval £900m.

I have, of course told the Board that we should like them to aim to produce net savings of £478m, to bring their EFR in line with the IFR figure of £960m. Norman Siddall and his colleagues have made it clear that this figure is quite unrealistic. This is hardly surprising, as with Treasury agreement the very provisional nature of this figure was noted in E(82)55 this July and in previous papers. Consequently, while we must get the EFL as low as possible, we must accept that £960m never was a realistic target and certainly is not realistic in present circumstances.

E(82)55 also referred to the NCB's new Corporate Plan. Until we receive that plan at the end of October there are no better provisional figures for 1984-85 and 1985-86 than the PES baselines included in E(82)55.

The Public Expenditure Survey Report included an additional bid of £17m for the Redundant Mineworkers' Payments Scheme and social grants (of this, £15m was for the RMPS). The Report warned that the figure was subject to considerable uncertainty and that the assumption about redundancies would need to be considered later in the year. The latest information on and forecast of redundancies have increased the additional bids to £37m for 1983-84 of which £29m is for the RMPS. This addition is due to the NCB's success in reducing manpower in the industry by more than they anticipated last year. Last year's figures were based on 7000 redundancies in 1981-82, 6,500 in 1982-83, and 5500 in 1983-84. In fact the Board made over 10,000 people redundant in grades eligible for RMPS in 1981-82, and estimates for 1982-83 and 1983-84 are 8000 in each year. However, about £10m should be offset by additional receipts from the ECSC in partial reimbursement of RMPS expenditure. As the separate note on Offsetting Savings explains, although payments under the RMPS do not form part of the NCB's external finance, nevertheless they are as much support of the coal industry as are social grants, and must be seen in this context.

I am sending copies of this letter to the Prime Minister, Norman Tebbit, Sir Robert Armstrong and John Sparrow.

U. S. Sparrow

J. P. Armstrong

11 NIGEL LAWSON

(Approved by the Secretary of State and signed in his absence.)

CONFIDENTIAL

(to letter to Chief
Secretary)Background

1. Key figures are:

	1983-84	£m Cash	
		1984-85	1985-86
i. <u>External Financing Limit</u>			
Public Expenditure baseline	960	949	987
Original NCB bid	1391	1306	1244
Current NCB bid	1438	1263	1179
ii. <u>Capital investment</u>			
Public Expenditure baseline	939	986	-
Original NCB bid	1122	1258	1368
Current NCB bid	1090	1225	1339

2. Notes

- i. PE Baseline. These were provisional figures adopted for planning purposes by E Committee last Autumn. They were derived by adjusting NCB's July 1981 Development Plan costs for assumed lower inflation, but without compensatory adjustments and revisions.
- ii. Original NCB bid. These are figures from the NCB's July 1981 Development Plan re-valued. These were the best figures available to NCB in May as an input to the IFR.
- iii. Current NCB bid. These are figures prepared by NCB in July and incorporating their best estimate at the time.

3. Difference between NCB's original bid and current bid
 NCB's July 1981 original bid figures were based on an unrealistic view of market prospects. The revised bid takes account of lower forecast disposals (6.5mt lower in 1983/84) and coal prices depressed in real terms, offset by cost savings which result, in particular, from continuing manpower rundown, a further moderate wage settlement, and a higher rate of output reduction than envisaged in the development plan.

4 Possible Adjustments in 1983-84 bid

Possible adjustments fall into two categories:-

a savings which result from changed assumptions since NCB prepared their current bid. We have assumed inflation at $7\frac{1}{2}\%$ in 1982-83 and $6\frac{1}{2}\%$ in 1983-84, compared with the 9% assumed by the Board in each case. Lower inflation assumptions affect expenditure on wages and related costs, on other operating costs, on capital expenditure and on interest costs, but also reduce NCB's internal resources;

b savings which result from "real" savings requiring action on the Board's part. These are: higher rate of manpower rundown, reduced capital expenditure, and unallocated savings requiring further reductions in other operating costs and savings in working capital.

5 Lower sales, and lower inflation assumptions since NCB's current bid was prepared, affect NCB's coal prices and cash receipts. An offsetting adjustment of £160m is needed to reflect worsened prospects since their current bid was prepared, including the latest deterioration of £90m of which they have told us in the last few days.

6 The following table shows the effect of these adjustments. The end result would be an EFL of £1209m and a capital investment allocation of £900m. The Deficit Grant Limit would be £470m.

ANNEX TO LETTER TO CHIEF SECRETARY

EFL		£m
NCB Bid	1438	
Of which capital expenditure		1090
Proposed Adjustments		
- A. Revised assumptions		
- Wages (6½% on earnings in November 1982: 5% on earnings November 1983)	56	
- Lower inflation on other operating costs	48	
- Lower interest	25	
- Lower inflation on capital expenditure		20
Total effect of revised assumptions	149	
- B. Policy changes		
- Lower capital expenditure		170
- Faster manpower reduction	20	
- Unallocated savings	50	
Total policy changes	240	
Total savings	389	
Offset by lower revenues	(160)	
Proposed EFL	1209	
Of which capital expenditure		900

Nat End : Coal Pt 7.

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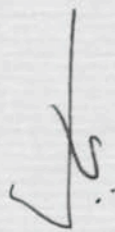
✓
MR. SCHOLAR

cc: Mr. Mower

NUM Wage Negotiations

Mr. Lawson's letter of 15 September to the Chancellor raises the familiar issue of whether it is better to allow the pay offer to the miners to be presented as higher than it is (in order to persuade them to accept it) or to emphasise its real effect on average earnings (so as to set a lower example for the rest of the pay round).

As in previous years, we must, I think, accept that it would be unwise, this side of the miners' ballot, to place too much public emphasis on the extent of negative wage drift in the mining industry, which results in average earnings rising by about 1½ per cent less than the figures used in the press. But, because it looks as though the ballot will take place much earlier this year than in previous years, we will have more opportunity than before to explain after the ballot what it really is. Were the Prime Minister here, I would suggest that you write to Mr. Lawson's office on her behalf asking him to ensure that his colleagues who deal with the other public sector monopolies are aware of the real nature of the offer. As it is, I propose to suggest this at official level (the Pay Monitoring Group meets tomorrow), and also to suggest that we gear ourselves up for suitable briefing on the real figures after the ballot.



J. M. M. VEREKER

16 September, 1982

CONFIDENTIAL

Nat Lind

Prime Minister (2)

01 211 6402

Mus 15/9

MT

The Rt Hon Sir Geoffrey Howe QC MP
 Chancellor of the Exchequer
 Treasury Chambers
 Parliament Street
 London SW1

15th September 1982

Dear Chancellor

NUM WAGE NEGOTIATIONS

The first meeting on the NUM's claim for increases in base rates of up to 31% was held at the NCB headquarters this morning. It lasted for 1½ hours.

In his opening statement James Cowan, Deputy Chairman of the NCB and the Board's chief negotiator, stressed the parlous financial state of the coal industry and the need to maintain customer confidence at a time of contracting markets and weak prices. He ended by indicating that the Board might be able to make £120m available always assuming a continuation of Government support. While the Board were making no firm offer, Cowan indicated that this would be equivalent to between 6% and 6½% on base rates. (He did not, of course, mention the fact that it is also equivalent to about 5% on average earnings). He also indicated that, if the NUM was prepared to co-operate with the Board in making other savings and improving efficiency and productivity, there might be a little more money available.


Despite Arthur Scargill's earlier position, it was clear from the outset that the NUM were prepared to negotiate, although at the end of the day the NEC will undoubtedly recommend against acceptance of any final offer the Board makes. Indeed some members of the NUM executive said so in so many words. Scargill predictably said the offer was "derisory" and quite unacceptable. He also claimed that the Board's references to the need to find further savings and to improve efficiency and productivity were euphemisms for carrying out further closures. He received no support from the members of his team, and the Board pointed out that there were many ways of improving efficiency other than closures. Scargill did not pursue the point at the meeting. Nor did he refer to closures when briefing the press afterwards.

-He did on T.V.

At the end of the meeting it was agreed that there would be a second meeting on 23 September. This is considerably earlier than the date of 5 October previously contemplated by the Board. At this stage it is too early to speculate on whether there will in fact be a third meeting early in October. The NUM's NEC will meet tomorrow to consider what line their negotiators should take on 23 September. When briefing the press, subsequently Scargill referred to calling a special Delegate Conference, although the precise timing of such a Conference is unclear.

The Board will be considering the position after tomorrow's NEC meeting and will take soundings in the coalfields. They will then advise me on their proposed plans and tactics on 23 September.

I am sending copies of this letter to the Prime Minister, other members of E, George Younger, Nicholas Edwards and to Sir Robert Armstrong and John Sparrow.

Yours sincerely


NIGEL LAWSON

Approved by the Secretary of State and signed in his absence.

Secret

5

PRIME MINISTER

M

At the coal meeting on Friday you asked why hydrogen was needed at power stations.

I understand that it is used for cooling turbo alternators. I am told that it is 10 times better than air in its cooling efficiency, because it has a low density, and high thermal conductivity and thermal capacity. It is used in all modern turbo alternators - whether oil-fired or coal-fired, or whatever. There is apparently some leakage when it is used, and therefore it needs to be replaced constantly.

I noticed that yesterday's "Sun" carried a story about the NCB's negotiating strategy. I attach a copy of it. I asked Nigel Lawson's office for their views about where this story might have come from; my own guess was that it might have come from the NCB itself, who - foolishly - might have thought this was a way of ensuring that their opening offer was not taken to be their final offer.

Mr. Lawson's office thinks it might have come from the NCB, that it is damaging, and that we can do no more than to wait and hope that it will not be taken up in a big way.

MUS

*but that it
also might have
come from anywhere*

14 September, 1982.

MONTH PAY FOR NHS

More later' pledge in bid to end deadlock

be prepared to work at anything they have to offer.

The whole problem with this dispute has been the Government's refusal to get into negotiations.

Before, it has just put offers on the table and said take it or leave it.

Now at last it seems we can start some negotiations.

The new formula—already approved by the

Cabinet—was revealed by Health Minister Kenneth Clarke.

The ingenious plan would allow both sides to save face.

MINISTERS can claim they are sticking to their strong line that no more money can be put on the table at present.

UNIONS can point to the fact that there would be more money later.

It would make the full award over 12 months greater than the current offer.

Last night Mr Clarke said of the plan: "This simple suggestion can be acceptable to us."

Action

He stressed in an ITN interview: "The Government is clear about the amount of money that is available."

Mr Clarke added that ministers were prepared to meet the unions on a more flexible deal "in the hope that the Health Service can be saved from its present state."

But the formula has probably come too late to avert the TUC's Day of Action on September 22.

Ministers would certainly prefer to see the unions make the first request for talks.

Any six-month deal struck would then probably have to be put out to ballot.

Whatever emerges, the health workers will still have received at the end of 12 months considerably less than the claim of 12 per cent.



Kenneth Clarke... he unveiled the new peace formula

ITV FACES BLACKOUT ON 'D-DAY'

ITV technicians were urged by their union last night to black out top programmes—including Coronation Street—on the TUC's Day Of Action.

The union, led by Alan Sapper, "strongly recommended" its 25,000 members to strike for an hour or more on Wednesday, September 22, in support of nurses and health workers.

The ACTT stoppage is expected to come in peak viewing time—between 7.00pm and 10.30pm.

BBC is unlikely to be hit because its workers belong to the more moderate Association of Broadcasting Staffs.

The final decision on the ITV stoppage will be made today by union branches in separate TV companies.

Independent radio news could also be affected.

But TV and radio workers are anxious not to black out news programmes carrying reports of the day's big union demo planned in London's Hyde Park.



Sapper... strike call

8 per cent and that's it, Scargill

SUN EXCLUSIVE

By TOM CONDON Industrial Editor

A PAY gauntlet will be thrown down to militant miners' leader Arthur Scargill this week.

No-nonsense coal board bosses will not give him a penny UNLESS he gives up his colossal 30 per cent claim.

If Coal King Arthur plays ball, board chairman Norman Siddall will make an opening offer to Britain's 200,000 miners of between four and six per cent.

In the course of bargaining, this could be talked up to eight per cent.

The board recognise that Mr Scargill is pledged to call a special conference which will urge strike action unless they give the claim in full.

But they believe there is no mood in the coalfields this autumn for an all-out stoppage.

And they are prepared to put their final offer to a secret pithead ballot.

Offer

The board have decided on their latest strategy, because they are losing £1 million a day.

Mr Scargill's pay claim, which calls for a £27.20-a-week flat rise for all miners and a four-day week, will cost £1,000-million in a full year.

Mr Siddall and his board colleagues say there is no way they can even begin to talk about such a generous offer.

They want the miners' negotiators to recognise on Wednesday that a single figure deal is on the cards.

They think the miners themselves will see the problems facing the industry and vote to stay at work.

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10 DOWNING STREET

From the Private Secretary

10 September 1982

COAL INDUSTRY

The Prime Minister held a discussion about the coal industry this evening. Apart from your Secretary of State, the Chancellor, the Secretary of State for Employment, Mr. Jerry Wiggin (Parliamentary Under-Secretary of State for the Armed Forces), Sir Robert Armstrong, Mr. Sparrow and Mr. Gregson were present.

On the tactics to be adopted by the National Coal Board in their pay negotiations with the National Union of Mineworkers, your Secretary of State said that it was hard to predict the course of events. It might be that Mr. Scargill would not wish there to be any negotiation, but would stand on the 23-31 per cent claim, and put the Board's opening offer to a special delegate conference and a ballot. If this were to happen it would be best to proceed immediately to the Board's final offer. But it would be dangerous to assume that there would be no subsequent negotiation. Indeed, the men themselves would almost certainly expect some negotiation to take place. The Board's present thinking was that there would be a negotiation, and so they would not make their final offer at the meeting on 15 September. In Mr. Lawson's view, we could accept the Board's judgement that a final offer of between 7 and 8 per cent on basic rates might well be enough to win through a pithead ballot. The RPI figure which would be published on 15 October would be of crucial importance, since it was likely to be the last such figure published before the ballot.

Your Secretary of State said he was concerned, however, about the Board's intention of offering around 5 per cent on basic rates at the first negotiating meeting on 15 September. There must be a risk that the NUM would describe this as a derisory offer, less even than that available to the National Health Service workers, and would go straight to a ballot on this figure.

/After discussion,

SECRET AND PERSONAL

After discussion the Prime Minister said she shared Mr. Lawson's doubts about commencing negotiation at 5 per cent. This was primarily a matter for the Board. But they might be asked whether they had considered their tactics if this approach were unsuccessful. It might be better to start at 6 or 6½ per cent. She shared, too, Mr. Lawson's view of what might be a reasonable final offer. It had been helpful in recent pay negotiations that the Chancellor of the Exchequer had felt able, at the end of July, to predict a fall in the inflation rate to 7½ per cent. He should consider, with the Secretary of State for Employment, whether in advance of 15 October it would be prudent publicly to predict a lower figure by the end of the year.

The Prime Minister said that it was unfortunate that although coal stocks would now be sufficient to permit power station endurance of around 24 weeks, the stocks of ancillary materials could not be increased beyond 9 weeks' duration, the maximum permitted by available storage capacity. After discussion it was agreed that the Electricity Boards should be allowed to begin taking steps now so that storage capacity would be available to permit stocks of ancillaries to be increased to 20 weeks by November 1983, or sooner if possible. The cost, which the CEGB were prepared to absorb within their present EFL was about £30 million for the capital works and about a further £40 million for the increase in stocks of materials. It was recognised that the works would have a certain visibility. But the CEGB would carry them out in as low-key manner as possible, and no obstacle should be placed in the way of their commencing as soon as the CEGB desired.

There followed discussion about when consultations about the use of Servicemen to replenish stocks of ancillaries in power stations should begin. Such consultations, and preparation of a comprehensive plan to re-supply ancillaries to power stations might take up to three weeks. There must be some risk that if the consultations were postponed until very late in the day it might be discovered that there were practical difficulties about the Services carrying out this task. Summing up the discussion, the Prime Minister said that the consultations should not begin until after the pithead ballot. She would not, however, rule out informal and confidential discussion of the task between the Services and the CEGB if the Secretary of State for Energy thought it would be worthwhile himself to arrange the necessary meeting.

I am copying this letter to John Kerr (H.M. Treasury), Barnaby Shaw (Department of Employment), David Arnold-Forster (Ministry of Defence), Richard Hatfield (Cabinet Office) and Gerry Spence (CPRS). I should be grateful if you and they would give this letter the usual limited circulation.

Yours sincerely,

Michael Scholten

J. D. West, Esq.,
Department of Energy.

SECRET AND PERSONAL



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PRIME MINISTER

MINERS' PAY

At your meeting tomorrow afternoon, I think you will wish to discuss three aspects of this year's negotiations between the NCB and the NUM: the handling of the pay negotiations themselves; the level of coal stocks; and the level of ancillary stocks. I believe you have already seen MISC 57's report on the last two points. I understand that there will be a report from Mr Lawson about the NCB's intentions on the pay negotiations, following his meeting with them on 3 September; I have not yet seen that report, but I have been told what it will contain.

The Tactics of the Pay Offer

I understand that the NCB propose to open the bidding on 15 September with an offer of 5% on basic rates, and that they will be prepared to move to 7-8% on 5 October. These are the figures that the public will perceive, and that will set the trend for nationalised industry pay settlements; but as we know from previous years, the effect on average earnings will be lower by about 1½% because of negative wage drift.

I see no case for questioning these proposals. The figures are, if anything, lower than we expected; and although the NCB think there is a reasonable chance of winning the inevitable ballot, because there will certainly be a NUM executive recommendation to reject them, there must be some risk of a strike. Nevertheless, it has always been the Policy Unit's view that we have to be willing to endure a strike if we are to have any chance of achieving a moderate pay settlement, and that is what the work of MISC 57 over the last 2 years has been all about. My only doubts are about the timing, which seems likely to lead to a ballot in early November, and industrial action possibly beginning later that month. It might be worth asking Mr Lawson whether matters can be brought to a head more slowly. And it is important that the ballot itself takes place after the RPI has fallen below the level of the final offer.

The Level of Coal Stocks

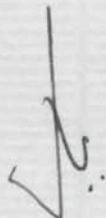
The weekly statistics say it all: we are well on target for 26 million tonnes by the beginning of November, which is better even than we planned for.

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The Level of Stocks of Ancillary Materials

To have achieved 24 weeks' worth of coal, but only 9 weeks' worth of ancillaries, is unsatisfactory. In due course, we must certainly ensure that we are in a better position next year (although we shall again be in the trap that there is never an appropriate time to make the necessary increase in storage capacity). The main issue for Ministers now is how the ancillary stocks can be replenished during industrial action. It is important to remember that our strategy of deterrence depends on miners' and the public's perception of the level of coal stocks, not of ancillaries, and we do not want to draw attention to this weakness in our plans. That argues strongly for leaving both consultations about the use of servicemen, and the beginning of construction for next year, until after the ballot.

I think Ministers need not be too depressed about the 9-week figure. There must always be a likelihood that initiative and enterprise at individual power stations will in practice enable replenishment to take place more fully than estimated; and, since industrial action ought to be confined to the pits, the use of servicemen to introduce essential ancillaries should be possible without too high a profile, and without alienating public support.



JOHN VEREKER

9 September 1982

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P.0850

PRIME MINISTER

Coal Industry

There are two main topics for discussion at your meeting on the coal industry tomorrow:

i. the tactics to be adopted by the National Coal Board (NCB) in their negotiations with the National Union of Mineworkers (NUM), and in particular the levels of the opening and final offers, as explained in the minute from the Secretary of State for Energy which you will be receiving today;

— FLAG A

ii. the action which might be taken to extend power station endurance in respect of ancillary materials, and in particular the two points for decision identified in my minute to Mr Scholar of 6 September covering a report by the Official Group on Coal (MISC 57).

— FLAG B

NCB pay offer

2. The NCB is proposing to make an opening offer of 5 per cent on basic rates (4 per cent on earnings) at the first negotiating meeting on 15 September. They envisage moving to a final offer possibly at a second meeting on 5 October, of 7-8 per cent on basic rates ($5\frac{1}{2}$ - $6\frac{1}{2}$ per cent on earnings). This would compare with last year's settlement with the miners of 9.3 per cent on basic rates (7.4 per cent on earnings). The confidential target for the next pay round which was approved by the Ministerial Committee on Economic Strategy at its meeting on 1 July (E(82)17th Meeting, Item 1) was for settlements at 4 per cent and increases in earnings no higher than 6 per cent.

— FLAG C

3. There is clearly a difficult balance to be held in determining the right level for the opening and final offers. On the one hand it is desirable that the right signals should be given at the outset of the next pay round; on the other hand the NCB clearly needs to avoid an offer which is so low that it would play into the hands of Mr Scargill. Ministers will also be reluctant



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to force their own views on the NCB on this crucial tactical issue unless it is absolutely unavoidable to do so. Ministers may therefore feel that, provided that the NCB's final offer is indeed kept within the range proposed, and can be presented in due course as no more than $5\frac{1}{2}$ - $6\frac{1}{2}$ per cent on earnings, the balance is probably about right.

Ancillary materials

4. It is unfortunate that, although coal stocks will now be sufficient to permit power station endurance of around 24 weeks, there is no way of increasing stocks of ancillary materials beyond 9 weeks' operation, the maximum permitted by available storage capacity. The problem was foreseen last autumn and the Secretary of State for Energy has been exploring earlier this year what might be done to improve the position. He will no doubt explain the difficulties. Essentially the problem is that increasing physical capacity for ancillary materials has a lead time of about a year and would be a visible process. Until that process is completed, there is a danger of merely advertising the existing vulnerability in respect of ancillary materials.

5. The discussion might therefore concentrate on the following points:

i. what could the Electricity Boards do to replenish stocks of ancillary materials in the course of a dispute;

ii. whether, when these efforts have been exhausted, it would be desirable and justifiable to use servicemen to replenish stocks;

iii. when consultations about the use of servicemen to replenish stocks of ancillaries this year should begin;

iv. whether the Electricity Boards should be allowed to begin taking steps now so that enough storage capacity will be available to permit stocks of ancillaries to be increased to 20 weeks by November 1983.



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6. On i. the paper by MISC 57 reports that the CEGB is confident of being able to restock once without outside assistance and this would probably increase stocks by 2-3 weeks, ie up to 12 weeks. Thereafter much would depend on the attitude and location of pickets and special tactics would be required. It would obviously be desirable to encourage the Electricity Boards to increase endurance by these methods to the maximum extent possible. Once these efforts are exhausted the only option would be to use servicemen, but no detailed plan for doing so has yet been prepared.

7. On ii. the use of troops in the context of a miners' strike would clearly be highly sensitive. On the other hand a distinction might be drawn between action by troops to move coal and action to move other materials necessary to maintain power supplies in circumstances where there were ample coal stocks which could not otherwise be used. There ought to be a good deal more public sympathy for the use of troops in such circumstances. Moreover, since the quantities involved, by comparison with coal, are relatively small, the law and order risks ought to be less. Ministers may feel that, although the use of servicemen in such circumstances would be a last resort, it would be imprudent not to have available a plan for doing so. The only other course open would be to try and conserve ancillary materials, for example by rota cuts, and Ministers would probably feel that this was an even less attractive course.

8. On iii. the paper explains that consultations and preparation of a comprehensive plan to resupply ancillaries to power stations might take up to 3 weeks; some time would also be required to requisition specialist vehicles and train servicemen to operate them. Such consultations and preparations could not however be kept confidential. The paper therefore proposes that the consultations should be delayed until industrial action is clearly imminent or has begun. Since there is a reasonable prospect of prolonging the stocks by replenishment up to some 12 weeks, it should in fact be possible to delay the start of consultations until some time after the action has begun.

9. On iv. the paper by MISC 57 explains that the CEGB has recently decided to set in hand action which would increase storage capacity next year to 20 weeks. The capital works would cost about £30 million and the increase in stocks of the materials would cost a further £40 million. The CEGB are prepared to absorb these costs within their present EFL.



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10. In his minute of 11 August the Chancellor of the Exchequer has asked whether the costs would be justified and also whether starting work now might increase the chances of industrial trouble. We are advised that, if the storage facilities are to be operational by November 1983, work must begin by the end of this month.

11. So far as cost is concerned, the balance of argument would seem to favour the proposal. It would seem logical that, since coal stocks are to be maintained at a high level at considerable expense, stocks of ancillary materials should be brought into line. There is however a problem about the start of the work. It would seem hazardous to take any action which carried the risk of affecting the outcome of the miners' ballot, or which drew attention to the vulnerability in respect of ancillary materials at an early stage. Unless therefore the Secretary of State for Energy considers that there are preliminary steps which could be taken without risk of visibility, Ministers may feel that it would be better to defer the start of the work for the time being, even though this will increase the likelihood that the additional storage may not be ready by November 1983.

CONCLUSIONS

12. You will wish to reach conclusions on the following points:

- i. what reaction the Government should give to the NCB's proposed tactics and pay offers;
- ii. in respect of ancillary materials:
 - a. whether the Government is prepared to contemplate the use of servicemen to replenish materials when all other methods have been exhausted;
 - b. whether consultations to enable the preparation of a plan for this purpose should be undertaken, but deferred until after a strike has begun;



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c. whether the Electricity Board should take steps to increase stocks of ancillaries to 20 weeks by November 1983 but should defer the start of such action at least until the outcome of the miners' ballot is known and possibly thereafter, depending on the course of events.

Pg

P L GREGSON

9 September 1982

see J-V A



Prime Minister

MINEWORKERS' WAGE NEGOTIATIONS

Norman Siddall and James Cowan (the Chairman and First Deputy Chairman of the NCB) called on me on 7 September to explain the offer which the NCB are proposing to make to the NUM and how they viewed the tactical situation. A significant change from the Board's earlier assessment (which was reported in my letter of 2 August to the Chancellor) is that they now believe there will be some form of negotiation, involving two meetings rather than one with the NUM.

At the first negotiating meeting on 15 September the Board are proposing to offer around 5% on basic rates, which is equivalent to about 4% on average earnings. They believe that they can defend this figure as the most the Board can possibly afford, even on the assumption that the Government is prepared to continue to provide financial support for the industry. They will, among other points, underline the losses caused by the one day stoppages in support of the Health workers and stress that the industry's ability to pay even 5% is dependent on there being no further industrial trouble.

The Board believe, however, that if the NUM were to put a 5% pay offer to a ballot the membership would certainly reject it and give the 55% majority needed to authorise a strike. I am sure this assessment is correct. The Board will therefore need to go higher, if there is to be a reasonable chance of avoiding a strike. But they need to be careful about how they move to an increased offer, because of the danger of raising the miners' expectations unduly if they give the impression that they are running scared of Scargill. The Board therefore intend to indicate towards the end of the first negotiating meeting that there could be more money available if the NUM is prepared to discuss with them ways of making savings elsewhere.



The Board believe that these hints will be sufficient to induce the NUM to agree to a second negotiating meeting, which may take place on 5 October when a meeting has already been agreed tentatively to discuss non-pay matters.

At this second meeting, the Board will be prepared to agree to make a final offer of between 7-8% on basic rates (equivalent to between 5½ and 6½% on earnings). I believe that they will make every effort to settle at 7½% but will want to go to 8% if really necessary. They will, of course, be undertaking intensive soundings in the coalfields between the two meetings to find out the men's thinking on pay.

The Board accept that, following the NUM Conference resolution on pay and the public position Scargill has taken up, any offer they make will inevitably be rejected by the NUM Executive and the Special Delegate Conference. (They have considered the possibility of making no offer at all in these circumstances but, rightly in my view, have rejected such a course of action.) Their offer will therefore almost certainly be put to the membership with a recommendation that it should be rejected and that the Executive be empowered to call a strike. As last year, the Board are relying on the men overturning their leaders' recommendation in the ballot. They will be directing their PR campaign, which will be of critical importance, to this end.

If the Board's timetable of two meetings, on 15 September and 5 October, is followed, this would imply a Special Delegate Conference on about 18 October, and a ballot on about 1 November. A strike, if one occurred, following a 55% vote in the ballot, might start on about 15 November.



The Board stressed Scargill's unpredictability. They believe he will certainly try to bring pit closures into the discussions, but they are uncertain precisely how he will try to do this. It is possible that Scargill will refuse to negotiate on anything other than the full NUM claim; but the Board believe it is more likely that other members of the NUM Executive will press Scargill at least to discover how much the Board are prepared to offer. The Board, of course, are relying on this happening to get the NUM back for a second negotiating meeting.

I pressed Cowan on what he would do if Scargill made it clear that he would go to the Special Delegate Conference and a ballot on the basis of whatever offer the Board made at the first meeting. He could say only that in those circumstances he would need to adjourn the meeting while he consulted the Board. I appreciate the difficult tactical situation the Board are in, and the dangers of moving too quickly to their final offer. But I believe it is essential that the Board should, one way or another, be able to campaign in the ballot on the basis of their final offer (7-8% on base rates). Only thus can Scargill's unreasonableness be highlighted.

Siddall and Cowan indicated that the chances of the Board's final offer being accepted would be influenced to a considerable degree by the miners' perception of the rate of inflation during the coming months and for 1983. It would clearly be most helpful if the Chancellor could publicly say something positive about this - with numbers - during the next week or two.

They also laid considerable stress on the point that the miners' vote could be considerably influenced by any improved offer made to the NHS ancillary workers. In particular, there was no likelihood of the miners voting to accept a lower percentage increase than is offered to NHS ancillaries. This problem would be less acute in the case of the nurses, for whom the miners in general had considerable sympathy.



Siddall and Cowan also made clear that, while they hoped that their proposals would avoid a strike, if one took place it was likely to be a long one.

A final offer of $7\frac{1}{2}\%$ on base rates (equivalent to 6% on average earnings) would be nearly two percentage points below last year's settlement of 9.3% on base rates. Even a settlement of 8% would represent a clear reduction on that figure. Either figure would in fact result in a reduction in miners' earnings in real terms for the third year running.

If the miners accepted such an offer it would be a significant blow to Scargill. His members would have accepted an offer that was not only a small fraction of the 23-31% figure implied by the Conference resolution, but one that was less than Joe Gormley had managed to extract out of the Board last time round. Despite his protestations, Scargill would in effect have been drawn into negotiations. And, of course, for the second year running his membership would have rejected in a pithead ballot his recommendation to turn down the Board's offer and go for a strike.

Against this background I believe we should accept the Board's judgment that a final offer of between 7% and 8% on base rates will be needed if there is to be a reasonable chance of a satisfactory outcome in the ballot. Even at this level, however, the Board cannot be anywhere near certain of the outcome. Any lower offer would significantly increase the chances of a strike. I intend, however, to stress to the Board the importance of having their final offer before the men by one means or another even if Scargill refuses to have a second meeting.

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I am sending copies of this letter to the Chancellor of the Exchequer, the Home Secretary, the Secretary of State for Employment, Sir Robert Armstrong and John Sparrow. In view of its delicacy I shall be grateful if it can be given the usual restricted distribution.

J.P. Armstrong

(Approved by the Secretary of State for Energy and signed in his absence)

9 September 1982

LONDON

 PART 1 ends:-

CST to S/S Energy 8/9/82

PART 2 begins:-

S/S Energy to PM 5 9/9/82

