

PREM 19/1329

PART 8

SECRET

CONFIDENTIAL FILING

financial position of the Coal Industry

Mineworkers Pay

NATIONALISED INDUSTRIES

PK 1: JUNE 1979

PK 8: JUNE 1983

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
4.7.83		8.3.84					
25.7.83		9.3.84					
1.8.83		8.3.84					
8.9.83		15.3.84					
14.9.83		14.3.84					
21.9.83		14.3.84					
14.10.83		14.3.84					
21.10.83		14.3.84					
28.10.83		14.3.84					
24.11.83		14.3.84					
29.12.83		14.3.84					
19.1.84		14.3.84					
19.1.84		14.3.84					
24.1.84		14.3.84					
13.2.84		14.3.84					
17.2.84		14.3.84					
20.2.84		14.3.84					
23.2.84		14.3.84					
27.2.84		14.3.84					
		PT 8 ENDS					

PART 8 ends:-

AT 10 PM 30. 3. 84

PART 9 begins:-

MISC 101 (84) 6th Minutes 2.4.84.

TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

Reference	Date
CC(84) 13 th Meeting, Limited Circulation Annex item 5	29/03/1984
CC(84) 13 th Meeting, item 5	29/03/1984
CCU(84) 7	26/03/1984
MISC 101(84) 4 th Meeting	26/03/1984
CC(84) 12 th Meeting, Limited Circulation Annex item 3	22/03/1984
CC(84) 12 th Meeting, item 3	22/03/1984
MISC 101(84) 1	15/03/1984
CC(84) 11 th Meeting, item 4	15/03/1984
CC(84) 10 th Meeting, item 3	13/03/1984
CC(84) 9 th Meeting, item 1	08/03/1984
CC(84) 7 th Meeting, item 1	23/02/1984

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 30/9/2013

PREM Records Team

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CFBI
PRIME MINISTER

COAL: SITUATION REPORT

The number of pits working normally today remains at 38, with a few more in partial production. Picketing at mines has been light except for Bolsover, and while 20 power stations have been picketed, there has been no serious interference to deliveries. Thus the situation on the ground is adequate and the immediate objective is to get as many men and pits back to work on Monday.

On the further industrial action by other unions, the position varies:

- the ASLEF Executive has now met and endorsed the blacking of coal movements;
- both the NUS and T&G say their officers have an open mandate and do not need an Executive meeting before instructing members to begin blacking;
- the NUR Executive meets on Monday;
- the ISTC meets on Wednesday.

The Department of Energy were surprised at the outcome of yesterday's meeting which went further than expected, and they feel it is a development to be taken seriously. Similar action did take place in 1972 and 1974. There is some doubt as to whether blacking of coal movements by sea and rail unions is secondary action of a kind which involves loss of immunities. This hinges on whether the contracts to move coal are by a first supplier. It is possible that, under the 1980 Employment Act, a union not involved in the dispute can still enjoy immunity.

A coke ship is due to arrive at Redcar on Sunday. If it is not unloaded, and this will be the first major test of the new concerted policy, the plant may need to close on Tuesday.

/ Mr. Walker

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Mr. Walker has commented that he hopes the Chairman of BR will indeed act with a light touch in dealing with refusals by train drivers. He feels it would be foolish to act too harshly against some drivers if it were the case that coal was still moving in significant quantities elsewhere. I have asked his Office to ensure that the Chairmen of British Rail and NCB keep in close contact.

AS

30 March 1984

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PRIME MINISTER

Coal: MISC 101(84)6th meeting

You will no doubt wish to stick to the normal format:

- reports;
- discussion; —
- action to be taken.

ASLW = M.U.R.

2. Depending on developments by the time of the meeting, you may wish to focus on three topics in particular:

- ✓ i. Is there evidence of an increase in the numbers of miners working and pits operating normally?
- ✓ ii. What is the extent of sympathetic industrial action by the rail unions, TGWU and National Union of Seamen; and what should be the policy on seeking injunctions in the courts against such action?
- ✓ iii. What is the latest information about the effects on the steel industry and other main coal using industries?

Next meeting

3. In the light of the situation you will wish to consider whether the next meeting should be on Tuesday or Wednesday, preferably not earlier than mid-morning so that sufficient information is available.

P L
P L GREGSON

30 March 1984

SECRET

Prime MinisterMR TURNBULL

30 March 1984

*mt*COAL*attached - These will be updated weekly.*

Peter Walker's figures show that:

1. CEGB power station stocks are down to about 20.5 million tonnes, ie lower than a year ago but significantly more than the average of previous years; *(plus circa 3 million in Scotland)*
2. with no coal movement, these stocks provide about 6 months' endurance;
3. if 0.5 million tonnes per week of coal continue to be moved from the central coalfields, endurance would be about 11 months;
4. the effect of maximum oil burn is to increase endurance by about a half.

These figures emphasise the importance of the police operation in Nottingham and surrounding areas, and the need to ensure continued deliveries of coal from these pits to the power stations.

Industrial stocks are much lower than those at power stations. Some large customers hold up to 2 months stocks. The cement industry is estimated to hold perhaps 4 months of supplies. Merchants have about 6 weeks of domestic coal stocks.

The decision by transport and steel union leaders to recommend a complete blockade on all movement of coal is a significant development. It is likely to impede the distribution of coal to power stations and other key users but will place the unions concerned under threat of legal proceedings for secondary industrial action. It will also further emphasise the deep divisions in the union movement.

The immediate problem is likely to be BSC's integrated steel plants at Teeside (Redcar) and Scunthorpe. These will close temporarily in the next two weeks if supplies of coke and coal are not delivered and unloaded. The other plants at Port Talbot, Ravenscraig and Llanwern have stocks of between 3-5 weeks.

We would not expect the temporary closure of some or indeed all of these plants to have serious consequences. Steel stocks (relative to demand) are as high now as in 1981 when industry proved surprisingly resilient to a strike of 14 weeks.

Nevertheless, if secondary action is threatening steel production and steel workers' jobs, we would expect legal action by Bob Haslam to be a helpful move. It would confirm the Government's resolution, and also sustain the credibility of our employment legislation, and be popular with moderate union members.

It has yet to be established that ASLEP action is secondary action under the terms of the 1980 Employment Act. AT

In contrast, any return by Ian MacGregor to the courts at this stage is likely to undermine the moderate backlash which is developing within the NUM.

Although there is a good chance that the Executive will decide on a national ballot at their next meeting on 12 April, this is not certain. It is also not a foregone conclusion that such a ballot would reject strike action.

In these circumstances, we must ensure that:

- a. moderate miners have the correct perception of endurance in the run-up to 12 April and any subsequent ballot;
- b. the police operation ensures continued working and movement of coal from those areas which wish to work;
- c. we are confident about the endurance of power stations in the event of a strike;
- d. we back Ian MacGregor's and Bob Haslam's commercial judgement on legal action.

The situation also provides an excellent opportunity to accelerate pit closures and to maximise open-cast operations and imports.

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- 3 -

Arthur Scargill wrote in the Morning Star on 28 March "that the NUM is engaged in a social and industrial Battle of Britain ... and that what is urgently needed is the rapid and total mobilisation of the trade union and labour movement".

The Government now has a unique opportunity to break the power of the militants in the NUM. Success now would go a long way to ensuring that industrial relations reflect economic realities and the wishes of the moderate majority, rather than the ideology of the Left.

D.P.

DAVID PASCALL

SECRET

Copy No 1 of 4
cc Mr Gregson CO.



CEGB POWER STATION ENDURANCE

1. Coal stocks at CEGB power stations this coming weekend are expected to be about 20½ mt.
2. NCB coal production is currently running at about 0.5 mt a week. Deliveries to power stations, including a little non-NCB coal, are also about 0.5 mt a week. Coal burn at power stations this week is expected to be about 1.65 mt.
3. The CEGB has started oil burn this week at the level of 25 per cent of maximum. A further 25 per cent step is planned next week. Full oil burn is expected to be achieved over four weeks in all.
4. The six months endurance objective should be achievable with no further coal deliveries provided maximum oil burn can be sustained once reached. The effect of continued coal supplies and of half maximum oil burn is as follows:

Coal Deliveries (tonnes per week)	Oil burn (% of max)	Endurance (months)
0	100	6
0	50	5
0.5	100	11
0.5	50	8

Department of Energy
29 March 1984

[Continuation from column 384]

Mineworkers (Pensions and Concessionary Coal)

10.12 pm

The Under-Secretary of State for Energy (Mr. Giles Shaw): I beg to move,

That the draft Mineworkers' Pension Scheme (Limit on Contributions) Order 1984, which was laid before this House on 7th March, be approved.

Mr. Speaker: I understand that it is for the convenience of the House to take this and the following order together in a three-hour debate:

That the draft Redundant Mineworkers and Concessionary Coal (Payments Schemes) Order 1984, which was laid before this House on 9th March, be approved.

I remind the House of what I said this afternoon about what would be in order in this debate.

Mr. Shaw: The redundant mineworkers' payments scheme has been supported by successive Governments since 1967. It is a firm recognition that Governments of both parties support the industry. It also recognises the unique problems associated with restructuring the coalfield and with the dependent communities in the coal industry.

The problems associated with closures have been a constant feature of the coal industry, as they have been with all extractive industries, and the closure of pits has become an annual feature for many years. On the other hand, in the 1974 "Plan for Coal" there was a specific reference to the need to reduce capacity at an annual level, planned at that time to be between 3 million and 4 million tonnes per annum, and that was the forecast rate for the whole of the plan period.

That level, as the House will be aware, was never achieved. Indeed, about half that rate was the annual average. But in 1983-84, in the year just ending, with 15 closures and several mergers, about 20,000 miners left the industry voluntarily. For the year 1984-85 the board announced a similar reduction in capacity of about 4 million tonnes. That is related to the fact that, after many years, the lack of movement in the closure of uneconomic pits has now caught up with the industry. The rate of closure was forecast as long ago as 1974.

It is right that the House, and especially the Government should review the redundant mineworkers payment scheme to ensure that its provisions are improved as necessary and that, as transfers inevitably become more difficult to achieve, it reflects properly, as the House would wish, the contraction of this industry. The scheme enables mineworkers cokeworkers and certain workers employed in the provision of ancillary services who are made redundant to receive redundancy payments beyond those that the industry can afford. Support given in that way is, of course, additional to that provided in the form of deficit and social grants to the NCB. The House will be only too aware of the seriousness of the NCB's financial position. That has been emphasised in the House on a number of occasions, including recently in the debate on the special Supplementary Estimates.

Against that background, the order is evidence, if evidence were needed, of the massive continuing support

that should be given to the coal industry. With this substantial financial support the industry can look to a viable future. Because the Government seek to back the industry in moves towards a viable future, we trust that the House will approve the enhancement of the scheme contained in the order.

Leaving aside the adjustments to the table of weekly benefits and other detailed provisions made in what, inevitably, is a complex order—I am conscious of the fact that Opposition Members are perhaps more experienced than I in dealing with the complexities of this scheme—the fact remains that there are significant changes to which I wish to draw the attention of the House. Essentially, there are three new provisions. First, in article 16, improved provision is made for those made redundant and aged over 21 but under 50 who, it is proposed, will receive a single lump sum equivalent to £1,000 per year of service. That provision replaces the arrangement made under the 1983 order whereby that group received two smaller lump sums dependent on age and previous earnings, in addition to length of service.

When a pit closes, it is the board's policy, wherever possible, to offer men who wish to stay in the industry alternative jobs at other pits, and to make redundant older men who are willing to leave on the terms available. It is a measure of the effort the board puts into this that, of the men directly affected by pit closures this year, which closes on 31 March, who were not retained on salvage work at the pits in question, over 75 per cent. were found jobs at other pits. It is a measure of the success of this policy that, despite a reduction in mining manpower of about 20,000, there were no compulsory redundancies among men wishing to stay in the industry.

I make it clear to the House that the board seeks to continue that policy. A statement made by the NCB chairman as recently as 23 March made that clear when he said:

"At the pits now under review every man who wants to stay with us will be offered another job in the industry."

That includes those at Cortonwood colliery in south Yorkshire. The board's objective is to continue to avoid compulsory redundancy throughout the industry.

Mr. Tony Marlow (Northampton, North): Problems occurred in Northamptonshire where footwear companies closed down, and there were large-scale redundancies in the shoe industry. Over the past years, there has been a reduction in work in the footwear industry commensurate with a reduction in the coal mining industry. Can my hon. Friend explain why it is that Government after Government provide massive redundancy payments to those who are declared redundant in a nationalised industry, whereas private industry gets none of those perks and benefits? What is wrong with private industry that it does not deserve to get the benefit given to nationalised industry?

Mr. Shaw: I appreciate fully the sincerity with which my hon. Friend asks that question. Many persons, both within the House and outside, have cast an extremely envious eye on the way in which Governments of both persuasions have treated the coal industry financially in times past. However, we must recognise that we have an enormous stake in the massive energy industry. We must recognise also that from the redundancy schemes that are being laid before the House there is the possibility of a

[Mr. Shaw]

return to viability. It is because of that prospect that the Government come before the House hoping to ensure support for an additional scheme.

Mr. Dennis Skinner (Bolsover): Does the Minister agree that irrespective of the extra redundancy payments, the cost of closing a pit, taking into account redundancy payments and various other benefits, is about twice as much as the cost of keeping it open?

Mr. Tim Eggar (Enfield, North): No.

Mr. Skinner: A pit may be uneconomic in one year but economic the next. What will be the additional cost of closure when the additional redundancy payments take effect, which are destined to throw more people on to the dole?

Mr. Shaw: I am sure that the hon. Gentleman would be the first to say that each pit must be treated individually. It is not easy to make a complete response to his question. However, the calculations show beyond doubt that within three years the public expenditure benefits from the maintenance of the coal industry will be substantial despite the large benefits that are being offered in redundancy pay. The long-term benefits to the industry and the Exchequer are proven and the benefits will be available within three years of taking the proposed action.

We recognise that the geographical distribution of the pits and the age distributions of the miners are now such that, following the board's announcement of the planned reduction in output in 1984-85 to 97.4 million tonnes, some younger men may leave the industry. We are therefore proposing improved provision for those aged 21-50 because we believe that those who leave, often after many years in the industry, should be treated generously. We believe also that it is right that the Government should help the board to maintain the policy of avoiding compulsory redundancies wherever possible. That policy has been pursued with some success to date.

Mr. Geoffrey Lofthouse (Pontefract and Castleford): Does the Minister agree that if one of the younger miners under 50 years of age agrees to take the redundancy terms, it will not be possible for Mr. MacGregor to fulfil his promise to offer alternative employment to all miners whose pits are closing?

Mr. Shaw: I appreciate that, but I think that the hon. Gentleman will know that in many instances older miners at pits which are to remain open have volunteered for redundancy so that younger men at pits which are closing may be found additional jobs. I accept that flexibility is required. There is no formula that I am aware of which will serve to calculate how many men under 50 will be involved in redundancies in the coming year. However, we felt it right to make the necessary provision in the order.

Secondly, I draw the attention of the House to article 10. Provision is made to enable those receiving weekly benefit to take holidays abroad without losing all entitlement for the period that they are outside the United Kingdom. The House will know, especially the hon. Member for Midlothian (Mr. Eadie), that the matter was raised on many occasions with my predecessor. It is one that has been raised consistently during debates on orders of this character. I trust that the hon. Member for

Midlothian will welcome the change and that the House will agree that the draft order should be approved so that from 1 April 1984 it will apply to all those receiving weekly benefit irrespective of the date of their redundancy.

Thirdly, in article 17 we have introduced further protection for those whose redundancy payments would otherwise be reduced due to breaks in service occasioned by incapacity. The loss of redundancy payments due to breaks in service arising out of illness and injury is a matter of great concern to Members on both sides of the House and was a major issue during the consideration of the Coal Bill in Committee. I recall in particular the concern expressed by the hon. Member for Pontefract and Castleford (Mr. Lofthouse) and by other Labour Members. We have agreed to make a change in the redundancy order now before the House. The hon. Member for Pontefract and Castleford (Mr. Lofthouse) has campaigned tirelessly to ensure that those of us with responsibility for the scheme should not lose sight of the hardship that such breaks in service can cause in individual cases.

I have, therefore, reviewed with care the incidence of such breaks and their treatment under the previous RMPS. I am satisfied that the scheme's provisions that were first introduced in the 1983 order, disregarding periods during which an employee received an incapacity pension under the Coal Industry Nationalisation (Superannuation) Regulations 1950, are both fair and reasonable. I have reconfirmed that such incapacity can be through sickness or injury, and can be physical or mental. I am also satisfied that the provisions of the Employment Protection (Consolidation) Act 1978, which determines statutory minimum redundancy payments for all workers, can have a severe impact in the particular circumstances of the coal industry. Hence, the 1984 order now before the House introduces a further payment in such cases, which is designed to ensure that the total redundancy entitlement is not adversely affected by such breaks due to incapacity.

Although it is not strictly part of the new order, I trust that hon. Members will approve when I say that I have decided that ex gratia payments shall be made to those workers made redundant between 11 March 1981 and the date when the provisions will come into effect, to deal with the breaks in service that I have just outlined. I believe that that would remove the injustices of which the Opposition have complained for some time.

Mr. Michael McGuire (Makerfield): We are all grateful to hear that news from the Under-Secretary. Does the Minister agree that it follows that breaks in service that have denied a miner concessionary coal—he knows that I am pursuing such a case—will be brought within the scheme? If the Minister could answer that, he would make my day even more joyful.

Mr. Shaw: I am very concerned about concessionary coal and breaks in service, which is a live issue, as the hon. Gentleman and the hon. Member for Bolsover (Mr. Skinner) appreciate. Equally, the hon. Gentleman knows that arrangements for concessionary coal have been negotiated by the unions and that they vary in different areas. It is not easy to find a simple answer to this genuine problem. Although I am not prepared to give the hon. Gentleman the assurance that he seeks, I accept that there is a modest anomaly.

I hope that hon. Members on both sides of the House will accept that the changes that I have outlined do not

represent a radical departure from previous years, but add up to an important package of improvements underlining the Government's continuing support to the individuals who are affected by redundancy. It is also designed to create in a humane and civilised way an effective and viable industry that is capable of offering secure employment in the longer term.

I shall deal briefly with the second order concerning pension adjustments, which follows the standard form of earlier years.

Mr. Den Dover (Chorley): Before the Minister turns to deal with the second order, will he clarify a point? In answer to an Opposition Member, he said that older miners working at a pit that is not due for closure could take early redundancy, thereby providing a vacancy for another worker. Surely only miners working at pits that are to be closed can get redundancy. Under this scheme, any miner coming up to his last working year can get a high redundancy payment, which is not the best use of public funds.

Mr. Shaw: My hon. Friend should be aware that in the restructuring of an industry it is crucial to have enough flexibility to allow the transfer of work forces where that can be achieved. It would be beneficial for public funds if that were done. We must consider that in this industry we want a work force which, when correctly deployed in productive pits, will meet the requirements of the industry for a considerable time to come. I accept that there appears to be a widespread application of the theory that the individual pit is being closed is the only one to be affected, but redeployment requires consequential action at other pits.

The second order follows the standard form of earlier years. It continues the policy established through the National Coal Board (Finance) Act 1976, whereby the cost of meeting the deficiency in the mineworkers pension scheme fund resulting from the need to pay pensions to the large numbers of people who left the industry before 6 April 1975 is reimbursed through Government grants over the period to 1995. Each year when the level of pensions is increased, a higher level of deficiency contributions is required by the fund. The Government may reimburse them up to the level necessary to maintain the real level of pensions if they are satisfied that the NCB's finances do not permit of it taking on the additional burden. In the board's present financial circumstances, it will not surprise the House, there is no possibility of the board meeting that additional obligation.

Mr. T. H. H. Skeet (Bedfordshire, North): I am much obliged to my hon. Friend. He is aware that over the past 10 years about £277 million has been put into the fund by the Government, to top it up. We have heard that Mr. Scargill is determined to cut down the investment—that is, there will be no overseas investment and no investment in the oil industry and so on to help the beneficiaries. Does my hon. Friend have something to say about that? Why should the Government be prepared to put money into the scheme if the miners are not prepared to do their best for their country?

Mr. Shaw: My hon. Friend will not be surprised when I say that there is no way that I shall seek to comment upon a case that is currently before the courts. However, he will expect me to be robust and say that the sooner that we

achieve viability within the coal industry, the better. Then, the board would be able to finance the modest increase in pensions each year. My hon. Friend is right. It has been a cumulative debt. However, a time limit of 1995 is attached to it.

Mr. Rob Hayward (Kingswood): My hon. Friend said that he hoped that the coal board would be helped to return to viability. May we assume that the schemes that we are considering will terminate when the NCB returns to viability and that the excessive expenditure on redundancies compared with that faced by people in private industry will not continue?

Mr. Shaw: I am well aware of my hon. Friend's feelings on the matter. The House should be clear that we are dealing with substantial increases in redundancy pay. We shall carry out an annual review of the redundancy payments scheme. The parent Act, the Coal Industry Act 1983, expires in 1986. There will be a regular review not only of the scheme, but of its costs. Therefore, I assure my hon. Friend that we are extremely concerned, as he is, to ensure that the sums are sufficient, but only sufficient, to do the job for which they are designed.

In the board's present financial circumstances, there is no possibility that it can make good the pension adjustment required under the order. Therefore, I hope that the House will agree that the second order, too, should be passed.

I am aware that in dealing with the germane matters relating to the two orders, hon. Members on both sides of the House will seek to debate wider issues, but it is right that we should lay the orders before the House and explain them. I shall do my best to answer questions towards the end of the debate. I commend the orders to the House.

10.34 pm

Mr. Stanley Orme (Salford, East): We shall not oppose the orders. They make improvements in redundancy payments and modest improvements in the mineworkers pension scheme. I emphasise the word "modest". We debate these orders, against a background of 40,000 jobs having been lost in the past two or three years within the industry and with another 20,000 threatened in 1984-85. Twenty pits or more are threatened with closure. We are dealing with the livelihood of people working in a dangerous and dirty industry, which creates wealth for this nation. We are self-sufficient in coal and the coal will still be there many years after the oil and gas have been used up.

The debate on these orders is very important. Some might say that the proposals—not least the redundancy proposals—are extremely generous, but I do not think that they are. We are talking about young people who may well have great difficulty in finding other employment. The sum involved—£1,000 for each year in the industry—may seem large, but we shall lose some skilled miners for all time. They will not come back to the industry. To some extent one can appreciate and support, what is being done for the older miners who have had to face dust and the possibility of pneumoconiosis, but it is the young people whom the industry will need in the future. When the upturn in the economy arrives, we shall start getting gas, oil and chemicals from coal. We should be planning for the future, but the Government are not making any plans at the moment.

Mr. Eggar: Is the right hon. Gentleman in favour of making the redundancy offer to miners who are under 50 years of age, or is he not?

Mr. Orme: I thought that I had made it clear that we support the orders. Yes, I am in favour of that, but I am pointing out that the second order creates problems and difficulties. It will make it possible to get rid of people from the industry, but there is the question of the younger men who are to replace the older men who are retiring.

Mr. MacGregor might like to use the scheme to allow redundancies to take place even in pits that are not scheduled for closure. That would be criminal. The industry would lose skilled men and craftsmen at a time when it is going to need them. If people were to leave the pits wholesale, that would not be beneficial to the industry or to those working in it.

It has been said that benefits in the private sector are not often as good as those in the public sector. I know that here are anomalies, but the truth of that statement depends upon which area of the private sector one has in mind. There are some very good golden handshakes in the higher echelons of the private sector. However, workers within a state industry should be treated properly, and in the case of redundancy proper provision should be made.

Mr. Peter Viggers (Gosport): Will the right hon. Gentleman give way?

Mr. Orme: I must get on as many hon. Members wish to speak. I hope that the hon. Gentleman will forgive me. The orders contain the prospect of many young miners being paid a lump sum and losing their job. Any mineworker between 25 and 50 years old will be able to receive £1,000 for each completed year of coal industry employment since the age of 16. The scheme includes those who work above ground as well as those who work at the coal face.

What is proposed might be the best way in which to persuade people to accept voluntary redundancy but it might not be the best way in which to help them afterwards. A man who has received a large redundancy payment will not be able to claim supplementary benefit as long as he has £3,000 left and no redundancy payment will provide enough capital for him to live off the income it generates. He might end up eating into his capital until it is reduced to £3,000, but he has no prospect of a job. The central problem is that mass unemployment means that a redundant mineworker will have great difficulty finding another job in or out of the coal industry. Is redundancy payment any compensation for the prospect of long-term unemployment that such miners will face?

There is always much talk of compensation for people who give up jobs in, for example, the coal, steel, shipbuilding, motor, dock, machine tool and textile industries, but where is the industry paying to take workers on? When did we last hear of an industry needing an extra 20,000 workers? If no industries are expanding their work force while some are reducing theirs, unemployment will continue to increase. These orders give us an opportunity to highlight our fears about the future of the coal mining industry.

Even if miners are on strike, there can be no doubt that they care about the future of the industry and their jobs. We want the industry to expand and an end to pit closures and redundancies. Redundancies and the overtime ban show that the industry is facing a crisis. It is wrong for the

Government to stand aside at this crucial time. We call on them to end coal imports, which threaten the industry's existence, to shelve Mr. MacGregor's so-called survival plan which is better named a destruction plan and to take immediate action to open tripartite talks. It is not good enough for them to take a ringside seat now. They have an obligation to the nation, the industry and miners to ensure the industry's survival.

We have witnessed the negotiating machinery being swept aside at Polmaise in Scotland and Cortonwood in Yorkshire.

Mr. MacGregor talks about saving 4 million tonnes, but 1.4 million tonnes would come from the north-east and 0.75 million tonnes would come from Scotland. Therefore, two areas of Britain with high unemployment and facing the greatest rundown in industry would take 50 per cent. of those proposed cuts.

I put it bluntly to the House that Mr. MacGregor has got it wrong. He was wrong about the overtime ban and was forced to come back to the House for £135 million only a fortnight ago. He is not managing the industry with a view to planning for the future or developing the industry. He has a crude plan to cut down the industry and to get rid of some areas. We shall need those areas and that coal in the future.

The Secretary of State for Energy (Mr. Peter Walker): Does the right hon. Gentleman think that Mr. MacGregor's decisions to put £400 million into the Asfordby development and to spend more in annual capital investment than was spent in real terms in any year of the Labour Government are signs of a man trying to destroy an industry?

Mr. Orme: Those proposals fly in the face of what I have been putting to the House. In the Polmaise pit in Scotland, £15 million has been thrown aside. Mr. MacGregor does not have a concerted plan. He talks about wanting to develop certain areas and certain pits, for example in the west midlands and south Yorkshire, but we are talking about the coal industry as a whole—about Scotland, Kent and Yorkshire.

Mr. Peter Hardy (Wentworth): The Government have done remarkably little for the coal industry, but they are responsible for the Asfordby development, so they ought not give to Mr. MacGregor credit that they could reasonably claim for themselves.

Mr. Orme: I take my hon. Friend's point. Mr. MacGregor's proposals for a rapid rundown of the industry— not taking into account the long-term economic damage that he will cause in thinking that he can deal with the coal industry in the same way in which he dealt with the steel industry—are completely unacceptable.

The Government ought to shelve the MacGregor proposals, call a tripartite meeting and sit down with the NCB and the unions to work out a new "Plan for Coal". The previous "Plan for Coal" talked about 150 million tonnes. We are now talking about 97 million tonnes and Mr. MacGregor envisages a further reduction. There is talk of reducing the number of miners to 140,000. That is unacceptable.

There is an upturn in the coal industry. Britain provides the cheapest non-subsidised deep-mined coal in the world—coal from Poland and South Africa is subsidised—and we have the opportunity to propose developments to give

us a viable and expanding industry, in which miners and the NCB can participate. These orders give us an opportunity to debate this issue, and I am sure that my hon. Friends will want to follow up this point. We are not opposing the orders, but we are opposing the Government's refusal to take action.

Several Hon. Members *rose*—

Mr. Speaker: Order. The House is aware that there is a great demand to speak in the debate. I call on hon. Members to speak briefly this evening.

10.50 pm

Mr. Jim Lester (Broxtowe): If ever there was a time to keep a clear head and indulge in cool thinking about these matters, particularly among those of us who have a real interest in the mining industry, and have had for a long time, now is the time. The speech of the right hon. Member for Salford, East (Mr. Orme) was a ragbag of facts, and does not help at all when we consider either these orders or the future of the coal industry.

It is understandable that the Opposition are not opposing these orders, and I pay tribute to the right hon. Member for being prepared to be rather more generous in his comments on them. He recognised that the orders have been thought through, and are a recognition of the pressures being put on the Government by all hon. Members for realistic changes to meet the changed circumstances in the industry. All of us recognise that change is difficult and unacceptable to many. With these orders, we are doing what the Conservative Government have consistently tried to do—to meet those needs they can, and to make the changes more acceptable.

Some of us remember the late 1960s, when the Labour Government were closing about 45 pits a year, and the miners in my area were out of work without any of these terms, when the discussions about what happened were minimal, and there was nothing like the sensitivity and concern that is now being shown for the industry.

Mr. Kevin Barron (Rother Valley): How many miners were put out of work in the 1960s? Did they not move on to mines where there were jobs, which they cannot do today?

Mr. Lester: If I took the hon. Gentleman to Nottinghamshire, I could find him miners who have been out of work since then. The Nottinghamshire county council, of which the hon. Member for Ashfield (Mr. Haynes) was a member, had to provide alternative employment for many miners who were put out of work when the pits closed. That Government had to recognise drastic changes in the industry, because they then believed that there was a glut of oil. This Government, who are closing about 20 pits a year with a great deal more sensitivity, are trying hard to meet different circumstances.

Mr. Frank Haynes (Ashfield): The hon. Gentleman should not have said what he did because he has provoked me. Many pits were closed in Derbyshire, and many of the men came in to Nottinghamshire to work in the pits there. Things are different now. Men cannot get work at other pits. What MacGregor says is a load of rubbish.

Mr. Lester: I do not know whether the hon. Gentleman wants to be judged by his own load of rubbish. He will admit that we sat on the county council together, and the

Conservative council introduced a pound for pound scheme to find alternative jobs in the Kirkby-in-Ashfield area, which is now in his constituency. I built a factory in that area to employ miners who were unemployed because of the pit closures.

The difference today is remarkable. The Government have invested £3.5 billions in new faces and pits, such as Selby and Asfordby. That is a real commitment to the industry. The pay levels of the miners today are 26 per cent. above the average manufacturing wage. In those days, they were about half the manufacturing wage. The productivity deal done in the teeth of opposition from Labour Members has meant that the industry is producing coal at a far more economic rate. The coal burn in the electricity industry has been maintained. Other countries are now using coal. Far from letting the coal burn drop, we have increased it. These facts indicate the commitment of the Government to the coal industry.

We have introduced orders to try to encourage the mobility of the younger miners, about whom Opposition Members have spoken. We have introduced many schemes to encourage that essential element of trained young miners who are able to move into the new coalfields. I recognise, perhaps more than most, that closing coalmines is rather different from the closures and redundancies about which some of my hon. Friends have spoken. When closures happen within a community, often all the workers lose their jobs, and I am prepared to accept from Opposition Members that there are few options within such communities. In such cases, the offer of an alternative job is not the same as it would be in any other industry, because each pit has its community, and its hierarchy. After having been an important man in the community in one coalmine, a man can move, and find himself starting at the bottom in another coalmine. All these facts are understood and known. It does not alter the fact that, if we are to have a successful coal industry in future, it is not possible to invest the amount of money that is currently being invested to produce low-cost coal in the area in which it will be required. To ensure that investment leads to productivity we are producing coal in our best 20 pits at £28 per tonne, and we must make a judgment about the other 20 pits that are producing coal at £89 per tonne.

Mr. Dave Nellist (Coventry, South-East): The hon. Gentleman is talking about investment in pits. A Minister in the Department of Energy told me after Christmas that approximately £100 million per year in interest charges is paid by the National Coal Board to banks on 22.5 million tonnes of coal stockpiled at pitheads. On "The Money Programme" shown on BBC2 last Sunday, NCB accountants estimated that the amount of money currently paid in interest on stockpiles of coal has doubled to £200 million per year. Would the hon. Gentleman not accept that a good chunk of what he claims to be investment is in fact stockpiling of coal to be used as a political weapon against the miners when they come out to fight against redundancies?

Mr. Lester: The corollary of the hon. Gentleman's remarks is that we should stop stockpiling coal, cut back production and close more pits, which is not acceptable to any Conservative Member. The analysed figures of investment in terms of machinery, new faces and new pits are separate from coal-stocking.

In our efforts to increase exports wherever possible at reasonable prices, we now export double what we import,

[Mr. Lester]

and we import only specialised coals, so there is no prospect for more jobs in cancelling imports. What we need is more exports. Other countries are beginning to look for coal supplies, and we ought to be in the field with competitive, long-term prices, so that we can supply that coal.

Given those facts, a cool head and clear thinking—and I have lived in Nottinghamshire all my life, and have represented miners since I have been a Member—I am prepared to trust the judgment of miners to weigh up the facts, and to give them the chance in a ballot to make an accurate decision about the future of their industry. My regret is that they are not able to do that at present. From talking to the miners in my area about what the NUM is doing for them, I know that what they want is negotiations about shift payments which they find have not been adjusted. A shift payment currently averages £4 for very unsocial hours. The miners want negotiations about adjustments in pay, rather than the current political situation that they face.

The orders show a continued interest in the industry, a continued understanding of the significant change that is taking place, and are a sensitive and civilised way of trying to deal with the situation within the parameters of what the Government are able to do.

11.5 pm

Mr. Roy Mason (Barnsley, Central): I wish to follow up the remarks of my right hon. Friend the Member for Salford, East (Mr. Orme) and unreservedly welcome the increased pensions order and the redundancy and concessionary coal orders. Of course, they could have been laid at a different time and in better circumstances. Many pit men will think that they are being paid off at a time of industrial strife in the coalfields.

I welcome the increased redundancy payments. They are only what a miner deserves if his coalmine is likely to be exhausted and he is to be thrown on to the industrial scrapheap for the remainder of his life. Men of 50 to 55 years of age who have worked underground for 40 years will have dust on their lungs when they leave and will probably have been injured two or three times while underground. They will not necessarily live until they are 65.

The orders are related to the pit closure programme. At present, two grievances give rise to the coalfield crises—the 5.2 per cent. wage offer and the insistence of the NCB on an advanced rate of pit closures. Those sparked off the overtime ban. Only one third of the work force has been adversely affected by that. By far the majority of those in the industry do not work overtime. Many people recognise that there is a degree of immorality in constantly working overtime when there are 3 million to 4 million people on the dole.

The overtime ban had a number of objectives—to save the pits, to pay a decent wage and to employ more people. That ban was maintained for 17 or 18 weeks. Then, like a shot out of the blue, came the Cortonwood announcement. Cortonwood colliery was given five weeks' notice to close. That was the flash point. The NCB must now realise that it was a fool to create such an explosive position.

The men at the pit had been told that it had four to five years' life remaining with good quality coal and no

immediate exhaustion. The branch officials and the men were shocked by the closure announcement. The matter was raised at the Yorkshire miners council meeting. It was a tense and angry meeting—I was present and I witnessed the mood. By a massive majority, the miners decided to stand by their previous ballot decision in favour of industrial action against pit closures, other than those because of exhaustion or because their geological position made them difficult or dangerous to mine.

Why has all this come about? The chairman of the NCB, Mr. MacGregor, called for a cut of 4 million tonnes of coalmining capacity this year. Area directors were given discretion in cutting their quota of the 4 million tonnes. Instead of examining how best that could be achieved while maintaining good industrial relations and good coal production—perhaps by reducing face capacity in a number of the pits causing geological problems, or on odd seams with constant water problems—the NCB decided foolishly and impulsively to close one pit. It was a clean and clinical but cruel operation. It decided not to close a face here or there, but a pit that had four or five years of life with good quality coal. Indeed, miners had been drafted to that pit in recent weeks.

That was asking for trouble. Only five weeks' notice was given, leaving no time for pit closure review procedures. They were bounced. There was no time for local and national discussions or for appeals. Why did that happen? It was because after 17 weeks of the overtime ban, the NCB had lost 6.5 million tonnes of coal production—6.5 million tonnes of potential sales. Even at £50 a tonne, that equals £325 million. So the overtime ban was biting, and the pit closure programme had to be speeded up. It was a case of closing uneconomic mines faster to save money.

So there has been a county-by-county escalation of the strike. Of course, it has not affected every county. The National Union of Mineworkers has to face reality. The work force is different now. Now only 18,000 men in British coalfields are over 55 years old. The work force is much younger. Moreover, it is accustomed to a higher standard of living. It, therefore, has more commitments. There is a greater reluctance to lose wages and there is a hesitancy to strike. Not all mineworkers will see the reasoning of their leaders, but they must see the necessity of doing their utmost to save their pits, their jobs and their industry. In the event of a Middle East crisis, or the exhaustion of North sea reserves, or an expansion in our economy, a pit that is lost or closed now is another pit that is lost for good. Every pit with workable reserves that is closed means that we are sealing off our indigenous fuel.

We have had ham-handed leadership from the National Coal Board. It panicked and rashly decided, quickly and cruelly, to cut out 4 million tonnes of deep-mined coal capacity, irrespective of the conflict in the coalfields, irrespective of confrontation between management and men, and irrespective of the known hardship and suffering that it would cause in many mining communities. Although some miners may get decent compensation as a result of the new redundancy scheme, there will be more jobless, and many will soon be living off the state. Many hundreds of others in the mining areas affected will get nothing. They will suffer with the death of the pit, as will those in allied mining manufacturing, and local traders and businessmen.

Many will say that the miners cannot win this dispute. I say that the National Coal Board cannot win either, and

its losses will be substantial. It is therefore time for the Government to intervene. It is time for the Government to propose less damaging alternatives. Why do we not cut the 4.5 million tonnes of coal imports pouring into the country? Opencast coal is piling up at power stations, amassing coal mountains. If high stocks lessen demand, why not curtail opencast coalmining? We can bring supply into line with demand in a more understanding fashion.

If the Government were to advise the National Coal Board to take that course, it would quickly allay fears, lessen the tensions and create an atmosphere for the revival—it will take some time—of better industrial relations in the pits. That is not an extreme or drastic action to take. It is just common sense. It is common sense to avert a growing major industrial crisis.

I hope that the Minister will heed my words. I hope that he will pass them on to the chairman of the board, and insist that the board takes a less damaging course before our industry is in ruins.

11.8 pm

Mr. Alistair Burt (Bury, North): Taking the hint from my hon. Friend the Minister in opening the debate, I should like to widen the debate.

I represent an industrial constituency where the major industry was paper, which has been hard hit by energy prices over recent years. During the past few months, many hon. Members will have received letters from their constituents complaining about energy prices. The cost of fuel affects both the industrial and domestic sectors, and scarcely anyone is untouched by worry about energy.

Accordingly, interest in this debate should be widely spread, and not confined to those hon. Members whose constituencies have substantial coal interests. Whatever this House decides for the coal industry in terms of grant and subsidy is directly related to the price of electricity, which eventually will be paid for by both domestic and industrial consumers.

The widespread concern about energy costs was highlighted last week in the debate about fuel poverty. The Government rightly received a sharp reprimand from the Select Committee investigating the rise in the cost of electricity—although not, of course, a reprimand about the rise in gas prices, demanded by the gas industry. The last thing electricity needed was a price rise at the behest of the Treasury. There are quite enough costs inherent in the production of electricity and it cannot be denied that the costs of coal in varied ways, including the cost of investment, extraction, wages, redundancies and pensions, are closely tied to the cost of electricity.

The vast majority of Britain's electricity is still supplied through power stations running on coal and the need to have an efficient and economic coal industry is as important to those outside the coalfields as it is to those employed in them.

Mr. Barron: Has the hon. Gentleman read Coopers and Lybrand's report on the electricity supply industry—it is in the Library—which recommends a reduction in the cost of electricity to industry and domestic consumers which the Government choose to ignore?

Mr. Burt: If we imported coal at prices some 25 per cent. cheaper than we now buy it for from the NCB, electricity prices could be reduced by between 10 and 15 per cent. World conditions mean that we could import coal

more cheaply than we can produce it, which would consequently reduce the price of electricity for everyone. Those who tend to make Government the villain of the piece in matters relating to the coal industry sometimes forget the measures of protection, support and investment afforded by the Government to that industry.

Two central arguments may be raised against the orders before us tonight. First, there have been those who maintain that the orders are not sufficiently generous and that support here as well as generally for the industry is not generous enough. Such a contention cannot be justified by the facts.

Reference has already been made to the projections made in the "Plan for Coal" in 1974. When considering the progress made under that report, it is completely unfair to accuse the Government of failing to perform their part in the plan. Under the investment provisions of that plan, at today's prices we might have expected investment from the Government of about £6,500 million. In fact there has been investment of over £7,150 million. The capital investment demanded by the plan has been more than satisfied. Moreover, the bulk of investment over the past 10 years has been supplied by a Conservative Government. The recent announcement referred to by my hon. Friend the Minister of the development at Asfordby, which will bring jobs and increase coal production for the midlands, was the largest major development to be announced since the previous Conservative Government's decision on Selby in 1970. There are few grounds for believing that the Government's record on capital investment is anything less than excellent.

Of course, pit closures were considered under the "Plan for Coal"—

Mr. Alexander Eadie (Midlothian): I am sure that the hon. Gentleman does not want to mislead the House. It was not the Conservative Government who provided for the sinking of Selby, it was the previous Labour Government.

Mr. Burt: The decision on Selby was made, as far as I am aware, by a Conservative Government.

The pit closures referred to by the right hon. Member for Barnsley, Central (Mr. Mason) were considered under "Plan for Coal" and it is pit closures which bring us to the Redundant Mineworkers and Concessionary Coal (Payments Schemes) Order that we are discussing tonight. There is little use Labour Members banging the drum over pit closures with the problems that they bring for communities. There is no dispute among Conservative Members about the agony and distress caused by the closure of pits. In recent years hon. Members have become all too familiar with the problems of the loss of jobs and redundancy in a changing world. The Government did not invent the economic facts of life that say of any product that if it cannot be sold at a price acceptable to the market or if it is no longer demanded by the market production must inevitably decline or cease. Behind the despair and upset must be not the negative decision to retain antique work or production methods, but the positive decision to move into new industries and new technology.

The hand wringing and negative attitude of Labour Members, particularly the right hon. Member for Salford, East (Mr. Orme), would ring more true with us if their record on pit closures was not so stark and revealing. If one wants to close a pit, elect a Labour Government. No

[Mr. Burt]

ring-side seats for Labour's active involvement in pit closures. The rate of closures since the war under Labour has been greater than the rate under Conservative Governments. It is about time, therefore, that the hand wringing stopped.

The keeping open of uneconomic pits sabotages the coal industry and ultimately destroys jobs because it makes the industry less viable and puts at risk the industry's considerable future. Short-term negative attitudes can lead only to long-term despair. There can be no argument, therefore, that the Government are not being generous to the coal industry. There is no argument on investment, on miners' wages or in respect of commitment by the Government, as demonstrated by their support for new ventures in the industry.

Before considering the terms of the orders, it is worth looking into the second major argument against them, which is that the Government are too generous to the industry. Again, short-term attitudes directed solely to the current price of coal and to the consideration that imported coal might be cheaper in the short run, ignore the long-term effects of a rundown in the industry.

A decade ago, the energy crisis was on everybody's mind. There have been tremendous changes in energy consumption in western Europe in the last decade, forced by the energy crisis. Coal production, in common with other energy sources, has suffered from the world recession. Conservation measures have produced the effect in Europe of a decoupling of economic growth and energy consumption in that whereas between 1973 and 1982, GDP in the European Community rose by 9 per cent., energy consumption fell by a commensurate amount.

However, that will not continue for long, and with economic growth continuing, the energy demand will grow. We are only too well aware that our present major sources of fuel are finite and that some are coming to an end more quickly than others. But again, coal reserves are considerable and despite the present drop in the market, the demand for coal is likely to grow.

In giving evidence to the House of Lords Select Committee on the European Community coal policy, Mr. Karl Heinz Reichert, head of the coal directorate of the European Commission, noted that although European demand would rise by the year 2000 to about 500 million tonnes, the domestic level of production in the Community was likely to stay the same but that there would be a greater reliance on imports. Imports are necessary because, as Mr. Reichert noted:

"the coal industry of the Community was not successful or was unable to fight its competitors."

So much for those who would like to see European-style subsidies brought into the coal industry here. The Community has been unable to compete with the more easily extractable coal imported into the Community.

The Select Committee reported that the proportion of Community coal consumed in 1982, at 70 per cent., was much less than that consumed in 1973, at 90 per cent. The inherent sickness of the European coal industry was summed up in the sentence:

"production costs, inflated by keeping open quite uneconomic pits, have been too high for effective competition, despite subsidies paid by Community Governments to their coal industries."

Will the European coal industry be able to fight off the demand and pressure of imports? The role of the British coal industry can be clearly made out. It could advance and prosper so long as it makes itself more economic by shedding the uneconomic pits that at present are raising the domestic price of coal to a value that makes it unsellable in the Community.

Those who argue that the coal industry has no future and who believe that it is pointless being generous towards it should think again. There is a European market for coal and it will grow as other energy sources dwindle. But it is not an automatic market. If coal is to be sold in the Community, it must sell at a good price, at a price that can be achieved only by following the rationalisation process instituted by the chairman of the National Coal Board.

If that is done, and if investment is there from Government, there will be a coal industry of which the country can be proud and which will bring the nation great benefit in the future. What matters in energy is the long term, and to criticise the Government for their generosity now, and run the risk of ruining the coal industry for the future, must be unacceptable.

The success of the previous redundancy payments scheme was obvious from the number of people who wished to take it up and saw benefits in its generous terms. That is one of the reasons behind the increase in the past year in the numbers taking redundancy from an expected 10,500 to almost 20,000. The scheme's success was evidenced also by the not inconsiderable feat, until recently, of the painless and quite reasonable way in which the manpower reductions were achieved. No miners have been made compulsorily redundant. Surely, it is right to reward with generous terms those who have given a lifetime of service to the industry to enable them, should they wish, to employ the skills they have picked up over the years in new and different ventures. It is right also to reward those who have given a lifetime of service to the industry with a chance of secure retirement.

A social consideration must be taken into account in considering the effect of closures and redundancies on mining communities, and that is what the scheme does. Accordingly, in view of the changes in the pits and the composition of manpower in the mining industry, it is now necessary to safeguard and promote the considerable future that coal may have by offering these terms. It is important for the Government to be seen to offer these generous terms now to reduce the risk of compulsory redundancies in the future. The industry has a good record in that regard, and the terms offered in the order cannot be seen as other than generous.

Especially welcome are the extensions announced about the breaks in service, which reflect the Government's good faith towards the industry. I well remember the debates on these points in Committee on the Coal Industry Bill last autumn.

The present scheme's success has been evidenced in the facts of no compulsory redundancies and the number of miners taking advantage and making use of the scheme's terms. The new scheme will, no doubt, be taken up with equal readiness. In extending the scheme to a lower age group, the Government are only sensibly taking note of the current trends in the industry and the fact that, as closures continue, younger men are involved in them. A generous, understanding and sympathetic scheme is surely in the long-term interests of the mining industry.

It is clear that the coal industry faces a difficult time. Assailed by those who claim we spend too much and by those who claim we spend too little, the Government must steer a middle course, bearing in mind not only the important role that coal may need to play in the future but the necessity of securing that future by taking the right measures now for the good of the industry in the long term. Those worried by energy prices and fuel costs for the old should look at the state of the coal industry and consider the effect on those fuel prices of an efficient and well-run coal industry.

Those who demand a larger slice of the market for coal in the future, both domestically and in the European Community, had better wake up to the fact that the rest of the world does not owe the British coal industry a living, and that only by putting its house in order will the coal industry have a chance to survive in the future and to provide any benefits to those who work in it and those who rely upon it for their energy.

Those who say that the coal industry has no future had better take heed of the continuing energy crisis and the difficulties the world is experiencing in providing safely and satisfactorily the new fuels for the future. It is necessary for a prudent country to continue to rely on a diversity of fuel supplies.

The orders are clear evidence of the Government's understanding of, sympathy for and generosity towards the mining industry. The Government have proved their commitment to the industry in the past, they are proving their commitment now, and they have demonstrated at Asfordby their commitment for the future. The world energy position proves the need for a vibrant, economic and efficient coal industry. The country, through its economic regrowth and regeneration, will prove the need for a continuing demand for coal supplies and energy. It remains only for some of those in the coal mining industry to prove to others that they recognise the need for change to be part of a future in which everyone wants them to share.

11.25 pm

Mr. Alexander Eadie (Midlothian): I am grateful to the hon. Member for Bury, North (Mr. Burt) for, as we would say in the mining industry, he is good for toasting bread. It seems that he is trying to argue that the Conservative Government were responsible for the sinking of the Selby coalfield because it was the Secretary of State who made the announcement. It is rather strange that a Government can announce a sinking when they have not spent a penny on the project and when their spokesmen have not visited the site. I went to the Selby site. I went to Gascogne Wood and I discussed with mining engineers whether it would be possible to deal with potential water problems. It was my right hon. Friend the Member for Barnsley, Central (Mr. Mason) who cut the first sod at Selby. If the Secretary of State is to persist in the argument that he was responsible for sinking the Selby coalfield—

Mr. Michael Fallon (Darlington): Does it matter?

Mr. Eadie: It does. It is very important. The Government cannot accept responsibility for Ashford, for Ashford is in the Vale of Belvoir. In fact, the Government reduced the Vale of Belvoir project by one third. There should have been three pits and the National Coal Board spent about £10 million or £11 million on a development

plan on that basis. It was the Government who destroyed that concept, and that decision will have economic consequences in future. Let us put the lie to the mythology that it was the Government who were responsible for sinking the Selby coalfield. Let us not try to deceive the people. Let us be factual and honest.

I think that the Minister will agree that he will be able to take the orders through the House without even breaking sweat. It would be foolish if the House were to say that the improvement financially will not be beneficial. We must welcome these measures, especially when we take account of the concessionary coal. The Minister has an easy task this evening. Of course, the contents of the orders do not constitute an announcement of new Government policy. The Government have aided the NCB in the propaganda war over the dispute in the mining industry and some of the terms of the orders were released to the press during one weekend.

Some of those who will be the subject of the orders will be confronted with early retirement and not merely redundancy. That being so, I think that the House will endorse the principle that we should treat them generously. I welcome the orders, but there is a reason for their introduction. We would be heartless if we did not say "Good luck" to those who are past the age of 50, who have worked in the industry since 14 or 15 and who are to collect redundancy payments. The expectancy of life in the mining industry can hardly be said to be normal.

The Government are introducing the orders in collaboration with the NCB and in conjunction with its policy, because they know that there will not be jobs for those who are engaged in the mining industry. The average age of those in the industry is 37 and the Government have introduced the orders because they have been told that the NCB's proposed pit closure plan will mean that 36-year-old and 37-year-old miners will be sent down the road. In many areas the job expectancy of miners will be practically nil for the rest of their lives. What a waste of resources. We shall be saying to people in their thirties, "We shall be rather generous with redundancy payments but your prospects of employment are nil." We shall be talking to those of 37 or more about early retirement and not redundancy payments. That is a scandal.

The Minister mentioned the sums involved. We should be foolish if we did not recognise that substantial sums are involved. If the money is available, the Government should be thinking about early retirement in the mining industry. No miner over 55 should be asked to continue working underground. I say that with feeling. Some of my relatives are working in the mining industry. At 58 or 59 years of age they still work in that industry.

We have a responsibility to examine the costs. We are in a debating chamber. We are entitled to ask how we can deal with costs. I have a number of suggestions to make. We can deal with costs and save taxpayers' money. The Government could intervene and bring an end to the industrial dispute in the mining industry. Whatever one says, the dispute will be costly for the ratepayer. The ratepayers will be involved in the cost of picketing.

Mr. McGregor deceived the Government. He deceived Parliament and the people. He and Ministers told us that a mining dispute would have little impact on the life of the country. I have experienced many industrial disputes. I was intimately involved in the 1972 and 1974 disputes. The present havoc is worse than it was in 1972. If I were

[Mr. Eadie]

a member of the Government, I should be concerned about that. The Government might be able to save money. They should intervene and bring an end to this industrial dispute.

Mr. Skeet: Will the hon. Gentleman give way?

Mr. Eadie: I shall make my speech in my own way. I shall not give way — [Interruption.] If I have the permission of the House, I shall try to argue my case fairly, in my own way.

I shall illustrate why the Government are incapable of intervening. I have shown how strength was miscalculated and how the Government and nation were deceived. Mr. MacGregor came to Scotland last weekend. On the radio he said that the problem was that the NCB had been too honest with the miners. That was an unfortunate remark. It would have been better if he had concentrated on Scotland, which has had six pit closures in the last 15 months. About 3,000 jobs have been lost. Two pit closures are the subject of inquiry. We have called for a further inquiry into the management and administration of the NCB in Scotland. Conciliation has been thrown out of the window. All that we have is confrontation. If it is the aim of the chairman, Mr. MacGregor, to pursue a policy of confrontation, he will lead the Government to disaster, as well as the industry and the nation. The Government must intervene.

I shall give another example. Yesterday Mr. Edwards, the marketing director made a statement on the radio. He was challenged about domestic coal. He said that there was no problem, and that people must realise that winter is ending and we shall soon be into summer. It may be all right for a Hobart house bureaucrat to say that when he is enjoying the climate surrounding Hobart house. However, if he goes further north, he will discover that we get snow in Scotland in May and even in June. What a foolish statement for anyone to make. He tried to redress it. In the evening he was on television, saying that South African coal was being burnt at the NUM headquarters in Sheffield. That gives me a clue to how we could save money for the taxpayer.

Mr. Richard Hickmet (Glanford and Scunthorpe): Is that true?

Mr. Eadie: I hope that hon. Members will bear with me for a moment. As I continue with my speech, perhaps the hon. Gentleman will understand why that could be true, if he is prepared to listen instead of barking.

I understand that the hon. Member for Berwick-upon-Tweed (Mr. Beith) is a good European. I tell him that 73 per cent. of South African coal is exported to the EEC. Most of it lands at Rotterdam. We import 4 million tonnes of coal. Much of it comes from Rotterdam. One never knows whether it is Polish, American or South African coal. It is possible that the coal at Sheffield was South African.

If we had one quarter of the export market in Britain, we would be able to provide 10,000 more mining jobs. That would benefit us financially by £175 million. Therefore, where is the problem of getting rid of the surplus demand of 4 million tonnes, as Mr. MacGregor tells us?

There is another good reason for not importing South African coal. No Government should be associated with South Africa and its policies. How do the South Africans mine coal?

Mr. David Ashby (Leicestershire, North-West): Very well.

Mr. Eadie: I have discussed with mining engineers how the coal is mined. The labour force is taken from the tribes. The first thing that they have to do is learn a common language. Whoever can survive that goes on to the next stage.

Mr. Hickmet: On a point of order, Mr. Deputy Speaker. What have the mining conditions in South Africa and methods of extraction to do with the orders?

Mr. Deputy Speaker (Mr. Ernest Armstrong): Order. Coal imports are within the scope of the debate. Interruptions prolong speeches, and many hon. Members, with good reason, want to catch my eye.

Mr. Eadie: I was explaining how the labour force mining coal in South Africa was trained. I explained that it was gathered from the tribes, who all speak different languages. The first thing that the mining companies have to do is to teach them a common language. It is no joke, by the way. If they pass that, they go on to the next stage, which is shovelling coal to the beat of a gong. If they pass that and are physically strong enough, they go on to the next stage, which is working coal in simulated conditions of the tremendous heat underground. We should not treat dogs in that way. They are allowed to work in the industry only for two or three years. After that time they are sent back to their tribes, probably with their health ruined. That is what happens under apartheid. We should not support the importation of coal from South Africa, either into this country or into the EEC.

My final suggestion would save money, and I hope that — perhaps after the dispute is over — the Government will consider it seriously. The system of conciliation procedures in relation to pit closures has manifestly collapsed. One is entitled under the conciliation and consultation procedure to have a meeting or an inquiry to decide whether a pit should be closed, but one does not go to an independent body — one goes to Hobart house. Hobart house acts as the judge and the executioner, and makes the decision. Is that in the interests of industrial justice?

In the past the system may have worked well, but one of Mr. MacGregor's great contributions since he became chairman has been to destroy it. The procedure needs to be reconsidered. No body, private or public, should be allowed to act as judge and executioner to decide whether one of its undertakings should close or remain open.

I hope that, despite the laughter and the guffaws from Conservative Members, it will be recognised that this is a serious debate. The consequences for the nation could be very serious. I hope that, even if nothing else emerges from the debate, the Government will take heed of what is said by my hon. Friends. I hope that they will embark on negotiations with the National Union of Mineworkers and put at the top of the agenda the need for a policy of conciliation rather than confrontation. If they do so, we shall have a successful industry which will benefit both the miners and the nation.

11.43 pm

Mr. Richard Alexander (Newark): In deference to your wishes, Mr. Deputy Speaker, and to the hon. Members who still wish to speak, I shall be brief.

It is just 20 days since the House debated and approved a Supplementary Estimate for the coal industry in the sum of £289 million. Tonight we are increasing the pension provision, and the concessionary coal arrangements for pensioners. The coal industry has had a very good deal from the Conservative Government in their stewardship of energy since 1979. We are now investing £800 million a year in the industry, or £2 million a day, or £60 a week for every man in the industry. Yet the orders are being debated against a background of unrest in the industry such as we have not seen for 10 years or so. It is being stirred up in some quarters as a crusade against the Government, but most miners realise that strike action is against both their present and their future interests.

I listened with interest to the comments of the hon. Member for Midlothian (Mr. Eadie). According to him, the whole problem is the fault of Mr. MacGregor and of my right hon. Friend. He totally refused to use the word "ballot". That word has not been uttered today by any hon. Gentleman on the Labour Benches. The scandal is that the leadership of the NUM will not allow its members to have a say in their industrial future. Who, in the country and parliament, speaks for the coal miner who wants a ballot and to work? They are not to be found on Opposition Benches. It is Conservative Members with mining constituencies who speak up for the right to work. This side of the Chamber is the bastion of democracy in the coal industry.

The orders reinforce the fact that Conservative Government since 1979 has been good for the mining industry. It has been good on pay, on redundancies and on investment. Conservative Government is good in all of the terms which are of interest to the miner. The Government have given a good deal. Moreover, the Conservative Government are good about ensuring a man's right to work if he wishes to do so. It is the Opposition who have the poor record on closing pits and redundancies and it is they who are representative of the undemocratic element in the coal industry, which does not want the present dispute put to the vote. The mining industry will continue to thrive under a Conservative Government.

11.46 pm

Mr. A. J. Beith (Berwick-upon-Tweed): I welcome the redundancy payments order. When it was first announced it met criticism from two quite different quarters. One comprised those who said—they included people in the NUM and, I suspect, in the Labour party—that it was a process of selling jobs. I heard that criticism levelled against people who have accepted provision under the scheme. As has been said, that is an unfair way in which to speak of people in the industry who are fully entitled to take advantage of such schemes, which I believe are an essential part of the modernisation and change that must occur. I understand the resentment felt by people who have been criticised in that way. Some of my constituents have been criticised by their union or others for accepting provisions to which they are fully entitled after long years of service in the industry.

The second area of criticism came from people outside the industry who asked why they could not have a similarly

generous provision. That feeling is strong in other industries and especially in other parts of the coal industry. My constituents often tell me of people who work in the opencast section of the coal industry which works on an area and then moves on to another. Consequently there are many job losses and redundancies in it. People in that section of the industry are envious of their deep-mining colleagues who get the benefit of schemes such as we are discussing. Moreover, they examine them and realise that chauffeurs, commissionaires, canteen manageresses and many others are included in the miners' scheme. I understand why but that leads to criticism in almost identical industries.

Despite those criticisms, I believe that the scheme is necessary. However, the necessary process of modernisation is not going at all well and to say that the industry is thriving is to be far from the truth. These orders should be part of a positive programme to put the industry on its feet but, for a variety of reasons, they do not look like that.

Serious mistakes have been made by several of the parties involved in trying to put the industry right. There has been a serious mishandling of the situation by the NCB in the accelerated closure programme and in the handling of certain closures. Many hon. Members have had experience of the properly conducted process. When a closure has to be considered because of the nature of reserves at a pit, consultations take place and there is a full review. In a number of recent instances, that has not happened.

Some serious mistakes have been made by the Government. One was the appointment of Mr. MacGregor as chairman of the board. There was no way in which he could win the confidence of the industry, given his age and reputation. That appointment was a mistake. The Government also persist in undermining confidence in the future of the industry by threatening the areas where the future is most at risk with the expansion of nuclear power. In my constituency, the Government threaten to put a nuclear power station next to a coalfield and a coal-fired power station. The decision at Sizewell to allow the nuclear industry to go ahead with some purchasing before the inquiry has been completed further inflames the fears of those in the mining industry.

The NUM's leadership has manifestly made some profound mistakes. I cannot imagine what good the present dispute is supposed to be doing to future prospects or confidence in the industry. The television pictures that we have seen have done immeasurable harm to the industry and caused deep anxiety and embarrassment to many miners.

A trade union with a democratic constitution and tradition is being subverted from the top by people who do not want the dispute to go to a ballot. I have heard it argued in the House that there would be a majority in favour of a strike, but the leadership will not allow a ballot to take place.

Mr. Nellist: Is the hon. Gentleman aware that in Yorkshire, for example, they have had ballots and 86 per cent. have favoured industrial action if pits are threatened with closure?

Mr. Beith: It is obvious that in some areas the men would vote for a strike, but that does not give them the right to go to other areas and physically stop people going to work and prevent them from having a ballot. An

[Mr. Beith]

opportunity to vote should be available for every miner in the coal industry—just as the constitution of the NUM provides. If there is to be a national strike, there must be a national ballot and a 55 per cent. majority is required. Those provisions have not been exercised and the leaders of the union do not want to exercise them because they are frightened that they will not win the ballot. They are frightened of exercising democracy in the industry. They are giving that industry a bad name and many miners deeply resent what is happening. They can see how much harm it is doing to the industry. The mistakes made in those three quarters are doing nothing to promote the good of the industry or to ensure that modernisation takes place.

Some Labour Members seem to imply that if a Labour Government were in power, not a single pit would be closed. The record shows that that has never been the case. We must face reality. There will be closures and there must be expansion in areas where reserves can be won economically. We want to see a commitment to do that, but the prospects for that are being undermined by the mistakes that are being made and we shall pay for them in the future.

11.53 pm

Mr. Richard Ottaway (Nottingham, North): I do not have great experience of energy matters and I am not an expert on the coal industry, but I represent people in Nottingham who are affected by the issues that we are debating and by the crisis in the coal mining industry.

Like other hon. Members, I welcome the orders, but they must be considered in the context of a decline in coal mining since 1947. At that time, there were 1,000 pits and now we have fewer than 200. There is no doubt that we are in a crisis. For how long can we go on subsidising the coal industry as we have been? We have been putting in £2.75 million a day, but the finances of the coal industry are in a serious state. The old, uneconomic pits are draining away all the industry's lifeblood. There are about 38 pits open in Warwickshire, Leicestershire and Nottinghamshire, but they are producing 25 per cent. of the nation's coal. That shows as well as anything which are the inefficient and which are the efficient pits.

The main issue being discussed tonight is redundancy. The industry has sustained heavy losses. It is clear that it is worthwhile to increase the redundancy payments for workers who have spent their lives down pits. For those hon. Members who believe that the redundancy payments are too high, I point out that if we do not have them, we shall go on paying out £2.75 million a day until the cows come home.

The timing of this is good. One of the factors that has not been noticed when we consider the recovery and the levels of unemployment is the number of people who are leaving the job register every month to go into employment. Between 1968 and 1979, the number dropped from 420,000 a month to 380,000. That was the recipe for economic paralysis that we were facing in 1979. Now the figure is up to over 460,000 a month, so if people are having to take redundancy payments they will have the money behind them, and now is as good a time as any to make a move.

There is a pay offer of 5.2 per cent. on the table. It was not accepted by the leadership of the NUM, without a ballot, and there was then an overtime ban, which has lost

the miners nearly £1,000 each to date. In Nottingham, the men were dismayed that a strike over pit closures was then called without a ballot. I am pleased that in the ballot that was held in Nottinghamshire the result was not to strike. That shows the good sense of the people who live in Nottingham. That decision is understandable. We are facing a world surplus of coal, and what is the point in producing coal at £89 a tonne from inefficient pits? We have to fight in this world—we are in an economic war. To carry on with such subsidies for coal does not make sense. This is an attempt to make the coal industry profitable.

People both inside the House and outside have criticised the policing of the picket lines in Nottinghamshire. They say that the police are being too hard. I and the people of Nottinghamshire are grateful for that police activity. The only thing that the critics can say is that the police are being too hard, but that is one-sided criticism. All that the police are doing is the job that they have been asked to do. I remind the Yorkshire miners that by coming to Nottinghamshire they are in contempt of court, and their activities are unlawful. Instead of criticising the police, the critics should look to the NUM leadership. My constituents who work down the pits want a national ballot. The NUM should be giving everybody a say.

The coal industry faces a number of challenges. The Conservative party has shown that it has a clear commitment to the future of the industry. As my hon. Friend the Member for Newark (Mr. Alexander) said, the money that is being invested is a clear sign of our commitment. There must be increased production and demand.

Mr. Nellist: That is why the pits are being closed.

Mr. Ottaway: If Opposition Members want to see increased production, they should look at Japan which is having a recovery from the world recession, with demand up by approximately 5 per cent. We want to see exports up, and imports down.

If we carry on behaving in the way that we are now, our customers will lose confidence. Regular established customers outside the country and in the country will lose confidence in the coal industry. The introduction of measures such as these orders will stabilise the situation so that we can put the coal industry on an even keel.

12 midnight

Mr. Dennis Skinner (Bolsover): The hon. member for Nottingham, North (Mr. Ottaway) raised the question of the police. I have had a telephone call from one of my constituents whose husband has been locked up in Derby police station for 12 hours. That woman was in tears. Her husband has done nothing wrong, except to take part in peaceful picketing. Similar examples can be cited from the Labour Benches again and again, and I hope that they will be.

The orders are all about sacking more miners. The Government can dress them up in any language they like, but the orders are about sacking more miners. This is all part of the "rule of fear" philosophy of the Government, to make sure that more and more people are added to the dole queue so that there are enough people outside fighting for the jobs of those who manage to hang on. The Tory Government have carried out that philosophy from day one.

The man who ought to be getting the sack, apart from all hon. Gentlemen on the Tory Front Bench, is MacGregor. Not only has he smashed the coal industry, he has smashed the steel industry, and he left the Amax in America in one hell of a mess. In March 1982, according to the *Financial Times*, MacGregor left Amax with a deficit of \$390 million, and, according to most informed opinion, he has appointed all the people who were involved in bringing about that deficit. This Government are allowing MacGregor to butcher the coal mining industry when it is known very well that his record is one of dealing with nothing but the short term.

I do not welcome the orders. As my hon. Friend the Member for Midlothian (Mr. Eadie) said, we know that they are all wrapped up with the objective of throwing miners on to the scrapheap. This is what the Government have done in countless industries throughout a five-year period—steel, boot and shoe, textiles, and engineering, in the so-called prosperous midlands. The Government did it with flexible rostering in the railways, which was supposed to produce a more flexible rostering in the railway system, but look what happened. It ended up costing them even more money.

The NGA was another example where the Government joined with Eddie Shah to throw people out of work. Eddie Shah had a job at Granada Television, he got mixed up in a little bit of chicanery, and then he disappeared under a cloud. I am told that he was using the television cameras to look after some of his friends, and that is another story that should have come out at the time. But the police and the Tory Government were not hounding Eddie Shah about breaking the law. The Government are using the police to hound the picketing miners on strike in the coalfields, a majority of whom have been on strike from day one. As for all the talk about the minority, the minority has been at work since the very first day that the Yorkshire coalfield came out on strike. There has been a majority of pits on strike from day one. Those people who continually call for a national ballot are making the preposterous suggestion that the minority should tell the majority what they must do.

Mr. Hickmet: When will there be a ballot?

Mr. Skinner: There will be a ballot when the Tory party chairman faces a ballot for the job that got him an extra £5,000. We will have a ballot when the Tories start practising a little bit of democracy. That is when there will be a ballot, and not until then.

Then there is the question of the closures. Not only will the orders add to the amount of money that the taxpayer has to contribute, but it has already been calculated that the 70,000 redundancies over a period of 10 years will cost the taxpayer £4,300 million. To keep those 70,000 people in jobs, the taxpayer could get away with paying only £2,000 million.

The Government argue in favour of shutting uneconomic pits. I do not know whether Tory Members understand, as my hon. Friends understand, that uneconomic pits vary from year to year. We could examine the records of uneconomic pits in Lancashire, Scotland, south Wales, Yorkshire and Nottinghamshire in one year only to find that in the following year they have moved from being in the red to being in the black. They might have found some decent strata. In many cases, the uneconomic pits that the Government want to close have

extremely rosy prospects. My hon. Friends could cite countless examples of pits that have moved from the red to the black in a short time. [HON. MEMBERS: "Name them."] I can name some in my constituency—Shirebrook, Whitwell, Warsop, Arkwright and Renishaw. All those have been in the red but then come into the black.

Mr. Allen McKay (Barnsley, West and Penistone): Does my hon. Friend realise that not a pit, but a whole coalfield in the Barnsley area, was once scheduled for closure? Next year it will make £21 million profit.

Mr. Skinner: That clearly exemplifies my point. Cortonwood has provided the flashpoint.

Tory Members have trotted out figures about which Government closed the most pits. Before I came to the House I marched against the Labour Government's plans to close pits. I remember the big rally in 1967 at Central Hall. I was in the coalfield before the Tories left office in 1964. About 300 pits were shut during the 13 wasted years of the Tory Government. Pits were closed in Durham and Scotland. Ten pits were closed around Clay Cross in five years. Almost every one was closed by a Tory Government. If Tory Members want to bandy about figures, they should go back before 1964 to do their calculations.

It is proposed to close pits that have had massive investment. At Polmaise, £15 million of taxpayers' money was spent—but then MacGregor came along with his short-term policy and all the money invested to produce good, economic coal has been wasted. He put the lid on it.

People ask what Britain will do when the oil runs out and gas begins to taper off. It is madness to close pits when, even on the most conservative estimate, there are 300 years of coal beneath the ground. Some believe that the figure is even greater. Oil will begin to run out completely after 1986-87, and North sea gas has reserves for only 14 years. Yet pits are to be closed. When a lid is put on a pit, in most cases the coal is sterilised. Some can be mined by the opencast method, but the machines used will not go down 3,000 feet whatever the technological developments.

Mr. Jack Thompson (Wansbeck): There are coal reserves under the North sea that will be sterilised for the same reason.

Mr. Skinner: No opencast machines can get hold of that coal. We are talking about 4 sterilising reserves of which any western economy would be proud. Countless countries in the Common Market, in the east and in the west—including Japan—would like just half the reserves of Britain. Yet the Tory Government will sterilise those reserves for ever and a day. We shall be short of energy as a result.

I want to say a word about subsidies, because the Tory Government are always talking about how much support they give to the mining industry. Indeed, £366 million had to go in interest charges in 1982. That will be around £400 million in the 1983 figures, which are not yet out. There is £200 million for stocking coal. Is that going into the industry? It goes to the banks. They get their fair share.

Then there is the question of marginal pits. The Government believe that it is right and proper to provide £200 million in subsidies for hill farming. This was announced in a statement made here by the Minister of

[Mr. Skinner]

Agriculture. We all agree that hill farming is a sensible idea. Let us get as much produce as we can from our land. It saves on imports. I do not quibble about that. However, if one gives aid to marginal areas of land, one should do the same thing for pits that are only temporarily uneconomic and marginal.

The same is true of North sea oil. The Government introduced a Bill not long ago, which we did not oppose, to give tax relief to areas of uneconomic oil reserves. That made sense. It is right to give some incentive to those companies—they were private companies, although of course they should have been public companies—to develop the marginal reserves of oil. If the Government believe that that is right for oil and agriculture, and many other areas, why do they not believe that it is right for the mining industry? They are only interested in redundancy and introducing orders such as the one we are debating.

Mr. Nellist: Does my hon. Friend consider it fit—
[HON. MEMBERS: "Get on with it."]

If we had a bit more quiet on the Government Benches I could get on. [Interruption.] When the fifth form over there has quietened down, I will get going. Does my hon. Friend think that in closing what they call uneconomic pits and developing super pits, this Government are looking three or four years ahead, to completing a programme of privatisation and returning those large-scale pits to their mates in the energy business, as they are now doing with Britoil and the oil reserves?

Mr. Skinner: I have no doubt that they are harbouring such thoughts in their mind. What has happened in the past few weeks has shown that there are bodies of men in the mining industry who are not prepared to be trampled on in the way that the Government have trampled on the millions of people that they have thrown on their industrial scrapheap. I am proud of the fact—

Mr. Skeet rose—

Mr. Skinner: No. The hon. Gentleman will only represent the oil companies. [HON. MEMBERS: "Vested interests."] I am proud of the fact that a majority of miners have decided to gird themselves to take on this Government and the butcher MacGregor.

Mr. Skeet: What about the ballot?

Mr. Skinner: I believe that the answer for the mining industry does not lie in passing orders. They affect only the margin. They only follow on the devastation caused by this Government, MacGregor and the rest of them who work on their behalf. [HON. MEMBERS: "Get on with it."] What the miners have to do now in every coalfield is to get together and have a united strike. Instead of reducing the amount of coal at Scunthorpe, we shall have a succession of victories during the next fortnight, and give the Government the same medicine that we gave them in 1972 and 1974.

12.14 am

Mrs. Edwina Currie (Derbyshire, South): It is probably a minority view that the debate is not about the current dispute. All that I wish to say about that is that it is a tragedy for the industry, for the union, for all the people and their families who are suffering, many of whom are my constituents. They want a national ballot and

on their behalf that is what I call for. If the right hon. Member for Barnsley, Central (Mr. Mason), who clearly is not on the night shift today, thinks that he will find a better target in opencast mining, which also goes on in my constituency, he had better think again.

The orders before us are about long-term manpower planning, exactly what some hon. Members are calling for. It is the most generous redundancy scheme anywhere in the country and, I suspect, one of the most generous in the world. I welcome it. I also welcome the fact that the Secretary of State has not declared exactly how many people he thinks will benefit from it, thereby perhaps avoiding the mistake of his right hon. Friend the Secretary of State for Social Services in the National Health Service. I am somewhat anxious that if we do achieve 20,000 takers under this scheme, which is the sort of figure that the coal industry is looking for, and if they are mainly men under 50 years of age, which, because of the age pattern of the industry they will have to be, and if they do qualify for the average figure of around £20,000, we are talking about £400 million. That is a very large sum which will have to be borne by the Exchequer. Many Labour Members' constituents will benefit from it and they should be jolly grateful.

The industry must contract its output. Most of what we have heard tonight has been about the problems of an extractive industry, about the need to open new mines and close old ones. It goes further than that. We have been producing too much coal for a long time. It is not just that it is too expensive. We have far too much of it and there are a number of reasons why that should be so. One is that we are still closely geared to the days when Britain depended on heavy industry—steel, shipbuilding and railways. That is no longer the case. That is the industrial philosophy of the 1920s which created the great union that we see today and in which, unfortunately, the political thinking of many Labour Members seems to be rooted. Those industries have gone substantially to the new industrial nations of the Third world. That move has been inevitable. It was bound to happen sooner or later. Our new industries are no longer heavy users of resources, particularly of fuel, in the way that the old industries were.

We are still also geared up to the days of the profligate use of energy. Many houses, schools, buildings, even this place, were built in the days when all fuel was cheap. The pattern of fuel price increases in recent years has led to a tremendous move to conserve fuel. That pattern can only continue. If it does, we shall continue to be producing too much coal, even at the levels, I suspect, to which the NCB is working.

Even if we were to continue to produce the same amount of coal, improved technology in the pits, of which the hon. Member for Rother Valley (Mr. Barron), who is a fairly recent arrival from the pits, will be aware, must mean that we shall require fewer people to produce the same amount of coal. The miner of today, as my constituents never fail to remind me, is not a pick and shovel man, he is a highly skilled engineer, used to working fast in difficult and dangerous situations, handling computer controls and highly sophisticated equipment, and he is used to taking coal at breathtaking speed.

It was most interesting recently to be standing upright in a 10 ft high seam on a long wall mine watching £5 million of equipment taking 1,000 tonnes of coal a shift. Labour Members will have had similar experiences. More

than 60 tonnes per man shift can be taken from long wall mining from walls over 600 ft long in midland coalfields. The miner who does that is doing something that was impossible 10 years ago and would have been an impossible dream to his father. Therefore, whatever we do in this industry the changing pattern of technology will demand that long-term manpower planning has to come.

I also challenge the notion that the movement towards redundancy on the present lines is so unwelcome. Early retirement has led to the formation of a substantial number of retired miners' clubs, and there are a number of them in my constituency. The secretary of one such club told me at a function which was attended by more than 300 people, "Ten years ago a club such as this could not have existed. Ten years ago, a miner crawled out of the pits at the age of 65 and dropped dead, and his concessionary coal was claimed by his widow. That no longer happens because they can take early retirement; the terms are generous and we are glad of that. This club is thriving." Several thousand people in my constituency are eligible to join such clubs. For many of them it is a welcome release.

For younger men, too, the opportunities are often bright. In the 1960s, many mines in south Derbyshire closed. The unemployment rate in my constituency is 6.7 per cent. The miners are welcome workers in other industries, particularly in high technology light engineering. Employers have told me that they seek to employ miners because they are able, hard working, reliable, safety conscious and like working hard for good money. That makes them a highly attractive workforce.

Mr. Jack Thompson: Is the hon. Lady aware that the original idea of redundancy payments was fair and proper in that it was to compensate a person for losing his job and to cover the period between the loss of one job and the finding of the next? That may still be the case in her constituency, with an unemployment rate of 6.7 per cent. In my constituency, with 18 per cent. unemployment, when somebody is made redundant that is the end of the story because there are no other jobs. Miners who were made redundant in my area received their redundancy, but it is now running out. Their redundancy of, say, £20,000 represented two and a half to three years' pay, but it is going and they are in the dole queues. Their chances of getting another job in the area are nil.

Mrs. Currie: About 20 years ago—certainly in 1966, when the present Lord George-Brown represented most of my constituency and had a majority of 18,000—the same things were being said, and they proved to be false.

My answer to the hon. Member for Wansbeck (Mr. Thompson) is that I have a suggestion which, I hope, will be taken up. Hon. Members in all parts of the House should bear in mind that when pits close, as they are bound to do, we should all be better engaged in advising our constituents on how best to use their redundancy money. The greatest tragedy would be if their £20,000 went on Japanese videos and overseas holidays, which is likely to happen.

Mr. Barron: Or foreign cars.

Mrs. Currie: Yes, or foreign cars.

Mr. Barron: What does the hon. Lady drive?

Mrs. Currie: Not only do I drive a Maestro, but I have a coal fire in my house, which is more than many Labour Members can say.

We would be better engaged in getting together, in those areas where there are difficulties, an advisory board composed of members of the local authorities, the NCB, local industry, the CBI and the banks, all of which have good advice to offer. It would not need legislation, but the Government should take a lead and encourage such a move. In the south midlands area—I hope that other hon. Members will take this view—I would be willing to join hon. Members from both sides of the House in setting up such a group. I should like to see the £20,000 and £30,000 redundancy payments with which the miners will leave the pits being invested in the local area to provide a good strong, secure and diversified future for the neighbourhood.

The coal industry has a rosy future. As new mines develop and as old ones close, the price of coal will fall. Anything will sell if the price is right, and I believe that we shall become a net exporter rather than a net importer in years to come. That price change will, in my view, tip the scales against nuclear power. We shall win the argument against nuclear power, not just on environmental grounds—because coal makes a mess, too—but on cost grounds, which is more significant. The price of the future is radical change in the present. A necessary prerequisite is acceptance of such change by the people in the industry. These orders will make that transition smoother and better for all involved.

12.25 am

Mr. Michael Welsh (Doncaster, North): I shall be brief because a number of other hon. Members wish to participate in the debate.

I do not welcome the orders, but accept them—and those points are quite different. I accept the orders because the Government are determined to close pits, whether or not the miners like it. The Conservative party has a majority in the House, so it can implement the orders.

The orders will mean that the lads from closed pits will receive a bob or two. I am not criticising that measure. I would prefer the young men on the pits to fight hard to keep the pits open so that they can work rather than be thrown on the scrap heap, as will happen, as sure as God made little apples, when the orders are accepted.

The hon. Members for Nottingham, North (Mr. Ottaway) and for Newark (Mr. Alexander) referred to the Government's large investment in the industry. I do not dispute that. To where can the NCB go for money? It can go only to the Government. Before the Conservatives came into office, the NCB obtained a large sum from the EEC. Immediately the Conservatives were elected to office, the Chancellor of the Exchequer wrote to the EEC saying "No more borrowing for the Coal Board because if it borrows from you those funds will be part of the public sector borrowing". The Government do not allow the NCB to borrow on the open market. It is all very well to say that the Government of the day loan money to the coal board, but as a nationalised body, the NCB can borrow only from the Government by an Order in Council. We should get the facts right. The coal board has dearly paid interest. At times the NCB could have borrowed the money more cheaply.

The hon. Member for Nottingham, North referred to the duties of the police in Nottinghamshire. On Thursday, I

[Mr. Michael Welsh]

was on the picket line. With respect, Mr. Deputy Speaker—I shall not go into the matter at great length, as that would not be right, and I shall accept any comment you make—there is a shadow of doubt, to put it mildly, that the police are carrying out their duties as they should. A number of them are going to extremes. They are not from Yorkshire, but from other areas. Conservative Members should be careful when saying that they agree with everything the police do. On Thursday morning, I was terribly embarrassed to see a policeman smash a car and window with a crowbar.

Mr. Deputy Speaker: Order. The hon. Member must not persist with that matter, as he well knows.

Mr. Welsh: I am sorry, Mr. Deputy Speaker. I thought that that would be a fair comment to make after the speech of the hon. Member for Nottingham, North.

The aim of the order is basically to encourage miners to accept unemployment. They should not do so. Instead, they should try to change the NCB's mind so that pits are kept open. The miners should show the NCB and the Government that the actions of the NUM are in the national interest. It has been repeatedly proved that even the closure of uneconomic pits is against the national interest. From this year, British oil supplies will decrease so that in four years there will be about 25 per cent. less available. That is equivalent to 42 million tonnes of coal.

From where will the country get energy if the Government continue to close pits? If energy supplies are obtained from abroad, a tremendous amount of unemployment, embarrassment and an intolerable balance of payments situation will be created. There is, in effect, only one shaft in Britain, and it is made up from all the individual shafts, and if a pit is closed the shaft is narrowed. Once that happens, it is impossible to extract more coal, irrespective of demand. Our oil and gas reserves are being depleted, but almost any form of energy can be produced from coal. That production can take place only if we own the coal and mine it. If we fail to do so, the consequences for the United Kingdom will be dreadful. Those who want to close pits are not considering the long-term national interest. The closure policy is based merely on short-term profit.

All Governments since the second world war have made the mistake of not giving sufficient support to the mining industry. The industry never demanded the market price for coal. If it had done so, it could have invested without borrowing. It did not demand that price because it thought that it was correct to keep the cost of living as low as possible. Later Governments of both major parties closed pits and, to the nation's embarrassment, depended on cheap oil. Everyone was happy when cheap oil arrived and pits were closed. When someone turned off the tap and reduced the supply of oil, it was necessary to mine more coal. If we close more pits, we shall embarrass the nation in the years to come when other energy reserves are depleted.

The only Government who worshipped the mining industry, looked after it and realised what coal meant to the nation were the war-time Government led by Winston Churchill. He realised that coal was vital and he would not allow any miners to join the army. He appreciated the

nation's great need for coal. By and large, his was the only Administration that understood the extent of the benefit that coal could bring to the nation.

The NUM is acting in the nation's long-term interest. When it is striking or taking other industrial action, it is doing so to ensure that our children have a source of energy that will enable them to survive. That is a good, sound policy. I say to all those who are assembled in the Chamber—it is a full House for this time of night—that those who have the country's interests at heart should support the Yorkshire area of the NUM in its fight to keep pits open and to protect our future energy supplies. It is a policy that will bring great opportunities to Britain.

12.34 am

Mr. Francis Maude (Warwickshire, North): I shall take up some of the issues raised by the right hon. Member for Barnsley, Central (Mr. Mason), who has unfortunately disappeared from the Chamber. The right hon. Gentleman talked about the need to close certain sectors of the coal mining industry. He directed himself especially to opencast mining. He appeared to argue that because opencast mining yields cheap coal it should be closed to enable Britain to continue to produce more expensive deep-mined coal. That is one of the most remarkable pieces of logic that I have ever heard and I am not surprised that he has not stayed to hear it debated.

The right hon. Gentleman referred also to imports and the need for us to reduce them to protect the expensive deep-mined coal that is produced at home. We have a net surplus of coal. We export nearly twice as much coal as we import. We import only specialist coals that we cannot produce in sufficient quantity or at anywhere near a price that is realistic. When we are digging out of the ground specialist coal at well over twice the price at which it can be bought elsewhere that makes no sense. To suggest that we should cut imports to do that is to resort to the economics of the madhouse.

I wish to refer to some aspects of the present dispute in the mining industry. My constituency contains the whole of the Warwickshire coalfield which is, by and large, profitable and has a moderate work force. It was given the chance to decide its destiny in the last month and it voted by five or six to one to stay at work. The workers have stayed at work, by and large, in the face of appalling pressure and intimidation. Pickets from other parts of the country, who have no interest in the future of Warwickshire pits, have been there most days. Workers have been subjected to threats of damage and injury to themselves and their families. Because of their toughness, commonsense and dedication to their industry they have, in large part, remained at work.

The hon. Member for Bolsover (Mr. Skinner), in what I assume to be a passionate speech, made no mention of the ballot taken in north Derbyshire. That is not particularly surprising since that ballot decided, as have almost all similar ballots, that the miners want to carry on working. He seeks, as do leaders of the NUM, to deny members the chance to decide their own destiny. He will not be able to complain when, in due course, the NUM tears itself apart.

It makes no sense to continue producing coal that nobody wants to buy because its production cost is too high. We and the Opposition have the same aim. We want the British coal industry to produce coal at such a price that it can compete overseas, so that once again Britain can

become a major coal exporting country. We take a different route to achieve that. We want to develop the coal industry so that we produce coal at below the price at which it can be sold. In that way we can compete genuinely in the world market. The Opposition want to bring prices down to such a level, not by extra competitiveness, but by milking the taxpayer. They are the same people who complain about increases in electricity prices. They do not recognise that the price of electricity could be reduced substantially if the price of coal were not kept at such an uncompetitive level. The people who complain about the high price of electricity want the subsidies to be kept high and the expensive pits to be continued. That makes no sense at all.

The aim of all hon. Members with commonsense and a genuine commitment to the future of the coal industry should be to get the average price of coal down—not by milking the taxpayer, but by closing uneconomic pits and developing profitable areas.

The south Warwickshire coalfield is potentially profitable. It is the most profitable in the country. When that is developed we shall be able to reduce the average price of coal from British coalfields substantially. That will enable us to become, once again, a major coal exporter. I look forward to that day because my right hon. and hon. Friends have a genuine commitment to the coal industry based on realism, common sense and an understanding of the economic facts of life. It is those facts of life that Opposition Members have wilfully failed to recognise in the debate.

We are debating one part of the necessary machinery to reach that end. It will be a painful process, but it must be done. The sooner it is done, the better.

12.40 am

Mr. Allen McKay (Barnsley, West and Penistone): I should like to take up one or two points made by the hon. Member for Warwickshire, North (Mr. Maude). He and other hon. Members mentioned that my right hon. Friend the Member for Barnsley, Central (Mr. Mason) was not here. They have forgotten that he was the Secretary of State for Northern Ireland, and there are always problems about security. He had certain commitments, otherwise he would have been here.

I almost closed a coalfield, principally because it was uneconomic. However, it survived, and will make a substantial profit next year. Therefore, when people talk about economics in the coal industry, they should be careful. They should consider the repercussions of a colliery closure not only on the village but on the businesses in the village, as the effect can be devastating. There is also an effect on the economies of local authorities, because the area's rateable value goes down vastly when a colliery is closed. That makes one see why collieries should be kept open.

Such arguments remind me of what my old industrial relations officer said when a certain person was making a botch of colliery closures. I closed 20 collieries on behalf of the board, so I know exactly what that means, and the heatbreak that it causes. Closures should not be dealt with in the way they have been recently. That has caused many problems.

My old industrial relations officer said to that person, "I understand you have two degrees, lad." He replied, "Yes." The officer said, "Hang 'em behind the door. You

work for the coal industry now, and will not need them here." We need not economics but sheer common sense. That is one of the problems in the coal industry.

The unions are committed to policies for the 1980s for an efficient and expanding coal industry. They want to retain the work force, and they want there to be more capital investment. This is no time to use short-term measures for short-term market situations because eventually one will find oneself without a coal or energy industry. We could import coal, with everything that entails, but that is not the right course.

I refer to a colliery in the constituency of my hon. Friend the Member for Wentworth (Mr. Hardy). Cortonwood is on the borders of my constituency, and is a sister pit to the one in which I spent 20 years of my life. Some 116 of my constituents went to that colliery on the understanding that they would have at least five to six years' work, and then would be made redundant. They did not want to go to that colliery in the first place. They told me that they would prefer to be at another colliery at any time. They preferred not to work there because of the conditions. They were given that promise, and were happy with it. However, five weeks later they were told that the colliery was to close.

What caused that decision to be made? I know the area director well. He would not have made such a decision. He promised to keep Elsecar colliery open for five or six years. He said that it made such a contribution to the prosperity of the NCB that it deserved that five or six years' life. However, the decision to close Cortonwood was a completely different type of decision, taken only five or six weeks after my constituents went there. Why was it made? It is no use having a colliery review procedure that has stood the test of time if a boss in the NCB instructs the area directors immediately to close collieries without going through that procedure. That is what happened to Cortonwood colliery and why we have the problem now. It did not go through the review procedure or even start the first stage of it. It was a case of immediate, effective closure. That is why the area directors are incensed. That is why the NUM and the mineworkers are incensed. They are fighting for the jobs. They see what is happening under Mr. MacGregor.

If ever an industry needed confidence, the coal industry needs it now, and there is no confidence in the chairman of the NCB. We know what happened to the steel industry. Mr. MacGregor is recognised as a butcher. The Government should not have put a butcher in that job. There were enough people in the management of the mining industry who could have used the "softly, softly" approach — as Norman Siddall recommended — in conjunction with the unions. We would have ended up with an efficient mining industry that paid its way. It would have taken longer, but not much longer. Now, a climate of industrial relations which took 20 years to build up has been destroyed in five weeks.

Irrespective of feelings and ideology, a time has to come when action stops and talking starts. There must be a change in the present battle, and the Government must swallow their pride and bring about that change. Now is the time to take a hand in what is happening in the coalfields. If the Government do not do so, they will end up with bad industrial relations and a bad industry—an industry that they never envisaged. The time has come to take action before it is too late and the Government must swallow their pride and do it.

12.47 pm

Mr. Richard Hickmet (Glanford and Scunthorpe): I have given an undertaking to speak for only five minutes, and I shall try to keep to it. However, it is only right that when these orders are being debated hon. Members should realise the effect that the Yorkshire mineworkers' action is having in my constituency, which includes the Scunthorpe plant, one of the five major integrated steel plants in the country.

I remind hon. Members that since 1981 there have been 11,000 redundancies at that plant. In addition to that, many people whose work is dependent upon that industry have lost their jobs, without the benefits of the redundancy payments that the steel workers receive.

Currently employed at Appleby Frodingham and associated works there are 6,800 people whose jobs are on the line, courtesy of Mr. Arthur Scargill. That is disgraceful. The Appleby Frodingham steelworks in my constituency is working at half time. It will be able to continue working for perhaps two or three weeks. After that, people will be laid off and the works will no longer be producing steel.

Hon. Members should realise the consequences of that. In the past three or four years, the British Steel Corporation has been through a process of rationalisation. It has been increasing its productivity and its competitiveness. For Appleby Frodingham, all of that is now at risk. If Appleby Frodingham stops producing steel, no steelworks in the country is secure. The works will have to let down its customers. If coal does not get into the plants the coke ovens will be damaged, the blast furnaces will be damaged, and Scunthorpe will die. That is a shame.

Arthur Scargill is mucking about in the High Court pretending to be a QC when he should be calling the national ballot that the moderate members of his executive have demanded. I do not accept that that man should condemn the people of my constituency to unemployment when he does not have the guts to face his own mineworkers. The policy of Arthur Scargill is selfish and is condemning my constituents and mineworkers to a policy of division, which fails to recognise realities.

My constituents will not get anything like the redundancy payments that Arthur Scargill's Yorkshire miners will get. They will have no choice about being made redundant. We have heard that no miner who does not want to be made redundant will be made redundant. That is not the case in my constituency where 6,800 jobs are on the line. Is the right hon. Member for Salford, East (Mr. Orme) in favour of a ballot of the membership of the NUM or not?

12.50 am

Mr. Terry Patchett (Barnsley, East): I do not believe in wasting words and much of what I intended to say has been said. I never cease to be amazed by the apparent surprise of Conservative Members at circumstances in the industry. I believe that they have been designed and that these orders are part and parcel of that design. The pension scheme should be of the same quality as the redundancy payments scheme.

I question the origins of the scheme and the identity of its initiator. It is a useful weapon for Mr. MacGregor, with his plans to decimate the mining industry. I cannot help thinking that the scheme and much that is now happening

were planned long ago. I cannot help thinking that these were the terms that were laid down by Macgregor in the protracted negotiations that took place before he took over the chairmanship of the National Coal Board to settle compensation for the firm that lost his services. I believe that the increase in redundancy payments was part of a careful Government plan to break the back of the NUM, regardless of the nation's interests. The angling of the closure of Cortonwood that sparked off the present unrest was no accident.

I hope that the Government realise what a dangerous path they are treading. We might be getting close to a police state if my suspicions are right. If my fears are wrong, I challenge the Minister to tell us what was discussed at the negotiations on the employment of this man MacGregor. Were redundancy terms for miners a topic? To what extent is the Government's attitude anti-trade union and what will the Minister do? He must answer those questions as he must concede that it took quite a while to negotiate Mr. MacGregor's contract and the compensation for his American company. I refuse to accept that the talks concerned only Mr. MacGregor and his future. I believe that the quality of manager to be found in the British coalfields far exceeds that of Mr. MacGregor, but that his talents, which appeal to the Government, are more in line with their anti-trade union thinking.

12.53 am

Mr. Neil Hamilton (Tatton): Yesterday, I went to the Library—the hon. Member for Bolsover (Mr. Skinner) will know where that is—and took down from the shelves a volume of the statutes of 1946 and opened it at the Coal Industry Nationalisation Act 1946. I do not know whether there is a copy of that Act in the library of the Department of Energy or in Hobart house, but I recommend my hon. Friend the Minister to look at it once again, especially section 1 (4), which says:

“(4) The policy of the Board shall be directed to securing . . .

(c) that the revenues of the Board shall not be less than sufficient for meeting all their outgoings properly chargeable to revenue account . . . on an average of good and bad years.”

The truth is that in 1981-82, far from balancing the books, the NCB lost £428 million, in 1982-83 it lost £485 million and this year it is set to lose a staggering £1.145 billion, all paid by the taxpayer. On top of that, we invest about £700 million or £800 million per annum.

What is the return on that investment? I tabled a question last year about investment in the coal industry and an interesting figure was revealed in the answer. The total capital stock of the NCB is £6.3 billion and the return is not the 8 per cent. that one would get from putting one's money in the bank or the Post Office. It is not even 5 per cent. It is minus 5.9 per cent. So not only is the NCB not balancing its books from year to year and producing a nil return on investment, but it is eating up the nation's capital year by year and impoverishing the rest of British industry.

The rest of British industry, which has to survive on its merits and not on annual handouts from the taxpayer, has to suffer the massive disadvantage of high electricity prices. The steel industry is being crucified partly because of electricity prices. Sir Walter Marshall, the chairman of BSC, has said that a 10 or 15 per cent. reduction in electricity prices could be made if the NCB obeyed the injunctions laid down in the statute that set it up.

The time has come for the rake's progress in the coal industry to stop. I have said that in various debates since I was first elected in June. It is stupendous that we should be asked month after month to add another £100 million here and another £200 million there to the NCB's losses and accumulated debts.

My hon. Friend the Member for Glanford and Scunthorpe (Mr. Hickmet) pointed out that the unfortunate workers in the steel industry, who are being put out of work partly by Arthur Scargill and his like, cannot benefit from the sort of scheme proposed in the order. Nor can the workers of Associated Octel, in my constituency, who are being put out of work by the Government's mistaken decision to phase out the lead additives in petrol.

It is remarkable that a 49-year-old man with 33 years service in the coal industry can leave with the massive total of £36,480. All that the workers in my constituency will receive on redundancy is their entitlement under the Employment Protection (Consolidation) Act 1978 and whatever private industry can pay them out of the profits that they have earned over the years. They cannot be paid out of losses that have been accumulated and charged to the taxpayer.

I regard the order with mixed feelings. The coal mining industry has regarded the taxpayer as a soft touch for too long, and Conservative Governments have been the softest touch of all in many ways. The time has come to stop that. No one disagrees with the need to provide compensation for miners who are made compulsorily redundant—no one could say that the scheme is not generous—and the cant and hypocrisy that we have heard from Labour Members misrepresent the situation.

The coal industry can look forward to a secure future if we get it producing coal at prices that make it competitive on world markets. The jobs of miners will always be on the line while the NCB is turning in massive losses year after year and depending on handouts from the taxpayer to stay in business.

The massive misallocation of resources and squandering of the nation's resources that have occurred in the coal industry since nationalisation have drunk the oil from the North sea. The tax revenues from the North sea have been poured down the coal mines. The time has come for that to stop.

I call on the Government to think about this problem for the future, and not be such a soft touch the next time. We must get the coal industry back into proper order, and the Government must ignore the siren voices on both sides of the House that say that we can ignore these massive losses, which are a weight around the neck of profitable private industry.

While I shall not be dividing the House, I regard these orders with less than equanimity. My hon. Friend the Minister should recognise, unlike my hon. Friend the Member for Bury, North (Mr. Burt), that some Conservative Members are apprehensive about the difficulties that this will cause to the rest of British industry, from which our wealth is created. I speak for those workers in my constituency who have always worked for profitable industry and paid the taxes to fund the losses of the coal industry. They are now being made unemployed, and have the galling experience of seeing the coal miners gobble up extra redundancy payments as well. I send the message from my constituency to my two hon. Friends on the Front Bench that we shall not stand for this for ever.

1 am

Mr. Peter Hardy (Wentworth): Many of the speeches this evening have referred to Cortonwood colliery in my constituency. I do not have time to defend that pit or any other in south Yorkshire, although they could be defended admirably against the rather shallow judgment of the hon. Member for Tatton (Mr. Hamilton). Suffice it to say that I have appealed to the NCB to take a more intelligent attitude about Cortonwood, particularly because of its central position in the current dispute.

I suggested to Mr. MacGregor that if he wished to make a sensible contribution at this difficult time—the Minister will recall that I gave warnings about this a fortnight ago—he should withdraw the improper and unconstitutional decision to close Cortonwood, and put its future back on the table for negotiations. I have not suggested that the NCB should go into a surrendering rout in the face of the NUM workers, but I have suggested that there should be tri-partite consideration. As the circumstances surrounding the closure of this pit are highly unsatisfactory and questionable—although I do not have time to present the evidence that the Minister knows that I can produce—I hope that the Minister will pass on some message to the NCB that will bring the future of the colliery back into question.

I welcome any improvement in early retirement terms, but if we are to ease the path of the contraction of the industry by extremely large payments to those under 50 while introducing such suspect proposals as those that we have had from Mr. MacGregor recently, there will not be any of the peace in the industry that hon. Members on both sides of the House would like to see achieved.

1.3 am

Mr. Orme: With the leave of the House, Mr. Deputy Speaker. My hon. Friend the Member for Wentworth (Mr. Hardy) has gone to the heart of the problem facing the mining industry. We heard the voice of the Institute of Directors, and that did not reflect the feeling of this debate, which has been a serious one about a serious issue. We want to see the end of the dispute as soon as possible, so the talking must start. We said to the Government that we want them to play a part in bringing the three sides together so that they can sit down and discuss the important issues.

We put it to the Conservative party that there are real alternatives, which are based on consultation, the shelving of the MacGregor proposals, and the ending of pit closures. Those are the proposals that I put forward to the Government. I hope that the Minister will address himself to those points, because they are central to the debate.

1.5 am

Mr. Giles Shaw: With the leave of the House I shall reply to the debate, which has ranged over three hours, and over a considerable number of aspects of the present position in the mining industry, together with the orders under debate. I wish to deal briefly with two or three points before I come to the points made by the hon. Member for Wentworth (Mr. Hardy) and the right hon. Member for Salford, East (Mr. Orme).

The right hon. Member for Barnsley, Central (Mr. Mason) called for a cessation of imports, and of opencast production. Imports are now roughly at their 1979 level, namely, 4 million tonnes of coal in short supply here, and this is in no way a significant contribution to demand in

[Mr. Giles Shaw]

this country. I remind my hon. Friend the Member for Derbyshire, South (Mrs. Currie) that we are a net exporter of coal, and that has been a significant change in the last few years.

I understand that the negotiating machinery is under strain at present, a point to which the hon. Member for Midlothian (Mr. Eadie) referred.

On the key question of Cortonwood, to which the hon. Member for Wentworth referred, whatever views may have been expressed about that pit, and the announcement thereon, I assure the House that the board is prepared to re-convene the colliery review meeting before any further steps are taken in that regard. So far as I understand it, the NUM has not responded to that view.

In connection with the Bogside, which in the last debate on the subject was of great concern to the hon. Member for Midlothian, there was to have been a special consultative meeting with the unions on 13 March which would have considered the possibility of mining the Bogside reserves from elsewhere in the Longannet complex. As the hon. Gentleman knows, it was not possible for that to take place, because of the present problems. I want to reassure him that the importance of the review procedure is well understood, and the importance of retaining its viability and its acceptability is equally fully understood.

The question before the House is in part the redundancy payments, and in part the fact that the redundancy schemes are part of the re-structuring process. My hon. Friends have made it clear how concerned they are at the scale of the payments, and that there has not yet been a significant improvement in the performance of the board. It must be of great concern to hon. Members on both sides of the House that the improvement in productivity in recent years should be sustained and increased. All that the board seeks to do at present is to get a better balance between what the market will take and what the industry can produce, and to do it by reducing the least profitable parts of the industry's network.

I have to remind the House that the absolute amount required for 1984-85 is a reduction in total volume of some 4 million tonnes. This spreads across the areas, but there are some where there is an increase, not a reduction, and there are five areas where significant profits are being made. The largest single reduction out of the 4 million tonnes required is 1.4 million tonnes, coming from the north-east. The north-east takes the largest reduction of volume, yet in that area, as the area director has made clear, the changes that are required to achieve that reduction have largely already taken place, and have been announced, so that there is no further change to be made which is not already known, and accepted, within the north-east.

In south Yorkshire, as we know, Cortonwood, about which an announcement was made earlier this year, is the

only single pit, as I understand it, that will be closed in relation to the achievement of the target so far announced for south Yorkshire. I beg the House to understand that there is a wide spread of the reductions, but, equally, there are many areas in the board's twelve areas which have a satisfactory rate of prospect of increasing their profits and their volumes.

The intention is to provide an industry which can achieve financial viability, not just for the sake of reducing the public sector borrowing requirement, although that would be a sufficient reason, but because it would satisfy the consumer in terms of the price of fuel. That is why my hon. Friend the Member for Glanford and Scunthorpe (Mr. Hickmet) was correct. Unless we can produce coal at a price at which the steel industry is prepared to buy, and with security of supply, we have no business whatever in viewing the coal industry with a view to investment.

We are determined to invest in the future of the industry, just as we are determined to invest in its restructuring so that it can be even more profitable than it has shown itself capable of being in certain areas in the past.

Mr. Lofthouse: The Minister said earlier that the order covered the continuity period for disabled mineworkers. The new clause that I withdrew during proceedings on the Coal Bill in 1983 concerned 37 miners who had been made redundant and lost out under the Contracts of Employment Act. Will they be compensated?

Mr. Shaw: I understand that they will be in relation to the ex gratia payments to which I referred in my opening remarks.

In the circumstances, the debate has been extremely good natured. I am appreciative of the way in which the House has handled the issues. I know how difficult it is for hon. Members coming from areas where there is genuine industrial difficulties. If the debate has achieved a single thread, it must be that there is great concern on both sides of the House that the industry should recover its poise to become a major producer of energy. It is part of the Government's intention that, by backing the industry with the financial provision that we have made, there can be no question of our commitment to the future viability of the industry. I beg the House to approve the order.

Mr. Dave Nellist (Coventry, South-East): There are still some minutes left.

Mr. Deputy Speaker (Mr. Harold Walker): Order. *Question put and agreed to.*

Resolved,

That the draft Mineworkers' Pension Scheme (Limit on Contributions) Order 1984, which was laid before this House on 7th March, be approved.

Resolved,

That the draft Redundant Mineworkers and Concessionary Coal (Payments Schemes) Order 1984, which was laid before this House on 9th March, be approved.—[Mr. Giles Shaw.]

E.P.

c.c. Mr Harris

cc Mr Partidge
Mr Hilary
Mr Hamilton
Mr Mower



Mr Caffarey

The Home Secretary was extremely grateful for Sir Brian Cubbon's note of 27 March drawing his attention to correspondence in early 1979 between Mrs Thatcher and Mr Rees regarding advice to the police about dealing with pickets. He has noted that he was indeed involved in the correspondence, having in fact drafted some of the letters.

2. The Home Secretary was very glad to have been reminded of the correspondence and agrees with Sir Brian's assessment that there is nothing in it, on either side, which is particularly difficult in relation to the current posture. He has commented:

"It's all impeccably argued on both sides and not at all embarrassing!".

RECEIVED
28 MAR 1984
STATE

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Private Office
28.3.84.

H H TAYLOR
Principal Private Secretary

127
hcc: Mr Partridge
Mr Hilary
Mr Harrington
Mr Mower

From: Sir Brian Cubbon
27 March 1984

cc Mr R Harris

Secretary of State

.....
I believe that you were personally involved in the attached correspondence in early 1979 between Mrs Thatcher and Mr Rees, then Home Secretary, about advice to the police about dealing with pickets. I thought that you might like to glance at it again. I see nothing in it, on either side, which is particularly difficult in relation to the current posture.

Although the Home Office papers containing^{ain} the correspondence are strictly in the category of "papers of a previous Administration", I think it is entirely right to show you the correspondence, if only because of your previous involvement and, I believe, the publication of, at any rate, some of the letters.

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27 March 1984

From

The Rt. Hon. Mrs Margaret Thatcher

Conservative & Unionist Central Office, 32 Smith Square, Westminster SW1P 3HH

24th April 1979

Dear Nelson

Thank you for your further letter of 12th April about the position of the Home Secretary and the police as regards the law and picketing.

I have not suggested that you gave instructions to the police, but have suggested that you have given them advice. Innumerable statements are, of course, made in Parliament and by outside bodies such as the Trades Union Congress. By singling out particular statements and passing them on to chief officers of police you were in my view by implication advising the chief officers of the particular relevance of the points made in the statements to the discharge of their duties. I can see no other purpose in making such communications.

As regards the Trade Union and Labour Relations Acts of 1974, I note your reiteration of the view that you have previously expressed, but as you do not give any fresh reasons for holding it, I need not myself elaborate further on the differing view on these points that I have expressed in my earlier letters.

The Rt Hon Merlyn Rees

*Yours sincerely
Margaret Thatcher*



QUEEN ANNE'S GATE LONDON SW1H 9AT

12 April 1979

Thank you for your further letter of 23th March about the position of the Home Secretary and the police as regards the law and picketing.

It is, and has always been, common ground between successive administrations that it is not the task of the Home Secretary to give instructions to the police about the day to day conduct of their job and that includes the enforcement of the law. Nor is it the Home Secretary's function to interpret the law. I am surprised that you should believe that, in passing on to the police the guidance issued by the Trades Union Congress or statements made in Parliament, I was seeking so to do. As my earlier letters made clear there are many circumstances - not just where there has been a change in the law - when it is appropriate for the Home Secretary to draw the attention of the police to particular developments.

As regards the Trade Union and Labour Relations Acts of 1974 and 1976, I am not persuaded that the possible effect of this legislation on the application of the Conspiracy and Protection of Property Act 1875 is of practical importance. I remain of the view that the point is narrow and legalistic. As I explained, the police have not suggested to me that this has had any effect on the proper enforcement of the criminal law in recent disputes.

M. Hees

The Rt. Hon. Margaret Thatcher.



The Rt. Hon. Mrs. Margaret Thatcher, M.P.

HOUSE OF COMMONS
LONDON SW1A 0AA

28th March 1979

RECEIVED BY
28 MAR 1979
PRIVATE SECRETARY

Dear Sir,

Thank you for your further letter of 23rd March about the position of the Home Secretary and the police as regards the law and picketing.

I am glad to note that you accept that there may be occasions, such as the one arising in 1972, when it is appropriate for the Home Secretary to give guidance to the police, even if there has been no change in the law.

It seems to me, however, that your own examples of such guidance cannot properly be described as amounting merely to 'keeping chief officers informed of developments'. By passing on to chief officers the TUC's guidance to its affiliated unions on the conduct of industrial disputes you were, expressly or by implication, endorsing that guidance and suggesting that it was relevant to the discharge by the police of their own duties relating to industrial disputes. There have after all been many other statements of opinions as to the proper conduct of industrial disputes which you have not chosen to pass on to the chief officers. It is therefore in my view disingenuous to seek to minimise the proper role of the Home Secretary by describing such action as if it amounted to no more than conveying information.

I also find it surprising that you state that the Home Secretary does not interpret the law to the police, in view of the fact that you also state that you have drawn the Attorney General's statement of 25th January to the attention of chief officers of police. That statement undoubtedly amounted to an interpretation of the law



which you were again, at least by implication, endorsing.

I do, however, agree that it is not the task of the Home Secretary to give instructions to the police about the day to day conduct of their job and I have never made any suggestion to the contrary.

With regard to the Trade Union and Labour Relations Acts of 1974 and 1976, it is of course true that those Acts do not directly alter the criminal law, but they certainly do so indirectly.

In your letter of 7th February you cited the definition of lawful picketing in the 1906 Act in the context of police responsibilities with regard to picketing. In so doing you rightly accepted the relationship between the civil law and the criminal law in this area.

Section 7 of the Conspiracy and Protection of Property Act 1875, in the words of the Donovan Report, remains a statement of offences which pickets, as well as others, must avoid committing. (Paragraph 867). Moreover, according to the Encyclopaedia of Labour Relations Law that section is 'perhaps the most important provision to affect the criminal liability of those who embark on industrial action.' A person is only guilty of the offences set out in Section 7 if the acts described in that section have been committed 'wrongfully and without legal authority'. By making substantial changes in the civil law and greatly extending immunities from action the 1974 and 1976 Acts made many acts which previously would have been committed 'wrongfully and without legal authority' lawful, and therefore no longer a criminal offence under Section 7. This view of the relationship between changes in the civil law and criminal liability under Section 7 is fully reflected in paragraphs 863 to 868 of the Donovan Report.



I do not therefore regard this point as a narrow or unimportant one. The changes in the law in 1974 and 1976 have prevented the police from taking action under Section 7 in many cases where they could previously have done so. That is an important and in my view most undesirable consequence of this legislation.

Yours sincerely
Raymond

The Rt Hon Merlyn Rees MP



QUEEN ANNE'S GATE LONDON SW1H 9AT

23 March 1979

Thank you for your further letter of 20th February about the constitutional position of the Home Secretary and the police as regards the law and picketing.

On the question of guidance to the police there is no need for confusion. I have never sought to suggest that the only occasion when it would be proper to issue a circular to Chief Constables is when there has been a change in the law. It was quite reasonable in 1972 for the Home Secretary of the day to wish to draw to the attention of Chief Constables views that had been represented to him about the value of contacts between senior police officers and trade union officials. In the same way, during the current industrial disputes, I have drawn to the attention of chief officers of police both the statement the Attorney General made in the House of Commons on 25th January and the guidance which the Trades Union Congress has since issued to its affiliated unions on the conduct of industrial disputes. As you know, the latter document again places emphasis on contacts between union officials and the police. In addition I have, of course, brought to the attention of chief officers individual allegations of breaches in the criminal law put to me in the House or in writing by Members of Parliament.

There is, however, an important distinction, which I must re-emphasise, between keeping chief officers informed of developments in this way and instructing them how the law should be enforced. It is fundamental to our system of government that the Home Secretary does not interpret the law to the police or intervene in the operational responsibilities of chief officers, and this view has always been common ground for successive administrations.

As regards the Trade Union and Labour Relations Acts of 1974 and 1976, I would not accept the link you draw between the criminal law and the changes then effected. As the Attorney General made clear in his statement on 25th January, the enforcement of the criminal law is the responsibility of chief officers of police but the enforcement of the civil law is not. It is for those who suffer damage in consequence of civil wrongs to bring civil proceedings in the courts to restrain the commission of those civil wrongs or to recover damages. But it is not the role of the police to intervene on behalf of one or other party to a civil dispute nor to enforce any judgment obtained in the civil courts.

Of course I would accept that the 1974 and 1976 legislation altered the law as you suggest by making picketing lawful in circumstances where it might previously have been unlawful as involving the civil wrong of inducement of breach of contract.

/But that,

The Rt. Hon. Margaret Thatcher, M.P.

But that, as I have explained, is not a matter for the police. There has been no change of substance to the criminal law. No immunity has been conferred on pickets from criminal proceedings for obstruction, for threatening, abusive or insulting behaviour, for intimidation by the use of weapons or similar means or for demanding money with menaces, under the Trade Union and Labour Relations Act or any other legislation enacted in the current Parliament. The only possible argument that can be advanced is that in extending the definition of "trade dispute" to remove the host of anomalies to which the Donovan Report rightly drew attention, the Trade Union and Labour Relations (Amendment) Act 1976 may have extended an immunity which the Conservative Government had conferred on pickets in section 134 of the Industrial Relations Act 1971 by providing that attendance for the purpose of obtaining and communicating information did not constitute an offence under section 7 of the Conspiracy and Protection of Property Act 1875. But this is at best a narrow and arguable point which I do not believe has had any effect on the proper enforcement of the criminal law by the police in recent industrial disputes.

M. Lees



The Rt. Hon. Mrs. Margaret Thatcher, M.P.

HOUSE OF COMMONS
LONDON SW1A 0AA

20th February 1979

Dear Mr. Naylor,

Thank you for your letter of 7th February about the position of the Home Secretary and the police as regards the law and picketing, and for the information contained in it about the number of arrests during the recent lorry drivers' dispute.

I should make it clear, however, that I do not accept that it is proper for the Home Secretary to give advice to the police only when the law has been changed. In the telex message referred to in your letter of 19th January, the Home Secretary of the day informed Chief Officers of police that he shared the view that contact between senior police officers and trade union officials was of great value. In saying that, he was plainly giving advice as to the best means of ensuring that picketing was conducted peacefully, and that advice was in no way related to any change in the law. You yourself indicated in your letter of 19th January that a change in the law was only one example of a situation which might make it appropriate for advice to be given to the police.

I also do not accept that there need be any confusion about the issues raised in my letter of 23rd January. Changes in the law made in the 1974 and 1976 Acts were of course changes in the civil law, but they have had the most direct consequences for the criminal law as well, and are therefore on any view extremely relevant to both the Home Office and the police.



You yourself cited the definition of lawful picketing in the Trade Disputes Act 1906 in the context of police responsibilities with regard to picketing. It is true that the actual wording of that definition has not been substantially altered in subsequent legislation but, nonetheless, the kinds of picketing covered by it have most certainly been affected both by the 1974 and 1976 Acts and by more recent judicial decisions. This is because of the overriding requirement in the definition that for picketing to be lawful it must be "in contemplation or furtherance of a trade dispute." It is therefore not correct to state, as you did in your letter of 7th February, that the legality of picketing depends essentially upon whether it is conducted peacefully. Picketing that is peaceful is not lawful unless it is also in contemplation or furtherance of a trade dispute.

By altering the definition of a "trade dispute" the 1974 and 1976 legislation not only extended trade unions' civil immunities, but also made picketing lawful in circumstances in which it had previously been unlawful. On the other hand, the recent cases which have applied what the Attorney General referred to as the "remoteness" test have made it clear that in certain circumstances picketing may not be sufficiently closely related to the original dispute to be "in contemplation or furtherance" of it, and may therefore no longer be lawful.



Consequently, even on the narrowest view of the circumstances in which it is appropriate for the Home Secretary to give advice, the recent important changes in the law have been more than sufficient to have made it both proper and desirable for such advice to have been given.

Yours ever
Margaret

The Rt Hon Merlyn Rees MP
Secretary of State for the Home Department.



QUEEN ANNE'S GATE LONDON SW1H 9AT

7 February 1979

Dear Margaret

Thank you for your letter of 23 January about the constitutional position of the Home Secretary and the police as regards the law and picketing.

Since you wrote the Attorney General has made a statement in the House on the law relating to picketing: but I think it may be helpful if I attempt to clarify some of the important issues raised in your letter on which there is evidently some confusion, although the practice of successive administrations in this area has been generally consistent, whatever their political differences.

You asked what advice had been given to the police about the changes in the law made by the 1974 and 1976 Acts. But the two changes you mention are matters of the civil law. The police are concerned with the criminal law; and there is no occasion to issue advice to them about the civil law unless it impinges directly upon their responsibilities.

When the criminal law changes the Home Office brings the change to the attention of chief officers of police who have the duty to enforce it. The Home Secretary does not interpret the law to the police or intervene in the operational responsibilities of chief officers of police. As Home Secretary, I naturally hold discussions with chief officers, directly and through Her Majesty's Chief Inspector of Constabulary, on current policing problems, but there is no question of the Home Secretary advising the police on how they should enforce the law in particular circumstances such as an industrial dispute.

Police responsibilities with regard to picketing have not changed substantially since the Trade Disputes Act 1906. That Act made it lawful to undertake peaceful picketing in contemplation or furtherance of a trade dispute at or near a house or place where a person resides or works or carries on business or happens to be. The only significant change has been that the 1971 and 1974 Acts both removed the protection conferred on the picketing of a person's home (except where it is also his place of work). The legality of picketing depends essentially on whether it is conducted peacefully. If violence is used or threatened, or if breaches of the peace take place, the police have a duty to intervene to arrest those responsible for breaches of the criminal law and to prevent further breaches or disorder. They can also

intervene to prevent obstruction. There have been a number of references in the press to intimidation and to extortion by pickets. Where the police receive complaints of offences involving extortion or threats of violence they will, of course, act on them. But it is not appropriate for the police to concern themselves with the merits of a dispute. The criminal law is not affected by the distinction between primary and secondary picketing, nor by any distinction between "official" or "unofficial" pickets.

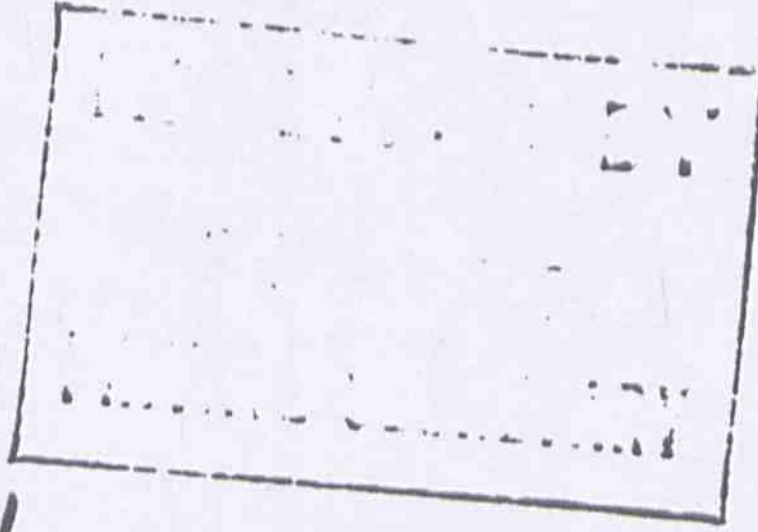
The reports reaching me from the police during the lorry drivers' dispute indicate that picketing has been generally peaceful and that breaches of the law have been rare - probably rarer than in previous disputes on this scale, despite some newspaper reports to the contrary. There have been occasional incidents and the police naturally pursue these vigorously. I have had reports of one arrest in Greater Manchester, one in Humberside, two in Lancashire, four in Merseyside and one in the West Midlands. There were no arrests in the Metropolitan Police District in connection with the lorry drivers' dispute, although six arrests have been made in other picketing incidents this year. I am assured that the comparatively small number of arrests indicates that picketing has for the most part been within the law. It is certainly not the case that the police have been failing in their duty - still less that they have been instructed to be lenient. That is nonsense.

Yours Sincerely

M.A.



The Rt. Hon. Mrs. Margaret Thatcher, M.P.



HOUSE OF COMMONS
LONDON SW1A 0AA

23rd January, 1979

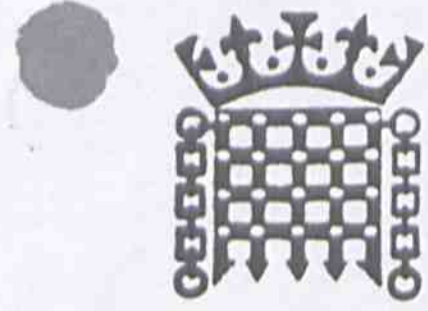
Dear Nelson,

Thank you for your letter of 19th January confirming the constitutional position of the Home Secretary vis-a-vis Chief Constables, and also for confirming that it has been the occasional practice, at least in recent times, for the Home Secretary of the day to give advice by circular or by other means.

What has particularly concerned me and my colleagues in Parliament, and I believe very many people in the country, is the fact that from a large number of reports, it is clear that some picketing has been illegal.

In such a situation it is recognised that the police are in an extremely difficult position, unless they themselves witness what has happened and hear what is said. However, I assume you call for regular reports and I would be very interested to know how many prosecutions there have been and where.

Your letter explains that advice may be given when the law is changed. The law was changed by the 1974 and 1976 Acts and changed substantially, first by extending Trade Union immunities and secondly by advancing the laws on the Closed Shop.



- 2 -

In the light of these significant changes in the law and in view of our "present grievous difficulties", what advice have you given or are you giving at this time?

Yours

Rayart

The Rt. Hon. Merlyn Rees M.P.
Secretary of State for the Home Department.



QUEEN ANNE'S GATE LONDON W1H 0AT

19 January 1979

Dear Margaret

You made a number of criticisms in the House on 16 January, about police responsibilities and advice to the police in the context of picketing. I dealt with one of these at the time, but I think it right to put the record straight in writing.

First, you suggested Chief Constables should be given advice about what they should be doing in the present situation. You now recognise, I think, that the Home Secretary has no power to give instructions to Chief Constables on how they should discharge their responsibilities to enforce the criminal law and to preserve public order. As to my giving guidance, it is appropriate for me to issue advice when, for example, the law is changed. However, the application of the law in the present situation is wholly a matter for chief officers of police. I am, moreover, assured that there is no doubt in their minds as to the way in which the criminal law applies to "secondary" picketing: provided it is peaceful, and does not cause obstruction, such picketing is not in breach of the existing criminal law. No occasion for my issuing advice on that score, therefore, arises.

Second, you cited an instance when it was suggested in the House on 14 February 1972 that Mr. Maudling had, as Home Secretary, issued a circular to chief officers of police giving advice on what steps they should take about picketing. On 9 February in the House of Commons Mr. Maudling had said (Col.1343) that general guidance had been issued (about the distinction between peaceful picketing and intimidation). He also said incidentally (Col.1338) that it is not for the Government to instruct chief officers of police in any way about how to carry out their duties, and in that he was, of course, correct.

But I have had the facts carefully checked in the matter of the issue of circulars: none was in fact issued before 14 February 1972. Circulars about the provisions of the Industrial Relations Act 1971, which came into force on 18 February 1972, were issued on 23 February and subsequently, and these drew the attention of Chief Constables to the new provisions of the Act which were about to come into force. All that was done in the context of the industrial situation before 14 February 1972 was the issue of a brief telex message to chief officers of police reporting that a

The Rt. Hon. Margaret Thatcher, M.P.

deputation of Members of Parliament from mining constituencies had told the Home Secretary, Mr. Maudling, that they attached great value to contact between senior police officers and trade union officials, to ensure that picketing could be conducted properly and peacefully: it went on to say that the then Home Secretary fully shared this view; and that he would bring to the notice of chief officers of police the strong feelings which had been represented to him on the importance of these contacts.

I think it necessary for me to write at some length to emphasise, as my predecessors in other Administrations have done, the proper constitutional position of the Home Secretary vis a vis chief officers of police, and also to make it clear that there is no basis for any suggestion that the law is not being properly enforced in the present situation.

Yours Sincerely

M. G.

From: THE PRIVATE SECRETARY

CONFIDENTIAL



HOME OFFICE
QUEEN ANNE'S GATE
LONDON SW1H 9AT

27 March 1984

Dear John,

Thank you for sending me a copy of your letter of 23 March to Janet Lewis-Jones about the discussion in MISC 101 about a "disregard" for policing expenditure arising out of the miners' strike. As you know, this matter was discussed by MISC 101 again yesterday. The Environment Secretary was invited to announce by means of an early Written Answer the arrangements he proposed to exempt additional expenditure on policing the dispute from the effects of grant holdback, subject to a threshold.

The Home Secretary has considered the matter further in the light of representations made to him yesterday evening concerning the position not only of areas like Nottinghamshire, but also of those police forces which are supplying mutual aid to the forces in whose areas the picketing is taking place. The supplying forces are incurring additional expenditure in their own areas through having to put men on overtime in order to compensate for the men they have sent to the areas affected by the picketing. (The supplying forces normally continue to pay the ordinary salaries of those sent to the areas affected by the strike and the receiving areas pay the overtime and other extra costs). The police authorities of the supplying forces would not understand a refusal by the Government to exempt from penalty the additional expenditure thus incurred. Such a refusal would be inconsistent with the Government's support for the current police operation, and penalties would be particularly inappropriate if the Home Secretary had to exercise his powers under section 14(2) of the Police Act 1964 to direct a Chief Constable to supply mutual aid to another. It seems to the Home Secretary on reflection, therefore, that there is no logic in setting any particular threshold of expenditure above which there would be a disregard, and that the right course is to disregard all extra police expenditure arising from the miners' strike. The Home Secretary has in mind in addition the fact that what is now proposed by the Department of the Environment is a disregard in relation to the miners' strike rather than in relation to mutual aid for whatever purpose. The original rationale for the threshold has therefore in his view disappeared.

The course proposed by the Home Secretary would also make it easier to limit the amount of any special payment which may have to be made to Nottinghamshire or other police forces in recognition of their additional expenditure. The Nottinghamshire County Council estimate the cost to them of the dispute at £5.5M up to the end of March, but we do not yet know on what basis this estimate has been prepared. When he sees the delegation from the Nottinghamshire County Council on Thursday, the Home Secretary proposes, subject to the agreement of MISC 101, to say that the Government cannot at this stage decide on the extent of any additional help but agrees that some further help for Nottinghamshire will be necessary and that its extent will be decided when the amount of the additional costs is known.

I am sending copies of this letter to Andrew Turnbull (No 10), the Private Secretaries of other members of MISC 101, to John Gieve (Chief Secretary's Office), and to Richard Hatfield (Cabinet Office).

Yours ever,
Hugh Taylor

H H TAYLOR

J F Ballard, Esq.

CONFIDENTIAL

NIP 25 4 XXX 329

MINERS EXECUTIVE MEMBERS MEET IN SECRET

NINE MEMBERS OF THE NATIONAL UNION OF MINeworkERS EXECUTIVE MET IN SECRET TODAY, CALLED FOR AN URGENT MEETING OF THE FULL EXECUTIVE AND URGED ALL MINERS WHO HAD VOTED AGAINST THE STRIKE TO RETURN TO WORK IMMEDIATELY.

ONE OF THE NINE, MR JACK JONES, THE LEICESTERSHIRE MINERS' LEADER, CLAIMED THAT THEY HAD THE SUPPORT OF 14 OF THE 24 VOTING MEMBERS OF THE NUM EXECUTIVE IN SEEKING A NATIONAL BALLOT OF THE MEMBERSHIP.

'WE DECIDED TODAY TO APPEAL TO ALL OUR MEMBERS WHERE THERE HAS BEEN A DEMOCRATIC VOTE THAT THEY SHOULD RETURN AS SOON AS POSSIBLE TO THEIR NORMAL PLACE OF WORK AND START WORK,' HE SAID AFTER THE GROUP'S MEETING IN LEICESTERSHIRE.

'AND TO THOSE AREAS WHERE THEY HAVE NOT HAD THE OPPORTUNITY OF A RECENT DEMOCRATIC VOTE WE ARE SAYING: PRESSURISE YOUR AREA TO ENSURE THAT OFFICIALS ALSO SEEK A NATIONAL BALLOT, AND IN THE MEANTIME WE LEAVE IT TO YOUR CONSCIENCE TO RETURN TO WORK AS SOON AS POSSIBLE, PENDING THAT NATIONAL VOTE.'

THE UNION'S NEWLY-ELECTED GENERAL SECRETARY, PETER HEATHFIELD, SAID HE WAS 'ASTONISHED' THAT THE RIGHT HAD HELD A 'CAUCUS MEETING' AND THAT THEY SHOULD ADVOCATE THE CROSSING OF PICKET LINES.

HE SAID THAT UNION PRESIDENT ARTHUR SCARGILL AND OTHER NATIONAL OFFICIALS WERE CURRENTLY INVOLVED IN A HIGH COURT ACTION IN LONDON AND AN EXECUTIVE MEETING COULD NOT BE CALLED AT THIS STAGE.

A NATIONAL COAL BOARD SPOKESMAN SAID: 'THE DECISION REPRESENTS A RESPECT FOR THE VIEWS OF THOSE MEMBERS OF THE UNION WHO HAVE VOTED AGAINST A STRIKE. IT IS NOW CLEAR THAT A MAJORITY OF THE MEMBERS OF THE NATIONAL EXECUTIVE ARE IN FAVOUR OF A NATIONAL BALLOT.'

AREAS REPRESENTED AT TODAY'S MEETING IN GROBY WERE LEICESTERSHIRE, NOTTINGHAMSHIRE, CUMBRIA, NORTH WALES, NORTH WEST, POWER GROUP, SOUTH DERBYSHIRE, THE MIDLANDS AND THE WHITE-COLLAR SECTION COSA.

THREE OTHERS UNABLE TO ATTEND BUT INDICATING SUPPORT WERE DURHAM, CUMBERLAND AND DURHAM POWER GROUP.

--

271835 MAR 84



SECRET

32

P.01261

PRIME MINISTER

Coal: MISC 101(84)5th Meeting

You will no doubt wish to stick to the usual format of:

- reports;
- discussion;
- action to be taken.

2. Depending on developments by tomorrow afternoon, the matters which may be particularly worth probing are as follows:

- i. the latest assessment of endurance (allowing for successful achievement of maximum oilburn after four weeks):
 - a. assuming a nationwide strike;
 - b. assuming continuation of production and deliveries from Nottinghamshire, Leicestershire and South Derbyshire;

and whether more can be done to maximise endurance;

- ii. what the CEGB is now doing about increasing oilburn following yesterday's decision;
- iii. what is the extent and effectiveness of action outside the coalfields (ie picketing and sympathetic action affecting trains, docks, power stations, depots, etc); and whether more can be usefully done to counter it;

SECRET



SECRET

See attached
Press Report

iv. what are the prospects now of an early meeting of the NUM National Executive following the meeting of the moderate caucus at Leicester today?

v. whether the time is yet ripe for further civil action in the courts;

vi. whether the right messages are getting across in the media to influence both the miners and public opinion; (is enough being done to counter the impression that Scargill is winning? are the anti-democratic implications of the closure of the pits who voted against a strike being brought out sufficiently?)

Information and endurance

3. You will recall that at the last meeting the Secretary of State for Trade and Industry said that the Group did not have before them the information about likely endurance providing the necessary background to the policy decisions which had to be taken. The Secretary of State for Scotland made the same point at Cabinet last week. You said in response to the Secretary of State for Trade and Industry that Ministers had access to the weekly coal and power station statistics. This is true but they are a fortnight out of date (the most recent, which you saw at the weekend are for the week ending 10 March 1984). Moreover the endurance position cannot be immediately deduced from those tables. The Secretary of State for Energy gave an endurance figure off the cuff at Monday's meeting (22 weeks) which was probably too low.

4. I understand that at tomorrow's meeting the Secretary of State for Energy will be ready to give an oral report on the up to date endurance position and how it is being maximised.

SECRET

SECRET

It is important to distinguish between endurance with Notts etc and endurance with Enderbary with is significantly higher - indicating the value of the police operation.

It remains to be seen whether other members of the Group are satisfied with that. Security is of course vital but Ministers must have the information in front of them to permit rational discussion and decisions. I suggest that the best way to handle this at future meetings would be for the Secretary of State for Energy to come armed with a set of numbered copies of a single sheet showing the key figures which would be handed round at the beginning of the meeting and collected again before any recipient left the room.

Electricity supply industry pay negotiations

5. The Secretary of State for Energy may mention the handling of the pay negotiations in the electricity supply industry which are now in progress. Although a high settlement would have damaging repercussions, there would be much to be said for getting this out of the way quickly and quietly.

Next meeting

6. There will be an opportunity for a brief discussion under the Industrial Affairs item at the Cabinet on Thursday. If there are developments subsequent to that requiring decisions before the weekend, you may wish MISC 101 to meet again late on Friday morning (say 11.30am); otherwise it may be sufficient to plan for a meeting on Monday (say 11.00am).

PLG

P L GREGSON

27 March 1984

SECRET

PRIME MINISTER

The Secretary of State for the Environment is unable to attend MISC 101, but he will have had a bilateral earlier in the day with the Home Secretary to discuss costs of policing. Difficulties are arising in the areas providing men as those remaining behind are having to work overtime. Devon, for example, could find itself incurring penalties (Mr. Maxwell-Hyslop is agitated).

The Home Secretary may suggest that all extra policing expenditure in connection with the dispute should be freed from penalty, not just amount over a threshold.

He may go on to discuss whether there ought beyond that to be a grant where expenditure is substantial.

Maxwell
pp. A. Turnbull.

27 March 1984



10 DOWNING STREET

Prime Minister

Also enclosed are:

(i) a note on Mr Walker's
meeting with Mr MacGregor on

Thursday evening

(ii) A paper by officials on
oil burn

AT

24/3



10 DOWNING STREET

Prime Minister (2)

You might like to be aware
of contingency planning on
oil burn.

Summary and recommendations
on pages 8-9.

AT
23/3



SECRET

30

P.01258

PRIME MINISTER

Coal: MISC101(84)4th Meeting

You will no doubt wish to follow the usual structure of:

- reports
- discussion
- action to be taken, including handling of the media.

2. Depending on developments by Monday morning you may want to pursue the following points:

Latest information

- a. number of pits still working;
- b. extent of any sympathetic action (opencast, rail, sea);
- c. any power stations or major plants likely to close down shortly.

Issues

- a. Timing of: increased oilburn, and
NCB return to the courts,
in relation to prospects for a national ballot;
- b. cost of policing
(latest exchanges between Secretary of State for the
Environment and Nottinghamshire County Council);

SECRET



SECRET

c. handling of the media.

Next meeting

3. Depending on developments you will wish to decide whether the next meeting should be on Tuesday or Wednesday and under your or the Lord President's chairmanship. If it can be arranged it may be convenient to have the meeting in the latter part of the morning, as more information is usually available by then.

PLG

P L GREGSON

23 March 1984

SECRET

File on 2/11 20/3

file

Mr A. Thornburn

CONFIDENTIAL

Ref. No: EN(84)3
Date: 23.3.84

BRIEF FOR DEBATE ON
THE REDUNDANT MINeworkERS AND
CONCESSIONARY COAL ORDER AND
ON THE MINeworkERS'
PENSION SCHEME

TUESDAY 27TH March 1984

House of Commons

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Conservative Research Department,
32 Smith Square,
London SW1
Tel. 222 9000 x 2527

Enquiries on this brief to:
NIGEL HAWKINS

1. INTRODUCTION

During the 1960's and until 1973, the British coal industry in common with most other Western countries was in decline. This situation had arisen because of the industry's inability to compete with the cheap oil imports. Whereas in 1946 there were 980 collieries employing 696,700 miners, by 1973-4 there were 259 collieries and 242,500 miners. In fact between 1964 and 1970 there was a net reduction of over 250 collieries and more than 200,000 jobs were lost in the mining industry. The quadrupling of oil prices in 1973 gave a much needed impetus to a declining industry. As a result the Labour Government introduced - with the full blessing of the National Union of Mineworkers - the 'Plan for Coal', which mapped out future developments for the industry between 1975-1985. Central to the realisation of this Plan was substantial investment, the closure of hopelessly uneconomic pits and rising productivity. Though investment in the industry is at record levels, the continued existence of loss-making pits is seriously hampering the return of the National Coal Board to viability. Further, productivity increases since 1975 represent just a small proportion of what was projected under 'Plan for Coal'.

Despite receiving a wide range of grants, the National Coal Board reported a loss of £111 million in 1982-3 (after deficit and operating grants of £386 million). Clearly the performance of the coal industry is very adversely affected by the continued existence of some pits, whose production price per tonne is around twice the current selling price. The Government's commitment to the coal industry, however, remains unchanged. The key to the industry's future prosperity rests in its ability to become more productive and more competitive. The massive level of investment in the industry since 1979 provides testimony to the Government's determination to carry out its policy, which was stated by Mr Giles Shaw, Under-Secretary at the Department of Energy:

'We wish to see a strong and viable industry, which can give customers secure supplies of fuel at competitive prices and can give its workforce secure and prosperous employment. Within that overriding objective, we look...for the earliest feasible return to economic viability'. (Hansard, 11th July 1983, Col. 730).

2. FINANCE

Since 1979, the Conservative Government has set an annual External Financing Limit for each of the Nationalised Industries. Effectively this limit is equivalent to the charge on the Public Sector Borrowing Requirement. For 1984-5 the NCB's External Financing Limit is set at £1.103 billion, which is the highest for any nationalised industry. In fact it accounts for nearly 60 per cent of the net total of External Financing Limits.

Government grants make a major contribution to the NCB's overall profit/loss position. In recent years these have risen sharply. The original estimate for 1983-4 allowed for a deficit grant of £409 million, social grants of £122 million and a further £105 million for the Redundant Mineworkers' Payment Scheme. The Supplementary Estimate of February 1984 applied for a further £290 million, so that the revised total for 1983-4 is now £926 million.

The level of investment envisaged in 'Plan for Coal' has been substantially exceeded. In fact between April 1974-March 1979 over £1.47 billion was invested in the industry. Yet, between April 1979 and September 1983, the figure rose to £3.51 billion. This unprecedented support was described by the Secretary of State for Energy, Mr Peter Walker, as follows:

'Since 1979 this Tory Government has invested in the coal industry, in capital investment, not losses, £2 million per day' (Blackpool, 12th October 1983).

In physical terms, this level of investment is exemplified by the sophisticated, up-to-date extraction processes that are carried out at Selby, recognised as one of the leading pits in Europe. It was described by the Financial Times on 26th October 1983 as:

'a shop window for Britain's advanced technology in coalfield development and mining. From the task of sinking shafts and driving tunnels in difficult geological conditions to the extensive use of microcomputers and the most advanced mining and coal handling equipment, Selby is the most comprehensive collection of the best mining technology anywhere in the world'.

In January 1984, an investment of around £400 million was announced for development of the Asfordby coalfield in Leicestershire. This investment is estimated to bring about over 1000 jobs and by the early 1990's will be yielding around 2.2 million tonnes of coal for Midland power stations. Britain's level of investment in coal compares very favourably with our European counterparts. It is almost three times the West German level and 20 times the French level, although both these countries do receive higher revenue subsidies. In 1982 West Germany's coal mines produced 96 million tonnes, whilst France's coal industry mined just 17 million tonnes in 1982. Britain's output in 1982 represented about 46 per cent of Western Europe's total production.

3. PRODUCTION/PRODUCTIVITY

Output in the industry has declined since 1950, when around 220 million tonnes were mined to satisfy UK consumption of 206 million tonnes. By 1972-3 total output decreased to 140 million tonnes. Total output in 1982-3 was 121 million tonnes, of which 105 million tonnes were deep-mined.

During the last decade, productivity has risen, but at a far slower rate than was proposed under 'Plan for Coal'. In 1972-3 output per manshift (deep-mined coal only) was 2.33 tonnes, compared with the 1982-3 productivity figure of 2.44 tonnes. Higher productivity is essential if coal products are to become more competitive. Further the variation between pits of productivity levels highlights the vast difference between the most and least efficient pits.

The continued existence of these uneconomic pits causes not just financial problems, but has also contributed to the high levels of coal stocks. In 'Coal News' (November 1983) the National Coal Board confirmed; 'Present pithead stocks of 24 million tonnes cost more than £100 million in interest payments alone. Every extra million tonnes costs another £7 million in stocking costs and interest charges on top of the £40 million it costs to produce the coal'.

4. IMPORTS/EXPORTS

Despite the current low levels of world coal prices, Britain's coal exports are double the level of her imports. By the standards of other industries, Britain's overseas coal trade is minimal. In 1982-3 coal exports were 7.1 million tonnes, around 6 per cent of total output. Greater competitiveness, would, however, give the National Coal Board increased opportunities to export more coal.

Imports of coal are mainly specialised varieties, eg. special coking coal and anthracite, of which the UK does not have sufficient. In 1982 total imports amounted to just 4 million tonnes, around half of which came from the USA. Of the remainder, Australia supplies 28 per cent and is currently quoting low coal prices.

5. MINERS' PAY

Since November 1982 the weekly basic rates for mineworkers have been:

- Face and development worker (UI) £130.30
- Lowest grade underground worker (U7) £105.00
- Lowest paid surface worker (S6) £94.10

In addition to these basic rates, mineworkers earn incentive payments, overtime earnings and various allowances for special work. As a result the National Coal Board's Gross Earnings Survey shows that average weekly earnings were:

- Face and development worker (UI) £173.93
- Underground workers £168.45
- Surface miners £148.27
- All mineworkers £164.47

By applying these average weekly earnings figures, mineworkers' pay is higher than any other industrial group of a similar size. Further, miners have received a real increase in average earnings of 19 per cent since 1974.

In the last two years, miners received increases of an average 9.3 per cent in November 1981 and 8.2 per cent in November 1982. Last October the National Coal Board offered an increase of 5.2 per cent on basic rates. This would raise a face worker's basic rate by £6.80 per week.

If this proposed increase were accepted average miners would receive some £65 a week more than they were receiving when the Conservatives came into office in 1979. In 1983 miners' average earnings were 26 per cent above the average earnings in manufacturing industry. Throughout the period of the Conservative Government they have been between 23 per cent and 27 per cent above the earnings in manufacturing industry. During the period of the Labour Government, miners' earnings were at one point only 8 per cent and on average only 18 per cent above the earnings in manufacturing industry.

The Board Chairman, Mr Ian MacGregor, has confirmed that this award is final and that some pits may never re-open. In the November edition of 'Coal News', he justified the award in the following terms:

'Progress in the industry is good but we are still losing money heavily and are being supported by vast amounts of public money.

Our offer was made to maintain the confidence of those who work in the industry and to try to make sure that productivity improvements continue. That means, of course, there are continuing opportunities to increase earnings under the productivity incentive scheme'.

6. OVERTIME BAN

The leaders of the National Union of Mineworkers did not accept this pay offer and they called an overtime ban, which started on 31st October 1983. The single issue of the 5.2 per cent pay offer has not been put forward to the National Union of Mineworkers' members for approval by ballot. Since the ban started, miners have denied themselves over £70 million in overtime or about £1000 per man for those affected - normally around 30 per cent of the workforce do substantial overtime. Those particularly affected are the surface working craftsmen, such as winding enginemen, who operate the lifts. Before the overtime ban they earned close to £195 per week, of which around £70 was for overtime work.

Conflicting statements have been issued regarding the level of coal stocks since the start of the overtime ban. However, the latest Coal Board figures indicated that undistributed stocks at pitheads are now 23 million tonnes. This is just 1.5 million tonnes below the level last October and 3 million tonnes above the figure for October 1982.

The Central Electricity Generating Board currently has 24.6 million tonnes, at its power stations which is 6 million tonnes below the level in October 1983. This latter figure is historically high, whilst present stocks at the power stations are about average.

7. PIT CLOSURES

In any extractive industry, pit closures are inevitable for geological reasons. This is particularly applicable to the British coal industry, where many of the pits are extremely old, less productive than in their heyday and as a consequence uneconomic.

Between October 1964 and June 1970 pits closed at a rate of 45 per year. Recent closures are now fewer. Under 'Plan for Coal', in 1974 it was proposed to phase out uneconomic capacity, amounting to around 3-4 million tonnes per year. This policy was endorsed by the Interim Report of the Tripartite Working Party, comprising the Government, the National Coal Board and the National Union of Mineworkers. Yet closures since 1974 have taken place at around half the proposed level. Between 1974 and 1979 32 pits closed, whilst between March 1979 and March 1983 31 pit closures took place.

As a result, the industry has suffered from crippling financial burdens necessary to support these uneconomic pits. The National Coal Board has estimated that the worst 12 per cent of output brings about a revenue loss of £275 million per year. In 1982-3 the most efficient 20 pits had an average production cost per tonne of £28. The 20 least efficient pits incurred costs of £89 per tonne. Since the average value of the coal produced was £40 per tonne, the burden of 'carrying' these latter pits is self-evident.

On 6th March the National Coal Board Chairman, Mr Ian MacGregor, presented the National Union of Mineworkers with a 12 month plan beginning on April 1st. This plan envisages a production rundown of 4 million tonnes. This means that total deep-mined output in 1984-5 is budgeted to be 97.4 million tonnes, compared with the present annual production figure of 101.4 million tonnes (disregarding the effects of the overtime ban). Mr MacGregor agreed that this would entail manpower reductions not exceeding those during 1983-4. During this year the workforce has been reduced by 20,000 and 23 pits have been either closed or merged.

Since the announcement of the National Coal Board's 12 month plan, the National Union of Mineworkers' Executive has supported strike action but has not called for a national ballot. This has created serious disagreement amongst many miners, much of it brought about by the operation of 'flying pickets' - particularly from the Yorkshire Area. A number of the National Union of Mineworkers' Area Councils have held ballots to determine whether their own members wished to go on strike. In nearly all cases these miners have voted against strike action, most notably in the Nottinghamshire coalfield. Several of the major pits there - notably Ollerton and Harworth - have been invaded with flying pickets. However, a strong police presence both in Nottinghamshire and elsewhere has enabled many thousands of miners to get to work, despite the widespread picketing. In fact the numbers of miners crossing picket lines is quite unprecedented.

By last Thursday, more than 80 per cent of Britain's pits were at a standstill, so that 34 out of 175 pits were working normally, compared with 38 the previous day. Virtually all pits still open are located in the Midlands.

8. SELECT COMMITTEE REPORT

On Monday 5th March, the Select Committee published its Second Report on the Department of Energy's Supplementary Estimate of £289,952,000 in respect of the coal industry.

The Committee received written evidence from the National Coal Board and the Department of Energy and took oral evidence from the Secretary of State for Energy, Mr Peter Walker and from the National Coal Board Chairman, Mr Ian MacGregor. In particular the Committee examined the reasons for a Supplementary Estimate of this size.

9. SUPPLEMENTARY ESTIMATE

Most of the Supplementary Estimate of almost £290 million is accounted for by the following factors:

a) Deficit and Operational Grants (an increase of £192 million). There are three major reasons for this substantial increase. First a provision has to be made for the effects of the overtime ban. The National Coal Board has estimated that the ban, by the end of March 1984, will involve a gross cost of £266 million, on account of lost sales and reduced output. From this gross figure the Board has deducted £131 million - mainly the savings on wages. The net cost of the overtime ban is considered to amount to £135 million. However, the current Supplementary Estimate has made allowance for only £30 million of this expected loss.

Secondly the level of subsidence claims has risen markedly. The Supplementary Estimate has allowed for an increase of £60 million, over and above the original provision of £102 million. In addition the National Coal Board forecast that a further £68 million will be required for subsidence claims in the current financial year. Out of this total of £230 for subsidence claims, no less than £113 million is accounted for by the North Nottinghamshire area and in particular by the town of Mansfield. Between March 1982 and February 1984 the average subsidence claim rose from £4200 to £8700.

Thirdly, additional funds are required in view of the industry's underlying operating losses arising from its unfavourable cost structure and continued excess of capacity over demand.

Over and above this increased estimate of £192 million, the Select Committee concluded that 'it appears from the Board's evidence that at least a further £200 million will be required in respect of operating losses in 1983-4' (para 15).

b) The Redundant Mineworkers' Payments Scheme (an increase of £88 million). Payments under this scheme have virtually doubled, due to the fact that the number of redundancies provided for in 1983-4 has increased from 10,400 to 20,000. The Coal Industry Act 1983 lowered the age of eligibility from 55 to 50 and this has also had an effect.

c) Social Grants (an increase of £10 million). The number of social payments - associated with pit closures - has risen. This refers particularly to resettlement and transfer allowances and to other non-wage benefits.

10. COAL ORDERS

The two Orders put before Parliament in early March were:

- The Redundant Mineworkers and Concessionary Coal (Payments Scheme) Order 1984
- The Mineworkers' Pension Scheme (Limit on Contribution) Order 1984

The Redundant Mineworkers' Payments Scheme. This enables miners to receive financial benefits, based on their length of service, when pit closures become necessary. In addition they receive statutory redundancy pay and other benefits through their pension schemes. For example, a married man made redundant at age 50 after a lifetime in the industry, and with pre-redundancy earnings of £160 per week, could receive lump sums totalling about £17,000 and about £79 per week (reviewed in the light of the cost of living), as long as he remains unemployed, up to age 65. If he were aged 55 at redundancy, his lump sum would be above £11,000 but his weekly benefit would be about £106 per week up to age 60, then about £79 per week on to age 65. Thus redundant miners do receive eminently fair compensation. Those who are redeployed receive transfer allowances to take account of relocation costs.

The present Order extends this scheme. First it includes improved benefits for miners made redundant between the ages of 21 and 50. Under the Order, it is proposed that these redundant miners would receive a lump sum equivalent to £1000 for each year of service. On account of the age factor of some pits and because of their geographical distribution, it may become necessary for some younger miners to leave the industry. A generous financial settlement will at least alleviate the problem of redundancy.

In the present Order, there are provisions to enable those receiving weekly benefit to take holidays overseas without losing their entitlement for the time they are abroad. Further the Order contains proposals for giving increased protection to those, whose incapacity may have already affected the level of their redundancy payments.

The Mineworkers' Pension Scheme. This Order is moved each year to carry out the policy stated in the National Coal Board (Finance) Act 1976. Under the provisions of this Act, the Government reimburses the costs involved in meeting the shortfall in the Mineworkers' Pension Scheme Fund. This has arisen because of the requirement to pay pensions to the substantial number of ex-employees who left the industry prior to the 1975-6 financial year.

11. CONCLUSION

Undoubtedly the finances of the National Coal Board are in a serious state. According to the Select Committee Report 'Mr MacGregor made it quite clear that in his view the industry's financial position had worsened' (para 7).

Yet the Government's commitment to the future of Britain's coal industry is unquestioned. An investment level of £2 million per day provides undeniable evidence that the Conservative Government believes that coal has a very bright future in fulfilling the country's energy needs.

The National Coal Board's strategy was reaffirmed on March 6th in a press statement:

'We are determined to create and maintain a high volume, low-cost industry which will be able to supply all this country's needs for coal and compete

successfully for export business as well. In the process we shall aim to maximise employment prospects and continue to keep miners high in the industrial earnings league.

'We shall do this by continuing to follow the basic principles of Plan for Coal in a marketing situation very different from that envisaged when the Plan was agreed by the Government, unions and Board in 1974.

'We shall continued with a high rate of capital investment, building up output at long-life, low-cost pits and introducing completely new low-cost capacity to replace pits reaching the end of their useful lives. Only by a continuous process of renewal and increased efficiency can we hope to reduce costs and fight off the competition from other fuels and imported coal'.

APPENDIX 1

STATISTICS ON BRITAIN'S COAL INDUSTRY

FINANCE

Grants received by National Coal Board: £ Million

Year	1979-80	1980-1	1981-2	1982-3	1983-4 (original estimate)	1983-4 (revised* estimate)
Total Deficit & Operating Grants	189	175	455	386	409	601
Total Social Grants	62	80	121	134	227	325
Total All Grants	251	255	576	520	636	926
Result after Deficit Grant	NIL	58 LOSS	NIL	111 LOSS		

*After the proposed increases sought in the Supplementary Estimate

PRODUCTIVITY

(Deep-mined coal, calculated on Output per Manshift basis)

1972-3	-	2.33
1974-5	-	2.29
1978-9	-	2.24
1980-1	-	2.32
1981-2	-	2.40
1982-3	-	2.44

COAL STOCKS (at pithead and consumer)

March 1979	-	29 million tonnes
March 1981	-	38 million tonnes
March 1982	-	43 million tonnes
Sept 1983	-	58 million tonnes
Feb 1984	-	48 million tonnes

Conservative Research Dept
32 Smith Square LONDON SW1

NH/CR
23.3.84

APPENDIX II

TABLE 8.6 Number of collieries and manpower since nationalisation

	No of collieries	Net drop in no of collieries	No of men on colliery books ('000s)	Net drop in manpower (or incr) ('000s)	% drop in manpower (or incr)	Events
End of year 1946	980	—	696.7	—	—	
1947	958	22	722.5	(25.8)	(3.7)	Vesting day 1 January 1947
1948	940	18	718.0	4.5	0.6	
1949	912	28	701.2	16.8	2.3	
1950	901	11	681.1	20.1	2.9	
1951	896	5	691.1	(9.9)	(1.5)	
1952	880	16	713.7	(22.6)	(3.3)	
1953	875	5	704.0	9.7	1.4	
1954	867	8	700.1	3.9	0.6	
1955	850	17	694.5	5.6	0.8	
1956	840	10	697.6	(3.1)	(0.1)	
1957	822	18	703.7	(6.1)	(0.9)	United Kingdom coal consumption peaks
1958	793	29	681.1	22.6	3.2	
1959	737	56	634.0	47.1	6.9	
1960	698	39	583.0	51.0	8.1	
1961	669	29	561.1	21.8	3.7	
1962	616	53	536.2	25.0	4.4	
1963	580	36	510.6	25.6	4.8	
1964	545	35	484.5	26.0	5.1	
1965	504	41	446.8	37.7	7.8	Social grants introduced
1966	442	62	414.4	32.4	7.3	
1967	406	36	382.4	32.0	7.7	
1968	330	76	324.5	57.8	15.1	Miners' redundancy scheme starts
1969	304	26	299.6	24.9	7.7	
1970	293	11	283.1	16.5	5.5	
End financial year 1970-71	292	7*	286.4	9.3*	3.1	
1971-72	289	3	274.0	12.4	4.3	
1972-73	281	8	263.8	10.2	3.7	Colliery Review Procedure introduced
1973-74	259	22	242.5	21.3	8.1	
1974-75	246	13	248.8	(6.3)	(2.6)	Plan for Coal
1975-76	241	5	243.7	5.1	2.1	
1976-77	238	3	242.1	1.6	0.6	
1977-78	231	7	239.3	2.8	1.1	Voluntary early retirement scheme starts
1978-79	223	8	232.4	6.9	2.9	
1979-80	219	4	233.2	(0.8)	(0.3)	
1980-81	211‡	8	224.8	8.3	3.7	
1981-82	200‡	11	212.8	12.0	5.3	Protest strikes over closures

Source: MMC from NCB information.

* Compared with financial year 1969-70.

† Closures offset by new collieries.

‡ Includes two collieries which ceased production during the year.

SECRET

29

②
PRIME MINISTER

Coal Mining Dispute

Mr. Walker phoned this morning to report on his discussion yesterday evening with Mr. MacGregor. The latter is in good heart and considers that there is an enormous turmoil within the NUM. As a result of contacts that have been made with leaders of the union, Mr. MacGregor believes that a majority of the executive would now vote against strike action. Strong pressure is growing for a meeting of the executive next week and the majority in favour of this are expected to band together shortly to state publicly that they want such a meeting urgently. They may even go so far as to indicate that there is already a majority against the strike.

The information from the management is that the majority of miners will this weekend be without pay for the first time. This is expected to increase hostility to the strike and the way it has been brought about.

The NCB's immediate objective is to keep the 38 or so pits now working open on Monday and Tuesday. They will be briefing the media over the weekend not just on the number of pits working but on the number of pits that would work if they were not picketed out. This would indicate that a majority of pits would be working.

NCB will be reconsidering its tactics on Monday and Tuesday and it has not ruled out a return to the court, but if by Wednesday the moderate group on the executive was prevailing, NCB would stay its hand.

AT

ANDREW TURNBULL

23 March, 1984

SECRET



Ref. A084/913

PRIME MINISTER

Cabinet: Industrial Affairs: Coal

BACKGROUND

The Lord President chaired two meetings of MISC 101 in your absence on Monday (MISC 101(84) 2nd Meeting) and Tuesday (MISC 101(84) 3rd Meeting). For the moment the position appears to have broadly stabilised following the weekend ballots and the police action to counter flying pickets. Most of the pits in those areas (mainly in the Midlands) which were against strike action are producing coal and delivering it to the power stations. Even with the troubles of last week it was apparently possible to deliver 670,000 tonnes of coal to the power stations (although 100,000 tonnes were from non-vested sources) and it is hoped to deliver at least as much this week. The problems are as follows:

- i. the moderates show no sign of being able to force an early meeting of the NUM National Executive Committee and secure a majority for a national ballot; no meeting is scheduled before 12 April;
- ii. the police action is costly and could at any time provoke an incident which the militants might usefully exploit;
- iii. although some coal is being delivered to power stations, endurance is being eroded (power station consumption at present is running at the rate of about 1.7 million tonnes a week; even at the height of the summer it does not fall below around 1.2 million tonnes);
- iv. the pickets have had some success in stopping work at odd pits in areas other than Nottinghamshire where there has been a vote against strike action and there is the possibility that they will over a period steadily reduce production and deliveries.

Although 44 pits worked normally on Monday, the number has since fallen below 40.



ISSUES

2. Against this background the following issues arise:
 - a. is there anything the Government can do to prevent the police activity from becoming a source of friction?
 - b. what should the NCB's attitude be to civil action in the courts?
 - c. when should the move to maximum oilburn begin?

Policing

3. One potential source of friction has been the cost of policing borne by the areas affected, principally Nottinghamshire where it was estimated early this week to be running at £½ million a day. This was dealt with at the two meetings of MISC 101 held by the Lord President in your absence. It was agreed that it would be a bad precedent, and undesirable presentationally in this instance, for the Government to meet more than the normal 50 per cent of police costs. It would however be most undesirable to make local authorities carry more than their normal 50 per cent share through the operation of grant holdback penalties. MISC 101 agreed that there should be a disregard from holdback related to the financial year 1983-84 for expenditure above a certain level incurred by a police authority in seeking help under the mutual aid arrangements (Section 14 of the Police Act 1964).

4. The Secretary of State for the Environment therefore wrote yesterday (20 March) to the Nottinghamshire County Council as follows:

"I am very conscious that Police presence needed in response to current industrial action in the coalfields means that the county council has to spend more above its 1983/84 expenditure target than it had planned, leading to additional grant holdback.

I accept that there is a good case for the Government to recognise this difficulty through some limited disregard under Section 8(4) of the Local Government Finance Act, 1982."



He will be meeting a deputation from the Council later this week, by which time he expects to be able to set out the detailed arrangements. The Scottish Office has agreed analogous arrangements with the Treasury but has not yet been approached by a local authority; extra police expenditure in Scotland so far amounts to only £52,000.

5. It seems inevitable that the police will have to maintain their current scale of effort for at least another week. They will however need to adopt no higher profile than is necessary (there are reports that they have become less conspicuous), while being ready to react promptly to any new offensive by the flying pickets.

Civil Action in the Courts

6. If further civil action in the courts (eg fines or sequestration) could be relied on to be effective in preventing flying pickets and intimidation, it would provide the opportunity for relaxing the police effort. At present however the judgment is that it would play into the hands of the militants and jeopardise such chances as there are of securing an early and favourable national ballot. This judgment is being kept under constant review by the NCB.

Oilburn

7. The CEGB still estimates endurance at around six months, but this assumes a build-up to maximum oilburn after four weeks which has not yet begun. Meanwhile they have made all possible preparations to start the build-up when required. The Secretary of State for Energy at present thinks that it would be undesirable to start increasing oilburn while there is still some chance that an early meeting of the NUM National Executive Committee could be forced but he will review the position after the weekend.

HANDLING

8. Unless some new and urgent issue has arisen before Cabinet, you will probably not wish to encourage a lengthy discussion and to have brief reports only from the Secretary of State for Energy and the Home Secretary.



CONCLUSIONS

9. You will probably wish to draw out any conclusions about the Government's general public stance, ie a continuation for the time being of the low profile, with emphasis on the police's responsibility for maintaining law and order and discreet rather than too overt reinforcements of the media pressure for an early meeting of the NUM National Executive Committee.

10. If any issues arise which require more detailed examination by Ministers before the weekend, you may wish to propose a meeting of MISC 101 on Friday under your or the Lord President's chairmanship. At present we know of no such issues.

21 March 1984

approved by ROBERT ARMSTRONG
and signed in his absence

Lindsay Wilkinson

070

Coal dispute

Fate



*Private Secretary to Secretary of State
for the Environment*

Hugh Taylor.

You may find the
attached helpful.

Copies to John Kerr,
(Chancellor's Office) and

~~At Andrew Turnbull (N110)~~

John Ballant

BACKGROUND NOTE

NOTTINGHAMSHIRE COUNTY COUNCIL : POLICE EXPENDITURE

1. Nottinghamshire Police Authority requested assistance towards the additional costs they are incurring over the miners' strike. They bear the costs of the additional policemen they import from other areas under the mutual aid provisions of the Police Act 1964 (subject of course to 50% specific grant and any block grant payable).
2. Nottinghamshire County council are likely anyway to exceed their expenditure target in 1983/84 by more than 2%. This means that for every £1 they spend on policing the Nottinghamshire coalfield they lose about £1.50 block grant through grant holdback.
3. The Secretary of State for the Environment has recognised that there is a good case for disregarding under S8(4) of the Local Government Finance Act 1982 at least some of their exceptional police expenditure for grant holdback purposes. Expenditure which is disregarded does not score against target for grant holdback purposes, so that Nottinghamshire would not then be penalised for such spending.
4. A meeting has been arranged between Nottinghamshire county Council and the Secretary of State to discuss the matter on Thursday 22 March 1984.

cc BI

NOTE FOR THE RECORD

Coalmining Dispute

There appears to have been a further deterioration in the position this morning. 37 pits are working normally, 9 are working on a restricted basis, 3 are working but not producing and 127 are idle, either through strike action or being picketed out.

The Executive of the Notts NUM is meeting this morning to consider "mounting criticism of their failure to advise miners not to cross picket lines". There is increasing evidence of local pickets at the Notts pits. Outside pickets seem to be concentrating on pits in the other "yes" areas. The aim seems to be to intensify the pressure on those men still working without resorting to crude and heavy picketing. There is a report of an injury to a picket at a South Notts pit but there are no further details.

There are no signs of an early meeting of the NUM National Executive.

AT

21 March 1984

File - Coal Dispute.

cc ~~BD~~



Private Secretary to Secretary of State
for the Environment

Hugh Taylor.

I enclose a copy of the
letter sent to Nottinghamshire
they have also been given
the text over the telephone
today.

Copies of this note also go to
John Kerr (Chancellor's office)
and Andrew Turnbull (N&I)

John Taylor

21 March 1984

②

PRIME MINISTER

28

REPORT ON COAL DISPUTE(i) Picketing

Following the vote by Nottinghamshire miners at the weekend in favour of a return to work, the police mounted a major operation on Monday morning. 7,200 men were available (though not all were deployed). Out of 174 pits, 44, mainly in Notts, Staffs, Warwick and Leicestershire, were working compared with 11 on Friday. No pits were closed by an excessive number of pickets, though there may have been one or two pits in the "yes" areas where insufficient men turned up. The Executive of the Derbyshire miners "re-interpreted" what was a very narrow margin in favour of a return to work and declared it as a vote against. Their pits are now closed. There is no working in Scotland, Wales, Yorkshire or Kent. No incidents, apart from a minor scuffle outside the Yorkshire NUM headquarters were reported. On Tuesday, 42 pits were working and picketing was again very light.

* Later reports suggest 38

The police have been extremely successful in intercepting and turning back pickets. Kent miners, who were stopped at the Dartford Tunnel, sought an injunction in the High Court, but the case was dismissed this afternoon.

(ii) NCB Civil Action

With almost everyone willing to work being able to do so, NCB decided to suspend its action to seek a fine and sequestration from the Yorkshire Executive. The case has been adjourned and NCB have to give two days' notice to reactivate it. Mr. Scargill has claimed this as a climb down, but he is probably disappointed that an issue which could have united

/ miners

miners in favour of a strike has been snatched from him. It seems clear that Yorkshire miners were preparing for a major showdown at their headquarters should bailiffs have arrived.

(iii) National Ballot

Mr. Scargill's tactics seem to be to avoid a meeting of the Executive, as there might now be a majority in favour of a national ballot. He may be able to hold off such a meeting for some time, hoping that in the meanwhile an issue to unify miners will turn up, e.g. sequestration, a violent clash with police or a slip up in Government handling which has so far been very measured. The Department of Energy advise that a ballot held now would be a close-run thing. The earliest a ballot could take place would be Thursday week, with the result the following weekend.

(iv) Endurance

MISC 101 decided against any action on oil-burn ahead of a ballot, as this would be regarded as provocative, but they felt that this issue might need to be addressed before too long. The Department of Energy are producing an assessment of how much coal being mined in the pits that are open is getting through to power stations.

(v) Cost of Policing

Under existing rules, a police force requesting mutual aid under S.14 of the Police Act 1964 is charged for the full cost of the men by the parent force, not just the additional costs from

/ overtime

overtime, transport, etc. (This may seem harsh, but it has the benefit that it maximises the incentive to cooperate and minimises haggling over conditions). The exercise is costing about £½ million a day. Half of the cost is borne by the Government through Exchequer grant and the rest falls on the police authority, and thence by precept on to the counties. In the absence of action by the Government, counties such as Nottinghamshire and Derbyshire could find themselves paying not only extra costs but incurring hold-back, thereby multiplying the cost to ratepayers. Ministers agreed that the counties were entitled to some relief from this. They felt the right response was not a specific grant, as was done in the case of Greenham Common, as this would strengthen an already dangerous precedent. They agreed to allow a disregard so that the additional expenditure incurred under the mutual support arrangements would not incur hold-back. The Notts. Council have been informed of this, though the details are still being worked out.

(vi) Presentation

The Government has been successful in presenting anti-picketing measures as police action to maintain law and order. The appearance of Mr. David Hall of the National Recording Centre on television discussing the police organisation has reinforced this. The Home Secretary has been able to stay in the background. On the dispute itself, Ministers have been able to maintain a low profile and the facts of the case have been getting across successfully to the press.

/ (vii)

SECRET

-4-

(vii) Further Action

There are opportunities to discuss the dispute at Cabinet and, if necessary, first thing on Friday morning.

AT

20 March 1984

SECRET



2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

20 March 1984

Dear Councillor Cowan,

I am sorry that I was unavailable to speak to you yesterday.

I am very conscious that Police presence needed in response to current industrial action in the coalfields means that the county council has to spend more above its 1983/84 expenditure target than it had planned, leading to additional grant holdback.

I accept that there is a good case for the Government to recognise this difficulty through some limited disregard under section 8(4) of the Local Government Finance Act, 1982. The Chief Executive has I understand asked on behalf of the Council for an urgent meeting with me. I shall be very happy to receive a deputation as soon as possible. Perhaps your secretary would telephone my office (01- 212 8001) to make the arrangements.

Yours
Patrick Jenkin

PATRICK JENKIN

Councillor M Cowan

Coal file

DATE 19.3.84

TIME INFORMATION RECEIVED 0700

QUESTIONNAIRE

FORCE AREA...CUMBRIA

Number of Collieries in Force Area 1 (Total)

List of Collieries working.

<u>Name of Colliery</u>	<u>Number of Colliers Striking / Working</u>	<u>Number of Pickets</u>	<u>Mood of Pickets</u>	<u>May Miners attend work without hindrance / intimidation</u>	<u>TIME</u> <u>UPDATE</u>
HAIGH	Not known	Nil		Yes	

QUESTIONNAIRE

FORCE AREA.. DURHAM

DATE 19.3.84

Number of Collieries in Force Area ..41..... (Total)

List of Collieries working.

<u>Name of Colliery</u>	<u>Number of Striking / Working</u>	<u>Number of Pickets:</u>	<u>Mood of Pickets</u>	<u>May Miners attend work without hindrance/intimidation</u>	<u>TIME / UPDATE..</u>
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QUESTIONNAIRE

DATE... 19.3.84.....

FORCE AREA... DYFED POWYS.....

TIME INFORMATION RECEIVED... 0600.....

Number of Collieries in Force Area 2 (Total)

List of Collieries working.

<u>Name of Colliery</u>	<u>Number of Colliers Striking / Working</u>	<u>Number of Pickets:</u>	<u>Mood of Pickets</u>	<u>May Miners attend work without hindrance / intimidation</u>	<u>TIME</u> / <u>UPDATE..</u>
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QUESTIONNAIRE

DATE... 19.3.84

FORCE AREA... GWENT

TIME INFORMATION RECEIVED... 0600

Number of Collieries in Force Area 9 (Total)

List of Collieries working.

<u>Name of Colliery</u>	<u>Number of Colliers Striking / Working</u>	<u>Number of Pickets:</u>	<u>Mood of Pickets</u>	<u>May Miners attend work without hindrance/intimidation</u>	<u>TIME</u> UPDATE..
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FORCE AREA KENT

QUESTIONNAIRE

DATE 18.3.84

Number of Collieries in Force Area 3 (Total)

TIME INFORMATION RECEIVED 0600

List of Collieries working.

<u>Name of Colliery</u>	<u>Number of Colliers Striking</u>	<u>Number of Colliers Working</u>	<u>Number of Pickets</u>	<u>Mood of Pickets</u>	<u>May Miners attend work without hindrance/intimidation</u>	<u>TIME</u> UPDATE
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QUESTIONNAIRE

DATE... 19.3.84

FORCE AREA... GREATER MANCHESTER

TIME INFORMATION RECEIVED... 0600

Number of Collieries in Force Area ... 4 (Total)

List of Collieries working.

<u>Name of Colliery</u>	<u>Number of Striking / Working</u>	<u>Number of Pickets:</u>	<u>Mood of Pickets</u>	<u>May Miners attend work without hindrance/ intimidation</u>	<u>TIME / UPDATE</u>
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QUESTIONNAIRE

DATE...19.3.1984.....

FORCE AREA. LEICESTERSHIRE.....

TIME INFORMATION RECEIVED..... 0735 hrs.....

Number of Collieries in Force Area .9..... (Total)

List of Collieries working.

<u>Name of Colliery</u>	<u>Number of Striking</u>	<u>Number of Colliers Working</u>	<u>Number of Pickets</u>	<u>Mood of Pickets</u>	<u>May Miners attend work without hindrance/intimidation</u>	<u>TIME / UPDATE</u>
BAGWORTH.....	60 %	110	Good	Yes	.....
ELLISTOWN.....	65 %	12	Good	Yes	.....
RAWDON.....	90 workers	0	.....	Yes	.....
DONNISTHORPE.....	198 "	0	.....	Yes	.....
SNIBSTAN.....	60 "	0	.....	Yes	.....
WHITWICK.....	230 "	0	Yes
SOUTH. LEICESTER.....	130 "	0	Yes
MEASHAM.....	150 "	0	Yes
NAILSTON.....	40 "	0	Yes
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QUESTIONNAIRE

FORCE AREA... MERSEYSIDE

DATE... 1984

Number of Collieries in Force Area 4 (Total)

TIME INFORMATION RECEIVED ... 0600

List of Collieries working.

<u>Name of Colliery</u>	<u>Number of Striking / Working</u>	<u>Number of Pickets:</u>	<u>Mood of Pickets</u>	<u>May Miners attend work without hindrance / intimidation</u>	<u>TIME UPDATE..</u>
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FORCE AREA.....

QUESTIONNAIRE

DATE...1984.....

Number of Collieries in Force Area 9 (Total)

TIME INFORMATION RECEIVED...0600.....

List of Collieries working.

<u>Name of Colliery</u>	<u>Number of Striking</u>	<u>Number of Colliers Working</u>	<u>Number of Pickets:</u>	<u>Mood of Pickets</u>	<u>May Miners attend work without hindrance/intimidation</u>	<u>TIME</u> <u>UPDATE..</u>
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FORCE AREA NORTH WALES

QUESTIONNAIRE

DATE .19.3.84.....

Number of Collieries in Force Area .2..... (Total)

TIME INFORMATION RECEIVED ..0600.....

List of Collieries working.

<u>Name of Colliery</u>	<u>Number of Striking</u>	<u>Number of Colliers Working</u>	<u>Number of Pickets</u>	<u>Mood of Pickets</u>	<u>May Miners attend work without hindrance/ intimidation</u>	<u>Yes</u>	<u>TIME / UPDATE</u>
POINT OF AYR	30	220 +	50	Good	Yes
BERSHAM	4winders only	30	Good	Yes
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FORCE AREA... NOTTINGHAMSHIRE.....

QUESTIONNAIRE

DATE... 19.3.84.....

Number of Collieries in Force Area 31..... (Total)

TIME INFORMATION RECEIVED... 0630.....

List of Collieries working.

<u>Name of Colliery</u>	<u>Number of Colliers Striking / Working</u>	<u>Number of Pickets:</u>	<u>Mood of Pickets</u>	<u>May Miners attend work without hindrance/intimidation</u>	<u>TIME UPDATE..</u>
Group 1. BABBINGTON.	... No numbers available	50	Reasonably amicable	Yes	.....
MOOR GREEN	but at each colliery workers have "been going in steadily"	40	"	.....	.....
.....	(Believed 75 to 90 % are working.)	.....	.....	.....	.....
HUCKNALL.	10	Bad - at 5.15am 3 arrests for Section 5, Public Order Act offences	.....	.....
LINBY	0	.....	Yes	.....
ANNESLEY	30	Volatile - 2 arrests by Thames Valley officers (§.5 P.O.Act)
NEWSTEAD	30	Good	Yes
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BENTONK.	100	Good	Yes
Group 3. PYE HILL No.1.	35	"	"
.....	50	"	"
PYE HILL No.2.
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SUTTON	12	"	Yes
SILVERHILL	10	"	Yes
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.....	Total. 367

QUESTIONNAIRE

DATE 19.3.1984

FORCE AREA... NOTTINGHAM

TIME INFORMATION RECEIVED... 0600

Number of Collieries in Force Area ... 31 (Total)

List of Collieries working.

<u>Name of Colliery</u>	<u>Number of Colliers Striking / Working</u>	<u>Number of Pickets</u>	<u>Mood of Pickets</u>	<u>May Miners attend work without hindrance/intimidation</u>	<u>TIME UPDATE</u>
Group 5	75-90 % working				
CALVERTON	Believed to be working	3	Good	Yes	
	normal				
GEDLING	"	100	Good	Yes	
COTGRAVE	"	5	Good	Yes	
Group 6					
RUFFORD	"	0		Yes	
BLIDWORTH	"	0		Yes	
Group 7					
MANSFIELD	"	60	Good	Yes	
SHERWOOD	"	45	Good	Yes	
Group 8					
WARSOP	"	20	Good	Yes	
WELBECK	"	60	Good	Yes	
CLIPSTONE	"	0		Yes	
		Total			
		293			

QUESTIONNAIRE

DATE... 19.3.84.....

FORCE AREA... NOTTINGHAMSHIRE.....

TIME INFORMATION RECEIVED... 0600.....

Number of Collieries in Force Area .31..... (Total)

List of Collieries working.

Name of Colliery	Number of Striking / Working	Number of Pickets	Mood of Pickets	May Miners attend work without hindrance/intimidation	TIME UPDATE
Group 9.....	Number of Colliers Believed to be working. 75 - 90% working.				
THORESBY.....	(Television crews at colliery)	100	No incidents reported.	Yes	
OLLERTON.....		0		Yes	
BEAVERCOTES.....	Television crew at colliery.	100	Good	Yes	
Group 10.....					
HARWORTH.....		100	"	Yes	
.....		Total... 300			
.....	Total number of pickets in Nottinghamshire.				
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QUESTIONNAIRE
 DATE 19.3.84.....

FORCE AREA..... SOUTH WALES.....

TIME INFORMATION RECEIVED... 0600.....

Number of Collieries in Force Area ... 21..... (Total)

List of Collieries working.

<u>Name of Colliery</u>	<u>Number of Colliers Striking / Working</u>	<u>Number of Pickets</u>	<u>Mood of Pickets</u>	<u>May Miners attend work without hindrance/ intimidation</u>	<u>TIME UPDATE.</u>
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QUESTIONNAIRE

DATE 19.3.84

FORCE AREA. SOUTH YORKS

TIME INFORMATION RECEIVED. 0600

Number of Collieries in Force Area 37 (Total)

List of Collieries working.

<u>Name of Colliery</u>	<u>Number of Colliers Striking / Working</u>	<u>Number of Pickets:</u>	<u>Mood of Pickets</u>	<u>May Miners attend work without hindrance / intimidation</u>	<u>TIME / UPDATE..</u>
NONE
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QUESTIONNAIRE

DATE 19.3.84

FORCE AREA... STAFFORDSHIRE

TIME INFORMATION RECEIVED 0600

Number of Collieries in Force Area 7 (Total)

List of Collieries working.

<u>Name of Colliery</u>	<u>Number of Colliers Striking / Working</u>	<u>Number of Pickets:</u>	<u>Mood of Pickets</u>	<u>May Miners attend work without hindrance/intimidation</u>	<u>TIME / UPDATE</u>
LITTLETON	45	6	Barracking	Yes	

DATE 19.3.84

QUESTIONNAIRE

WARWICKSHIRE

TIME INFORMATION RECEIVED 0600

Force Area

WARWICKSHIRE

TIME
~~UPDATE~~

May Miners attend work
without hindrance/
intimidation

Mood
of Pickets

Number of
Pickets

Number of Colliers
Striking / Working

Name of
Colliery

Name of Colliery	Number of Colliers Striking / Working	Number of Pickets	Mood of Pickets	May Miners attend work without hindrance/intimidation	TIME UPDATE
DAW. MILL	None	4(Kent)	Quiet	Yes	
BADDESLEY	None	None	"	Yes	
BIRCH COPPICE	350	10	"		
KERSLEY	Full	4(Kent)	"		
*	350				
*	300				0815 hrs.
BIRCH COPPICE	Miners decided to cease work and walked out.				

QUESTIONNAIRE

FORCE AREA.. WEST YORKSHIRE.....

DATE...19.3.84.....

Number of Collieries in Force Area 28..... (Total)

TIME INFORMATION RECEIVED..... 0600

List of Collieries working.

<u>Name of Colliery</u>	<u>Number of Colliers Striking / Working</u>	<u>Number of Pickets</u>	<u>Mood of Pickets</u>	<u>May Miners attend work without hindrance/intimidation</u>	<u>TIME UPDATE..</u>
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PRIME MINISTER

COAL

Andrew Turnbull rang to say:

- (a) There are 44 pits working today, compared to 11 on Friday.
- (b) In the areas which voted for a return to work, only about 4 pits have not started work today.
- (c) In North Derby, where the vote was 50-50, the Executive have called for a strike.
- (d) Ministers met this morning. We are still maintaining a low Government profile. The Attorney General has said everything necessary on picketing. We are presenting it as a police, not a Government matter.
- (e) The Coal Board has applied for an adjournment (not a withdrawal) of its legal action - apparently in the hope that the picketing situation will improve.
- (f) The expectation is that the NUM Executive will call for a ballot. They may make the call this week with the ballot taking place next week. So it could be two weeks before the matter is resolved.
- (g) Meanwhile no decisions have been taken on oil burn.

A.J.C.

19 March, 1984

Message from Energy Private Office:

SECRETARY OF STATE FOR ENERGY

We have just received a further message from the NCB:-

1. They have confirmed that they will be going to the courts at 10 am this morning to ask for a hearing on Monday.
2. In doing this they are required to disclose to the NUM exactly what they will be seeking on Monday ie a fine or sequestration of assets.
3. MacGregor has repeated that all the actions he is taking on this front can of course be changed if the Government so wishes.
4. Obviously if Ministers have major reservations about the further court proceedings we need to let the Board know immediately.

16 March 1984

Industrial Hereditaments) Regulations 1984 (S.I., 1984 No. 221), dated 28th February 1984, a copy of which was laid before this House on 8th March, be annulled.]

Will my right hon. Friend try to find time next week or the week after to debate that matter, bearing in mind that the order will come into effect on 31 March? There are Conservative Members who do not consider that the order, which extends wide-ranging relief to industrial premises, achieves our manifesto commitment.

Mr. Biffen: I shall look at the point that my hon. Friend raises but I do not want him to be too optimistic.

Mrs. Renée Short (Wolverhampton, North-East): Is the Leader of the House aware that the Select Committee's report on the Griffiths proposals is published today? As the Secretary of State for Social Services has expressed the wish that there should be a debate in the House as early as possible, will he bear that in mind and see whether it is possible to have such a debate before the Easter recess?

Mr. Biffen: I am happy to reaffirm that I regard it as an important topic. I can make no promises but I shall certainly consider the matter sympathetically.

Mr. Tony Marlow (Northampton, North): Since our accession to the European Community was a major constitutional issue, confirmed later by referendum, which is limited in its financial implications to the 1 per cent. VAT ceiling, if, at a later stage that were to be increased, that would again have major implications for our constitution and sovereignty. Does my right hon. Friend agree that in those circumstances it is important that the matter should be fully debated and that primary legislation should be brought before the House?

Mr. Biffen: The most prudent thing that I can say at this stage is that it would be foolish for me to try to anticipate the outcome of the European Council meeting.

Mr. Max Madden (Bradford, West): The Leader of the House will have seen early-day motion 578 entitled "Parliamentary Inquiries and Use of Select Committees". He will be aware that a number of hon. Members have withdrawn from the Register of Members' Interests in protest at the recent remarks of the chairman of the Select Committee. Will he tell the House where the Select Committee now is in regard to the formal complaints which have been made regarding the Prime Minister's involvement with and knowledge of her son's business interests?

[That this House notes that the Select Committee on Members' Interests has been considering formal complaints alleging the Prime Minister's failure to declare and to register her interests in relation to the Cementation contract in Oman; and believes that the House should use its committees to clear the matter up and end public speculation.]

Mr. Biffen: I understand that the Select Committee on Members' Interests is meeting this afternoon, and our Order Paper informs us of that fact. I am sure that the whole House will be concerned to have an early report from the Committee.

Dr. Alan Glyn (Windsor and Maidenhead): Will the Leader of the House consider extending the length of the foreign affairs debate, as we are to have only one day's debate on subjects that are very far-ranging at this time?

Mr. Biffen: I shall certainly look at that proposition.

Mr. Eddie Loyden (Liverpool, Garston): As the situation in Liverpool at the moment should be of great concern to the right hon. Gentleman and to the Government, will he arrange in the very near future for a debate on the Floor of the House in order that this matter can be discussed fully?

Mr. Biffen: Certainly no provision has been made for next week, but I shall draw the attention of my right hon. Friend the Secretary of State for the Environment to the point that has just been made.

Mr. Nicholas Budgen (Wolverhampton, South-West): Will my right hon. Friend agree that, if the Government apply for an increase in the own resources of the EEC, they should honour the undertaking given by my right hon. Friend Lord Whitelaw on 24 November 1977 that this should be done only by Act of Parliament?

Mr. Biffen: As we are not yet at that ditch, I am not prepared to jump.

Mr. Gavin Strang (Edinburgh, East): Is the right hon. Gentleman aware that it is quite unprecedented and disgraceful for the debate on the common agricultural policy annual price proposals to take place after 10 o'clock? Is he aware that for over 10 years that debate has been the one day's debate on the agricultural industry generally and that to have it after 10 o'clock is not only unacceptable to the House but an insult of the hundreds of thousands of people who earn their living in the agricultural and food industries?

Mr. Biffen: I appreciate the feeling with which the hon. Gentleman speaks. I am not sure that what is now being proposed is wholly without precedent. I have to take account of the very considerable interest there is in the House that we should have a foreign affairs debate, and we simply have to proceed along the lines that I have indicated.

Mr. John Browne (Winchester): Will my right hon. Friend accept that there is a growing use of space for both active and passive military purposes, which is leading to growing concern among a large number of people? Please may we have a debate on this subject so as to prevent the unnecessary proliferation of active military uses of space?

Mr. Biffen: I think that that is a campaign which my hon. Friend can best further by himself seeking an Adjournment debate.

Mr. Doug Hoyle (Warrington, North): Has the right hon. Gentleman seen early-day motion 560 on hare coursing? It is signed by 68 right hon. and hon. Members and calls for the introduction of a Bill to bring to an end this barbaric sport? Will he allow time for it to be debated, because the majority of the population want that to be done as quickly as possible?

[That this House calls for the reintroduction of the Hare Coursing Bill and for the Government to provide Parliamentary time in order to bring to an end this barbaric sport as quickly as possible.]

Mr. Biffen: Any legislation on this topic should probably proceed, but through the normal disciplines of private Member's time.

Mr. Peter Bruinvels (Leicester, East): Is my right hon. Friend aware of the serious disquiet felt regarding the

[Mr. Peter Bruinvels]

Lion intoximeter 3000, as reported in the *Daily Express*? Will he provide time for an urgent debate on the subject, since the machine seems to be completely unreliable?

Mr. Biffen: I wish my hon. Friend every success in the Adjournment debate that I know he will now seek.

Mr. Robert Parry (Liverpool, Riverside): Will the Leader of the House ask his right hon. Friend the Chancellor of the Exchequer to consider the substantial loss of earnings by British seamen caused by his Budget proposal to phase out tax relief on overseas earnings? Is it not scandalous that seamen who have to work all over the world to earn their living should be bracketed with the very rich who spend most of their lives on world cruises?

Mr. Biffen: The problem of seamen's earnings could well be referred to either later today or on Monday, when there will be debates on Budget proposals.

Mr. Dennis Skinner (Bolsover): Following on what the leader of the Social Democratic party said on the allocation of Supply days, will the Leader of the House take into account the fact that there might be an opportunity if the leader of the SDP joined with the leader of the Liberals to decide on a debate in which the House could discuss why, although there is supposed to be joint selection, in the London, South-East constituency there is a Liberal and a Socialist—

Mr. Speaker: Order. I am sorry to keep on stopping the hon. Gentleman, but the Leader of the House is not responsible for that matter.

Mr. Skinner: I have not got to my point.

Mr. Speaker: Order. The Leader of the House is not responsible for negotiations or talks that go on elsewhere.

Mr. Skinner: It is a debate.

Mr. Speaker: Order. If the hon. Gentleman will put a question—

Mr. Skinner: I have done.

Mr. Speaker: A question about the business next week.

Mr. Skinner: If the Leader of the House cannot arrange such a debate next week—or any other week for that matter—will he take into account the fact that it will be difficult to arrange a Supply day on the night when the Leader of the SDP has a dinner arranged at £27.50 plus VAT?

Mr. Speaker: Does the Leader of the House wish to answer?

Mr. Biffen: Clearly, it is not a take-away dinner. Like most other topics for debate, it seems highly suitable for the Adjournment, and I can think of no better Member to raise it than the hon. Member for Bolsover (Mr. Skinner).

Collieries (Picketing)

3.46 pm

The Secretary of State for the Home Department (Mr. Leon Brittan): I will with permission, Mr. Speaker, make a statement about the picketing that has taken place at collieries in various parts of the country in the last few days.

The legal position is clear. Any attempt to obstruct or intimidate those who wish to go to work is a breach of the criminal law. The mere presence of large numbers of pickets can be intimidating. The police have the duty to prevent obstruction and intimidation, and enable those who wish to go to work to do so. They have the power to stop and disperse large numbers of pickets, and to take preventive action by stopping vehicles and people.

Picketing has been taking place in Durham, Leicestershire, Derbyshire, west Yorkshire, south Yorkshire, Lancashire and Wales. In those areas, the police have been able to ensure that those who wish to go to work are not physically prevented from doing so. The presence of pickets has, however, led to many miners feeling unable to go to work. Overall, 83 pits were working normally at the beginning of the week. Only 29 were doing so this morning.

There has, however, been substantial mass picketing in the Nottinghamshire area, and serious disturbances as a result. The police have been responding to this firmly. At any one time more than 3,000 police officers, from a total of 17 forces, in addition to the Nottinghamshire constabulary, are on hand. Of the 25 pits in the National Coal Board's Nottinghamshire area, seven today have been working normally; eight have been working at reduced capacity; seven have been open, but have had too few miners available to send men underground; three have not been working.

The most serious disturbances have been at Ollerton. The police estimate that as many as 500 pickets were present there last night and during the night a total of more than 200 officers were deployed. It was at Ollerton that a miner from Yorkshire, Mr. David Jones, died. I understand that a post mortem has been carried out, and that he died as a result of injuries to his chest. The House will wish to express its deep regret that this has happened. Although there is no reason to suppose that the police were involved in any way, the chief constable has decided in the circumstances that it would be desirable to have the case investigated by a senior police officer from a force not involved in providing support in Nottinghamshire. The House will understand that, in the circumstances, it would be inappropriate for me to comment in more detail on that incident.

Following the death of Mr. Jones, local management at Ollerton decided to end the night shift, all of whom had attended for work normally and the pickets moved away to other places. During events in Nottinghamshire yesterday, 10 arrests were made, and by the end of this morning some 33 arrests had been made since midnight.

I need hardly underline the seriousness of this situation. The law permits picketing for the purpose of peacefully communicating and persuading. What it does not permit is what some of the Nottinghamshire miners themselves, who have been the victims of disgraceful conduct, have called mob rule, and what is so horrifying is that it is mob rule that is being inflicted by miner upon fellow miner.

Miners have the right to take part in a free ballot. In north Wales, Warwickshire and Staffordshire yesterday, they conducted a ballot to determine whether or not they will take strike action. The ballot starts in the Nottinghamshire coalfield today at 6 pm and is open for 24 hours. That ballot will be protected, and will go ahead.

A major co-ordinated police response, involving police officers from throughout the country, has been deployed to ensure that any miner who wishes to work at any pit may do so and any miner who wishes to vote may do so. I have made it clear to the chief constables concerned that they have my complete support in taking every measure open to them within the law to keep the peace and protect the right to work and to vote. The objective of the police is to prevent intimidation, obstruction and other criminal offences. They have mobilised every available officer in order to disperse excessive numbers of pickets. The police have extensive preventive powers under the common law, including, for example, the power to stop coaches, cars and people on foot who are clearly intent upon joining mass picketing which has become intimidatory, either because of the risk or threat of violence or simply because of the sheer numbers involved.

The House may have heard of an agreement recently announced between Mr. Chadburn and Mr. Arthur Scargill, which may lead to the withdrawal of Yorkshire pickets from Nottinghamshire. It does not, of course, affect in any way what I have said about the policy of the Government, the duties of the police, or the rights of the citizen under the law throughout the country. I have asked Sir Lawrence Byford, Her Majesty's Chief Inspector of Constabulary, to keep in close touch with the chief constables of the areas concerned. He has left for Nottinghamshire in the first place, and will report personally to me later today.

I look to the whole House to condemn unreservedly any attempt to force miners not to work if they wish to do so, or to intimidate them from voting freely in the ballots now taking place. The right of miners who want to work and vote is something that is fundamental to a free society. The police are currently doing everything in their power to uphold that right. In doing so, they will have the fullest support of the Government and, I am confident, of the House.

Mr. Gerald Kaufman (Manchester, Gorton): First, on behalf of my right hon. and hon. Friends, I wish to express our sorrow at the death of Mr. David Jones, and to offer our sympathy to his wife and family in their sad and untimely bereavement.

We in the Labour party condemn all violence in all circumstances, and that includes condemnation of violence in pursuit of industrial disputes, even when it occurs among people who feel impotent in the face of the destruction of their jobs, their industries and their communities.

It is the duty of the Home Secretary, above all other Ministers, to seek to maintain the Queen's peace, yet he seems to regard it as his function to stir up difficult situations, instead of seeking to cool them down. He did that during the Warrington *Messenger* dispute. He did it again following the incidents involving Mr. Ian MacGregor when, in search of party advantage, he repudiated his own Minister of State's honest statement of the facts. He has done it again today in a statement that goes far outside his departmental responsibilities as Home

Secretary, and it is deliberately calculated to inflame a situation that requires conciliation. We all know that it is the Prime Minister who has put him up to it. *[Interruption.]* The fact is that it is this Government who are directly responsible for this lamentable situation, first, by forcing on to the statute book legislation deliberately calculated to inflame delicate industrial problems, and, secondly, by appointing Mr. MacGregor to carve up the coal industry. When the Government did both these things, they must have known what would happen. They may even have hoped for it to happen. *[Interruption.]* They have a vested interest in provoking industrial anarchy. *[Interruption.]*

Mr. Ray Powell (Ogmore): On a point of order, Mr. Speaker. Can we not stop the noise of the rabble on the Government Front Bench?

Mr. Speaker: Order. I must say that it does not come from one side of the House only. Whatever is said from the Dispatch Box can frequently be somewhat difficult to listen to, but I think we should listen in silence to what the right hon. Gentleman has to say.

Mr. Kaufman: The fact is that this Government have a vested interest in provoking industrial anarchy. Only a few days ago, the Select Committee on Energy criticised Mr. MacGregor directly for his approach to the creation of redundancies. The fact is that the chairman of the National Coal board is seeking to implement a unilateral closure plan without any proper consultation with the National Union of Mineworkers. The Government should now intervene by acting to bring the parties together so that a sensible plan can be worked out for the industry producing this most precious and essential fuel.

The Home Secretary has just asked the House to condemn unreservedly any attempt to force miners not to work, if they wish to do so. It is the Government's policies that are condemning not only miners, but 3 million others, not to work when they wish to do so.

Mr. Ivor Stanbrook (Orpington): On a point of order, Mr. Speaker. I know that a certain latitude is allowed to Opposition Front-Bench Members, but is not a statement an occasion when questions should be asked about it, rather than a counter-statement lasting almost as long as the original statement?

Mr. Speaker: The hon. Member is quite right; latitude is given to the Front Bench, but I think that the right hon. Gentleman is coming to his last page. *[HON. MEMBERS: "Page?"]*

Mr. Kaufman: That is true, Mr. Speaker. As always, you anticipated correctly what I was going to do.

The person responsible for this sorry situation is the Prime Minister. *[HON. MEMBERS: "Question."]* It is she — *[HON. MEMBERS: "Question."]* It is she who appointed Mr. MacGregor to butcher the coal industry. It is she — *[HON. MEMBERS: "Question."]* It is she who has ordered the Home Secretary to make this provocative statement today. It is she who said, "Where there is hatred, let me sow love; where there is despair, let me sow hope." The Prime Minister has sown hatred and despair. *[HON. MEMBERS: "Question."]* I hope that she is satisfied with what she has done. *[Interruption.]*

Mr. Brittan rose — *[Interruption.]*

Mr. Speaker: Order. I ask the House, in a very highly charged situation, to conduct our discussions here in calmness.

Mr. Cyril D. Townsend (Bexleyheath): On a point of order, Mr. Speaker. Surely we are going way beyond the normal conventions? A statement has been made from the Opposition Front Bench. Is not the whole point of questioning by the Opposition to elucidate the statement made by the Home Secretary, not to make a highly flamboyant statement in such situations?

Mr. Speaker: I repeat to the House that this is a highly charged situation, inside and outside the House. I think that in the House we must today give a lead to the rest of the country.

Mr. Brittan: The right hon. Member for Manchester, Gorton (Mr. Kaufman) began what purported to be his questions on my statement with a condemnation of violence whatever its cause or source may be. Every single word that he uttered after that showed that that condemnation was no more than a ritual wringing of hands. [HON. MEMBERS: "Hear, hear."] The right hon. Gentleman had the effrontery to accuse me of stirring up incidents and of going beyond my departmental responsibility when I stated the facts, stated the law and stated my support for the police in upholding the law. The House will judge who is going beyond his responsibilities and who is unworthy of the office to which he aspires.

Mr. Jim Lester (Broxtowe): I say on behalf of the Nottinghamshire miners in my constituency, who are both responsible and democratic, that they feel closer to what my right hon. and learned Friend said than to the statements of others—

Mr. Dennis Skinner (Bolsover): Question.

Mr. Lester—as they seek merely the right freely to vote on issues that they understand far better than anyone from Manchester.

Mr. Brittan: I am grateful to my hon. Friend for what he has said. Those who know him will be aware that he did not utter those remarks lightly and that what he says represents the views of his constituents.

Mr. J. D. Concannon (Mansfield): Is the Home Secretary aware that I would have preferred him not to make a statement today against the background of the highly charged atmosphere in Nottinghamshire, including my constituency? I appeal to all right hon. and hon. Members to recognise that an agreement has been made and that there will be a ballot in Nottinghamshire during the rest of today and tomorrow, which will be assessed on Sunday morning. The time to talk will be after the result of the ballot is announced on Sunday morning. I hope that the House will kindly belt up. I shall have to return to a highly charged atmosphere in Nottinghamshire, especially Mansfield, which is doing no one any good, least of all the National Union of Mineworkers.

Mr. Brittan: I am sure that the House will respect the right hon. Gentleman's desire that the ballot should go ahead peacefully, and that is exactly what we are seeking to ensure. However, after the events of yesterday, which are fortunately still rare in our national affairs, the House would have judged me to have failed in my duty if I had not made a statement on what had happened.

Mr. Eldon Griffiths (Bury St. Edmonds): Does my right hon. and learned Friend agree that one of the most difficult tasks of the police is to strike a balance between enforcing the law to enable people to vote and to work freely, and upholding the Queen's peace, which quite frequently requires them to use minimum force, thereby avoiding any unnecessary escalation of violence? Will he tell the House that it does not assist the police in striking that balance, which they do better than any other police force in the world, if there are inflammatory remarks in this place which can make their job only much more difficult?

Mr. Brittan: I entirely agree with my hon. Friend that inflammatory remarks do not help the police in the discharge of their duty.

Mr. Kaufman *indicated assent.*

Mr. Alexander Eadie (Midlothian): I hope that the Home Secretary will reflect on his statement, which on any description was not helpful in easing what my right hon. Friend the Member for Mansfield (Mr. Concannon) has described as a difficult and inflammatory situation. Why did the right hon. and learned Gentleman not place more emphasis on the agreement that has been made between Nottingham and Yorkshire that the violence, or the picketing, should end? Does he agree that a voluntary agreement is far better than violence or reaction?

Mr. Brittan: I referred to the agreement that the hon. Gentleman has mentioned. However, when events of his sort occur, I consider it my duty to make it clear that the police have the resources and the support to enable the law to be enforced. It would be a sad day for Britain if it should be regarded as matter of controversy to suggest that people should be able to go to work if they want to do so.

Sir John Osborn (Sheffield, Hallam): Is my right hon. and learned Friend aware that as the only Conservative Member in south Yorkshire I should welcome an agreement between the miners of Nottingham and south Yorkshire? But is it not a fact that the intimidation and the consequences of intimidation may influence the ballot one way or the other? Miners have been subject to the flying picket and the brutality that goes with it, which could influence their decisions in future. Can my right hon. and learned Friend assure me that flying pickets have now ceased their activities throughout the country, especially when 30 or 40 of them use a private vehicles to arrive at the pithead at short notice? That is something that miners fear.

Mr. Brittan: I fully understand my hon. Friend's anxiety that the ballot should be a genuinely free one. It is precisely to stress that and to seek to ensure it that I have made a statement outlining the powers of the police and their readiness to enforce them for the purpose that my hon. Friend has in mind. I cannot give my hon. Friend the assurance that nowhere in the country will there be flying pickets, for that is not within my gift. However, I can give him the assurance that everyone involved is well aware of what his duty is in the maintenance of law and order and will have my support in carrying out that duty.

Mr. A. J. Beith (Berwick-upon-Tweed): Is the Home Secretary aware that in Northumberland, to which he did not refer, many pickets came from the Durham area to picket collieries such as Ellington, which voted overwhelmingly against striking, and suggested that if

miners continued to report for work many more pickets would shortly arrive? Does he recognise that this is intimidatory action that prevents those who want to work from going to work, and action that prevents a pithead ballot from taking place? Does he think that Mr. Scargill, or the occupants of the Opposition Front Bench, have recognised that if they want to save jobs in the coal industry they must seek to win the argument with the public and not bring fear and violence to miners and their families?

Mr. Brittan: I am grateful to the hon. Gentleman for supplementing the facts that I presented to the House. He has underlined the importance and the necessity of taking the action that has been taken to protect the rights of individuals to work and to vote.

Mr. Andy Stewart (Sherwood): I thank my right hon. and learned Friend for his statement, bearing in mind the difficult conditions and the deplorable situation which arose yesterday evening in my constituency. I was there for the early part of last night and it was a deplorable scene. My constituents want to know whether they will have the protection of the law in going to work next week if they decide not to strike.

Mr. Brittan: They will have every protection that the forces of law are capable of giving.

Mr. John Home Robertson (East Lothian): Did the Home Secretary hear the Prime Minister say a short while ago that the miners want to work? Is he aware that just for once the right hon. Lady is right and that miners throughout the country are fighting for the right to work? If he wants to use the forces of law to ensure that people can go to their work, when will he initiate prosecutions against Mr. MacGregor and the man sitting beside him, the Secretary of State for Energy?

Mr. Brittan: If the hon. Gentleman is serious about prosecutions, no doubt he will refer them to the relevant prosecuting authorities.

Mr. Timothy Yeo (Suffolk, South): Has my right hon. and learned Friend had time to note the statement made by the general secretary of the TUC this afternoon, roundly condemning the violence that has taken place in the coal mines? Does he share my concern that no such condemnation has yet come from the president of the National Union of Mineworkers or the Opposition Front Bench? As it appears that over the past two or three days intimidation has affected the outcome of the ballot that is due to take place in certain coal fields, will my right hon. and learned Friend make a further statement next week about steps to be taken to prevent similar occurrences in future?

Mr. Brittan: Every statement condemning violence, especially from such a prominent source as the one to which my hon. Friend referred, is extremely welcome. Everyone must make his own decision on what his conscience causes him to do and not to do.

Mr. Neil Kinnock (Islwyn): You do that.

Mr. Brittan: As for the future, we must concentrate on ensuring that a free ballot takes place. We shall watch the situation as it develops.

Mr. Bob Clay (Sunderland, North): Does the Home Secretary accept that, every time a group of workers show

some signs of being able to protect themselves against the attacks made by the Government, the Home Secretary turns that into a law and order issue? Although he has been successful to some degree in that tactic up to now, will he accept that he and the Government are taking on, certainly in my constituency and in the Durham area generally, people who will become more and more determined to save their jobs and their livelihood in that coalfield, and that that determination will increase the more that he and his colleagues attack them?

Mr. Brittan: It is not a question of tactics. I do not see how the hon. Gentleman can talk about people protecting themselves when what he is describing is large numbers of people assembling, with the inevitable threat of disorder flowing from those numbers, for the express purpose of trying to prevent their fellow workers going to work when they want to do so.

Mr. David Ashby (Leicestershire, North-West): Is my right hon. and learned Friend aware that in my area of north-west Leicestershire, where we have already suffered perhaps the greatest number of pit closures of any area in the United Kingdom, the miners are most anxious to continue working? Is my right hon. and learned Friend prepared to give them added protection so that they can beat the bully boys of Kent?

Mr. Brittan: The whole tenor of my statement has shown my desire that those who want to work have the right to work and will have the protection that the law can provide.

Mr. Max Madden (Bradford, West): What discussions or consultations took place between the NCB and the Government before the NCB sought an injunction earlier this week, which in the view of many with long experience in the mining industry, was provocative and counter-productive and played no small part in the substance of the Home Secretary's statement?

Mr. Brittan: The answer to the question is none. It is completely irrelevant to my statement. What was occurring that led to the statement being made began long before an injunction was made.

Mr. Ivor Stanbrook (Orpington): Is my right hon. and learned Friend aware that, despite what he said, there were many cases, some of them shown on television yesterday, in which the police failed to prevent violence being done to those who wished to work? Before there are any further mass pickets such as this, will he kindly ensure that there are adequate police and that they do their duty fully?

Mr. Brittan: In a situation such as that which we have seen, it is impossible to prevent every act of violence. It is our duty to make sure that the police have the forces, the strength, the support and the powers to do everything within their grasp to secure people the right to go to work and vote. That is what I shall make sure that they do.

Mr. Dennis Skinner (Bolsover): Is the Home Secretary aware that, when David Jones and his mates went into the Nottinghamshire coalfield, they were fighting to save the jobs of workers at Cortonwood, a pit that was threatened with closure within a few weeks of accepting men from another doomed pit? Does he not have a cheek to talk about trade union democracy when the Government removed the freedom and liberty of trade unionists at GCHQ, and have handed over trade union rule to the High Court judges—

Mr. Speaker: Order. The hon. Gentleman must stick to the question.

Mr. Skinner: This happens every time I speak.

Mr. Speaker: Order. The hon. Gentleman gets on to the point and gets off it again.

Mr. Skinner: No.

Mr. Speaker: Yes.

Mr. Skinner: No.

Mr. Speaker: Order. I am not prepared to have an argument about it. We must hear the answer.

Mr. Brittan: I understand the hon. Gentleman's difficulty and I sympathise with him—

Mr. Skinner: How can I be out of order when I have been asking questions?

Mr. Brittan: It cannot be agreeable for any of us, particularly the hon. Gentleman, to see one set of people in the industry physically facing, in a violent way, another set of people in the same industry. That is a matter of regret and to be deplored; the right way to determine these matters is in the normal democratic procedure that we are seeking to make possible.

Mrs. Elizabeth Peacock (Batley and Spen): I welcome my right hon. and learned Friend's statement wholeheartedly. Does he not agree that not only the miners are intimidated by flying pickets, but their wives and children as well, and that the wives and children fear not only for themselves but for their menfolk?

Mr. Brittan: I agree with that entirely.

Mr. Tony Benn (Chesterfield): Is the right hon. and learned Gentleman aware of the charge being made against him—that, having employed Mr. MacGregor to destroy the right to work in the steel industry, having destroyed the right of those in Cheltenham to vote on trade union membership, and now having released Mr. MacGregor to destroy the right to work of 20,000 miners, what he said was insensitive, provocative, odious and hypocritical and that he should accept responsibility for everything that is happening in the coalfields?

Mr. Brittan: Faced with the facts that Mr. MacGregor is investing twice as much as the right hon. Gentleman did, and that pit closures were proceeding at a far faster rate under the previous Labour Government than under the present Government, I do not think that it lies in the right hon. Gentleman's mouth to make such accusations.

Mr. John Powley (Norwich, South): Would my right hon. and learned Friend agree that the overwhelming majority of ordinary people find repugnant the activities that they have seen on their television screens connected with these disputes, and they know that the only Government on which they can rely to uphold and maintain law and order are the present Government?

Mr. Brittan: I agree with my hon. Friend's first observation. That is why the people are looking to this House to give a lead and to reflect what they feel by condemning violence and ensuring the right of people freely to go about their business.

Mr. Dennis Canavan (Falkirk, West): Is it not a clear case of double standards for the Prime Minister, or any

Minister to criticise the NUM for using mass picketing to stop people from going to work when the Government have used the violent weapon of mass unemployment to stop over 3 million people going to their work and to intimidate whatever work force is left, and the same Government have provoked the dispute by appointing Ian MacGregor to preside over more pit closures that will stop even more people going to their work?

Mr. Brittan: The hon. Gentleman is being most unfair to the NUM. It is not the NUM that is stopping people from going to work but one part of the NUM trying to stop another part.

Mr. Skinner: There was a majority for a strike on day one.

Mr. Speaker: Order.

Mr. Skinner: Well, I am not allowed to say it when I stand up.

Mr. Tony Favell (Stockport): Would my right hon. and learned Friend agree that one of the best ways to defuse this ugly situation would be for Labour Members to recommend the NUM to hold a national ballot?

Mr. Brittan: That goes beyond my statement, but Opposition Members will have heard my hon. Friend's suggestion.

Mr. Allen McKay (Barnsley, West and Penistone): Will the right hon. and learned Gentleman tell the House the number of pits where violence has occurred and the number of pits that were picketed with no violence, as opposed to those that he has highlighted. Is he aware that in my constituency, to which the hon. Member for Bolsover (Mr. Skinner) referred, miners were transferred but a few weeks before to the Cortonwood colliery when another closed, and set the whole situation going?

Mr. Skinner: Thank you.

Mr. Brittan: I have said where the most serious incidents occurred and I have told the House what was going on in other parts of the country. I am not presenting a picture of violence throughout the country. I have been concise in what I have said. However, I am saying that even in those areas where people were not physically prevented from going to work, overall, 83 pits were working normally at the beginning of the week and only 29 were doing so this morning. The House will draw its own conclusions.

Mr. Francis Maude (Warwickshire, North): Is my right hon. and learned Friend aware that in Warwickshire coalfield, where a free ballot has already taken place, there is great anxiety that the flying pickets should be kept out of the area and not allowed to the pit gates at all?

Mr. Brittan: I can understand that anxiety.

Mr. Ray Powell (Ogmore): Can the right hon. and learned Gentleman assure the House that there will not be the violence from the police that I experienced in my youth in the Rhondda valley, and make sure that the strikers and the pickets are protected by the law?

Mr. Brittan: The police will carry out their duties in accordance with the law, which involves not using violence unless they are attacked. If they are attacked, they will defend themselves.

Several Hon. Members rose—



SECRET

26.

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PRIME MINISTER

COAL: MISC 101(84)1ST MEETING

You will no doubt want tomorrow's meeting, and subsequent meetings, of MISC 101 to be as brisk and businesslike as possible. To this end it may help to get all the oral reports on the latest situation delivered in an orderly fashion in the first part of the meeting and proceed after that to discuss what issues are posed by the current situation and what action ought to be put in hand.

2. The basic structure for tomorrow's meeting might therefore be as follows:

I REPORTS

a. The situation on the ground:

- report from the Secretary of State for Energy about the number of pits still working and any news about pithead ballots;
- report from the Home Secretary on law and order.

b. Civil action in the Courts:

- report from the Secretary of State for Energy about the National Coal Board's latest intentions;
- additional reports as necessary from the Secretary of State for Employment and the Attorney General.

SECRET



SECRET

c. Endurance:

- report from the Secretary of State for Energy on:
 - the latest assessment of endurance of power stations, coal burning industry and domestic users;
 - CEGB preparations to increase oilburn, and whether and when any decisions are required from Ministers.

II DISCUSSION

- How is the overall situation moving?
- What are the weak points where remedial action is required?
- What danger points lie ahead?

III ACTION

- should further action be put in hand on:
 - law and order;
 - matters relating to the NCB's civil action in the Courts;
 - any advice to the NCB about their handling of the situation generally;
 - improving endurance (with particular reference to oil burn);
 - publicity and communications, both by the NCB and the Government directed to:
 - rank and file miners;
 - public opinion generally.

SECRET



SECRET

Further meetings

3. You will be involved with the European Council on Monday and Tuesday. The Lord President will however be available to chair MISC 101 in your absence. Depending on developments at tomorrow's meeting, you might wish either:

i. to propose that a meeting of MISC 101 should definitely be arranged under the Lord President's chairmanship on Monday, or;

ii. to ask the Lord President in consultation with the Secretary of State for Energy and the Cabinet Office to review on Monday the need for and timing of a meeting on Monday or Tuesday.

PLG

P L GREGSON

15 March 1984

SECRET

S E C R E T

File

25

PRIME MINISTER

COAL STRIKE: PICKETING

You might like to see the text of the statement which the Home Secretary made during the course of radio and television interviews today. He took the step of communicating the precise text to Chief Constables in areas where there are coal pits. It was made very clear to them that the Government expected them to act in accordance with the principles set out.

"Large numbers of pickets can themselves be intimidatory and can prevent people exercising their right to go to work. It is the duty of the Police to prevent such intimidation so that the law is upheld. I am sure they will make every effort to do so; and I shall support them. They have the necessary mutual aid and resources. They have the necessary powers to stop and disperse such excessive numbers of pickets and to stop vehicles."

With some minor improvements of drafting, I think this can serve as the basis for any statement you make during the course of Questions tomorrow.

AT

Amend mb

14 March 1984

S E C R E T

S E C R E T



file to 24

10 DOWNING STREET

From the Private Secretary

SIR ROBERT ARMSTRONG

The Prime Minister saw your minute of 12 March on the proposed Ministerial Group on Coal. She prefers to establish the larger Group and agrees with the composition which you have suggested. She wishes to take the Chair herself though with an understanding that the Lord President should deputise for her on occasions.

ANDREW TURNBULL

14 March 1984

S E C R E T

SUBJECT

23

C. MASTER SET, SECRET

NOTE FOR THE RECORD - NOT FOR CIRCULATION

COALMINING DISPUTE

The Prime Minister held a meeting today with the Secretary of State for Energy and Mr. MacGregor, Chairman of the National Coal Board.

Mr. MacGregor said he had applied for and won an injunction in the High Court against the Executive of the Yorkshire Mineworkers' Union to restrain the use of flying pickets. His aim was that if pickets were not withdrawn the Yorkshire Mineworkers' Union would find itself in contempt of Court and the funds which were being used to finance the expenses and transportation of pickets would be sequestrated. While he had taken action under the civil law he was concerned that the criminal law was not being upheld. It appeared that no arrests had been made and that militants were not only preventing miners who wanted to work from doing so, but were preventing ballots from taking place. The Lancashire area had been forced to postpone the ballot due today.

The Secretary of State for Energy said that Police were interpreting their role as ensuring that anyone who expressed a wish to go to work would be enabled to do so. In practice, however, this was insufficient to ensure that pits were kept working as many miners were, understandably, reluctant to expose themselves to the hostility of picket lines. On Monday there were 71 pits where miners were not working and 93 where miners wished to work. During the course of Monday 10 of these were stopped from working and there were now 133 pits which were closed.

He was concerned that failure to uphold the law would rebound on the Government and call into question its commitment to the rule of law and its employment legislation. The Nottinghamshire and Derbyshire areas were due to vote on Thursday but there was a danger that the vote would be /frustrated.

S E C R E T

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frustrated. Even where a vote took place it was likely that miners who opposed the strike would be frightened into staying at home. He was also worried that the Executive of the Yorkshire Mineworkers' Union would publicly disavow any responsibility for organising flying pickets while continuing to do so behind the scenes.

The Prime Minister said she was deeply disturbed at these reports. The events at Saltley cokeworks were being repeated. It was vital that criminal law on picketing be upheld. Helping those who volunteered to go to work was not sufficient; intimidation had to be ended and people had to be free to go about their business without fear. It was essential to stiffen the resolve of Chief Constables to ensure that they fulfilled their duty to uphold the law. The Police were now well paid and well equipped and individual forces had good arrangements for mutual support.

Mr. MacGregor said he would investigate the possibility of a postal ballot organised by the NCB and carried out under the auspices of the Election Reform Society. This technique had been successfully implemented at British Leyland and BSC.

The meeting ended at this point and discussion was continued in a wider group of Ministers which is recorded separately.

AT

ANDREW TURNBULL

14 March 1984

SUBJECT

22

C. MASTER SET

S E C R E T

NOTE FOR THE RECORD

NOT FOR CIRCULATION

COALMINING DISPUTE

The Prime Minister held a meeting today which discussed events in the coal industry. Present were the Home Secretary, the Secretaries of State for Energy, Environment, Social Services, Employment, the Attorney General, the Financial Secretary to the Treasury, Mr. Gummer. Also present was Mr. Gregson.

The Prime Minister said she had come from a meeting with the Secretary of State for Energy and the Chairman of the National Coal Board and she was most disturbed at the direction the coalmining dispute was taking. Pickets were succeeding in preventing men who wanted to, from going to work; at the start of the week 93 pits were open and 71 were closed. During the course of Monday 10 of the pits where men were willing to work were forced to close and the total of pits closed had now reached 133; and they had succeeded in forcing a postponement of a strike ballot in the Lancashire area. Even if ballots the next day in Derbyshire and Nottinghamshire were held it was quite likely that those who opposed strike action would be intimidated into staying away. It was essential for the Government to be seen to be upholding the criminal law on picketing. Simply to allow those who expressed a wish to work was not good enough; the threat of intimidation should be removed. It appeared that the Police were not carrying out their duties fully as large pickets were being permitted and few arrests were being made.

The Home Secretary said that his Department had alerted Police Chiefs earlier in the week on the extent of their powers but he was not satisfied with the response. During the course of the day he had made a statement as part of interviews he had given on radio and television. The statement made clear that large numbers of pickets were intimidatory and could prevent people from exercising their right to go to work; it was the duty of Police to uphold the criminal law and prevent such intimidation; the Police had the necessary resources and facilities for mutual support; and they had the power to disperse excessive numbers of /pickets and

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pickets and to stop pickets from assembling, intercepting vehicles if necessary. He had taken steps to ensure that Chief Constables were aware of this statement and were aware, too, that Government expected them to carry out their duty. He had gone to the limit of what the Home Secretary could do while respecting the constitutional independence of Police Forces.

The Secretary of State for Energy said the Chairman of the National Coal Board had sought an injunction against the Executive of the Yorkshire Mineworkers' Union to restrain the use of flying pickets. This was not simply to prevent their picketing other areas but also if picketing continued to achieve sequestration of the funds being used to finance picketing. He was worried, however, that the Executive might avoid being held to be in contempt of Court by disclaiming responsibility for the organisation of pickets while continuing to encourage them behind the scenes. The Attorney General said the Courts were entitled to look behind public statements to see what the actions of the parties were.

The Attorney General suggested that he should re-issue his statement which he had made to the House in 1980 in connection with picketing during the steel workers' strike. This would re-affirm the criminal law on picketing and also bring in the implications of the 1980 and 1982 Employment Acts. He agreed to arrange for a Written Question to be put to him that night for answer either on Thursday or Friday.

In discussion it was argued that it was most important to stop pickets assembling as had been done successfully at Warrington. It was much more difficult to disperse pickets once they had been allowed to assemble.

In discussion it was argued that current events vindicated those who felt that the provision in the current Bill for workplace ballots was inadequate. Those not supporting strike action could be intimidated into staying away from the place of work. Postal ballots were therefore essential. Against this, it was /argued that

S E C R E T

- 3 -

argued that a work place ballot conducted under conditions of intimidation would not satisfy the conditions of the Act as being properly conducted and immunities would therefore not be preserved.

Summing up the discussion, the Prime Minister said it was essential that criminal law on picketing be upheld and that intimidation should not be allowed to succeed. The meeting endorsed the action of the Home Secretary to ensure that Chief Constables carried out their duties fully. The matter should be discussed again at Cabinet when it would be clearer whether the Police were adopting the more vigorous interpretation of their duties which was being sought. Ministers could then consider what further action might be needed.

ANDREW TURNBULL

14 March 1984

SECRET

21

PRIME MINISTER

Meeting with Mr. MacGregor

The meeting with Mr. MacGregor arose because he wanted to talk to you about the Channel crossing (as he did in 1981). He is coming at 1500 hours and will have 15 minutes to talk on this subject before Mr. Walker and Mr. Gregson arrive at 1515 and the meeting turns to coal. Mr. Gregson has provided a brief.

Also in the folder is a minute by RTA suggesting the composition of a Ministerial group to handle a coal strike.

Larger (i) do you prefer the smaller or the larger group?

Yes (ii) are you content with the suggested composition?

As a piece of contingency planning, I have set up a meeting of the larger group for Friday morning - you will be unavailable on Monday and Tuesday and so if there are decisions to be made it might be better to hold such a meeting on Friday rather than wait until Wednesday of next week. It can be cancelled or certain Ministers stood down if necessary.

AT

13 March 1984

SECRET



SECRET

20

P.01244

PRIME MINISTER

Coal

When you and the Secretary of State for Energy see Mr MacGregor tomorrow your main concerns will probably be:

- i. to seek his assessment of the current situation and how it is likely to develop;
- ii. to find out what further steps the National Coal Board has it in mind to take to influence rank and file miners against strike action;
- iii. to ask him how he thinks the Government can best contribute to a successful outcome.

The remainder of this brief provides some background on the issues affecting endurance and picketing.

Endurance

2. The current assessment of endurance of a national miners' strike is as follows:

- a. power stations: 6 months, assuming build up to maximum oil burn over 4 weeks;
- b. coal burning industry: 14-18 weeks for cement; 6 weeks for most large customers;
- c. domestic users: merchants' stocks estimated at about 6 weeks.

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3. The most important decision affecting endurance which Ministers may have to take during the next week or so concerns oil burn. Work done by MISC 57 has confirmed the view of the CEGB that it will not be possible to build up to maximum oil burn (350,000 tonnes a week compared to 60,000 tonnes now) in less than 4 weeks without running into logistical difficulties and precipitating major disturbance in the oil market. The Chairman of the CEGB was asked last week to ensure a high state of preparedness. The CEGB has been talking to the oil companies to work out contingency arrangements for extra supplies. They will however be reluctant to enter into firm commitments until they are reasonably certain that they will have to increase oil burn, and they will not wish to start extra oil burn (net additional cost of maximum oil burn is £20 million a week) until a national strike seems inevitable. The CEGB may therefore require some steer from the Government before it enters into firm commitments with the oil companies.

Picketing

4. It is clearly desirable that those miners who wish to work and are prepared to cross picket lines should be enabled to do so so far as is practicable. The Home Office and the Scottish Office are arranging meetings this week between Chief Police Officers in the areas likely to be affected and the Departments of Energy and Employment to assist in working out effective arrangements, and preparations are being made to activate the plans for mutual aid between police forces as and when necessary.

5. At some stage the question will be raised as to whether the Employment Acts can be usefully invoked. The Government's public stance will, as always, be that it is for the parties affected to consider whether they should seek redress under the civil law. At present the best hope of preventing a

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prolonged national strike lies in the internal opposition within the NUM and action under the Employment Acts might play into the hands of the militants. At a later stage the balance of advantage may change. There is in any case the possibility of action by some businessman in the private sector and the Government would have no way of preventing that even if it wished to do so.

Meetings with Ministers

6. Sir Robert Armstrong has minuted you about the possible composition of a new Ministerial Group in the MISC series. Whether or not any specific decisions are required on matters such as oil burn before the weekend, you may nevertheless think it would be useful to have a first meeting of the Group to take stock of the situation, say on Friday morning, if this can be arranged without too much difficulty.

P L GREGSON

13 March 1984

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19

Prefer the larger group

Ref. A084/817

PRIME MINISTER

Proposed Ministerial Group on Coal

At Cabinet last Thursday (CC(84) 9th Conclusions, Minute 1) you said that you would arrange for a small group of Ministers to monitor developments in the coal industry. Although it is not yet clear whether there will be strike action on a national scale, I suggest that we should go ahead now with setting up a Ministerial Group in the MISC series to consider all aspects of the situation which may be of concern to Ministers: industrial relations, law and order, power station endurance, the effect on the economy, the scope for mitigating action by the Government, and the handling of the media.

2. You will probably wish to chair the Group yourself. There may however be advantage in having an understanding under which either the Lord President or the Home Secretary, who is already Chairman of the Civil Contingencies Unit, takes the chair at some of the meetings. It may indeed be convenient for the Home Secretary to pursue some of the more detailed points relevant to the CCU's remit of ensuring the supplies and services essential to the life of the community through the CCU machinery. If you wish to keep the new Group to the minimum, we could probably confine it to the Lord President, Home Secretary, Chancellor of the Exchequer and the Secretaries of State for Energy and Employment. You may however prefer to broaden it from the outset to include certain other Ministers whose departmental interests could become engaged in due course, ie the Secretaries of State for Defence, Scotland (particularly because of his electricity responsibilities), Trade and Industry, and Transport.

3. On this basis the composition would be as follows:

Prime Minister (Chairman)
Lord President of the Council
Home Secretary
Chancellor of the Exchequer

SECRET

SECRET



Secretary of State for Energy
Secretary of State for Defence
✓ Secretary of State for Scotland
Secretary of State for Trade and Industry
Secretary of State for Employment
Secretary of State for Transport

4. I should be grateful to know whether you are content that we should make arrangements on these lines. The timing of the first meeting will need to be kept under review in the light of developments.

14

Approved by
ROBERT ARMSTRONG
and signed in his absence

12 March 1984

SECRET

SECRET

18

PRIME MINISTER

Miner's' Industrial Action

Attached is the situation report promised by Department of Energy. Annex 4 sets out the state of play on contingency planning. I asked the Department of Energy whether there was a case for bringing forward the meeting with Mr. Walker and Mr. MacGregor scheduled for Wednesday. They consider Wednesday to be the optimal time for such a meeting as this would allow:

- (i) a chance to see how far the strike call had spread and was being adhered to;
- (ii) how extensive and effective picketing was proving to be;
- (iii) a chance for Mr. Gregson's MISC 57 to meet to refine the issues.

In addition, I have asked Sir Robert Armstrong to consider the composition of a Ministerial Group which would oversee work if we move to a situation of strike management.

Are you content?

Yes mt.

AS

9 March 1984

SECRET

COVERING SECRET



SECRETARY OF STATE FOR ENERGY

THAMES HOUSE SOUTH
MILLBANK LONDON SW1P 4QJ

01 211 6402

Andrew Turnbull Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON
SW1

9 March 1984

Dear Andrew,

MINERS' INDUSTRIAL ACTION

I attach briefing for the Prime Minister arising from the threatened industrial action in the coal industry.

This covers notes on:

1. Current Industrial Action
2. NUM Meetings and Proposed Action by NUM Area
3. Background Note and Map: NUM and NCB Area
4. Contingency Planning

Yours ever,

John.

J S NEILSON
Private Secretary

COVERING SECRET

*CC DO 17
cc Peter Gregson
(Cabinet office)*



CURRENT INDUSTRIAL ACTION BY NCB AREA

Scotland

Seafield (Kirkcaldy) is on strike following the sending home of 24 men who turned up too late to be wound down with their shift. The strike affects production at the neighbouring Frances pit.

Men at Polmaise are on strike. Polmaise has been recommended for closure by the Board and an appeal meeting is due to be held next week. The pit was on development only.

Doncaster

Goldthorpe (Barnsley East) and Yorkshire Main (Don Valley) have been on strike all week over local issues. Picketing is not now as heavy as at the beginning of the week, when violence broke out. Safety cover is being provided.

Askern (Doncaster North) has been on strike since Wednesday, following a demarcation dispute.

Barnsley

South Kirkby, Ferrymoor Ridings, Kinsley (all in Hemsworth) went on strike on Thursday following a dispute over maintenance at the coal washery that serves the three pits.

The absence of a winder at Grimethorpe (Barnsley East) all this week has meant that some men from there and from Darfield have had to be sent home each day.

A dispute led to a strike at Denby Grange (Wakefield) last week. One face from the pit had been allocated to men from the adjoining pit, Bullcliffe Wood. Bullcliffe Wood is a short life pit and the extra face was meant to keep the men fully employed until they move to a new drift mine next summer. Denby Grange men objected. Both pits are now working normally but the disputed face is being left unworked.

/South Yorkshire



South Yorkshire

A dispute at Manvers, Wath and Kilnhurst collieries (Wentworth) over a local issue (standardisation of break times) escalated on 6 March to a stoppage at all pits in the area. The previous weekend 8 of 15 pits voted not to strike, but by 7 March all pits and workshops were on strike or prevented from working by pickets.



NUM MEETINGS AND PROPOSED ACTION BY NUM AREA

The National Executive Committee of the NUM met on 8 March. The meeting agreed to sanction the proposed strikes in Yorkshire and Scotland and to support any other NUM area that took similar action. Area action needs only NEC sanction, whereas national action requires a national ballot and a 55% majority in favour.

Durham : Meetings being held at a number of pits this weekend to take soundings on strike action.

Kent : Mass meetings on Sunday morning.

North Western : Bickershaw/Parsonage (Leigh) being balloted today on the issue of support for men at Cronton (Knowsley South). Cronton has been closed but the men are refusing to undertake salvage work in protest.

Other pits will follow the decision of the area delegate conference being held tomorrow (Saturday).

Leicester : Meeting tomorrow. President Jack Jones will take the line that there should be no local action without a national ballot.

Northumberland : Pit meetings this weekend.

Nottingham : Branch officials to meet tomorrow. They will probably seek a ballot for next Friday.

Scotland : All out strike planned for Monday. Liaison Committee met today to discuss tactics. It appears that men at Monktonhall and Bilston Glen (Midlothian) may attempt to work on Monday. There are reports of a strong and favourable response to the new redundancy terms.

/South Derbyshire



South Derbyshire: Meeting tomorrow.
South Wales : Delegate conference today.
Yorkshire : All out strike covering 4 NCB areas planned
for Monday. 56,000 men involved.
Cokemen : Meeting today.

The other areas have not arranged meetings so far but will no
doubt do so in the coming week.



NUM AND NCB AREAS

The attached map shows the National Coal Board areas. NUM areas, which differ significantly for historical reasons, are:

<u>NUM Areas</u>	<u>Corresponding NCB areas (approximate)</u>
Cumberland	Western
Derbyshire	North Derbyshire
Durham	North East
Kent	South Midlands
North Western	Western
Leicester	South Midlands
Midlands	Western & South Midlands
Northumberland	North East
North Wales	Western
Nottingham	North & South Nottingham
Scotland	Scotland
South Derbyshire	N. Derbyshire & South Midlands
South Wales	South Wales
Yorkshire	North Yorkshire, South Yorkshire, Barnsley & Doncaster

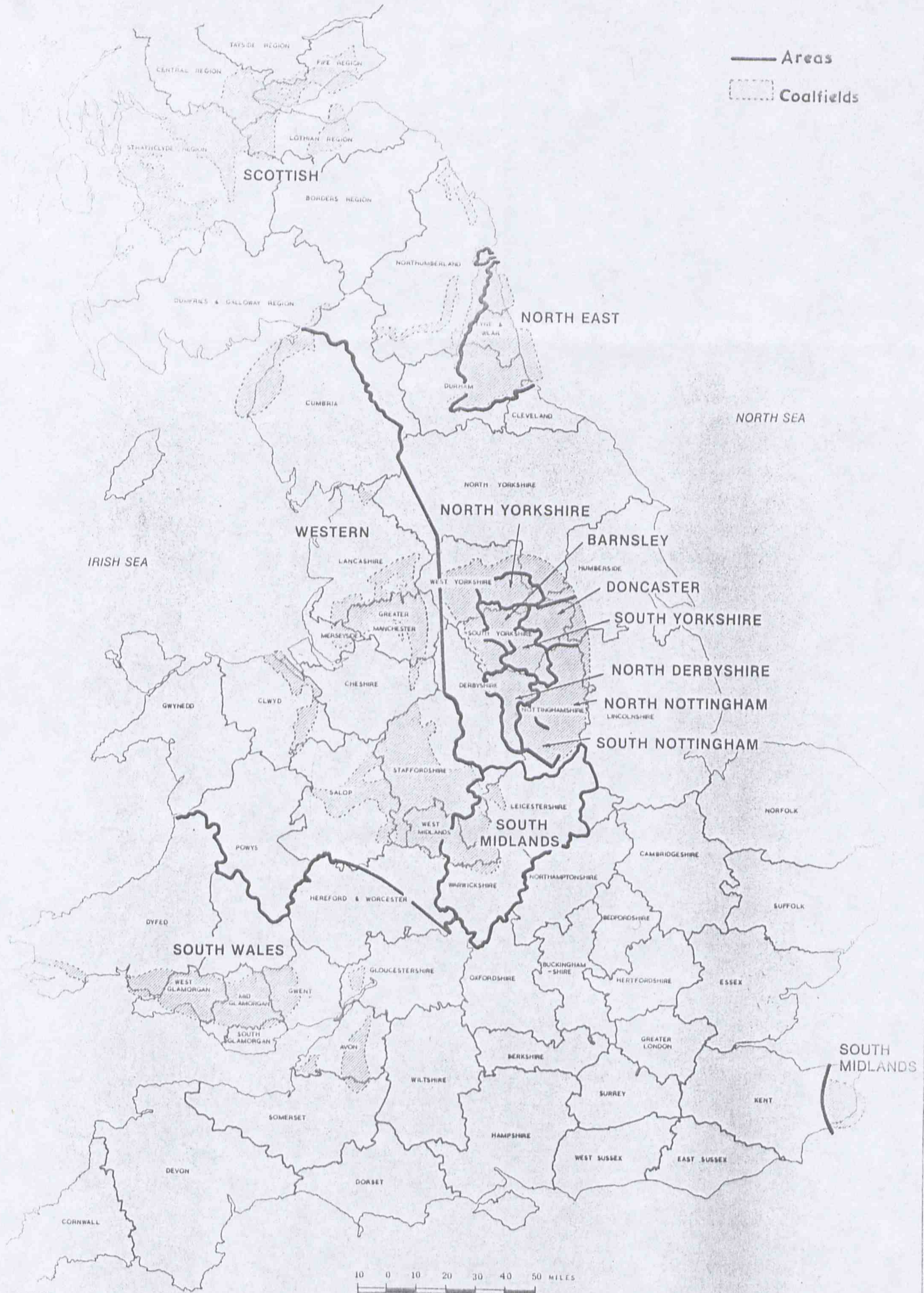
In addition there are 6 areas which are not based solely on geography:

Cokemen	
Group No.1 (Craftsmen)	(Comprising Durham Mechanics Durham Enginemen Northumberland Mechanics)
Group No.2 (Craftsmen)	(Scottish colliery enginemen, Boilermen, and Tradesmen's Association)
Colliery Officials and Staffs (COSA)	
Power Group	(Mainly winders)
Power Group No.2	(National Union of General and Municipal Workers - Colliery Membership)

Coal Division
Department of Energy
9 March 1984



National Coal Board Areas



F2885-H.H.



MINERS' INDUSTRIAL ACTION

Contingency Planning

How the situation arising from the miners' action will develop remains uncertain.

2 At one extreme, the intended strikes could falter, bringing an end even to the overtime ban. At the other, strike action could spread throughout the coalfields, attracting support from unions in other industries, e.g transport.

3 This note considers two illustrative scenarios:

- (i) a strike throughout the coalfields;
- (ii) prolonged extension of the overtime ban.

A Strike

4 Coal stocks at power stations are at record levels for the time of year - see attached graph.

5 CEGB advise that available fuel supplies at power stations provide in excess of six months' endurance, provided oil burn is phased up to the maximum over four weeks and oil supply then remains unconstrained.

6 With no extra oil burn, endurance would be four months.

7 CEGB are satisfied that stocks of ancillary materials at power stations will match these endurance periods.

8 The position in Scotland is stronger, reflecting lower dependence on coal burn.

9 The overtime ban has led to some draw-down of industrial consumers' coal stocks over the winter. Cement manufacturers are believed to hold some 14-18 weeks' stocks, other large customers some 7-8 weeks. Some individual works might hold very little stock as a result of commercial pressures.

10 Merchants hold about 6 weeks of domestic coal stocks - sufficient to last until the end of the main burning season. Pit head stocks are low. Imports have been running at twice the normal level.



Prolonged Overtime Ban

11 Were the unions able to sustain the overtime ban throughout the summer, coal deliveries to power stations could be expected progressively to worsen. CEGB stocks by the end of October could be in the range 14-20mt, representing 12-17 weeks endurance.

12 Alleviation could be sought through:

- (i) extra purchases of non-vested coal
- (ii) extra coal imports
- (iii) extra purchases of electricity from Scotland

Together these measures might increase October stocks by 2mt.

13 Maximum oil burn by the CEGB through the summer would be required to restore coal stocks to the October 1983 level of 30mt. A net cost of £20M ^{per week} would be incurred and the unusual level of burn would be highly visible.

14 The NCB could take various initiatives to frustrate the prolonging of the overtime ban. The options are best discussed orally.

Contingency Action
15 Events on Monday will demonstrate the extent of miners' readiness to take strike action without universal ballot (the effects over the weekend will be concealed by the overtime ban). Early Government intervention could be expected only to unify the miners. Endurance in the event of a strike does not depend on action before mid-week.

16 The first occasion requiring a Government response could arise from mass or violent picketing. The Home Office is in touch with the President of the Association of Chief Police Officers. He is contacting the Chief Officers of colliery areas to ask them if they have information about prospective action and to remind them that, if necessary, the National Reporting Centre can be activated to determine the allocation of mutual aid resources.

17 The Secretary of State for Energy has asked Sir Walter Marshall to ensure a high state of preparedness.

S E C R E T



18 The Chairman of the NCB is meeting his Area Directors on Monday morning to co-ordinate policy. Resulting action will be handled at Area level.

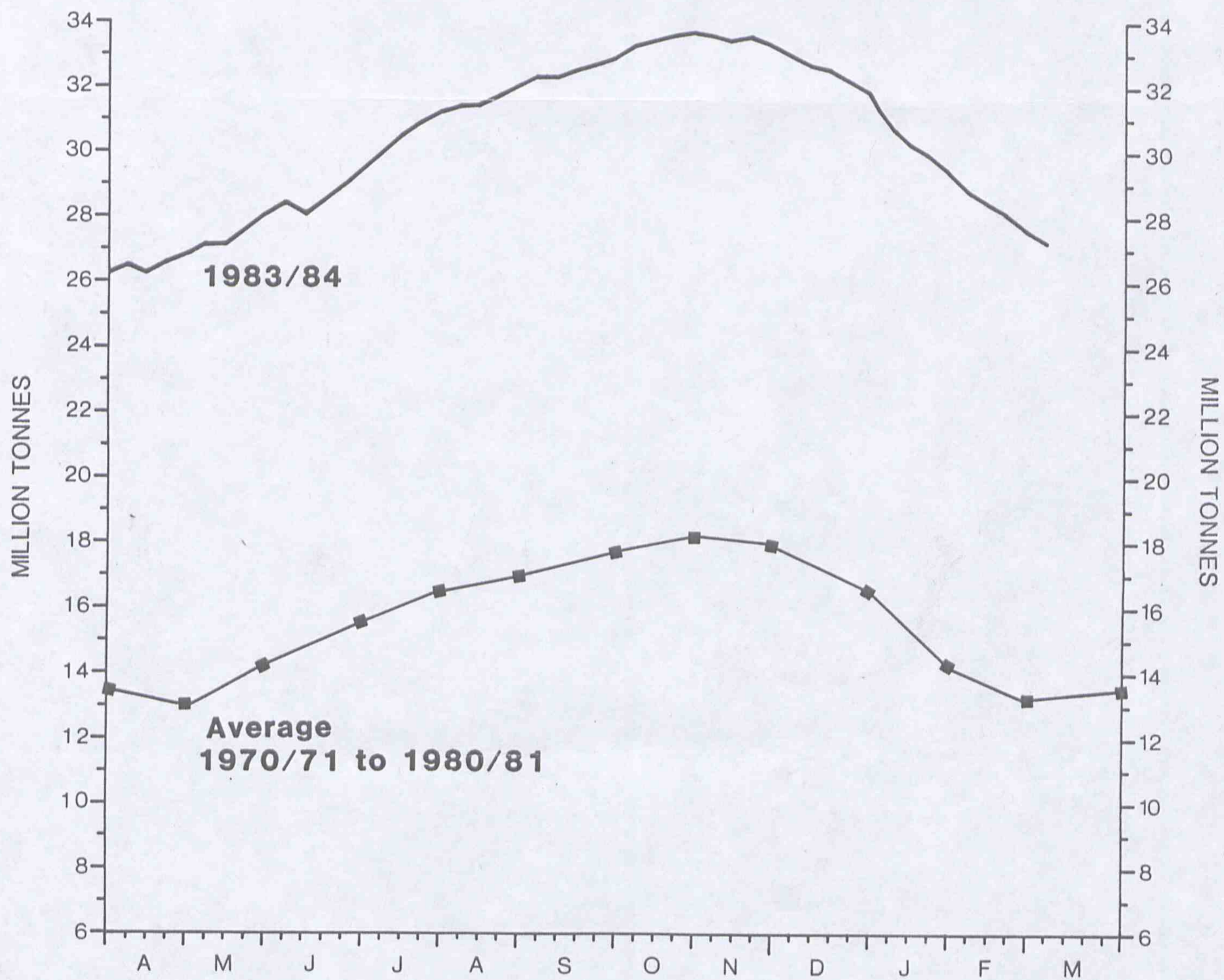
19 MISC 57 is meeting on Monday afternoon. (Mr Gregson's interdepartmental group)

20 The Prime Minister has a meeting planned for Wednesday next. (with Mr Walker and Mr MacGregor) ←

S E C R E T

CONFIDENTIAL

COAL STOCKS AT PUBLIC SUPPLY POWER STATIONS IN GREAT BRITAIN



CONFIDENTIAL



10 DOWNING STREET

Prime Minister ②

I have asked Dept of Energy
to provide a zitre for
the weekend base on

(i) the industrial relations
scene

(ii) action being taken in
Whitehall to activate
contingency planning

These are intended to be
factual reports. Mr Walker
is in America. He will give
you policy advice early
next week. Mr MacGregor
is coming to see you on
Wednesday. The first
 $\frac{1}{4}$ hour will be on the Channel
crossing; the rest of the
meeting which Mr Walker
will attend, will be on coal
questions.

AT 7/3

MR TURNBULL7 March 1984COAL

The temperature is rising in the coalfields for a number of reasons:

- the overtime ban is not achieving its objectives and is penalising the miners
- the NCB are refusing to negotiate on the proposed 5.2% wage increase
- Ian MacGregor announced yesterday that 4 million tonnes of capacity and 20,000 jobs will go next year.

As a result, there is a strong possibility that the Scottish and Yorkshire miners could be on strike by the weekend.

Although the situation is potentially worrying, we do not think that the Prime Minister should be unduly alarmed at this stage.

Ian MacGregor appears well on course for achieving the required capacity and manpower reductions. The Select Committee have recently drawn attention to the worsening of the NCB's P&L position caused by the overtime ban and subsidence claims. This emphasises that we should not let up in our policy and is helpful in publicising the NCB's financial plight.

ie in time to influence tomorrow's meeting of the NUM.

The Government have laid an order today to implement the redundancy terms for the under 50s which Ministers agreed in January. This should play an important role in meeting the Board's objectives without the need for compulsory redundancies.

The Yorkshire and Scottish areas could go on strike with executive approval under the authority of the 1981 ballots. However, a national strike could not take place without a national ballot and there has been no talk of this so far. The indications are that the union wish to avoid the test of a national ballot which they are not confident they could win. It is likely that their preferred strategy will be to encourage local action.

SECRET

- 2 -

If the immediate situation is resolved without a national strike, the implications of a prolonged overtime ban will become more serious. If the ban lasts beyond April stocks will fall below 6 months endurance. If the overtime ban continues until October stocks will be down to 3 months. In these circumstances we shall need to consider whether any additional measures should be taken to alleviate the potentially worrying stock position in the Autumn.

Conclusion

In current circumstances, we should continue to back Ian MacGregor's judgement and to distance the commercial actions of the Board as far as possible from the Government.

If the immediate problem is resolved and the overtime ban continues, we shall need to review the situation.

DLP.

DAVID PASCALL

SECRET

gc NO

NBPN

AT 9/13



Treasury Chambers, Parliament Street, SW1P 3AG

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

7 March 1984

Thank you for your letter to Nigel Lawson of 24 February about NCB financial information.

will request if required

I am most grateful to you for keeping us in touch with the steps you and Ian MacGregor are taking to improve the arrangements. The appointment of Mr Barker to the NCB Board is particularly welcome. We know that he did a first class job at BSC to improve not only the internal financial accountability arrangements but also the quality of the dialogue with Government on financial matters.

I note your words of caution about current forecasts and would be grateful if your Department could continue to keep the Treasury in very close touch. I am sure your recent efforts to make plain to the House the serious state of NCB finances have helped to win understanding of the need for measures to get the industry back to viability.

I look forward to hearing from you about the latest position on NCB's potential overshoot of their external financing limit for 1983-84.

A copy of this letter goes to the Prime Minister and to Sir Robert Armstrong.

PETER REES

Not Incl Coal Pt 8

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NATIONAL COAL BOARD
HOBART HOUSE
GROSVENOR PLACE
LONDON SW1X 7AE

01-235 2020

R.29/2 PPS.

~~Prime Minister~~ (4)

CHAIRMAN

Ian MacGregor

Pa
GMS
5/3

27th February 1984

Rt Hon Margaret Thatcher MP
Prime Minister
10 Downing Street
London SW1

mt

Dear Prime Minister,

It was kind of you to write to me following my contretemps at Ellington colliery and I thank you for your good wishes.

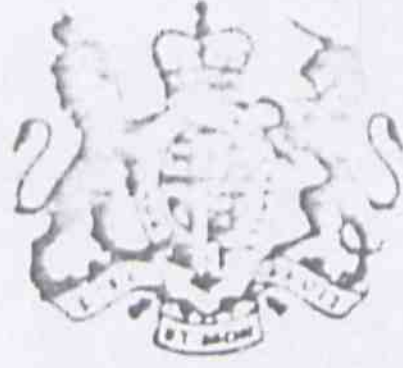
I remain of the opinion that the encounter last week was not typical of the great majority of the people who work in this industry and are not worthy of all the good people I have met since I arrived here last September.

We shall certainly not bow to such tactics and we will not let them divert us from the great task we have ahead of us in trying to solve some of the many problems facing the coal industry.

Sincerely

Ian MacGregor.

4050/B/33/AD



10 DOWNING STREET

THE PRIME MINISTER

23 February 1984

My dear Mr. MacGregor,

I was horrified to learn of the disgraceful incident which occurred during your visit to Ellington Colliery. You will have seen that the Home Secretary has deplored what happened in most forceful terms. I was appalled at the failure of those concerned to offer any kind of apology.

I hope you were not too badly shaken and have now fully recovered. Please convey my sympathy to Mrs. MacGregor who, I know, will have found this most upsetting.

You are under no illusions that your task as Chairman of the Coal Board is a tough one, but I am sure that you will not be intimidated from taking the decisions which are in the best interests of the coal industry and of the country.

Every good wish,

Yours sincerely,
Margaret Thatcher

I. MacGregor, Esq.

LPO

BRIEFING FOR PRIME MINISTER'S QUESTIONS 23 FEBRUARY 1984

INCIDENT IN WHICH MR MACGREGOR WAS KNOCKED TO THE GROUND

Line to Take

[As my rt hon and learned Friend the Home Secretary has said] what occurred at Ellington was a disgraceful incident which every right-minded person must deeply deplore. I understand that in a public statement the Northumbria Police have said that they are investigating evidence of the possible commission of criminal offences in relation to the incident. It would, therefore, not be appropriate for me to comment further on the details of the events.

NOTES FOR SUPPLEMENTARIES

What about the discrepancy between the account of the incident in Mr Hurd's letter to Dr Owen, and the Home Secretary's subsequent statement?

Mr rt hon Friend the Minister of State at the Home Office gave a preliminary assessment of the facts, on the basis of information then available to the police. He made it quite clear that the account might well be amplified or modified. The Home Secretary was fully aware of the preliminary assessment, and would have given it himself had he been in London. His own statement of condemnation benefited from further information which became available later last night. [IF PRESSED - including in particular the film of events at Ellington, which were shown on the national news.]

What about the further report from the police for which the Home Secretary has called?

The Chief Constable of Northumbria will provide a full, written report, which my rt hon and learned Friend will study closely. [As I have said], the police have issued a statement that they are investigating the possible commission of criminal offences.

Was this not illegal picketing? [As suggested to the Home Secretary's Office by Mr Maclellan]

Whether they call themselves demonstrators or pickets, people have no immunity from the criminal law. The control of any particular event, and the enforcement of the criminal law, are matters for the police.

Ought not the organisers to apologise?

I quite agree that an apology is the least that could be offered. I understand that a local miners' leader [Mr Gobbin] has been reported as regretting the incident, but that the President of the Northumberland miners [Mr Murphy] has emphasised that he does not regret it.

BACKGROUND NOTE

In the House on 22 February, Dr David Owen raised the incident earlier that day in which Mr MacGregor was knocked to the ground when leaving Ellington Colliery. Mr Hurd wrote to Dr Owen, giving the initial information provided by the Northumbria Police. A copy of the letter is attached at A.

2. Subsequently, as TV coverage of the incident and other further information became available, the Home Secretary issued a statement condemning the incident. A copy is at B.

3. The Northumbria Police have today issued a press statement saying they are making inquiries to determine whether any criminal offences were committed. A copy is at C.

4. On a radio broadcast this morning, a local miners' leader was reported to regret the incident, but the President of the Northumberland miners was reported as not regretting it.

5. Mr MacLennan MP has suggested by telephone to the Home Secretary's Office that the demonstrators were engaged in "unlawful picketing". He may have in mind some comparison with the dispute at Warrington, where the NGA were fined by the High Court for breaching injunctions requiring them to refrain from organising secondary picketing. The Department of Employment advise that the courts would be most unlikely to entertain any civil action in respect of the Ellington events as picketing: in commonsense terms, what took place was a demonstration. The essential point is that, whatever people call themselves - pickets, demonstrators, protestors - they have no immunity from the criminal law.

6. The police have confirmed that eggs as well as bread were thrown and that there was much shouting and verbal abuse. The grabbing at Mr MacGregor is at the heart of their investigations, but it would not be appropriate for the Prime Minister to confirm this while the criminal investigation is under way.



A
HOME OFFICE
QUEEN ANNE'S GATE
LONDON SW1H 9AT

22 February 1984

Dear David,

I understand that you raised in the House this afternoon the incident which took place at Ellington Colliery today involving Mr Ian MacGregor. The Home Secretary has asked for a report on the incident. In his absence from the office I am writing to say that our understanding is that the sequence of events was as follows.

Mr MacGregor was making a planned visit to Ellington Colliery, of which the Northumbria Police had had notice. When he arrived at 9.20 a.m. there was a crowd of up to 250 miners outside the main gate. Mr MacGregor was taken to the colliery offices by a side entrance. His car returned to the front gate where at some stage its tyres were deflated (rather than slashed).

Mr MacGregor held discussions with the colliery manager. When the miners became aware that Mr MacGregor was in the colliery offices, they gathered outside and called for him to address them. He declined to do so but indicated that he would be prepared to meet representatives of the miners. This offer was refused. Mr MacGregor agreed to cancel a trip underground to inspect the pit after consultations with the police and colliery management.

At 12.15 p.m. it was decided that Mr MacGregor should leave Ellington as a large shift of miners was due at 1.30 p.m.: it was considered that the shift change might inflame the situation. The 50 police officers on duty lined a walkway from the colliery offices to another car which had been provided for Mr MacGregor. He was escorted down the walkway by two police officers and a number of Coal Board officials. As they walked, various objects, mainly food, were thrown but did not hit Mr MacGregor. Before the party arrived at the car the miners on one side of the walkway surged forward, knocking down the police officers lining the path, Mr MacGregor, and a number of Coal Board officials. A low wooden fence on the opposite of the path from the surge was knocked down by the falling bodies. Some press reports have stated that, as he fell, Mr MacGregor was knocked unconscious. The police officers at the scene do not think Mr MacGregor lost consciousness. The police do not regard the surge as a deliberate attempt to harm Mr MacGregor, but as a spontaneous movement by a large number of persons trying to get close to him. Once the miners realised what had happened, they drew back without being asked. Mr MacGregor was lifted up by two police officers and two reporters who began carrying him to the car. The police say that he asked to be taken to the car, was put on his feet, and walked to the car himself.

Mr MacGregor left Ellington colliery at 12.30 p.m. and travelled to his next engagement, lunch at the National Coal Board's regional headquarters at Team Valley. The police have checked with the headquarters and Mr MacGregor was apparently calm. There was no question of him requiring medical attention.

No arrests were made. It was not possible to identify who had let the tyres down on Mr MacGregor's car; police considered that the nature of the surge forward made it impossible to single out particular people as being deliberately responsible.

All this is of course subject to amplification, or
widened modification, as further information comes to
hand. But I thought you would wish to have at once
the facts as they are
being to the Northumbria Police.

The Rt Hon Dr David Owen, M.P.

(DOUGLAS HURD) available this

2/Owen David

E R.

HOME SECRETARY'S STATEMENT

B

The television pictures of the scenes in which Mr McGregor was involved have now been seen by the whole country. It is quite clear from them that what occurred at Ellington was a disgraceful incident which every right-minded person must deeply deplore. As Douglas Hurd has indicated we have so far had only a preliminary assessment from the police of the incident. I am now seeking a fuller report from the Chief Constable and will wish to consider it closely. Meanwhile, if those involved in organising the demonstration have an ounce of decency they will want to repudiate what occurred and give an unqualified apology to Mr McGregor.



File

Coal

Andrew
I reported to
H.C. PM

10 DOWNING STREET

From the Private Secretary

Prime Minister

There are reports that Mr MacGregor was knocked unconscious while visiting Ellington Colliery, Northumberland. It appears that during his visit this morning he was moving from one building to another and was walking alongside a fence, on the other side of which was a crowd of picketing miners. Under the weight of numbers, the fence collapsed. This caught Mr MacGregor on the leg and he fell. Though his fall was partly broken, he was on the ground for 1 or 2 minutes, though not, it seems, unconscious. He got up, and after a brief visit to the medical centre he has continued his programme. It appears therefore, that this was a nasty incident but that no injury has resulted. We will report further if there is anything new eg

" THIS WAS A NASTY INCIDENT BUT NO INJURY RESULTED "

P.T.O

Andrew
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1911

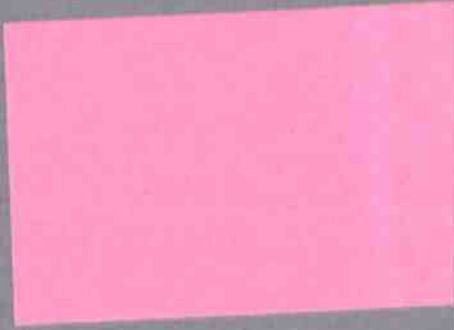


TO DOWNING STREET

Mr MacGregor's account of the
incident.

AT

22/2



NI1001 4 XXX 248

COAL CHIEF KNOCKED UNCONSCIOUS ON PIT VISIT
NATIONAL COAL BOARD CHAIRMAN MR IAN MACGREGOR WAS THIS AFTERNOON
KNOCKED UNCONSCIOUS DURING A VISIT TO A NORTHUMBERLAND PIT.
MORE THAN 30 POLICE WERE TRYING TO HOLD BACK PROTESTING MINERS,
WHO THRUST FORWARD THROWING EGGS AND SLICES OF BREAD WHEN HE TRIED TO
LEAVE AN OFFICE AT ELLINGTON COLLIERY.

AS POLICE WERE PUSHED BACK, MR MACGREGOR, 72, WAS FORCED AGAINST
A FENCE WHICH COLLAPSED UNDER THE PRESSURE.

HE WAS HURLED TO THE GROUND AND LAY UNCONSCIOUS. SHOCKED
DEMONSTRATORS PULLED BACK, ALLOWING POLICE TO GO TO HIS AID.

AS POLICE AND NEWSMEN CARRIED MR MACGREGOR TOWARDS A WAITING CAR
HE CAME ROUND AND SAID: 'GET ME TO THE CAR'. HE MANAGED TO WALK THE
REST OF THE WAY FLANKED BY POLICE.

AFTER THE VEHICLE SPED AWAY THERE WAS A FURTHER ANGRY SCENE
OUTSIDE THE OFFICES. COLLIERY MANAGER JACK TUBBY TOLD NUM BRANCH
OFFICIAL GEOFF GOBIN THAT THE INCIDENT WAS 'A BLOODY DISGRACE'.

MR GOBIN SAID EVERY ATTEMPT HAD BEEN MADE TO KEEP THE
DEMONSTRATION PEACEFUL.

MR MACGREGOR HAD BEEN DUE TO SPEND TWO AND A HALF HOURS
INSPECTING COALFACE PRODUCTION AND DEVELOPMENT WORK SIX MILES OUT
UNDER THE SEA.

BUT ABOUT 600 MINERS FORMED A MASS PICKET OUTSIDE THE 2,600-MAN
COLLIERY IN A PROTEST OVER CLOSURE THREATS AND CUTBACKS AT OTHER
NORTH-EAST PITS. AND HE WAS PREVENTED FROM REACHING THE PIT CAGE.

THE TYRES OF THE CAR IN WHICH HE ARRIVED WERE LET DOWN - AND
LATER CAME THE INCIDENT IN WHICH HE WAS KNOCKED OUT.

--
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NBPM

AT 2/1/2

PRIME MINISTER

RESPONSIBILITY FOR THE COAL FIRING SCHEME

I have seen Peter Rees' minute to you of 8 February and Peter Walker's minute of 13 February. The proposal for a transfer of responsibility arose because of the lack of industrial policy grounds for the extension of the scheme. For this reason I made clear that I would not find the money or the manpower resources for it.

2 However now that Peter Rees has made arrangements for the funding of the scheme, and provided Peter Walker is willing to transfer to me five posts from his manpower total I would be prepared to take on the scheme should you feel that policy responsibility should remain with my Department for the time being pending the end-year review.

3 A copy of this minute goes to Peter Rees and Peter Walker.

N T

20 February 1984

Department of Trade and Industry

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bc Mr. Pascale FILE
da



10 DOWNING STREET

From the Private Secretary

20 February 1984

Coal Firing Scheme

The Prime Minister has seen your Secretary of State's minute of 13 February, following minutes by the Secretary of State for Trade and Industry of 17 January and 1 February, and by the Chief Secretary of 8 February. She accepts that administration of the scheme should now pass to the Department of Energy. She feels, however, that before any further extension of the scheme beyond 31 December 1984, it should be rigorously examined to see if it remains a cost-effective response to the problem of surplus production.

I am copying this letter to Callum McCarthy (Department of Trade and Industry), John Gieve (Chief Secretary's Office) and Richard Hatfield (Cabinet Office).

Andrew Turnbull

Michael Reidy, Esq.,
Department of Energy.

CONFIDENTIAL

to

CONFIDENTIAL

PRIME MINISTER ①

c. Mr. Pascall

Coal Firing Scheme

I am sorry to return to this yet again but a decision is needed as the Estimates which go to print shortly have to reflect the allocation of responsibility.

You raised the issue of whether the development of coal stocks should colour our attitude to the scheme. The Department of Energy tell me that power station stocks are now at 28 million tonnes, 1.5 million higher than last year, and the highest ever. Stocks of coal on pits are 23.4 million, the same as last year though this too was a record for February. Even if the over-time ban lasts until the end of April power station stocks should be back over 30 million tonnes by November provided there is no further serious interruption.

It has already been decided to extend the scheme to end-December 1984. Two issues remain:

- (i) who should administer the scheme for the rest of the year?
- (ii) how do we ensure that the case for a further extension of the scheme is rigorously examined?

Current movements of stocks are not relevant to (i). If, contrary to expectation, stocks look too low when the scheme is reviewed at the end of the year, this can be taken into account in the appraisal.

Agree, therefore, that administration of the scheme be transferred to Department of Energy on condition that the cost-effectiveness of the scheme is fully reviewed at the end of the year?

AF
Yes - but I think there is no
question of producing stocks which
are heavily subsidised for the purpose
of selling them off cheaply. not

17 February 1984

Were you content
with this?

AT
15/2

CONFIDENTIAL

PRIME MINISTER

cc:- Mr. Pascall

RESPONSIBILITY FOR COAL FIRING SCHEME

The sequence of events is as follows:-

(i) the Secretary of State for Trade and Industry wrote to you on 16 January seeking your agreement for responsibility for the coal firing scheme to be transferred to the Secretary of State for Energy.

(ii) I minuted back on your behalf saying that, since the scheme had been ~~expanded~~ until end December 1984, it was odd to transfer responsibility in what could prove to be its last year. It would be more logical to take a decision on whether to retain the scheme and then to decide from which department it should be administered. The Chief Secretary has minuted along the same lines.

(iii) Mr. Tebbit wrote back to say that the transfer of PES provision to the Department of Energy had been agreed following an inter-departmental study (which we had not seen). Part of the agreement with the Department of Energy was that the latter would provide the manpower to run the scheme.

(iv) Mr. Walker has now minuted you arguing that, though the role of the scheme has changed, it makes sense so long as coal is in surplus, ^{as} it is likely to be for a few years to come.

I do not think that you need to get involved in the precise location of five posts. I suggest you agree that administration be transferred to the Department of Energy but on condition that the scheme is reviewed at the end of the year to ensure that it continues to be a cost-effective method of disposing of surplus coal.

Agree?

AT

We do not need to dispose of coal
at present. Our stocks are falling
to last year

13 February, 1984

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Prime Minister

RESPONSIBILITY FOR COAL FIRING SCHEME

The Chief Secretary copied to me his minute to you of 8 February and I would like to comment on it because it is in fact directed much more to policy than to the question of Departmental responsibility.

The Chief Secretary suggests that the coal firing scheme is becoming "yet another form of support for the NCB". In fact, it is primarily a form of support to the PSBR as was made clear in my letter of 15 December and accepted (even if without enthusiasm) in the Chief Secretary's letter to Norman Tebbit of 19 December.

Peter Rees' neat philosophical point about leaving it to industry to decide what is commercially attractive without Government inducement, and about the wrongness in principle of doing otherwise, would have much more force if the NCB were a private sector undertaking operating in a wholly commercial environment and not receiving massive Exchequer support. But it isn't. We are not prepared to let it go bankrupt, to force it to close a great number of mines overnight or to expose it forthwith to full import competition. We have decided, as a matter of considered policy, to meet the losses of the industry during a period of rundown of capacity and manpower.

It is in these special circumstances that it is possible to relieve the PSBR by encouraging industrialists to get on with coal conversion, and so reduce coal stocks which the Exchequer has to finance. There are bonuses through improving industrial competitiveness, reducing national dependence on oil for the longer term and being able to quote some positive action which will help the coal industry, as sought by Ian MacGregor. But it is common ground that, as the Chief Secretary says, the case for the scheme will be reduced when NCB's supply and demand comes back into balance. Whether the prospect for that balance will remove the case for continuing the scheme after 1984 remains to be seen, but, again, it

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is common ground that the scheme should be reviewed later this year.

The question of Ministerial responsibility is of course for you and I am sure you will not wish to go into a point about 5 staff between the DTI and the Department of Energy. However, I am sure you would not expect me to staff a function performed and managed by another Minister.

I am copying this minute to Norman Tebbit, Peter Rees and Sir Robert Armstrong.

A handwritten signature in blue ink, appearing to read 'Peter Rees', with a large, sweeping initial 'P'.

SECRETARY OF STATE FOR ENERGY

13 February 1984

CONFIDENTIAL

Nat Ind Coor Pt 8



FEB 13 1984

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FROM: THE CHIEF SECRETARY
DATE: 8 February 1984



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PRIME MINISTER

RESPONSIBILITY FOR COAL-FIRING SCHEME

file with AT

I have seen Norman Tebbit's minute to you of 17 January proposing the transfer of the coal-firing scheme to the Department of Energy and subsequent correspondence between your Private Secretary and his.

Norman argues that the main justification for the scheme is its contribution to coal industry economics and finances. He makes it clear that the scheme is no longer justified by its benefit to industry. In my view, the more we see it as yet another form of support for the NCB, the weaker the case for continuing it will become. It is wrong in principle to give grants to induce industrialists to convert to coal against their normal commercial judgement. If conversion to coal-firing is commercially attractive, then industry should not need Government inducements anyway.

The inter-departmental review by officials last year which was forwarded by Norman Tebbit's Private Secretary on 1 February noted that the PSBR benefit depended on grant leading to additional conversions. The review also recorded that:

"Once NCB supply is in balance with demand, the case for the scheme will be much reduced."

We need to recognise that NCB (and hence the PSBR) only benefits from the time coal is actually purchased for burning in the new

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boilers; this is generally some years after grant is committed. Thus in judging when to end the scheme we also need to take account of when the NCB is likely to be back in balance.

I therefore support your suggestion that the scheme should be reviewed before the recently agreed extension expires at the end of 1984, and decisions on departmental responsibility should be taken subsequently. Later this year we shall have had Ian MacGregor's corporate plan and be much clearer about when NCB's supply will be in balance with demand.

If Norman Tebbit sees a continued difficulty over his manpower ceiling there is a simple solution. Peter Walker has already said he is willing to count the five staff employed on the scheme against his manpower ceiling. It should therefore be possible for the DTI ceiling to be increased by five and the Department of Energy ceiling reduced by the same amount.

Copies of this minute go to Norman Tebbit, Peter Walker and Sir Robert Armstrong.



PETER REES

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NAT 1MD : Coal Pt 9

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JH 754

PS/ Secretary of State for Trade and Industry

CONFIDENTIAL

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET

Telephone (Direct dialling) 01-215 5422
GTN 215)
(Switchboard) 215 7877

1 February 1984

Andrew Turnbull Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

Dear Andrew,

COAL FIRING SCHEME

Thank you for your letter of 24 January suggesting a review of the coal firing scheme before decisions are taken on transferring responsibility for it. A full interdepartmental review of support for coal firing was conducted by officials in September and circulated by my Secretary of State to several of his colleagues (and to Sir Robert Armstrong) on 19 October last. I attach a copy of his letter and the review for your information. His colleagues indicated unanimous agreement that the Coal Firing Scheme should be extended for a year to 31 December 1984, for which the Chief Secretary agreed to find £25m from the Contingency Reserve. This decision was announced in reply to a written Parliamentary Question on 22 December last, a few days before the scheme was due to expire.

2 My Secretary of State considered that this extension of the scheme could not be justified on grounds of industrial policy alone and he was only able to agree to the extension on condition that this Department was relieved of the burden of providing the manpower to administer it. The Secretary of State for Energy accordingly accepted that responsibility for the Scheme should pass to his Department. My Secretary of State therefore hopes that the Prime Minister will now be able to authorise the transfer of responsibility. Such a transfer would not of course prejudice any question of whether the scheme should extend beyond 31 December 1984, up to which time we are publicly committed. As an administrative point, we would see advantage in resolving the point before the Estimates for 1984/85 are sent to the printers.

3 I am copying this letter (though not the enclosures) to Michael Reidy (Department of Energy), John Gieve (Chief Secretary's office) and Richard Hatfield (Cabinet Office).

Yours ever,

ANDREW D LANSLEY
Private Secretary



10 DOWNING STREET

From the Private Secretary

HE
bcc David Pascale

cc D/N
C80
CO.

24 January 1984

Coal-firing Scheme

The Prime Minister has seen your Secretary of State's minute of 16 January reporting that both he and the Secretary of State for Energy believe that responsibility for the coal-firing scheme should be transferred to the Department of Energy. She has noted that the original justification for this scheme was, at a time of financial stringency, to help industry convert from oil to coal firing. It appears now to be assuming the nature of a separate measure for the coal industry. If such a measure were to be retained, it probably would make sense for responsibility to be transferred. But the case for extension has yet to be established and decisions yet to be taken. The Prime Minister believes that the scheme should be reviewed and decisions about responsibility for it taken subsequently.

I am copying this letter to Michael Reidy (Department of Energy), John Gieve (Chief Secretary's Office) and Richard Hatfield (Cabinet Office).

Andrew Turnbull

Callum McCarthy, Esq.,
Department of Trade and Industry.

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10 DOWNING STREET

Prime Minister

The justification of the Coal firing scheme has imperceptibly changed. If it is to be a piece of support for Coal, then Ministerial responsibilities should rightly shift to Peter Walker

But do we want it to continue in its new role?
Wouldn't it make sense to review its rationale and future existence before transferring Ministerial responsibilities?

Agree?

BT 23/11

CONFIDENTIAL

MR TURNBULL

23 January 1984

RESPONSIBILITY FOR COAL FIRING SCHEME

The original purpose of this scheme was to assist industry in converting from oil to coal-fired boilers at a time when pressures on cash flow and profits were preventing economically viable schemes from being implemented. It was not intended, therefore, primarily to help NCB sales but to encourage industrial investment.

As the economic climate is improving, it should be possible to withdraw the scheme at the end of the year. Any scheme of this type needs to be temporary if it is to avoid market distortions.

We note, however, that the scheme is now justified for its contribution to coal industry finances. The extension was agreed on public expenditure arguments rather than on industrial policy objectives. The £25m is being met from the contingency reserve and not from Departmental budgets.

Although we appreciate the logic which has now led to the proposal to transfer the scheme from DTI to Energy, we favour retention in DTI. This will identify the scheme more closely with its original purpose and make withdrawal easier at the end of the year.

If the NCB wish to subsidise the price of coal, this should be considered in the context of marketing strategy and coal industry economics. It should not be confused with industry's investment decisions on coal-fired boilers.

DLP

DAVID PASCALL

If it is transferred to DoE - we shall never get rid of it.
I should prefer to leave it where it is
M

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File

bc: Mr. Pascale

19 January 1984

COAL PRICES

The Prime Minister was grateful for the note which was attached to your letter to me of 16 January, on the price at which NCB coal should be supplied to the electricity industry. She accepts that it would not be right to tackle the problem of NCB's loss-making capacity by enforcing a higher coal price on the electricity industry.

Andrew Turnbull

John Kerr, Esq.,
H.M. Treasury.

CONFIDENTIAL

Typed by Rosemary
Shown to JR
DP
FERB

Subject cc master

S E C R E T

Copy No 1

16E.

NOTE FOR THE RECORD

COAL POLICY

The Prime Minister held a meeting today to discuss proposals put forward by the Secretary of State for Energy for an enhanced redundancy scheme for miners under the age of 50. Present were the Chancellor of the Exchequer, the Secretaries of State for Trade and Industry, Energy, Employment, Wales and Transport. Mr. Gregson also attended.

The Secretary of State for Energy said that the current strategy was for NCB to achieve break-even by 1988. This would involve reducing the number of miners from just over 200,000 to just under 140,000. Over the past year the number of miners had fallen by 20,000 bringing the total of 180,000. The current plan envisaged a fall of 28,000 over the next two years. Mr. MacGregor had reconsidered NCB's strategy and had concluded that the process of run-down ought to be accelerated. This would imply the loss of 45,000 miners over the next two years. The difficulty facing the industry was that the number of men over 50, for whom the RMPS was relatively generous, was now only about 40,000. It would become increasingly difficult to operate through the policy of retiring men over 50 and re-deploying men under 50 in other pits. In some areas, e.g. Scotland and Wales, the contraction would be too great to permit this. Any compulsory redundancies would greatly strengthen the hand of the NUM in calling a strike.

Mr. MacGregor had, therefore, suggested enhanced terms for men under 50 through the RMPS. He was proposing payments of £1,000 per year of service, paid as a lump sum.

The Secretary of State for Energy said that from the point of view of the Coal Board, these proposals made a great deal of sense. He recognised that a more generous scheme for miners could create difficulties for his colleagues and he was therefore seeking their views.

S E C R E T

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S E C R E T

- 2 -

The Chancellor agreed that the rate of closures should be accelerated and that these proposals were sensible. The gross cost in 1984-85 of extra RMPS expenditure would be about £150 million and the savings about £80 million, leaving a net cost to the exchequer of £70 million. He asked that his officials should be given the opportunity to see whether this figure could be trimmed in any way.

In discussion it was emphasised that the two-year limit should be strictly adhered to as in this way it would be most effective and would minimise repercussions for other sectors. Other Ministers recognised the problem of repercussions. Nevertheless they felt that it was right to adopt these proposals.

It was suggested that early retirement of older miners, with a long career under ground, was more easily accepted as a special case. The comparisons would be more acute where younger miners were receiving large lump sums. It was noted that, from the point of view of the NCB, the most rational approach was to lay off the younger men.

It was noted that the terms imposed were very much more generous than anything else on offer in the public sector, with the possible exception of dockers, and certainly a great deal more than £4,000 which was the maximum under the State scheme. The Secretary of State for Transport said he might wish to imitate the idea of a time-limited scheme as dockers were currently not applying for the £22,500 currently on offer.

It was argued that for the scheme to be cost-effective NCB should exert very tight control on recruitment.

It was noted that the current overtime ban was having a limited effect on the movement of coal from pithead stocks to power station stocks as movements were taking place only during the regular working days. It was agreed that discreet efforts should be made to increase deliveries during these days.

S E C R E T

/Summing up,

S E C R E T

- 3 -

Summing up, the Prime Minister said that the objective of a more accelerated run-down of coal capacity was accepted, as were the terms of the enhanced RMPS. The Secretary of State for Energy should consult further with his colleagues before any announcement were made. His officials should discuss with the Treasury ways in which the net cost in 1984-85 might be kept to a minimum. The Secretary of State for Energy should put to the NCB the points made about the repercussions of large redundancy payments to younger miners.

19 January, 1984

S E C R E T



cc Mr Gregson
Mr Pascall
16 D.

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

SECRET AND PERSONAL

Andrew Turnbull Esq
10 Downing Street
LONDON SW1

17 January 1984

Dear Andrew

I attach the note we spoke about.

*Yours sincerely
Michael Reidy*

MICHAEL REIDY
Private Secretary

MS

SECRET AND PERSONAL

Between 1 April 1984 and 1 April 1986 the NCB anticipate that, with the proper inducements 10,000 - 20,000 men under the age of 50 might leave the industry, in addition to the 30,000 anticipated under current plans.

At the present time, for men over 50, the RMPS scheme provides average benefits per man to whom the scheme applies of £32,000 over the period to age 65. For the under 50's the average is £3,500, as a lump sum.

The proposal is to quadruple the lump sum benefits of the under 50s to a figure of £1,000 for each year of service prior to redundancy. These enhanced benefits would be available only for two years from 1 April 1984, and might involve total payments to under 50s, over that period, of some £187 million. The Coal Board will naturally continue to determine which miners are made redundant under these terms.

The costs and benefits of the proposed extension will depend upon the period by which the additional redundancies are brought forward, but could involve extra RMPS expenditure of some £150m in 1984/85 and £100m in 1985/86. Against this there would be an offset in cash and revenue benefit to National Coal Board rising to £200m per annum in the year following the two year programme (1986/7) plus offsetting savings in RMPS expenditure in later years.

The Board judge that such benefits will induce men to leave the industry despite NUM opposition and will contribute significantly to diminishing the risk of strike action. It is estimated that the cost of a strike to the NCB would be some £160m per month.

Within the first half of 1983/84 there have been 9,255 eligible redundancies amongst those over the age of 50 and only 141 amongst those under the age of 50. This pattern cannot be maintained because there are now only 40,000 men on the books who are aged 50 and over. The Coal Board rightly wishes to extend the RMPS now to speed up the closure of uneconomic pits and to get a major part of the closures completed in the next two years. To achieve this there will need to be a much larger number of redundancies from the under 50s. It is for this reason that the Board has recommended these improvements to the RMPS.

SECRET

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18 January 1984

MR TURNBULL

NCB

The NCB's current strategy is to achieve financial viability by 1988. This requires manpower reductions of 64,000 (from 202,000 to 138,000) and the closure of 25 mt of capacity between 1982-88. Under the present redundancy arrangements, compulsory reductions among the under fifties will be required to achieve those objectives.

The NCB are now proposing to introduce an improved redundancy scheme for the under fifties for 2 years only (1984-86). The lump sum redundancy payments would be quadrupled to £1,000 for each year of service. It is anticipated that this scheme will induce 10-20,000 men under 50 to leave the industry in addition to the 30,000 expected under current plans.

Strategic Advantages

If the Board's expectations are realised, the need for compulsory redundancies could be avoided. This would significantly diminish the risks of strike action.

It also appears that these proposals would accelerate the rate of manpower reductions and of pit closures. It is possible that financial viability could be achieved 1-2 years earlier than expected, ie in 1986-87.

Both of these outcomes are highly desirable. However, we have insufficient information to be confident that they can be achieved.

Furthermore, we are already achieving a significantly faster rate of both manpower reductions and pit closures than anticipated. During 1983/4, manpower is expected to reduce by 21,000 (compared with 14,000 originally expected), and closures by 7 mt (compared with 5 mt originally expected). We are unclear whether this has been taken fully into account.

The Economic Case

The proposed scheme will cost £187 million. This will be offset by cash and revenue benefits rising to £200 million per annum in the year following the 2-year programme.

SECRET

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- 2 -

At face value, this is economically attractive. However, if the effect of the scheme is to bring forward redundancies which would otherwise have taken place 1-2 years later, the net saving may not be much more than the cost of the scheme.

The estimated cost of a strike, given as £160 million per month, is misleading. Although this could be the effect on the Profit and Loss Account, with the current stock positions and excess of production over demand there is unlikely to be any cash flow loss from a strike.

Public Sector Comparisons

Irrespective of the merits of the proposals for the NCB, they also have implications for other public sector industries.

A 45-year-old with 25 years' service would receive roughly the following lump sum payments. These figures include the state scheme payments.

NCB (existing):	£11,000
NCB (proposed):	£28,000 -
BR:	£5,000 -
BS:	£17,000 -
BSC:	£10,000 -
BA:	£15,000 -
State Scheme:	£3,000
<i>Docks</i>	<i>22,500</i>

These figures are necessarily a gross simplification of a complicated issue, but they serve to indicate the general position.

Average payments for miners under 50 would be £3,500 now and about £15,000 under the new proposals.

The NCB's proposals would therefore introduce a significantly more generous scheme for miners than is available elsewhere in the public sector. Public sector schemes are also generally much more attractive than private sector arrangements.

We would expect these proposals to meet with general criticisms. The precedent is also likely to cause practical and political difficulties in achieving manpower targets in other nationalised industries.

SECRET

On the other hand, the special position of the miners is generally understood and average redundancy terms for miners over 50 already amount to about £30,000.

Recommendations

We recommend that the following points should be clarified at the Prime Minister's meeting:

- Are these proposals likely to avoid the need for compulsory redundancies?
- Are sufficient people likely to come forward? If not, is the NCB planning for compulsory redundancies?
- How much sooner will financial viability be achieved?
- We are already achieving faster than planned rates of manpower reductions and pit closures. Has this been taken fully into account?
- Are the direct costs and savings resulting from these proposals attractive?
- The likely impact upon other public sector industries.

We consider that if the answers to these points are positive, the Government should back Ian MacGregor.

DLP.

DAVID PASCALL

16 B



SECRET AND PERSONAL

P.01208

PRIME MINISTER

Coal

... with VTT

Your meeting is to discuss the proposals relating to the Redundant Mineworkers Payments Scheme (RMPS) set out in the note attached to the letter of 18 January from the Private Secretary to the Secretary of State for Energy. We understand that Mr Walker has spoken to the Chancellor of the Exchequer and other Ministers who will be attending your meeting.

2. The issues which you will want to discuss are:

- i. what is the current NCB strategy on closures and is it the right strategy from the Government's point of view?
- ii. do these proposals contribute to the achievement of the Government's preferred strategy?
- iii. would there be undesirable repercussions for other industries?
- iv. are there any points of detail on expenditure or other matters?

Strategy

3. There has been no Ministerial discussion of the NCB's closure strategy since the unrecorded talk which you had with the Secretary of State for Energy and the Chancellor of the Exchequer last September. At that time Mr McGregor was said to have only preliminary thoughts and, although it was clear that he was disposed to accelerate the rate of closures, there was a considerable lack

SECRET AND PERSONAL



SECRET AND PERSONAL

of precision over what was to be achieved and over what timescale. Most of the Ministers present at your meeting will have had no inkling of Mr McGregor's latest thinking. While this is a highly sensitive matter, you will wish to encourage the Secretary of State for Energy to be as forthcoming and clear as possible to his colleagues at the meeting - not just to enable them to assess the merits of the redundancy proposals but also to permit Ministers to judge whether the wider consequences of the NCB's strategy for the Government, including the risks of strike action, are acceptable. If Ministers have serious reservations it is desirable that they should emerge before rather than after the NCB has embarked on a high risk strategy.

Merits of the proposals

4. It is clearly in the interests both of the NCB and the Government to secure the acquiescence of the miners to the closure of uneconomic pits as soon as this can reasonably be achieved. This means stepping up the rate of closures but desirably in a way which does not play into the hands of militants. Ministers will wish to consider whether the announcement of the proposed two year improvement in the terms of the RMPS for the under 50s will be helpful or harmful in this respect. The NCB are said to take the view that it will contribute significantly to diminishing the risk of strike action. On the other hand the announcement is bound to be a clear signal that a large number of redundancies, involving younger as well as older miners, are planned over the next two years.

5. Last September the Secretary of State for Energy warned you that, because of the increasing difficulty of finding alternative jobs at other pits, redundancies might have to be compulsory from the end of this year. You will wish to ask the Secretary of State for Energy how far he expects the proposed improvement in the RMPS to lessen the need for compulsory redundancies. If significant compulsory redundancies are nevertheless likely to be required, is the improvement still worth making?

SECRET AND PERSONAL



SECRET AND PERSONAL

Repercussions for other industries

6. It will be for the Secretary of State for Employment and for Ministers with specific sponsoring responsibilities to say whether they see troublesome repercussions for redundancy terms in other industries. There appears to be general acceptance that special redundancy terms should be available in certain sectors such as coal, steel and the docks where an exceptionally rapid rundown of manpower is required. The arrangements for redundant mineworkers already have some particularly generous features (for example the weekly benefits, as well as lump sum payments, for those aged 50 and over). The view may be that these improvements to the lump sum benefits for those under 50 are unlikely to have significant wider repercussions.

Expenditure and other points of detail

7. On the face of it the expenditure implications appear to be favourable if the proposals reduce the NCB's costs in the manner expected. You will however wish to establish whether the Chancellor of the Exchequer has any objections on expenditure grounds. If the proposals are approved in principle it may in any case be desirable to ask the Secretary of State for Energy to settle them in detail with the Chancellor of the Exchequer.

P L GREGSON

18 January 1984

SECRET AND PERSONAL



10 DOWNING STREET

From the Principal Private Secretary

Prime Minister ②

My New Year's resolution is to convince you that it would not be right to raise coal prices above import parity as a way of ensuring that electricity prices are raised. The attached note by the Treasury sets out the arguments. I and David Pascale, agree it is better

(i) to show NCB losses for what they are

(ii) not to concentrate the cost of supporting the NCB (and the lifestyle of miners) on large electricity users.

Agree?

Yes. especially now
the electricity price increase looks like going through!
AT. 18/1
mb



JH 547

PRIME MINISTER

CONFIDENTIAL

RESPONSIBILITY FOR COAL FIRING SCHEME

An extension to the coal firing scheme was announced with Treasury agreement just before the Recess for a further year to 31 December 1984. The purpose of this extension, which was sought by Ian MacGregor, is to reduce future Coal Board deficits by increasing coal consumption through industrial conversions from oil to coal-fired boilers. There will be additional commitments of up to £25m spread over a number of years (£2m cost in 1984/5), with larger Coal Board savings as the conversions mature.

2 The main justification for the scheme is therefore now its contribution to coal industry economics and finances, which are a matter for the Department of Energy. At present the scheme is my responsibility but Peter Walker and I believe it should now be transferred to the Department of Energy. He is willing to assume responsibility for the staffing costs of the scheme and to count the five staff at present employed on it against his manpower ceiling.

3 I would be grateful to know whether you are content with this proposal.

4 Copies of this minute go to Peter Walker, Peter Rees and Sir



Robert Armstrong.

NT

N T

16 January 1984

Department of Trade and Industry

CONFIDENTIAL

CC 100



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

16 January 1984

Andrew Turnbull Esq
No 10 Downing Street
LONDON SW1

Dear Andrew,

COAL PRICES

.... I promised to send you a further note by officials on
the price charged by the NCB for coal supplied to the CEGB.
And here it is.

J O Kerr,

J O KERR

Enc

CONFIDENTIAL

PRICES FOR POWER STATION COAL

1. Until recently, the somewhat arbitrary price charged by the National Coal Board for coal supplied to the CEGB was significantly above market levels, especially at coastal power stations. (In this case, market levels are effectively determined by the cost of imports because there is no significant domestic coal production other than by NCB.) There were 3 undesirable consequences:

- (a) By exercising its monopoly power to keep prices above market levels, the NCB disguised the true extent of the losses it was making by some £2-300m a year.
- (b) These higher NCB costs were not fully passed on in electricity prices; the CEGB deliberately reflected only 95 per cent of coal costs in tariffs. The net result was that Electricity Boards made lower profits (indeed losses until 1982-83).
- (c) The Electricity Boards saw advantage in increasing their coal imports. They had to be induced by the Government not to do so and received compensation.

2. The distortion caused by pricing coal above market levels was also undesirable in broader economic terms. For example, it ran contrary to the general policy of economic pricing for the monopoly nationalised industries which underpins the need for some presentationally difficult steps such as increasing gas prices in real terms.

3. Last Autumn the NCB and CEGB negotiated a new supply arrangement to last for four years to 1987. While conducted as a commercial negotiation, the new agreement moved to economic pricing. The key components were that:

- (a) NCB coal would be priced at import-related levels from November 1983 increasing thereafter under a formula related to both import prices and the RPI.
- (b) In return, CEGB agreed to take 95 per cent of its coal needs from NCB -ie accepting a restriction on the amount they would import.

The November 1983 prices were based on the cost of CEGB's existing contracts for Australian coal of about \$50 a tonne (Rotterdam delivery). The result was an average increase in price of 2.7 per cent which, compared with inflation of about 5 per cent, represented a real reduction of some 2-2.5 per cent. The resulting average price of about £41 a tonne compares with current average production costs (including interest) of about £46 a tonne - giving an overall loss of some £400m a year in Historic Cost accounting terms.

4. The general expectation is for a further slight decline of perhaps around $\frac{1}{2}$ a per cent a year in real terms in the price of power station coal. (But this will not necessarily lead to a fall in electricity prices of CEGB phase out the convention of reflecting only 95 per cent of coal costs in tariffs.) It would be possible for the Government to direct the NCB to introduce a pattern of real increases in the price of power station coal so as to reduce the extent of Exchequer support they require. But this would only re-introduce the associated problems which were previously encountered when NCB coal was priced above market levels. It would also give a misleading impression that the NCB's underlying financial position was improving. The CEGB would have two options:

- (a) To continue their previous practice of discounting coal costs in electricity tariffs. The costs would then find their way back as a charge to public expenditure through the electricity industry's external financing requirement, leaving the PSBR neither better nor worse off.

CONFIDENTIAL

- (b) To pass on the higher costs in electricity prices. But in economic terms, it is no more desirable for electricity consumers, especially those in industry, to have to bear the cost of inefficient mines than it is for the generality of tax payers to do so. Indeed there would be a risk of simply passing on the distortion caused by the loss-making mines into distorting decisions by energy consumers about the fuel they used. There could, for example, be a further move by domestic consumers from electricity to gas - leading to greater pressure for importing Norwegian gas while leaving existing electricity assets even more under-utilised.

5. In whatever way the Government covers the NCB's heavy losses while the pit-closure programme is being pushed through, there will be an unpleasant burden for the rest of the economy. Some distortion is inevitable, but it is likely to be less pernicious if the NCB's losses are borne by the Exchequer (and hence by the economy at large) than if it is passed on to some particular area such as electricity prices. The key advantage of the economic pricing approach is that it highlights very clearly the real source of the problem - NCB's loss-making pits.

Nationalised Industries Pt 8

Financial Position of the Coal Industry

11 8 JAN 1981



Typed by: Monica

SECRET

NOT TO BE PHOTOCOPIED

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JR
DP

subject (no master).

16 A.

NOTE FOR THE RECORD

cc Mr Gregson

NCB Manpower

The Secretary of State for Energy discussed with the Prime Minister today the plans for closing uneconomic pits and reducing NCB manpower. The current plans envisaged a net reduction of manpower of 28,000 over the next two years. Mr. MacGregor felt that this, which was consistent with achieving break even for NCB by 1988, was too protracted a timetable. He wished to raise the target by 16,000 to 44,000 over two years. As there are only 40,000 miners aged over 50 still working for NCB, this could not be achieved without redundancies amongst miners aged less than 50. Mr. MacGregor therefore proposed that in addition to the current provisions of the RMPS for the over-50s there should be a two year programme offering special redundancy terms for miners aged less than 50. If £1,000 were offered for every year of service, the cost would be £137m. This would save NCB £120m. a year.

The Secretary of State for Energy said that, on the basis of these figures, the proposal made a good deal of sense. He was worried that without it there would have to be significant redundancies of miners aged under 50 which would greatly strengthen Mr. Scargill's position. The main difficulty was the possible repercussive effect on other parts of the public sector.

He therefore suggested that the Prime Minister should hold a meeting with the Ministers affected. He would send the Prime Minister a note setting out the proposal but would brief the other Ministers invited to the meeting orally.

The Prime Minister agreed to this suggestion.

AT

12 January 1984

Andrew Turnbull

SECRET

DEPARTMENT OF

ENERGY

Thames House South, Millbank, London SW1P 4QJ.
Press Office Direct Line: 01-211 4545 Out of hours: 01-215 7877

PRESS NOTICE

Prime Minister ②

To note.

AT 12/1

Reference No 2

9 January 1984

File

ms

GOVERNMENT GO AHEAD FOR £400 MILLION ASFORDBY MINE: MR PETER WALKER

Mr Peter Walker, Secretary of State for Energy, today gave the go ahead for the National Coal Board to develop the new £400 million mine at Asfordby in North East Leicestershire.

Mr Walker announced the Government's decision to give investment approval to the NCB project at a Coal Industry Society lunch in London. He said:

"I am pleased today to announce our approval of the request of the National Coal Board to go ahead with the Asfordby coal development. This is the biggest development that has taken place since the announcement of the Selby coal field in the mid 70s. It will involve investment at current prices of £400 million.

"When in full production this development will provide 1,100 new jobs, and produce 2.2 million tons of coal per year.

"It is important to stress that we would not make decisions on that scale during a period of considerable restraint on public expenditure unless we believed in the future of the coal industry. Indeed the Conservative Government has invested more than £2m per day in capital investment in the coal industry since 1979.

"Our major political opponents and ourselves are agreed about the importance of the future of this industry. When the Labour Government came in in 1974 it prepared "Plan for Coal" in consultation with the NUM and the NCB.

"It is important to remind ourselves of that Plan and its updating in 1977. Three major factors pointed to the future of the coal industry. Factor Number 1 was a massive coal investment programme. Factor Number 2 was an improvement in productivity. Factor Number 3 was connected with factor number 2 - the removal of the least economic production units in coal production. What has been the progress since then? The capital investment programme has not only taken place but, under the Conservative Government it has continued on a scale even greater than that envisaged both in 1974/75 and in 1977.

"At the moment capital investment in coal since 1974 at current prices is £650 million more than was envisaged in the total investment programme until 1985. So already in real terms capital investment in the coal industry has substantially exceeded what was envisaged in the Plan for Coal by Labour.

"The other two factors have not in any way been reached. Plan for Coal said there would be an increase in productivity of 4% a year. There had been no increase in productivity of 4% a year until this last year. Indeed the totality of the increase in productivity has been minute compared with the "Plan for Coal" forecast. The other factor was the eradication of the least economic areas of coal production, which was envisaged to be at a rate of 3 - 4 million tonnes a year. This too has not taken place and in fact has been something like half what was envisaged in Plan for Coal. I make this clear to you all, because those who prepared the Plan for Coal, and those who reviewed it, will share my genuine optimism that the coal industry does have an important and vital future for our country.

"It is the task of all those who work in the industry to see that this optimism is fulfilled".

Note for Editors

Asfordby mine is expected to become fully operational in about eight years. It has estimated coal reserves of at least 147 million tonnes.

CONFIDENTIAL



CC: [unclear]
NDRM
AT
20/12

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Norman Tebbit MP
Secretary of State for Trade & Industry
Department of Trade & Industry
1 Victoria Street
LONDON
SW1E 6RB

19 December 1983

Dear Secretary of State

COAL FIRING SCHEME

Thank you for your letter of 12th December. I have also seen Peter Walker's letter of 15th December.

I am sure that we should try to settle this without troubling colleagues in E(A) in the week before Christmas. Given that the EFL for NCB already takes credit for continuation of the scheme, and that neither you nor Peter Walker are prepared to find any savings to finance the extension from within your departmental programmes, I reluctantly accept that there is no alternative at this late stage but to charge a one-year extension against the contingency reserve, at a total cost of £25m. distributed as in Peter Walker's letter of 15th December. My officials will settle with yours the treatment of this in the public expenditure White Paper.

But I could not agree to any commitment beyond a one-year extension of the scheme. If the Department of Energy wants to press for any further extension (as suggested in Peter Walker's earlier letter of 5th December), and to take credit for this in recommending EFL figures for the NCB next year, then that Department must take responsibility for making the bid in the next Survey and for finding the money. In my view the case for any extension is weak, and I could not agree to it without a proper review of the options - notably leaving NCB to take their own commercial decisions on how to attract new industrial customers.

I am sending copies of this letter to the recipients of yours.

Yours sincerely

J. G. [unclear]

J. PETER REES

CONFIDENTIAL

CONFIDENTIAL

Prime Minister ^②

To be aware of this disagreement

AT 15/12

MS

SECRETARY OF STATE FOR THE
TREASURY
MILBURNY LONDON SW1

01 211 6402

The Rt Hon Peter Rees QC MP
Chief Secretary to the Treasury
Treasury Chambers
Parliament Street
London SW1

15 December 1983

COAL FIRING SCHEME

attached

Norman Tebbit has said in his letter to you of 12 December that he can find no resources to allow this Scheme to continue into 1984.

I do not think that I could allow this Scheme to be ended without a collective decision. If we are really to refuse to back Ian MacGregor on this point, and wilfully to reject what is agreed to be a good investment in public expenditure terms, I think that there ought to be an express collective Government decision on the point.

I have to remind you that I made it perfectly clear at our bilateral on 27 September that if the Coal Firing Scheme was not continued NCB proceeds would be reduced by £100 m over the two years 1985/6 and 1986/7. So if the Scheme is ended I must adjust the NCB EFL forecasts for those years. I think this merely reinforces my point, which Norman Tebbit has also made, that the case for charging the contingency reserve to avoid this is overwhelming. I understand that the costs in the PES period to the reserve of a one year extension giving £25 m of extra commitments would be:-

	84/85	85/86	86/87
£ m	2	5	9

I very much hope you can agree to this, so making reference to E(A) unnecessary.

I am copying this letter to the recipients of the earlier correspondence; and to the Prime Minister in view of the possibility that an E(A) meeting may be needed.

Peter Walker
PETER WALKER

CONFIDENTIAL



JF5079

Secretary of State for Trade and Industry

DEPARTMENT OF TRADE AND INDUSTRY

1-19 VICTORIA STREET

LONDON SW1H 0ET

Telephone (Direct dialling) 01-215) 5422

GTN 215)

(Switchboard) 215 7877

12 December 1983

The Rt Hon Peter Rees MP
Chief Secretary
HM Treasury
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

D Peter,

COAL FIRING SCHEME

Thank you for your letter of 30 November.

2 As I said before, the case for the extension of the scheme must either be one of energy policy or public expenditure savings, rather than industrial policy. As far as this Department is concerned, we could not find either money or manpower to run the scheme beyond the closing date of 31 December 1983.

3 Indeed, if there were to be an upsurge of last minute applications this month, we could not find the money to go beyond the present allocation, and applications would have to be turned down.

4 All this would of course be different if, in view of the public expenditure benefits of the scheme, you were able to allow a charge to the contingency reserve, or alternatively if Peter Walker were able to provide us with these resources in view of the priority which he attaches to the scheme on energy policy grounds. If neither of you are able to do this, I see no alternative to an announcement confirming that the scheme is to close on 31 December 1983. In making such an announcement, we would explain that the scheme had provided an incentive to companies to bring forward projects to convert to coal earlier than they would have been able to do out of their own resources, that the scheme had been successful in enabling a large number of companies to do this and that, having achieved its purpose, it was now closing as previously announced. We would add that for the future it would be up to the National Coal Board to improve its cost performance so as to be able to offer coal at attractive prices, and for companies to choose the fuel which suited them best.

/5 As ..



5 As you will appreciate, we shall have to make an announcement about the scheme before the closing date, and I see that a further Parliamentary Question about the future of the scheme has been tabled for answer on 14 December. I would therefore be grateful to have your views in the next few days, and if possible before then.

6 I am copying this letter to Geoffrey Howe, Nigel Lawson, Jim Prior, Peter Walker, George Younger, Nicholas Edwards, Patrick Jenkin, Michael Jopling, and to Sir Robert Armstrong.

A handwritten signature in black ink, which appears to read 'Norman Tebbit'. The signature is written in a cursive style with a large 'N' and a long horizontal stroke at the end.

NORMAN TEBBIT

Power Plant Endurance



10 DOWNING STREET

Prime Minister ⁽²⁾

It is clear from these figures that the overtime ban has reduced production from around 2.25-2.30 million tons a week to around 1.95 million tons. In principle this need have no effect on stocks at power stations, but in practice deliveries are slightly affected by the overtime ban.

Even if the ban went on until March, it is unlikely, however, to have any significant effect on endurance.

AT
1/12

COAL PRICES

In a competitive market place private sector firms will aim to produce goods to meet extra demand as long as the price they receive will cover their costs and allow them to make a reasonable return on capital. Such firms cannot fix the price in the market place in the way a monopolist can. They have to take whatever price they can get.

2. The Government's policy of "economic pricing" is directed at nationalised industries which have monopoly power. The aim is to mirror what happens with private sector firms in a competitive market place - ie a price which enables these nationalised industries to cover costs and earn a reasonable return when meeting extra demand.

3. The market for coal is competitive and so automatically produces a market price which is consistent with "economic pricing". The competition to the National Coal Board (NCB) comes from imports. The market price is the price at which these imports are available. The Central Electricity Generating Board (CEGB) pays this price for the coal it buys from the NCB. This means it is paying the right price.

4. What is wrong is that, at this price, the NCB makes losses. In the private sector, a firm that made losses would have to cut its costs or go out of business. The NCB needs to cut its costs. The way to do this is to close loss making pits.

5. In brief, the real problem is not that coal prices are too low but that NCB costs are too high.

6. In economic terms the right way to handle this is to cut NCB costs. It would not be right to force the CEGB to pay an uneconomic high price for coal. This would put industries which used large quantities of electricity at a competitive disadvantage through no fault of their own.

CONFIDENTIAL

7. In political terms, the aim is to focus attention on the need to close loss-making pits. This aim is best served by making the NCB's losses plain for all to see, and not by disguising the losses by forcing the CEGB to pay an unreasonable price for coal.

CONFIDENTIAL



10 DOWNING STREET

From the Private Secretary

2 November 1983

Dear Michael,

ENDURANCE IN THE EVENT OF A MINERS' STRIKE

The Prime Minister held a meeting yesterday to discuss endurance in the event of a miners' strike. Also present at the meeting were the Chancellor of the Exchequer, the Home Secretary, the Secretaries of State for Defence, Trade and Industry, Scotland and Employment, and Sir Robert Armstrong and Mr. Gregson. The meeting had before it three papers from the Official Group on Coal on ancillary materials, industrial endurance, and power station endurance in the medium term. Your Secretary of State gave an assessment of the risks of a strike. On closures, the danger was likely to increase in the second half of 1984. On pay he said that it was too early to judge whether the overtime ban was having an effect as much of the work subject to overtime was carried out at weekends. His view was that a strike on pay was unlikely this winter.

The meeting then discussed the desirable level of endurance. It was noted that coal stocks currently provided about six months endurance and that this would rise to 7½ to 9 months by 1986-87 as additional nuclear capacity came on stream. It was argued that increasing endurance would run into diminishing returns. The value of high stocks lay as much in their deterrent effect which would not be significantly increased by adding another 2-4 weeks. It was unlikely that in a strike the miners would rely simply on attrition; they would try to interrupt flows of oil and put pressure on other workers. Against this, it was argued that a small increase, if achieved cheaply and inconspicuously, would be worthwhile.

The meeting then considered specific options for increasing endurance. Dual firing was too expensive and actually reduced capacity while it was being installed. Full manning of oil-fired capacity was also very expensive. The Secretary of State for Scotland said that additional manning at Inverkip and Peterhead could not be justified and would be undesirable. It should however be possible during a strike to increase oil fired output at the two stations with the use of existing manning so as to provide through the Scottish interconnector a contribution somewhat greater than that assumed in present plans, and every effort would be made to do this. For the longer term, an increase in the capacity of the Scottish interconnector might be worthwhile at the end of the decade when Torness came fully into operation.

/In the short term

In the short term the best course appeared to be to continue to build up power station coal stocks by the gradual acquisition of additional land where this was unlikely to provoke public controversy over a planning application. It ought to be possible for the CEGB to absorb the modest costs of limited and gradual action of this kind. It would also be desirable to increase stocks of ancillaries at coal fired power stations somewhat above present levels so that (after making realistic assumptions about replenishment) they would match the likely increase in power station coal stocks.

Looking further ahead it would be desirable to explore more fully the proposal for the supply of lighting up oil by pipeline, although it was thought that it would take two years to complete the work.

In the case of nuclear power stations concern was expressed about the level of carbon dioxide stocks. It was noted that there was a good chance that supplies could be replenished and that adding to storage could be expensive and conspicuous. It was therefore agreed that it would not be desirable to embark on a programme of constructing additional stocking capacity at existing stations. If and when opportunity arose to provide greater stocking capacity at a nuclear power station still under construction, this should be taken. It was also desirable to discuss further with the CEGB the arrangements for replenishment in the event of a strike and to assess how vulnerable they would be to determined industrial action.

On industrial stocks it was agreed that incentives had been carried about as far as was useful while remaining cost effective.

It was argued that it was vital to achieve the increased oil burn envisaged. It would be wise to investigate where trouble spots might arise and what action might be taken in advance to make sure that the necessary oil burn was achieved.

Summing up the discussion, the Prime Minister said that the meeting was agreed that certain further measures would be justified to increase power station endurance despite their limited effect. The first priority should be to concentrate on measures which would bring benefit over the next year or so. Action should therefore be put in hand now to increase power station coal stocking capacity by the acquisition of additional land on the limited basis identified in the discussion and to make appropriate increases in the stocks of ancillaries at coal fired power stations. The Secretary of State for Scotland's proposals relating to the Scottish oil fired power stations were endorsed. The Official Group on Coal should examine further the pipeline proposals; the case for increasing the capacity in the Scottish interconnector; the arrangements for replenishment of carbon dioxide at nuclear stations and the scope, if any, for providing additional stocking capacity while such stations were still under construction; and possible difficulties which might arise in maintaining the required oil burn.

/I am copying

SECRET AND PERSONAL

- 3 -

I am copying this letter to John Kerr (H.M. Treasury), Hugh Taylor (Home Office), Richard Mottram (Ministry of Defence), Callum McCarthy (Department of Trade and Industry), John Graham (Scottish Office), Barnaby Shaw (Department of Employment), Richard Hatfield (Cabinet Office) and Mr. Gregson, for the usual limited circulation.

Yours sincerely

Andrew Turnbull

ANDREW TURNBULL

Michael Reidy, Esq.,
Department of Energy.

SECRET AND PERSONAL

subject (no master)

Not to be copied outside
Private office. 15A
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NO.1 of 1 copy

Note for the record: Enduring a coal strike

Sir Robert Armstrong and Mr. Gregson came to brief the Prime Minister today for the meeting on Tuesday on enduring a coal strike.

Mr. Gregson said that the current overtime ban would have very little effect on endurance this winter. Power stations already had more coal than they were supposed to be able to stockpile, and the ban would cut deliveries by only 10%. Nor would it affect next year, as any shortfall in deliveries could be made up during the course of next summer. It was more likely that the NUM were hoping that miners would tire of the ban by Christmas, and would seek a ballot on what to do next; and that this would create an atmosphere more favourable to a strike ballot being carried.

At his meeting with the NUM last Wednesday, Mr. MacGregor had made it clear that the 5.2% offer was a final one, but there did not at present appear to be a strong groundswell of opinion against the pay offer.

Mr. Gregson thought that a strike on closures was unlikely this winter. For the time being it was possible to achieve the required redundancies by voluntary means; by the middle of next year when most of the older miners had gone, compulsory redundancies would be necessary. Furthermore, increasing closures would mean moving further and further away from the concept of exhaustion.

On the measures for increasing endurance, the Prime Minister noted that dual firing was very expensive and gave no protection during the next two years when the risk was greatest. Indeed, the need to take stations out of service while they were being converted reduced endurance. The main benefit of high stocks was the

SECRET AND PERSONAL

/ deterrent

deterrent which might not be greatly increased by an extra two or three weeks. The key to success was to ensure that stocks were used to the full, and that the miners did not pressurise the power workers. The Prime Minister noted that the coming on stream of the AGRs would automatically increase endurance over the next year or so. It was, however, worth considering whether some land could be bought or leased by the CEGB as increased power stations stocks could be presented as advantageous to the NCB.

It was agreed that at the meeting Mr. Walker should be invited to give only the barest background on closures, merely indicating that there was a real risk of a strike during the next two years.

31 October, 1983.

SECRET AND PERSONAL

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10 DOWNING STREET

Prime Minister ①

You have two meetings:

(i) Sir Robert and Peter Gregson come on Monday to brief you. They will cover not just endurance, but handling of the present pay claim and of future closures. They will want to discuss the arrangements for monitoring progress - See Para 6 of Mr Gregson's minute of 21 Sept

Para D.

(ii) The meeting on Tuesday to discuss endurance in the medium term. Sir Robert's minute of 26 October serves as brief and paper so no need to read the report by officials. The key issue is whether to invest large sums to improve endurance permanently or whether to rely largely on high coal stocks. You will need to decide beforehand how much of the strategy background you want Peter Walker to display at the meeting

AT 28/10

SECRET AND PERSONAL

14

Ref. A083/3064

MR TURNBULL

Bye replaced page 28/10/83

Endurance in the Event of a Miners' Strike

I attach a revised page 1 of Sir Robert Armstrong's minute to the Prime Minister of 26 October (A083/3033) on endurance in the event of a miners' strike.

2. You will see that the second sentence of paragraph 3 now reads correctly and I apologise for the original error.

3. I am sending a copy of this minute and the revised page 1 to all recipients of the original minute.

Lindsay Wilkinson

LINDSAY WILKINSON (MISS)

28 October 1983

SECRET AND PERSONAL



Ref. A083/3033

PRIME MINISTER

Endurance in the Event of a Miners' Strike

For the purposes of your meeting on 1 November, it may be helpful for you and other Ministers attending to have a single piece of paper which draws together briefly the outstanding points on which decisions are required, as they emerge from the papers circulated earlier (the reports by the Official Group on A Coal on ancillary materials, MISC 57(83) 9, and on industrial B endurance, MISC 57(83) 10, submitted with the Secretary of State C for Energy's minute to you of 23 June 1983, and the report on C power station endurance in the medium term, MISC 57(83) 12, submitted with my minute to you of 21 July 1983).

Endurance Without Further Measures

2. As a result of measures already taken to increase power station coal stocks and supplies of ancillary materials, power station endurance this autumn in the event of a miners' strike is estimated at about 26 weeks. This involves maximum oil burn at oil-fired stations from the outset of the strike which will put pressure on the supply logistics, given recent refinery closures and changed patterns of output. The implications are currently being assessed by the oil companies and the CEGB.

3. Special steps have also been taken to increase the coal stocks held by the cement industry giving likely endurance of 16-20 weeks. Coal stocks held by a few other large industrial users amount to 15-20 weeks (although the stocks of most large users are likely to be around 8 weeks), while those held by some small industrial companies and depots are around 5-6 weeks (the stocks of most small industrial users are unlikely to be less than 3 weeks).

4. If the existing measures are maintained, including unchanged coal stocks, power station endurance should increase to 7½-9 months by 1986-87, depending on the growth of electricity demand. The increase is due to the commissioning of the three Advanced Gas-cooled Reactors at Dungeness, Hartlepool and Heysham; and also to the interconnector with France which it is expected could be used to import in an emergency.



5. Ministers will therefore first wish to consider whether it would be worthwhile to increase power station endurance yet further, either to deter a strike or to improve the prospects for withstanding a strike. If so, they will wish to consider the practical possibilities with particular regard to those that would require early decisions.

Options for Increasing Endurance

6. Existing coal stocking areas at power stations are now full, both in England and Wales and in Scotland. Building stocks yet higher would require the acquisition of new land, or the recovery of leased land, contiguous to existing sites. In many cases planning permission would be required and the need for the high level of stocks would have to be argued publicly. The physical limit in England and Wales is unlikely to be more than 40 million tonnes (and could be significantly less) which would provide endurance of around 12 months by the mid-1980s at a cost of up to £100 million. For November 1984 a further 2-3 mt of coal might be put to stock in England and Wales (in addition to the 30 mt now) and a further 0.5 mt in Scotland (in addition to 3 mt now), at a cost of perhaps £30 million. This would add about 2 weeks to the 28-30 weeks endurance that would otherwise be available in November 1984.

7. Other means of increasing endurance involve additional oil burn:

a. Retention of old CEGB oil-fired plant that is due to be phased out over the next few years would entail extra operating costs of around £10 million a year and provide additional endurance of 1-1½ weeks. The CEGB would not welcome such a suggestion which would be at odds with their desire to cut costs.

b. In Scotland there is the possibility discussed in Annex A of MISC 57(83) 12 of fully manning the oil-fired capacity at Inverkip and Peterhead so that it could be brought into use in the event of a miners' strike. But this option, as the report makes clear, is extremely



unattractive, not only on financial grounds but also on industrial relations and management grounds since the workers concerned would be active only in the event of a miners' strike and would have virtually nothing to do at other times.

c. The burning of lighting-up oil at coal-fired power stations supplied via an extended Government pipeline system at a capital cost of £4 million, providing additional endurance of 4-6 weeks.

d. Dual firing of 15,000 MW of coal-fired plant at a capital cost of £2-3½ billion, providing additional endurance of one year.

8. Of the above options only the manning of part of the Scottish oil-fired plant is feasible for November 1984, together with the retention of one or two old small CEGB oil-fired stations. As the report by officials (MISC 57(83) 12) attached to my minute of 21 July 1983 explains, all these options involving extra oil burn would be vulnerable to a decision by the power station workers, in the event of a strike, not to co-operate in achieving abnormal levels of oil burn. The option of conversion to dual-firing has two other major disadvantages - its very high cost and the fact that the work would take five years during which time the stations being converted would be out of commission and vulnerability to industrial action would be increased.

Other Outstanding Points

9. There are three other outstanding points left open in the Secretary of State for energy's minute of 23 June 1983.

i. Strategic Stockpile for Small Industrial Users

10. MISC 57 was asked to look further into possible measures to help small industrial coal users who can hold little or no coal on their own premises and normally draw it direct from the pits. It was thought that the NCB might be able to establish strategic stockpiles for these customers away from the pits providing 7-8 weeks supply. Further work has however confirmed that the

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stockpiles, whose existence would have to be widely publicised to potential users, would be exposed to a high risk of picketing. Any improvement in endurance is therefore speculative, although there would be public relations benefits from having made the attempt to maintain supplies. Officials do not consider that the likely benefits are sufficient to justify the cost, now estimated at £2 million.

ii. Ancillary Materials

11. The CEGB are confident that the existing 20 weeks' supplies of ancillary materials can be made to last for 26 weeks with feasible replenishment. Some increase in stocks of ancillary materials might be desirable to match the increasing endurance in respect of fuel supplies (paragraph 4), particularly if further measures were authorised to increase coal stocks or oil burn. An extra 6 weeks would cost some £25 million. Would such expenditure be justified?

iii. Carbon Dioxide at Nuclear Power Stations

12. Stocks of carbon dioxide, used as coolant at nuclear power stations, are sufficient for only 3 weeks normal use. This could be stretched in an emergency to 6 weeks at full output or rather longer at lower output. The CEGB believe that since the majority of nuclear power stations are remote from the coal fields, and since the primary fuel supply is secure, picketing would be sporadic and not determined. Loss of carbon dioxide deliveries would reduce overall endurance by only 2 weeks or less at present though this would increase to perhaps 3-4 weeks by the mid-1980s as nuclear output and overall endurance grow. Increasing storage facilities substantially (say to 26 weeks) would cost around £45 million (including Scotland), would take 18 months, would require planning permission and might serve to draw the attention of the unions, particularly the NUM, to this area of vulnerability. Would it be better to take the risk of trying to ensure replenishment at the time, especially bearing in mind that the effect on endurance is only a few weeks?



Summary of Points for Decision

13. The points for decision are therefore:

- a. whether it would be worthwhile to increase power station endurance further above present plans (6 months now, growing to 7½-9 months by November 1986);
- b. if so, which of the approaches should be pursued in consultation with the Electricity Boards: more coal stocks at power stations; keeping open old CEGB oil-fired stations; manning modern Scottish oil-fired plant; use of Government pipeline; or dual-firing;
- c. if Ministers favour a further increase in power station coal stocks, whether steps should now be put in hand to increase them by November 1984, to the extent feasible (2½-3½ mt) at a cost of perhaps £30 million;
- d. in relation to other outstanding points:
 - i. whether the proposal for strategic stockpiles for small industrial coal users should be dropped;
 - ii. whether (depending on a., b. and c.) stocks of ancillary materials should be further increased from November 1984 onwards;
 - iii. whether any action should be taken to increase stocks of carbon dioxide at nuclear power stations.

14. I am sending copies of this minute to the Home Secretary, the Chancellor of the Exchequer and the Secretaries of State for Energy, Defence, Scotland, Trade and Industry and Employment.

RA

ROBERT ARMSTRONG

26 October 1983

610

Prime Minister ②



AT
21/10

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

Andrew Turnbull Esq
Private Secretary
10 Downing Street
London SW1

21 October 1983

Dear Andrew

I attach, as agreed, a short factual note by officials on today's decision by the NUM Special Delegate Conference to reject the Coal Board's pay offer. As I explained, my Secretary of State has not yet seen this, and I will let you know if he wishes to comment.

You may also like to have a copy of an NCB press release dealing with remarks which Mr MacGregor is expected to make this weekend.

Yours sincerely
Michael J.

M F REIDY
Private Secretary



BRIEF FOR THE PRIME MINISTER

NUM SPECIAL DELEGATE CONFERENCE: 21 OCTOBER 1983

The NUM's Special Delegate Conference today rejected the 5.2% pay offer made by the National Coal Board. The Conference decided:

- (a) to call for an overtime ban to take effect from Monday 31 October;
- (b) to make a further approach to the NCB for an improved wage offer;
- (c) to maintain NUM opposition to pit closures except on grounds of exhaustion;
- (d) to oppose any further rundown of manpower.

The next step will be a letter from NUM to NCB calling for a further meeting. The Board, if they offer such a meeting, may feel there will be some advantage in holding it before the overtime ban comes into effect.

Today's Conference took no decision on whether a ballot should be held. Mr Scargill was asked about this directly by the NCB but was unable to give any view. The possibility of a further Special Delegate Conference cannot be ruled out.

On the whole the SDC can be regarded as broadly representative of coal field opinion round the country. It does not however follow that the result of a ballot would be to reject the current wage offer.



As regards the overtime ban, coal stocks are currently so high that there would be no imminent threat to security of supply. The main immediate effect would be to reduce the Board's need to put coal to stock, thus reducing costs. While there would therefore be cash benefits to the NCB from an overtime ban, these would be countered to some extent by the simultaneous increase in production costs. Some pointers can be found in the 3-week overtime ban last year:

- (a) average deliveries of coal fell by 10%;
- (b) average lost production was 14% (but this varied greatly from one Area to another);
- (c) average loss in miners' earnings was £40 per week or 25%.

Overtime bans inevitably give rise to arguments as to what work is essential, shifts being sent home, disciplinary problems and local strikes. Last year the NUM hoped these factors would increase support for a strike: in the event the variation in support among Areas and pits much reduced NUM unity.

Coal 2 Division
21 October 1983



DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON. SW1H 0ET

TELEPHONE DIRECT LINE 01-215 5422
SWITCHBOARD 01-215 7877

JF4527

Secretary of State for Trade and Industry

19 October 1983

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The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

D. Nigel

PS/Ministers
PS/Sir Brian Hayes
Mr Caines
Miss Mueller
Mr Manzie
Mr Cooper
Mr Wright - IP
Mr Mingay - MEE
Mr Russell - FRM
Mr Jardine - RIT
Mr Bradshaw - SERC
Dr Coates - IDU
Mr Enright - ASD
Mr Pride - IP2
Mr Halls - IP2
Mr Howe IP2 (on file)

COAL FIRING

The support for firms wishing to convert from oil or gas firing to coal, provided through grants under the Coal Firing Scheme and through Exchange Risk Guarantees for ECSC loans, is due to close on 31 December 1983. It was, however, agreed to examine the case for a further extension to these schemes and I attach a copy of the inter-departmental review which officials have recently completed. This covers the factors which need to be taken into account and sets out the issues for decision in paragraphs 22 to 25.

2 The four options for the grant scheme are:

- (a) to allow it to close on 31 December 1983, or earlier if the £50 million allocation is fully committed (as currently planned);
- (b) to provide sufficient money to satisfy all applications received by 31 December 1983;
- (c) to provide a new tranche of £25 million with an extension of one year to the closing date;
- (d) to provide a new tranche of £50 million with a two year extension.

I do not consider that there is a strong case on industrial policy grounds for extending the Scheme. While it brings benefit to applicants who are able to reduce their fuel bills one could argue that a firm's decision whether to

/incur ...



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incur the additional capital expenditure associated with coal firing is not one which Government should seek to influence. There are benefits for equipment suppliers too, but these are incidental.

3 In my view the case for extension must stand or fall on the argument that it results in a net saving of public expenditure by helping to shift coal stocks and hence facilitates the kind of measures which need to be taken to restore profitability to the NCB. Only if you and colleagues are satisfied on these two points would I wish to support the case for extension.

4 I must also make a point about resources. If the scheme were extended for one year or two I see no possibility of finding either the money or the manpower for its administration within this Department's existing resources. When we were asked in 1981 to take on responsibility for the original grant scheme proposed by the Department of Energy, we agreed on the basis that the scheme would close in March 1983. It has already been widened in scope, extended for nine months and supplemented by the exchange risk cover on ECSC loans. We had to find all the manpower from within our existing resources by switching staff temporarily from other work. Our plan has always been to switch these staff back once work on the scheme is concluded, in order to meet our manpower targets. If colleagues wish to continue the scheme for reasons which lie primarily outside the area of industrial policy, I could only agree to continuing responsibility for the scheme if there can be an increase of five in our manpower ceilings while processing of applications continues.

5 Likewise we have made no provision for the cost of extending the grant scheme in our PES bid and if we accept the view that the scheme leads to net public expenditure savings there would appear to be a strong case for funding an extension from the Contingency Reserve.

6 The officials' paper identifies three more minor issues which arise if we decide to extend the grant scheme. Firstly, the scheme has proved more cost effective in terms of grant required per tonne of new coal burn than originally envisaged and I suggest that we should reinforce this by setting a more demanding target of £20 per tonne of coal burn. Secondly we should still offer cover on ECSC loans so long as the Exchange Risk Guarantee Scheme continues, and make the necessary reallocation to coal firing from other activities, within the overall £400 million ceiling. Finally officials should be asked to

/study ...



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study the case for widening the coverage of the scheme, although I am bound to say that only the idea of widening it to embrace Combined Heat and Power projects has much attraction for us.

7 I would be glad to have your views, and the views of other colleagues to whom I am copying this letter on the issues which have been raised in the review. Once we have reached a decision I think we should aim for an announcement before the Christmas Recess at the latest.

8 Copies go to Geoffrey Howe, Jim Prior, Peter Walker, George Younger, Nicholas Edwards, Patrick Jenkin, Michael Jopling, Peter Rees and to Sir Robert Armstrong.

J Norman

Encl

INTER-DEPARTMENTAL REVIEW OF SUPPORT FOR COAL FIRING

Background : Grant Scheme

The Chancellor of the Exchequer first announced in the 1981 Budget that the Government were allocating £50 million over 2 years to encourage industry and agriculture to switch from oil to coal fired boilers. Full details of the Coal Fired Boiler Scheme were announced on 22 May 1981 and the scheme declared open for applications. The grant scheme was designed to help finance switching to cheaper coal firing at a time when unit energy costs were rising sharply. The scheme also helped to meet the commitment made by all the nations attending the Venice summit to reduce oil dependency. It was also hoped that the scheme would be "Exchequer neutral" justifying its cost through lower NCB stocking costs of coal and a target of an additional coal-burn of 2 million tonnes per year was agreed. The closing date for applications was set at 31 March 1983.

2 Following representations from industry, the scope and coverage of the scheme was reviewed and considered by Ministers. This resulted in the Chancellor announcing in the 1982 Budget that the scheme would be extended immediately to cover switching from all oil and gas fired industrial equipment and eligibility was extended to the majority of the service sector. The minimum threshold was reduced to £15,000 project costs and the scheme retitled the Coal Firing Scheme.

Background : Exchange Risk Guarantee Scheme

3 Loans for coal firing from the European Coal and Steel Community at subsidised rates of interest, with cover under the Exchange Risk Guarantee Scheme were first announced on 15 November 1982. Ministerial approval had been given in 1981 for exchange risk cover to be offered on a total of £400 million European loans during 1982 and 1983, £15 million of which could be ECSC coal firing loans. All projects eligible for grant under the Coal Firing Scheme are in principle eligible for an ECSC loan. Loans up to £1 million are arranged through ICFC with loans above £1 million negotiated direct with ECSC. Exchange risk cover is normally limited to £2 million of ECSC loans per project. The closing date for applications for exchange cover on the ECSC coal firing loans was originally set at 31 March 1983 to correspond with that for the Coal Firing Scheme. (see also paragraph 24).

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Subsequent extensions to schemes

4 When a review of both the schemes was undertaken by officials shortly before the March 1983 closing date for applications, it seemed unlikely that more than half the total grant allocated to the scheme would be committed. After further Ministerial consideration the closing dates for both schemes were extended by 9 months to 31 December 1983. However, there was a substantial upsurge in applications during February/March 1983 (see also para 7).

5 It became clear once the applications received during February and March had been assessed that the demand for exchange risk cover far exceeded the £15 million total of ECSC loans which it was originally agreed could be accepted under the Exchange Risk Guarantee Scheme. The Secretary of State for Trade and Industry agreed in July that the exchange risk cover ceiling could therefore be raised to cover £45 million of ECSC coal firing loans. Applications have so far been received for cover on £27 million of ECSC loans.

Northern Ireland

6 When the Secretary of State for Northern Ireland announced a new Energy Conservation Scheme for the province, the measures included financial assistance for conversions from oil firing to any other fuel. The scheme is however limited in funds and it was agreed that while the Coal Firing Scheme was open for applications, offers of assistance for conversions from oil to coal firing in Northern Ireland would be pitched at a level which ensured that any applications falling within the orbit of the national scheme are diverted to the Coal Firing Scheme. This remains the situation.

Applications to date

7 Details of all applications are at Annexes I and II. The figures show the position at 31 August 1983 and reflect the upsurge in applications received in the Spring when the schemes were originally due to close. The applications received so far are likely to bring total commitments up to about £40m in grant. This figure takes no account of applications likely to be made between now and the December 1983 deadline.

Scheme objectives

8 As can be seen from Annex I, details of anticipated future coal burn given by applications indicate that the grant scheme is on target to achieve an additional coal burn of 2 million tonnes per year once all the projects are completed. The scheme has therefore been successful although this total may not be reached until 1986/87 at the earliest because some large projects have extended completion dates. Similarly the figure for the average grant per tonne of annual coal burn currently standing at £18.80 is a considerable improvement upon the target figure of £25 initially set in internal guidelines.

Future demand for support

9 It has proved very difficult to forecast the rate of applications on the Coal Firing Scheme. The rate typically slows in the summer months but on the assumption that it picks up in the Autumn as the closing deadline again approaches, it seems reasonable to assume that the £50 million total grant could be committed by 31 December.

10 Looking further ahead, the National Coal Board believe that the interest generated by companies who have switched to coal firing and their own marketing activities will encourage others to consider seriously this alternative fuel. Recent research by the NCB Marketing Department into new business prospects over the next two years suggests that industry could be considering investments in coal firing totalling well over £200 million. This is best regarded as an estimate at the upper end of expectations. Some of the projects have already been submitted while others may not materialise even if the scheme is extended but on the other hand new projects not currently known to NCB would undoubtedly come forward. It can confidently be stated that the scheme is necessary in many cases to bring projects forward, given the higher front end costs of switching to coal firing. Some companies have expressed doubts to the NCB about the commercial viability of coal conversion without financial assistance while required payback periods for this kind of project remain short.

Implications for UK coal industry

11 The industrial sector currently offers the only possibility for the NCB to expand sales of coal. When the grant scheme was launched industrial coal sales were in the region of 9 million tonnes per annum. Once the projects assisted under the grant scheme are complete this figure should have increased by over 20%, a clear demonstration of the Government's declared aim of promoting the economic role of coal in

the UK, consistent with published objectives for the industry. The coal industry is entering an important phase and the new NCB Chairman wants to build markets and increase sales. Mr MacGregor has said that he sees the scheme as a positive measure to these ends and is therefore looking for a further extension. Non-extension could be viewed in the coal industry as a weakening of commitment, damaging the chances of gaining acceptance for measures to reduce the industry's losses which would produce big public expenditure savings and help towards bringing coal supply back into balance with demand.

Public expenditure implications

12 The initial £50m grant limit should generate over 2 million tonnes per annum additional coal burn. Each additional million tonnes of coalburn attributable to the scheme generates about £48m cash for the NCB and reduces NCB's external financing requirement each year by a similar amount and the Board's need for deficit grant by £30m. The Exchequer loses £5 per tonne in fuel oil duty. Each extra tonne of annual coalburn capacity is secured at an average cost of £19 in coal-firing grant assuming that none of the projects would have gone ahead without assistance. The scheme therefore reduces PSBR by £24m per million tonnes of additional coalburn in the first year of operation and £43m per million tonnes in the second and subsequent years for as long as marginal output continues to go to stock. These benefits only accrue if the grant leads to conversions that would not otherwise have taken place. Also, the benefits are much greater while the NCB has surplus stocks. Once the NCB supply is in balance with demand, the case for the scheme will be much reduced. It is important that the NCB do not increase their planned capacity to cater for a market that may have been generated artificially by these grants. Net public expenditure gains could be even higher if the scheme continues to secure or reduce unemployment in the equipment supply industries and in the longer term the increased profitability of suppliers and companies converting to coal could raise corporation tax receipts.

13 Only £4 million grant has so far been paid and payments on applications made before 31 December 1983 are likely to be spread over the next 4 years, with peaks in 1984/85 and 1985/86 (when current forecasts envisage payments of £12 million and £14 million respectively). No provisions have been made in any Department's estimates for extending the grant scheme. An extension would have minimal impact on grant payments before 1985/86.

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Resource benefits/costs of conversions assisted by grant schemes

14 On average the capital cost of conversion to coal firing is £93 per tonne of annual coalburn capacity. But conversion results in a cut in national fuel costs by about £50 per tonne through saving £73 per tonne on fuel oil purchases (excluding duty) offset only in minor part by using more coal at a resource cost of £24 per tonne. The gross resource cost of conversion is therefore fully balanced by fuel cost savings within 2 years. The resource payback period may be even shorter if a significant proportion of the resources used in the equipment supplying industries would be unemployed in the absence of the coal firing scheme.

Energy costs and security of supply

15 The availability of financial assistance for switching to coal firing has enabled companies to cut unit energy costs particularly to industries where energy is a significant proportion of manufacturing costs. Companies using large quantities of steam or hot water in their processes have therefore found the schemes attractive. In many cases fuel flexibility of companies is also increased through conversion to coal because new multi-fuel equipment has been installed or existing oil or gas fired equipment retained for standby purposes. This provides some insurance against interruptions in fuel supplies.

Equipment supply industries

16 . The stimulus to investment in new coal firing equipment has provided important business for many equipment manufacturers particularly the boilermakers who had been severely hit by the recession although some manufacturers are still in a critical condition. The scheme has stimulated the application of new fluidised bed technology in the UK and should strengthen our position for exporting both this type of equipment and other new products.

Environmental aspects

17 Conversion from heavy fuel oil to coal firing reduces sulphur emissions to the atmosphere and on balance produces important environmental advantages. This is particularly the case where conversion includes the installation of fluidised bed combustion with limestone addition and where boiler replacement is accompanied by improved methods of coal handling and storage. Any reduction of coal stocks will also produce local environmental improvements.

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changes that could be considered. These include:

- (a) CHP projects : at present only the coal firing equipment is eligible for grant assistance, but consideration could be given to including the turbines and associated generating equipment as well;
- (b) greenfield sites : to ensure that companies moving to new locations consider installing coal fired systems rather than oil or gas fired systems despite the higher front end costs of the former;
- (c) coal-to-coal replacements : many existing coal fired systems in industry are coming to the end of their normal working life. The NCB have evidence to show that in some cases the replacement equipment could be oil or gas fired because of the higher costs of new coal fired systems. Grants may be necessary to ensure that none of these industrial consumers are lost to coal.
- (d) public sector : complaints continue to be received about the exclusion of public sector bodies such as local authorities, hospitals, schools, etc. Many of the cost benefits perceived in the grant scheme apply equally to the public sector. The Industrial Development Act 1982, under which the scheme operates, precludes such assistance and there are no other DTI schemes available to such bodies for investment. Coal firing projects in the public sector already attract a "5% preference" but this is merely an administrative device used in the financial appraisal of new coal systems when comparing them with the oil/gas equivalent, and no extra money is available. A substantial discount on coal purchases is negotiated centrally by the PSA, but the capital cost disadvantage of coal fired systems is such that in the majority of cases oil or gas firing is chosen.

EC aspects

18 Energy Ministers have for some time been negotiating a new Community initiative on solid fuel which would bring useful budgetary benefits to the UK. Although the majority of the proposals in the Solid Fuels Initiative are focussed on the production side, it could be regarded as untimely to bring the coal-firing scheme to an end just when our European partners are seeking to devote increased Community resources to coal use as well as production.

Administration of schemes

19 When the grant scheme was originally announced, the then Chancellor of the Exchequer asked that the Department of Industry should administer the scheme. It was ultimately agreed that the DOI would find the staff for this purpose from its own resources without offsetting savings from other Departments or an increase in DOI's overall manpower. Streamlined appraisal/administration techniques were introduced, but even so five full-time staff are employed in the Coal Firing Unit in DTI South East Regional Office, who would otherwise be working on industrial policy objectives, plus the equivalent of two or three elsewhere in DTI Headquarters Divisions. No new staff were taken on to deal with the extra work involved when the ECSC loans were introduced under the Exchange Risk Guarantee Scheme.

20 To meet planned staff reductions three of the five staff in the Coal Firing Unit must be released by April 1984. Because of continuing pressure on staff numbers the remaining two staff will need to be released by September 1984. The remaining monitoring responsibilities from the existing scheme will then have to be met by other staff in the DTI South East Regional Office which is likely to lead to some delays if current workloads continue. Late claims for payment of grant and monitoring of coal burn will continue into 1987/88 and possibly beyond. It will not be possible for the DTI to meet its manpower targets in this way if the scheme is extended and administration remains with the DTI.

Possible changes to Coal Firing Scheme

21 The scope and coverage of the grant scheme is now very wide with the majority of industrial sectors and virtually all types of industrial burning equipment eligible for grant. Nevertheless, if the grant scheme were again extended there are a number of possible

Issues for decision

22 A number of options are open for the grant scheme:

- (a) allow scheme to close on 31 December 1983, or earlier if the £50 million is fully committed;
- (b) provide sufficient money to satisfy all applications received by 31 December 1983;
- (c) provide a new tranche of £25 million grant with an extension of 1 year to the closing date;
- (d) provide a new tranche of £50 million grant with an extension of 2 years to the closing date.

23 New objectives would need to be set if either option (c) or (d) were chosen. The success in meeting the existing objectives suggests that a more demanding target of (say) £20 grant per tonne of coal burn could be set. This would imply a new objective on option (c) of an extra 1½ million tonnes and on ~~option~~ (d) an extra 2½ million tonnes.

24 Extension of the grant scheme could appropriately be accompanied by continued use of the Exchange Risk Guarantee Scheme to support ECSC coal firing loans. These loans offer an attractive element in the package of financial assistance for coal firing. Ministers recently agreed that the Exchange Risk Guarantee Scheme could be extended for 12 months to 31 December 1984 within the existing £400 million ceiling, subject to an early review of the effectiveness of the scheme. Within that ceiling £45 million has been set aside to cover coal firing loans, and applications have so far been received for just over half that sum. This should leave sufficient exchange risk cover available for the period up to the current closing deadline of 31 December 1983 but use of ERGS during 1984 for coal firing might require an increase to bring the allocation to coal firing up to £80 million. This would require the approval of all participating departments.

25 Changes if scheme extended

Officials should be invited to undertake a further detailed examination of possible future changes to the scope and coverage of the scheme as outlined in paragraph 21 (a) to (c), taking account of other existing

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selective financial assistance measures which are available; Officials should also consider whether assistance outside the orbit of the Coal Firing Scheme or further administrative guidance is necessary to the public sector.

4 October 1983

COAL FIRING SCHEME - ERG/ECSC LOAN SCHEME

Position on applications received as at 30 SEPTEMBER 1983

GRANT SCHEME

APPLICATIONS	NO	PROJECT COSTS '000	GRANT OFFERED £'000	COAL BURN '000
Received	456	328,504		
Rejected/withdrawn				
(a) before offer	87	88,060		
(b) after offer	51	17,687	3,371	
Total rejected/wdn.	138	105,747		
Live projects	318	222,757		2,120
(a) not processed	45	84,279		
(b) grants offered of which:-				
accepted	197	84,377	16,990	929
awaiting accept.	76	52,045	9,590	514
Total offers made *	273	136,422 /	26,580	1,443

* average grant per project £97.36K
 average capital cost per tonne annual coal burn £94.54
 average grant per tonne annual coal burn £18.42

/ eligible as opposed to actual project costs

ECSC LOANS

* 108 applications received in respect of loans totalling £30.297K
 + 80 applications approved for ERG for loans totalling £11.125K
 16 applications have been approved for loans totalling £1.718K

* does not include 61 withdrawals/rejections

+ does not include 38 withdrawals/rejections and includes two individual approvals of £2m each.

ANALYSIS OF APPLICATIONS RECEIVED BY SIC DIVISION AND REGION

AS AT 30 September 1983

SIC DIVISION	APPLICATIONS RECEIVED		(i) Applications withdrawn before decision stage (ii) Applications rejected by Unit (iii) Offers rejected by applicant	
	NO	PROJECT COSTS £'000	NO	PROJECT COSTS £'000
0	48	4,422	10	565
1	5	14,631	2	425
2	87	101,148	18	27,305
3	63	61,939	28	28,526
4	226	142,383	67	47,196
5	1	68	-	-
6	2	374	1	3
7	7	822	6	774
9	17	2,717	6	953
TOTALS	456	328,504	138	105,747
REGION				
SE	66	96,631	22	27,623
SW	22	6,697	3	3,394
EM	47	13,662	10	1,851
WM	33	11,352	11	4,401
YH	70	14,037	25	4,979
NW	110	83,376	30	15,184
NE	25	8,034	7	3,006
NI	14	23,260	5	2,798
SO	41	36,177	13	19,291
WO	28	35,278	12	23,220
TOTALS	456	328,504	138	105,747

<u>SIC</u> <u>DIV.</u>	OFFERS MADE		OFFERS ACCEPTED		OFFERS REJECTED		PAYMENTS MADE	
	NO	GRANT £'000	NO	GRANT £'000	NO	GRANT £'000	NO	GRANT £'000
0	36	958	23	352	3	50	10	99
1	3	2,196	2	26	-	-	2	26
2	64	8,800	42	7,243	5	183	15	1,883
3	41	5,366	25	4,503	10	608	14	461
4	165	12,161	94	4,470	32	2,520	47	1,498
5	1	8	-	-	-	-	-	-
6	-	-	-	-	-	-	-	-
7	2	22	1	12	1	10	-	-
9	12	440	10	384	-	-	6	91
TOTALS	324	29,951	197	16,990	51	3,371	94	4,058
<u>REGION</u>								
SE	42	8,381	24	4,375	5	269	5	95
SW	18	756	11	450	-	-	4	88
EM	41	1,994	21	936	6	195	10	277
BWM	24	1,502	15	1,016	4	221	10	417
YH	50	1,748	36	1,235	8	310	18	422
NW	85	10,326	50	6,167	19	1,079	28	2,045
NE	16	801	11	392	2	92	1	18
NI	9	437	7	333	1	19	2	140
SO	24	1,858	14	1,386	3	108	10	382
WO	15	2,148	8	700	3	1,078	6	174
TOTALS	324	29,951	197	16,990	51	3,371	94	4,058

ECSC LOANS SCHEME

EXCHANGE RISK GUARANTEE COVER APPLICATIONS

SIC DIVISIONS	LOAN APPLICATIONS RECEIVED		LOAN APPLICATIONS APPROVED FOR ERG COVER		LOANS OFFERED	
	NO.	AMOUNT £ '000	NO.	AMOUNT £ '000	NO.	AMOUNT £ '000
0	22	1,465	18	1,367	3	113
1						
2	16	9,010	13	5,047	3	607
3	7	870	5	600	1	28
4	60	18,695	42	4,041	8	933
5	1	34	1	33		
6	1	185				
7						
9	1	38	1	37	1	37
TOTALS	108	30,297	80	11,125	16	1,718
REGION						
SE	23	7,260	18	3,490	5	441
SW	7	426	5	526	1	60
EM	10	747	9	725	2	53
WM	7	1,057	5	787	1	225
YH	10	2,274	7	839	3	483
NW	30	12,447	21	3,560	1	160
NE	4	186	4	152	1	37
NI	2	290	2	280	1	230
SO	11	3,410	8	670	1	29
WO	4	2,200	1	96		
TOTALS*	108	30,297	+80	11,125	16	1,718

*61 applications which were subsequently rejected/withdrawn have not been included in the total figure
 + 38 subsequent rejections/withdrawals not included: does include 2 individual approvals of £2m each

Mr Flesher
To note X

Prime Minister ②

AT
14/10

19/10

PRIME MINISTER'S BRIEFING - 14 OCTOBER 1983

MAJOR INDUSTRIAL DISPUTES

mb

National Coal Board, Monktonhall Colliery (NUM 1500)

1. Miners at Monktonhall voted on 15 September 1983 to strike indefinitely in an attempt to force assurances from the NCB about the future of the pit. The NUM is seeking 300 voluntary redundancies from among the workforce, and the dispute was precipitated by the NCB's sending home of some 100 miners who were too late to begin their shift after attending a meeting to discuss the closures. The NUM National Executive Committee decided on 27 September to give official support to the strike; it is to hold a special Delegates Conference on 21 October 1983 to determine the union's position on closures, and to consider the offer made by the NCB to increase basic pay rates by 5.2%.

2. At a special area conference on Tuesday 11 October Scottish representatives called for a one day stoppage in pits in Scotland on Monday 17 October. Pit head ballots are taking place this week.

Esso contract, Fawley (1200 CSEU)

3 Workers employed by various engineering construction companies have been on strike since 5 September. They are claiming a "substantial" pay increase and a reduction in the working week. The contractors have offered 5%. Talks with both sides have been taking place at ACAS.

Sunderland Shipbuilders (1600 CSEU)

4 The unofficial strike began 2 weeks ago, following a claim by shipyard workers for pay increases similar to those which British Shipbuilders had recently negotiated with crane drivers.

ⓧ
An example
worth
recounting
in a speech?

5 The strike has caused the shipyard to lose an MOD contract to provide new facilities for docks in the Falklands.

Contract went to Harland and Wolff

- or at question time

mb

Local Authority Residential Social Workers (NALGO 25000)

6 On 11 October NALGO delegates voted to authorise a one day strike on Monday 17 October.

7 The dispute is about a claim for a reduced working week and special shift work payments. A ban on overtime and on new admissions to homes has been in operation for 4 weeks. Response to the call for industrial action has been patchy and the main effect have been to close some homes in inner city areas where the social services are under the heaviest pressure.

British Telecom (POEU 2200)

8 The present industrial action is part of the union's campaigns against the rival Mercury telecommunications system and the plan to sell BT to the private sector.

9 On 30 September, having suffered a period of sporadic industrial action, BT began a policy of instructing engineers to do specific essential tasks and suspending those who refused.

10 On 3 October the union called for a work to rule; members are refusing to make Mercury connections, have withdrawn maintenance cover from the international exchange and satellite tracking stations and are on strike at other London exchanges. Staff responsible for telex maintenance in Aberdeen have been on strike since 4 October.

11 Staff from outside London have been brought in to work on exchanges affected by the dispute but many are refusing to cross picket lines. Some 2200 engineers are currently reported to be suspended without pay.

DISPUTES ENDED SINCE LAST REPORT

SILCOCK & COLLING, LIVERPOOL (TGWU 200)

12 Drivers returned to work on Tuesday 11 October. They had voted unanimously to accept a plan for further discussions on redundancies. Production at Ford's Halewood plant resumed 13 October.

Meeting on 1 NOV

PA

MIS 23/9

0930

COPY 1 OF 4 COPIES



Prime Minister 12

SECRET AND PERSONAL

I believe that X on p 3 is very important.

P.01101

MR SCHOLAR

cc Sir Robert Armstrong Agree to the meeting

COAL

and arrangements in para 5?

I suggest that you get

In the light of the Prime Minister's meeting with the Secretary of State for Energy on 15 September I have been considering: Peter

i. what further meetings the Prime Minister might need ⁱⁿ oral to have on coal matters;

ii. how to arrange these meetings so that as little as ⁱⁿ paper possible of the more sensitive aspects is committed to and then paper.

2. The outstanding matters are:

decide whether to go with the strategy meetings in para 6.

a. projections about the NCB's future financing needs (eg for the 1984-85 EFL, for the Public Expenditure Survey Agree? covering the years up to and including 1986-87, and for deciding on appropriate statutory financial limits for inclusion in the Coal Bill shortly to be introduced); MIS 22/9

b. decisions on whether further measures should be taken to increase power station endurance in future years in the light of the MISC 57 Report circulated by Sir Robert Armstrong on 21 July; Yes - we could have the

c. the need to ensure on a continuing basis that the NCB's strategy is acceptable to the Government. Small group

Done

meeting at Chevening on a Friday afternoon, i.e. when we needed to see Mr. Deacons, not

SECRET AND PERSONAL


SECRET AND PERSONAL

Financial matters

3. So far as a. is concerned, I see no problem. I would expect the Secretary of State for Energy and Treasury Ministers to be able to agree on satisfactory figures for these purposes without the benefit of any explicit, precise or final decisions on coal strategy and without involving the Prime Minister.

Power station endurance

4. So far as b. is concerned, it would be easier for Ministers to take these decisions against the background of an agreed explicit strategy for closures and, in the light of that, some judgement about the dates at which the risk of industrial action might be judged to be greater. Ministers can however take the necessary decisions without a strategic discussion, if need be. The discussion could start from the commonsense assumption (unrelated to any particular strategy) that it would be prudent to plan for a strike occurring at any time over the next three years or so and that we ought to concentrate on options which might yield some benefit within that timescale, rather than the longer term options (particularly bearing in mind that we shall be getting some benefit from the nuclear stations from 1986-87 onwards). That approach will in practice identify only one or two options as worth pursuing, on which Ministers should not find it difficult to take decisions.

5. I suggest therefore:

Misc
i. that we go ahead with a meeting on power station endurance in the medium term in late October, to be attended by the Ministers who received the MISC 57 Report (ie the Home Secretary, Chancellor of the Exchequer and the Secretaries of State for Energy, Defence, Scotland, Employment and Trade and Industry);

SECRET AND PERSONAL

SECRET AND PERSONAL

ii. that no other papers should be circulated for that meeting (apart from the MISC 57 Report already circulated on 21 July) and that discussion of coal strategy at that meeting should be avoided on the lines of paragraph 4 above;

iii. that I should let the Prime Minister have a written brief for that meeting in the normal way, but avoiding the more sensitive aspects and that I could cover the latter, as you suggested, in a short oral briefing, if the Prime Minister would find this helpful.

Strategy

6. This leaves the question of further discussions about strategy, bearing in mind that on 15 September the Secretary of State for Energy reported only Mr MacGregor's preliminary thoughts and left some important aspects unclear. If there is to be nothing in writing which clarifies the understandings about strategy which exist between Mr MacGregor and the Secretary of State for Energy and between the latter and his senior Ministerial colleagues, we shall need to find some other way of ensuring that misunderstandings do not occur. Misunderstandings might lead to problems in either of two directions, ie progress not fast enough, or progress faster than was acceptable for some reason, leading to some awkward drawing back. I would suggest that, in the absence of written material, the best way of reducing the risks of such misunderstandings, would be for the Prime Minister to have further meetings of the small group who met on 15 September (Chancellor of the Exchequer, Secretary of State for Energy and the Secretary of State for Employment) at regular intervals. At particularly crucial stages it might be necessary to call in Mr MacGregor as well (as inconspicuously as possible) to avoid failure in communication. The need to put

SECRET AND PERSONAL



SECRET AND PERSONAL

other Ministers in the picture at appropriate stages (eg the Secretaries of State for Scotland and Wales) would have to be kept in mind as the situation develops.

7. If this approach is accepted, it might be a good idea to have a further meeting of the small group to talk about strategy in the second half of November (bearing in mind that the Secretary of State for Energy will be visiting China and Hong Kong in the period 2-11 November). Mr Walker might then be asked to talk about Mr MacGregor's more considered thoughts on strategy, in the light of developments by that time on this year's pay offer.

PLG

P L GREGSON

21 September 1983

SECRET AND PERSONAL

NAT IND Coal Pt 8

CONFIDENTIAL

SECRET

PRIME MINISTER

14 September 1983

cc Mr Mount

COAL INDUSTRY PAY 1983

The NCB is thought likely to come forward with an offer on rates of pay in line with inflation ("close to 5%"). This will imply something less than 5% on earnings; to illustrate, last year's settlement was 7.2% on rates and 6.5% on earnings.

A settlement at 5% would be:

- (i) substantially lower than last year's settlement;
- (ii) in line with the average of public trading sector settlements over the last three months (5%);
- (iii) just below the average for private sector settlements (5½%);
- (iv) marginally above the recent level of inflation (4.2% to July) but marginally below the anticipated level of inflation over the next year (6%?);
- (v) higher, but not out of touch with the Government's new pay factor of 3%.

In arithmetic terms a settlement of no higher than 5% would not damage the Government's objectives on pay, but would not positively enhance them either. However, against the background of a presumption in the public mind that miners get more because of their aggression, it could be argued that 5% is a good settlement from the Government's point of view.

A bankrupt industry

Viewed from another angle, a 5% settlement is a thoroughly bad one. In the last decade the NCB had raised miners' earnings relative to those in manufacturing and invested heavily but without achieving the closures which alone would make these expenditures worthwhile. If the NCB were in the private sector it would now be bankrupt, and like a bankrupt company, and like BSC in recent years and British Shipbuilders this year, the NCB would be justified in announcing that it could not afford a national pay award this year. This approach was essential

SECRET

for BSC's financial recovery within the foreseeable future: why not in the coal industry, too?

The Government has a unique opportunity to drive for a low settlement, of say 3%; it has just won an election endorsing its policy on inflation; the miners' leaders have been defeated decisively in previous ballots and have been discredited at the TUC Conference; the coal industry's finances have been exposed by the Monopolies Commission Report and by statements by Peter Walker; power station endurance has now been increased to six months.

It will be argued that a low offer of 3-4% will drive the moderates into the arms of the militants whose objectives are to oppose closures and pick a fight with the Government. This was the reason for last year's offer of over 7%, rather than the lower figure which the NCB originally had in mind. This is an important point: the NCB needs to retain the loyalty of the moderates in order to secure the necessary closures of 25 mt of capacity. Why jeopardise this for the sale of 1-2% on pay? I think that it would be a mistake to overplay this argument. Accommodation on pay has not bought closures; on the contrary, it has merely advertised unwillingness to face up to the industry's basic problems. Firmness on pay surely goes hand in hand with firmness on closures. The logic of the market says that if an employer needs fewer employees he need only offer lower or no increases in pay. Why should this logic be suspended in this particular industry?

Conclusions

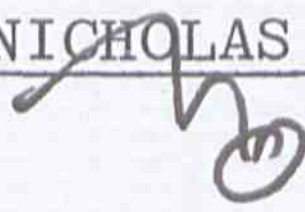
1. An offer in excess of 5% (eg 6-7%) should not be contemplated by the Government: it wouldn't guarantee additional closures; it would postpone viability, and by totally avoiding any risk of a confrontation, would damage the Government's credibility.
2. An offer of 5% would be consistent with pay policy, it would run a slight risk of a strike but would, in my view, forego a unique opportunity to break through on pay.
3. An offer of 3-4% would court a definite risk of a strike, which the Government has invested £150m to resist for six

SECRET

- 3 -

months; it would represent a considerable prize for the Government - an early break-through in the pay round against a traditionally difficult group of employees and a necessary step towards the viability of the coal industry.

NICHOLAS OWEN

A handwritten signature in black ink, appearing to be 'N Owen', written over the typed name 'NICHOLAS OWEN'.

SECRET

subject (no master)

SECRET : CMO

typed by Lillian
seen by MCS
PGregson
FERB

1 copy II A.
made
and given to
Sir R Armstrong

RECORD OF A MEETING HELD AT No. 10 DOWNING STREET ON 15 SEPTEMBER 1983

NOT TO BE PHOTOCOPIED OR CIRCULATED OUTSIDE THE PRIVATE OFFICE

PRESENT

Prime Minister
The Chancellor of the Exchequer
The Secretary of State for Energy
The Secretary of State for Employment
Sir Robert Armstrong
Mr. Peter Gregson
Mr. Michael Scholar

* * * * *

COAL

The Secretary of State for Energy said that a couple of days ago, Mr. MacGregor had a very good meeting with the NUM and other Coal Board employees. He was clearly handling the situation very adroitly. He had reached some preliminary conclusions about the industry, although he wished to have a little longer before he was held to any of these. Mr. MacGregor believed that there was very considerable administrative over-manning within the NCB, and that there would be useful savings from this source in due course. He also considered that the investment programme could be reduced when the Coal Board's practice of invariably ordering the best equipment, almost regardless of cost, had been corrected. The long-term future of the coal industry was, or should be, bright indeed, and there ought to be in years ahead continuing investment in low-cost new capacity. This investment, however, ought to go forward in step with closures of uneconomic capacity, and should be presented to the workforce as a quid pro quo for closures. Mr. MacGregor would be making a case, which the Secretary of State supported, for continuation of the 25 per cent grant for coal conversion.

/The closure programme

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The closure programme had gone better this year than planned: there had been one pit closed every three weeks, and there were now 18,000 fewer in the workforce - i.e. almost 10 per cent of the total. Manpower reductions, especially when associated with closure of uneconomic pits, produced very worthwhile savings (£15 million a year for every thousand redundancies in the case of a closure and £5 million for every thousand redundancies when no closure was involved). Each 1 per cent on miners' pay cost £20 million a year, so that closures produced considerably greater economies than the results of practicable pay moderation. Mr. MacGregor had it in mind over the three years 1983/85 that a further 75 pits would be closed: first, 64 which would reduce the workforce by some 55,000, and reduce capacity by some 20 million tonnes; then a further 11, with manpower reductions of 9,000 and capacity reduction of a further 5 million tonnes. There should be no closure list, but a pit by pit procedure. The manpower at the end of that time in the industry would be down to 138,000 from its current level of 202,000.

The Secretary of State noted that there would be considerable problems in all this. The manpower reductions would bite heavily in particular areas: two-thirds of Welsh miners would become redundant, 35 per cent of miners in Scotland, 48 per cent in the North East, 50 per cent in South Yorkshire and 46 per cent in the South Midlands (which included the whole of the Kent coalfield). From end-1984 onwards it would not be possible to offer redundant miners other employment in the mining industry. There would also be unfortunate effects on the mining equipment supply industry.

On pay, Mr. MacGregor had it in mind to offer the miners 5½ per cent on wage rates, the equivalent of 4½ per cent on earnings. He had it in mind to offer this in October, and stick to it. The Chancellor noted that there would be advantage in loading some of the increase onto the productivity bonus scheme. The Secretary of State said that Mr. MacGregor certainly had it in mind to reject firmly the NUM's desire to abandon this bonus system altogether. There was general agreement that 5½ per cent on base rates should be seen as a reasonable offer in comparison with the 3 per cent pay factor announced today and the likely course of the RPI up to December, when it was probable that the miners would ballot on the offer. Although there would be wider economic advantage in a somewhat lower increase for the
/miners this

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- 3 -

miners this year, the figure proposed was usefully lower than last year's figure, and there was support for the tactic of seeking as swift as possible a settlement on pay in order to get on with closing uneconomic capacity.

It was agreed that no record of this meeting should be circulated.

MCS

15 September 1983

SECRET : CMO

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P.01096

PRIME MINISTER

Miners' Pay

The purpose of the meeting is to consider the line to be taken in this year's miners' pay negotiations. We understand that the National Coal Board's (NCB's) first negotiating meeting with the National Union of Mineworkers (NUM) is to take place on 27 September.

2. The starting point for the meeting will be an oral report from the Secretary of State for Energy about the NCB's present thinking. I understand that he will probably say that the NCB is at present disposed to look for a settlement lower than last year's and in line with current movements in the Retail Prices Index (RPI).

3. The main issues for discussion are:

- i. the level of pay settlement to be sought;
- ii. tactics and presentation.

In considering the level of settlement to be sought, the following factors will need to be taken into account:

- a. the likelihood of a strike and the prospects of withstanding a strike if it occurs;
- b. the interaction between the line to be taken on pay and that to be taken on pit closures;
- c. the effect of the miner's pay settlement on the pay round generally.

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Likelihood of, and prospects for, withstanding a strike

3. It would be useful to have the NCB's judgement about how far the miners are currently in a mood to take strike action. In two successive years they have decisively rejected a call to strike over pay, and the NUM has so far been unsuccessful in stimulating strike action over individual pit closures. Mr Scargill's standing among his members has presumably been affected by his recent bad publicity. The present impression from the outside appears to be that the miners are still likely to be reluctant to strike over pay and that a strike would be more likely to arise from a major and dramatic attempt to accelerate the pace of pit closures.

4. If a strike were to occur, there would be a better prospect of withstanding it than in the past. The present level of power station coal stocks in Great Britain is 32 million tonnes compared with 24 million tonnes a year ago, and they are estimated to last for 26 weeks. Stocks of ancillary materials are expected by November to reach 20 weeks and we have been told that the CEGB believes that they are extendable in practice to 26 weeks. Power station endurance should therefore be about 6 months overall compared with the estimate of around 4 months this time last year. The endurance of coal burning industry has also improved since last year, although it is considerably less than power station endurance (perhaps 10 weeks for major consumers and 5 or 6 weeks for small firms). The scope for further increasing endurance by November 1984 is only modest (say a month or so). Any further substantial increase in endurance will not be possible until 1986 onwards when the nuclear power stations come on stream and when some of the other options for increasing endurance in the medium term might be attainable.

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5. This analysis suggests that there is no case for making a special effort to avoid a miners' strike this year in particular, or for adopting a weak line in the pay negotiations because of fears of a strike. On the other hand it would probably not be sensible for the NCB to go out of their way to provoke a strike. Despite the better prospects for endurance, a strike would be costly. It would need to be brought to an end eventually, and there is always the danger that the eventual settlement might result in higher pay than would otherwise have occurred and in assurances on matters such as closures which would constrain freedom of action in the future.

Interaction between pay and closures

6. You will be discussing the closure strategy in the second half of October when the Secretary of State for Energy ought to be ready to put forward options after discussion with Mr MacGregor. Meanwhile however the NCB and the Secretary of State for Energy may argue that it would be unwise to be too ambitious about pay since this might inhibit progress on closures. Admittedly, a substantial programme of closures would, if it could be achieved, do more to improve the viability of the coal industry, and to reduce the burden which it places on the economy, than a marginal reduction in the level of the miners' pay settlement. On the other hand we must be careful to avoid agreeing to an over-generous pay offer now because of concern about closures, only to discover later this year that, for a variety of other reasons, only a modest acceleration in the closure programme is deemed feasible.

7. This analysis suggests that, while the interaction between pay and closures should be kept in mind, it should not be allowed to shade the judgement about the desired level of pay settlement very much.

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Effect on the pay round generally

8. The table below compares the last two miners' pay settlements with what has happened in the same round in the public trading sector and in the economy as a whole.

	<u>Miners</u>		<u>Public trading sector</u>		<u>Whole country</u>	
	<u>Rates</u>	<u>Earnings</u>	<u>Settlements</u>	<u>Earnings</u>	<u>Settlements</u>	<u>Earnings</u>
	%	%	%	%	%	%
1981-82	9.3	7.4	7	9½	7	9
1982-83	7.2	6.5	6	7	5½	6½-7
	plus incentive scheme					

9. It is a feature of miners' pay that, by contrast with what appears to happen in many other sectors, the percentage increase in earnings is always argued to be considerably less than the increase in basic rates. You will recall that the deliberate policy in recent years has been to ensure that the offer, presented in terms of basic rates, appears generous before the ballot and that the earnings figure has been publicised subsequently to minimise the repercussive effects of the settlement. It seems that, as the table indicates, settlements in the subsequent pay round tend to average out at something less than the miners' settlement. Some of the groups (notably electricity supply) who aspire regularly to pay settlements at the upper end of the range tend to look on the miners' settlement as a benchmark for this purpose.

10. This analysis suggests that, in fixing the objective for the miners' pay settlement, it is not necessary to choose a figure which is as low as the average outcome sought in the forthcoming pay round. It is however desirable that the miners' settlement

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should be clearly seen to be lower than last year's in terms both of rates and of earnings as this will have an important influence on whether other groups are prepared to accept less than they had last time.

11. Ministers will also wish to consider the relationship with movements in the RPI. When last year's settlement was achieved, the most recent published RPI figure (that for September) was 7.3 per cent. It was however well known that inflation was falling sharply and might soon be 6 per cent or less, as indeed became apparent early in the new year. Last year's settlement was therefore at a level close to the level of inflation prevailing at the time, but was somewhat higher than the expected level of inflation. This year, although the rate of increase in the RPI is lower than it was a year ago, it has been rising from the 3.7 per cent figures for May and June. The August figure to be published at the end of this week will be around 4½ per cent. The current forecast for September, which will be published on 14 October, and may be close to a ballot on the pay offer, is 5 per cent. Expectations outside Government, as within Government, are probably that the figure will be between 5 and 6 per cent by the end of the year.

12. It will therefore be necessary to clarify what the NCB has in mind as a settlement in line with current movements in the RPI. Presumably this means aiming at a settlement not higher than about 5 per cent on basic rates. If it can be demonstrated later that the effect on earnings is rather less - say around 4 per cent - a settlement on these lines should help to create expectations of a pay round averaging out at a level substantially lower than last year, say at 4 per cent rather than 5½ per cent, and with some settlements at less than 4 per cent.

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Tactics and presentation

13. When a clear view has been taken about the level of settlement to be sought, it may be useful to touch briefly on the tactics to be adopted. Ministers will probably wish to leave the tactics entirely, or almost entirely, to the NCB since, as experience has shown, they are best placed to assess the situation. It will also be desirable to avoid giving any impression that the Government is a backseat driver in the negotiations as this would strengthen Mr Scargill's hand. It would nevertheless be useful to know whether the intention is to put forward, as last year, an initial offer slightly lower than the final offer and, if so, what the timing of the various offers is likely to be. Much will no doubt depend on the NCB's judgement about whether the NUM will wish to have genuine negotiations and their attitude to a ballot of their members.

14. At an appropriate stage (perhaps after the NCB has made its initial offer) it will be necessary to put the Cabinet generally in the picture so that, as in earlier years, Ministers can avoid statements and actions which might inadvertently make the NCB's task more difficult.

CONCLUSIONS

15. You will wish to reach conclusions on:

- i. the level of settlement which should be sought;
- ii. the level of any initial offer and any other tactical issues on which the Government may need to have a view.


P L GREGSON

14 September 1983

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MUS 13/9



Prime Minister

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9

of NC

P.01089

MR SCHOLAR

COAL

Provided we are not doing any options by the postponement. I am reluctant, for a while to be invited to discuss this. The Minister could see the document. AF. The meeting of the pay prospect? And that I write as in para 3? MUS 9/9

The first NCB / NUM meeting on pay is planned for 27 September. Agree that the 15 September slot be used for an appraisal of the pay prospect? And that I write as in para 3? MUS 9/9

I understand that the Prime Minister's diary at present provides for a meeting on power station endurance in the medium term on Thursday 15 September at 2.30pm. I have been talking to Treasury and Department of Energy officials and we are all agreed that a meeting on that subject at that time would be premature. The reason is quite simply that it would be a waste of time to talk about options for improving power station endurance in the medium term without knowing what the pit closures strategy will be. The Secretary of State for Energy is not going to be able to say anything useful about that on 15 September because he wants to give due weight to Mr MacGregor's views, and Mr MacGregor needs a few more weeks to reach conclusions on this matter.

2. I would therefore suggest:

i. that the meeting on power station endurance/closures strategy should be postponed until mid-October, ie as soon as convenient after the Party Conference;

ii. that the slot on 15 September should be reserved for the time being in case it is required for a discussion of the tactics relating to this year's pay offer to the miners, bearing in mind that the Prime Minister will be away for most of the time between 19 and 30 September; for this purpose it would not be necessary to have all of those originally invited for 15 September; I would suggest that we would need only the Secretary of State for Energy, the Chancellor of the Exchequer and the Secretary of State for Employment.



SECRET

✓ 3. If it is agreed to postpone the meeting on power station endurance/pit closures strategy, it would be desirable to place a very firm obligation on the Secretary of State for Energy to come forward with his views on closures strategy not later than mid-October. It would also be desirable to get something put in writing so that the Ministers primarily concerned can think about the matter before the meeting on the basis of the relevant information and an analysis of the options. The Secretary of State for Energy may be reluctant to do this because of the extreme sensitivity of the subject and the Prime Minister will no doubt have similar anxieties. It should however be possible to take care of this by No, proposing that the paper should be circulated only to those Ministers attending the meeting and Sir Robert Armstrong with a Secret/CMO classification and an explicit instruction that it should not go outside Ministerial offices and should be shown only to those officials from whom it is essential (rather than merely desirable) to receive advice. No doubt you would wish to put the points in this paragraph into a letter to Mr Walker's Private Secretary.

PLG

P L GREGSON

8 September 1983

SECRET

BF 14/9/83

Meeting fixed
for 14.30 on

15 Sept

~~see letter to PM~~

WR to HNT 1/8

(PA)

BF 2/9/83 to MCS

Michael / D/Energy say their S.O.F.S is unwilling to circulate a paper for the meeting on 15/9 for 2 reasons:
(a) He is not prepared to commit himself in advance of talks with McGregor
(b) He does not want to put anything in writing for fear of leaks.
He still wants the meeting postponed to early October. I have
(PTO)

told Caroline Brooks that she
must write to you or me explaining
exactly why Mr Walker cannot say
anything about coal strategy early in
September - he then can then decide
whether to overrule him or to cancel the
meeting.

I might say that coal division in D/Energy
are working on a paper. The problem is
not with them; it is with the S/D/S. He
has not ^{yet} accepted the PM's ruling that the
meeting should be in Sept.

CM
18/8

ce ✓

2



Prime Minister
 We are fixing a coal
 strategy meeting for September
 before you go abroad.

Treasury Chambers, Parliament Street, SW1P 3AG

WJ
 2/8

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

ms

1 August 1983

Dear Secretary of State,

NCB: INVESTMENT AND FINANCING REVIEW 1983

As you know, the National Coal Board is one of the major problem areas in this year's nationalised Industries' Investment and Financing Review. The additional bid of £339 million in 1984-85 and £104 million in 1985-86 (including higher redundancy payments) represents a major challenge to securing reductions below the baseline of at least £500 and £900 million in those years, which we agreed in EA Committee on 14 July.

I hope we shall be able to meet in late September to discuss the NCB along with your other nationalised industries and Departmental programme. It might be helpful if I was to set out, before the recess, some of the areas which I shall want to raise then. These are:-

- (a) The rate of pit closures. The options presented to the Government in May by the NCB have a major bearing on external financing requirements. Your IFR submission assumed the slower 'conventional' rate. I understand that substantial savings - upwards of £200 million a year - could be achieved by the faster 'Rapid' rate, although there would clearly be major risks.
- (b) Miners pay. The NCB's assumption of falling real wages for miners is encouraging both in terms of NCB's own costs and for public sector pay as a whole. Do you intend to ask the Board to negotiate on this basis?

- (c) Prices. We have some sympathy for the principle of bringing NCB prices in line with those of imports, although we shall need to consider whether the NCB's figures are the correct basis of planning. If resource allocation within the energy sector of the economy is to be optimised, economic pricing would, of course, also need to be applied to other fuels. Gas is an example of where these principles point to real increases in prices. I would therefore expect to see substantial EFR reductions (or levy increases) for BGC. Any real reductions in the price of power station coal should also give reductions in the external financial requirement of the electricity industries (whose IFR submissions assume higher prices).
- (d) Investment. The Monopolies and Mergers Commission were critical of much NCB investment since 1974 confirming (in paragraph 9.105 to 9.111) that over one-third of expenditure on large projects 'has gone into collieries which are either unprofitable or of doubtful potential profitability'. Expected productivity gains have often not been realised. While the reduction in NCB's bids since last year is welcome, investment levels of £800 - £900 million a year would still be high for an industry in such a parlous state. I appreciate that there are some sensitive areas, linked to the pit closures objective, but I think we should examine the scope for savings of, say £100 - £200 million a year.
- (e) Sales of Assets. Can we press the NCB for a more active approach, both to realise cash and get rid of loss-making non-mining activities?
- (f) General costs and overheads. As well as the main pit closures, can we look for more savings in NCB's general overheads on R & D, workshops, headquarters, stores levels, working capital etc.

Treasury officials will be in touch with your Department and the Scottish Office, to discuss the scope for savings in the areas set out above.

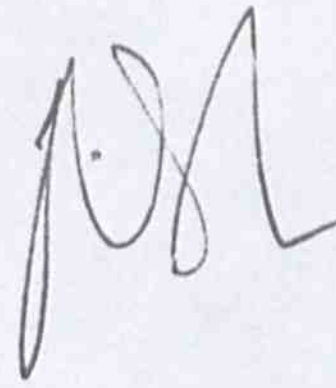
Clearly many of the main areas ; particularly the rate of closures - will need also to be addressed in broader discussions of coal strategy and the options presented by the NCB's May paper. In his minute to the Prime Minister of 28 July, the Chancellor suggested that colleagues should have at least a first discussion very early in the Autumn. From my point of view, it would certainly be helpful if this was done before we meet for our bilateral (which the public expenditure timetable requires by the first week of October at the latest). No doubt you will, in any case, want to have agreed with colleagues the Government's view on miners pay and coal prices ahead of the

CONFIDENTIAL

Autumn negotiations. We ought to settle the EFLs for 1984-85 before these are too far advanced, so that the industries negotiate under financial discipline.

A copy of this letter goes to the Prime Minister, to the Secretary of State for Scotland, and to Sir Robert Armstrong.

yours sincerely



for PETER REES

(approved by the Chief Secretary
& signed in his absence)

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10 DOWNING STREET

From the Private Secretary

1 August 1983

Dear John

Power Station Endurance in the Medium Term

The Prime Minister has seen the Chancellor of the Exchequer's minute of 28 July. In the light of his advice, she has agreed to call a Ministerial meeting before she leaves the country on 19 September.

I am copying this to Tony Rawsthorne (Home Office), Julian West (Department of Energy), Richard Mottram (Ministry of Defence), Muir Russell (Scottish Office), Barnaby Shaw (Department of Employment), Jonathan Spencer (Department of Trade & Industry) and Richard Hatfield (Cabinet Office), for the usual limited circulation.

Yours ever

Willie Rickett

John Kerr, Esq.,
HM Treasury.

SECRET AND PERSONAL

*Robert 1 of
in the minutes*



*of D. Pascell ①
Prime Minister 7*

*Mr Walker wants
a meeting in late Sept/*

Treasury Chambers, Parliament Street, SW1P 3AG early Oct. (so
01-233 3000 that he can gauge Mr MacGregor's

PRIME MINISTER

*first reactions). Mr Lawson wants a meeting
before you go abroad in September*. Do you want to
adjudicate between them?*

POWER STATION ENDURANCE IN THE MEDIUM TERM

*Or to go for "very early
autumn"?*

Sir Robert Armstrong has circulated the latest in the series of papers produced
by MISC 57. Its relevance to the discussions we will be having in September or
early October on strategy for the coal industry, is obvious: in coming to
decisions on how hard to press on pit closures, we will need an appreciation of
the level of endurance available in the event of a strike. There is also an
interaction in the other direction. In deciding what measures to take to improve
endurance, we need to know what contingencies we are preparing for. Officials
should be asked to refine the endurance options when we have decided our
strategic approach.

MLS 29/7

2. My preliminary reaction is that we should concentrate on those options like
further stockpiling of coal which provide early benefits and do not represent a
commitment of resources far into the future. But this assumes that we shall
wish to step up the rate of pit closures. And of course a number of other
decisions in the fields of public expenditure, coal prices, and the pay round, hinge
on the approach we adopt. So I hope that our meeting will be arranged for the
very early autumn.

3. I am sending copies of this minute to the Home Secretary, the Secretaries
of State for Energy, Defence, Scotland, Employment and Trade and Industry and
to Sir Robert Armstrong, for the usual limited circulation.

(N.L.)

28 July 1983

**so as to get
decisions well in
time in the expenditure
review.*

de DA



6

10 DOWNING STREET

From the Private Secretary

SIR ROBERT ARMSTRONG

Power Station Endurance in the Medium Term

The Prime Minister was grateful for your minute of 21 July, to which was attached a report by MISC 57 on the scope for extending power station endurance in the medium and longer term.

The Prime Minister has noted the options identified in the report. She understands that the Secretary of State for Energy intends to bring forward the NCB Corporate Plan to colleagues for discussion in late September or early October. On this basis, the Prime Minister agrees to defer decisions on the options in the report until then.

I am sending copies of this minute to Tony Rawsthorne (Home Office), John Kerr (HM Treasury), Julian West (Department of Energy), Richard Mottram (Ministry of Defence), Muir Russell (Scottish Office), Barnaby Shaw (Department of Employment) and Jonathan Spencer (Department of Trade & Industry); for the usual tightly limited circulation.

MCS

25 July 1983

ce no
① 5

Prime Minister

Ref. A083/2162

PRIME MINISTER

To note at this stage (decision)

Yes not at end-sept/October?

Power Station Endurance in the Medium Term

MCS 22/7

At an informal meeting of Ministers which you held on 27 January 1983 to consider the strategy for the National Coal Board (NCB) it was agreed that, when Ministers discussed this later in the year, they should have available a report by the Official Group on Coal (MISC 57) on the scope for extending power station endurance in the medium and longer term, ie from late 1984 onwards.

Mr Walker's office tell me he says intends to bring the Corporate Plan to you in late Sept/early Oct when Ian Macgregor has taken stock.

2. I now attach a report by MISC 57 in fulfilment of this remit. Ministers will not wish to take decisions on the options identified in the report until they are in a position to discuss the strategy for the NCB and the implications this may have for industrial relations in the industry. Ministers may nevertheless find it useful to have the report for information at this stage and to take note of the main points in it which I summarise in the remainder of this minute.

3. Section I of the report summarises the measures already taken to improve endurance of a miners strike. From November 1983 the expected level of power station endurance is six months.

4. Section II explains that, on the basis of unchanged coal stocks, power station endurance is likely to increase to between 7½ and 9 months by 1986/87 mainly as a result of an increase in the proportion of the CEEB's demand met by nuclear power from 14 per cent to 22 per cent. By 1991/92 the proportion would range from 16 per cent to 24 per cent depending on whether the Magnox stations turn out to have a life of 25 or 30 years.

5. Section III examines the options for increasing power station endurance above the level provided by existing coal stocks. These are summarised in paragraphs 3.18 and 3.19 of the Report and Table 2. The most straightforward approach to

increasing endurance yet further would be to increase CEGB coal stocks to a level close to the utilisable physical maximum. This might give a further 3 to 4 months endurance at a capital cost of £70 million, making total endurance of around 12 months. The other ways of increasing endurance involve increased oilburn. All but one method increase endurance by only a matter of weeks. The option which might increase endurance very considerably - by about a year - would involve the conversion to dual firing of around 8 large coal fired stations. This would take about 5 years and during this period vulnerability to industrial action would be increased. The capital cost, including the additional system operating costs while conversion was taking place, would be in the range £2-3½ billion.

6. When Ministers are ready to consider these options they will wish to consider at the same time an earlier report by MISC 57 on the options for increasing stocks of ancillary materials, including stocks of carbon dioxide at nuclear power stations, by November 1984, which was attached to the Secretary of State for Energy's minute to you of 23 June.

7. I am sending copies of this minute and of the report to the Home Secretary, the Chancellor of the Exchequer, and the Secretaries of State for Energy, Defence, Scotland, Employment and Trade and Industry with the request that it should be seen only by those within their Departments who have already participated in the work of the Official Group (MISC 57) or who are specifically authorised by their Minister to see it for the purpose of giving essential advice.

RTA

ROBERT ARMSTRONG

21 July 1983

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AND PERSONAL

POWER STATION ENDURANCE IN THE MEDIUM TERM

Report by the Official Group on Coal (MISC 57)

- SECTION I The present position
- SECTION II Power station endurance over the next decade
- SECTION III The options for further extending power station
 endurance by the mid-1980s
- SECTION IV Issues for Ministers

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SECTION I : THE PRESENT POSITION

1.1 In this section we summarise power station endurance for 1983 and the decisions which Ministers have now taken on the other aspects of increasing endurance in the event of a miners' strike i.e. relating to ancillary materials and coal-burning industry.

1.2 Power station coal stocks are currently sufficient for at least 26 weeks' endurance, on the basis of maximum oil burn, and will remain at around that level through to November and beyond. The question of the desirable level of power station coal stocks by November 1984 and in subsequent years now needs to be addressed.

1.3 Work is urgently in hand to provide 20 weeks' stocks of ancillaries at the power stations by November 1983. The Electricity Boards expect this to be achieved and are confident that in the event of a miners' strike this Autumn stocks could be made to last for 26 weeks. The only exception to this is carbon dioxide, stocks of which at nuclear power stations are currently sufficient for only 3 weeks normal use. Further consideration of carbon dioxide stocks will be necessary in the light of the level of endurance which Ministers decide they wish to achieve in the medium term. Ministers have decided that no immediate action should be taken to increase stocks of other ancillaries yet further.

1.4 Ministers have decided that discounts should be offered with a view to increasing levels of coal stocks held by industry.

- (i) Present arrangements for the cement industry provide for their coal stocks in October 1983 to be sufficient for about 18 weeks' expected consumption by one company and 10-12 weeks by the other two. Attempts are being made to bring the stocks of all three companies up by October 1983 to 16-18 weeks at a cost of £1-1.2 million. This level of stocks would provide for a total endurance of 20-24 weeks for cement supplies.
- (ii) Present stocks of smaller industrial companies are unlikely to provide for endurance of more than 3 or 4 weeks. Attempts are being made to increase this endurance to 5 or 6 weeks by October 1983 at

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a cost of £1.5 million.

- (iii) Present arrangements with most large industrial coal consumers should provide for average endurance of about 10 weeks by October 1983. Attempts are being made to increase the endurance of some major NCB customers (mainly in the chemical and textiles industries) to perhaps 15-20 weeks or longer at a cost of £2.2 million.

These measures will need to be financed by increases in the NCB's deficit grant limit and EFL. The Official Group on Coal has also been asked to examine further the possibilities for a scheme to help certain customers who normally draw coal direct from the pits. It will be necessary in due course to decide whether further measures should be taken to maintain or improve the endurance of coal-burning industry by November 1984.

Costs

1.5 The costs of the various measures to increase endurance which have been taken since February 1981 are broadly ^{as} set out below. The expenditure to increase coal stocks has been financed by the Exchequer via the NCB's deficit grant. That for the build up of ancillary materials has been found by the CEGB and SSEB from within their own resources.

	£m (Great Britain)
Increased coal stocks at power stations	55
Ancillary materials	90
Incentives to industry to increase coal stocks	5
TOTAL	150

1.6 In the event of a strike net additional costs of about £20 million per week would be incurred through maximising power station oil burn which would be required to achieve endurance of 26 weeks.

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SECTION II : POWER STATION ENDURANCE OVER THE NEXT DECADE

2.1 At present about 14 per cent of electricity demand in England and Wales is met by nuclear power. (In Scotland the figure is 26 per cent). This proportion will tend to increase as nuclear stations are commissioned. Power station endurance in the event of a miners' strike will tend to increase correspondingly, because a smaller proportion of electricity demand will be met by coal and a given level of power station coal stocks will therefore last longer. Two factors working the other way, however, are the phasing-out of the first generation of nuclear stations and any increase in the demand for electricity. The following considerations have therefore been taken into account:

- a. The Advanced Gas-cooled Reactors (AGRs) at Dungeness, Hartlepool and Heysham are beginning to generate power this year and should be fully operational by 1985/86. The second AGR at Heysham, and that at Torness, should first be available in 1987/88.
- b. The existing Magnox stations are approaching the end of their working lives. Although the planned lifetime is generally 25 years, extension to 30 years may be possible if experience continues to be favourable and the licensing authority can be satisfied. A 25 year lifetime would involve initial phasing out in 1987 and their withdrawal would reach a peak in 1990/91.
- c. As a central case we consider electricity demand corresponding to GDP growth averaging about $1\frac{1}{2}$ per cent per annum. For a high case it is assumed that GDP grows by 3 per cent per annum and for a low case that electricity demand remains unchanged.

2.2 On the basis of the planned AGR programme and the central case for demand growth, the proportion of electricity demand met by nuclear power should increase to about 22 per cent by 1986/87 for the CEGB system. By 1991/92 the proportion would be 16-24 per cent depending whether the Magnox stations turn out to have a life of 25 or 30 years.

2.3 Another factor that will influence power station endurance in the medium term is interconnection with other systems. A new 2000MW interconnector with France is under construction and should be fully operational by 1986/87. The

intention would be to use it to its full capacity during a miners' strike on a one way basis, from France to England. It would, in effect, substitute for one large coal-fired station.

2.4 The interconnector between England and Scotland is of 1000MW capacity. In theory, there is sufficient oil-fired capacity in Scotland to render the Scottish system virtually independent of coal in an emergency and also (under normal weather conditions) to supply the CEGB at almost full capacity of the interconnector. In practice, however, because of the over-capacity of the Scottish system, the SSEB has never considered it justifiable to man its oil-fired stations fully. To secure further savings it has recently reduced its manning levels (see Annex A). Exports of more than 500MW for the duration of a 26 week strike now seem unlikely on present arrangements if endurance in Scotland is not to be prejudiced. The SSEB judge that until Torness comes on line in 1987/88 it would be unable to make significant exports to the CEGB if it were required to endure for more than 9 months on the basis of usable oil-fired plant without increasing coal stocks or introducing lighting-up oil burning at coal-fired stations.

2.5 The combined effect of new nuclear power stations, nuclear retirements and demand growth and interconnection is summarised in Table 1. The present 6 months endurance of the CEGB system with respect to fuel supplies should increase to $7\frac{1}{2}$ to 9 months in 1986/87 with unchanged power station coal stocks (30mt), depending on how electricity demand grows. At these levels of endurance, for reasons given in paragraph 2.4, no imports to England and Wales from Scotland via the interconnector are assumed in the table. Twelve months endurance in England and Wales would need 38-43mt of coal at power stations. Some additional coal stocking at power stations is likely to be possible though the CEGB would need to explore the practicalities in detail.

2.6 Looking further ahead to 1991/92 the main uncertainties are electricity demand and the lifetime of the Magnox stations. For a 25 year Magnox lifetime the position should be no worse than at present - 30 mt giving about 6 months endurance - unless electricity demand grows rapidly (Table 1).

2.7 The discussion thus far has dealt with power station endurance over the next decade in terms of fuel supplies. Power stations are, however, dependent

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on a wide range of ancillary materials. Stocks this Autumn will stand at 20 weeks normal usage. There is a risk that endurance could be limited by the availability of ancillaries unless stocks are further increased. The question of stocks of ancillaries will need to be reviewed in the light of any further decisions on coal supplies and oil-burn, options for which are set out below in Section III.

2.8 There is also a risk that endurance would be limited by industrial action by power station staff responding to an appeal from the NUM. For instance the miners might ask that ESI employees refuse to undertake "abnormal work". This could include operations designed to achieve enhanced levels of oil-burn. Subject to this proviso, CEGB senior management believe that maximum oil-burn should be achievable this winter. Looking further ahead a number of influences may be significant, including the general political climate, the reasonableness of the NUM position and the ESI unions' own pay or privatisation concerns.

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SECTION III : THE OPTIONS FOR FURTHER EXTENDING POWER STATION ENDURANCE
BY THE MID-1980S

3.1 We consider in this section the measures that might be taken to increase power station endurance in the medium term beyond that which the maintenance of current levels of coal stocks seems likely to provide. The measures considered are as follows:-

- (i) a further increase in the level of coal stocks;
- (ii) the retention of existing oil-fired capacity which would otherwise be closed or kept in reserve on commercial grounds;
- (iii) using the lighting-up oil burners to burn oil in coal-fired stations;
- (iv) dual-firing.

(i) increasing power station coal stocks

3.2 By November 1983 power station coal stocks in England and Wales will be 30 million tonnes. It is difficult to judge how far it would be physically possible to increase coal stocking capacity. At some stage it will be difficult to find new land for stocking which is contiguous with power station sites and is thus safe from picketing. The physical limit is unlikely to be greater than 40 million tonnes and could be significantly less. Subject to this limit it should be possible to build coal stocks to the 40 million tonnes or so needed to provide by the mid-1980s power station endurance of around 12 months. To achieve this some power stations would have to acquire new land and all would have to lay down extra storage capacity; the cost of this could be perhaps £70 million. The timing of site acquisition and preparation, and of coal build-up would need further examination by the CEGB if Ministers decide to take this course. Possibly stocks might be increased at the rate of 2-3 mt a year.

3.3 As Table 1 shows, this level of coal stocks could not be guaranteed to continue to provide 12 months endurance in the period after the mid-1980s. If electricity demand were to increase at a high rate and Magnox stations were found to have useful lives of only 25 years, the endurance provided by 40mt would only be around 8 months.

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(ii) retaining existing oil-fired capacity in operation

3.4 Last autumn the CEGB had some 9000MW of oil-fired capacity available (including 900MW of dual coal-oil fired plant which would be used to burn oil in an emergency). A further 3000MW has since been commissioned or is under construction but planned to be available early next year. The CEGB plan to put 3500MW of modern oil-fired plant into reserve; this would be available for recall at three weeks' notice in an emergency. The Board expects to close some 1700MW of older oil-fired units over the next 3-4 years on commercial grounds. This would still leave oil-fired capacity above last autumn's level.

3.5 The position in Scotland is different and is described in detail at Annex A. Briefly, five modern oil-fired sets could in theory be made available, three at Inverkip and two at Peterhead power stations. However at present only one of the sets at Inverkip is partially manned; one is in rotating storage; one is inoperable and could take some months to repair if required for use; and only one set at Peterhead is fully manned. On the basis of this level of manning the Scottish Boards could export at the rate of 500MW (half the capacity of the interconnector) for 26 weeks for a strike lasting no longer than that period. But were the SSEB required to meet an endurance target of 9 months or more, no exports would be possible since all available oil-fired plant would be needed to supplement coal stocks in Scotland.

3.6 The questions therefore arise whether this oil-fired capacity should be retained or brought back into use so as further to conserve power station coal stocks during a strike.

3.7 The costs of retention and the likely impact on endurance are as follows:

	costs of retention	net costs of extra oilburn in a strike (per week)	increase in CEGB endurance (weeks)	
			<u>now</u>	<u>1986/87</u>
England and Wales (retention of 1700MW of old plant)	£10m p.a.	£3m	n.a.	1-1½
Scotland (manning all modern plant)	£10-15m p.a.	£6m	1	4-6

3.8 Retaining this capacity could raise some difficult industrial relations problems. Neither the CEGB nor the SSEB considers that the trade unions would be prepared to co-operate in the transfer of staff between power stations during a miners' strike. The CEGB therefore proposes to man the 3500MW of excess modern oil-fired capacity which it proposes to put into reserve at a level which would enable this to be brought into use at short notice during a miners' strike. The Board does not, however, think that the extra endurance of 1-1½ weeks which would be gained by retaining 1700MW of old oil-fired plant which it currently proposes to close down would justify the £10 million per annum cost of continuing to man that at about the same level. In Scotland, where oil-fired capacity is not normally utilised, the SSEB thinks that the only way that oil-fired capacity could be brought into use during a miners' strike would be for it to be manned throughout the year. In practice, this would mean that the staff concerned would have virtually nothing to do except during a miners' strike. Requesting the Scottish Boards to operate their power stations in this way would run counter to the pressure being put on them by the Government for maximum economy and efficiency; and it would also increase electricity prices by 2 per cent to all consumers unless the Government covered the full additional cost.

3.9 Options which would be open to Ministers would therefore be to ask

- a. the CEGB to keep open 1700MW of older oil-fired stations which it would otherwise expect to close over the next few years;
- b. the Scottish Board to arrange for all their modern oil-fired plant to be manned for use in an emergency.

(iii) burning lighting-up oil

3.10 At coal-fired power stations the lighting-up burners could be used to burn oil continuously in an emergency. This could be used to conserve power station coal stocks provided that an assured means of delivery were available. Under normal circumstances deliveries of lighting-up oil to CEGB power stations take place as follows: rail, 55 per cent; road, 30 per cent; barge/coaster, 15 per cent. Rail- and road- borne deliveries could not be relied upon in a miners' strike. The most certain alternative would be by pipeline. Laying new pipelines to power stations would be a major task. One possibility, however,

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AND PERSONAL

would be to use the existing Government strategic pipeline system which runs close to a number of inland coal-fired power stations. In the first instance some 6 large power stations (total capacity 8000MW) might be connected at a capital cost of £4 million over a two year period. This would extend a 26 week period of endurance by some 4 weeks, and pro rata for longer periods, at a net cost of some £10 million per week.

3.11 The Government pipeline system is used both for commercial and defence purposes. The Ministry of Defence see no difficulty in meeting the needs of Service Establishments in an emergency affecting the CEGB by a combination of the use of alternative routes on the pipeline system and other means of delivery. However, the relevant parts of the pipeline system are predominantly used by the oil companies who would need to be consulted before a judgement could be reached as to the feasibility of CEGB use in an emergency. There would also be the need for the power station workers to co-operate in the abnormal activity of burning lighting-up oil on a continuous basis.

3.12 Similar problems exist in Scotland, where lighting-up oil is delivered to the two coal-fired power stations by coastal tankers. Preliminary discussions with the SSEB have shown that this option could be limited by the availability of coastal tankers of the right size. If Ministers wanted to follow this option further studies would have to take place, including one of the possibility of laying a pipeline to Longannet from Grangemouth.

(iv) dual firing

3.13 At present only 900MW of generating capacity is dual-fired in England and Wales. To enable power stations to operate independently of coal (ie indefinite endurance in the event of a miners' strike) would require the conversion of perhaps 27000MW capacity, equivalent to about 14 large coal-fired stations. However, the time involved for each conversion (3 years) and the fact that during that period the power station has to be withdrawn from operation (which means that only a limited number of conversions could prudently be undertaken simultaneously while still meeting peak winter demand) would impose major limits on the rate at which conversion programmes could be undertaken. In practice the best that could probably be achieved, on the basis of optimistic assumptions about other factors, is the conversion of around 15000MW by 1988-89 and 19000MW by 1991-92.

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3.14 The conversion of 15000MW would cost perhaps £800 million in direct capital costs and possibly as much as £1½-2½ billion in increased operating costs of the remainder of the electricity system during the conversion programme (when base load coal-fired stations would need to be replaced by oil burn). In the event of a strike, burning oil in the converted stations and in the main oil-fired stations would mean that the present level of power station coal stocks would last for perhaps 2 years; the net cost of this level of oilburn would be around £50 million per week.

3.15 An extensive programme of dual-firing of this nature carries a number of potentially serious industrial relations risks, viz:-

- (a) it would be impossible for the programme to be carried out unobtrusively or for its real purpose to be concealed. The costs involved would almost certainly have to be met by grant, which would require Parliamentary authority; moreover the engineering work involved would be plainly visible. There would therefore be the risk of provoking industrial action immediately the programme became public knowledge; particularly in the coal industry;
- (b) even if the conversion work were to be completed without serious trouble, the power station workers might not be prepared to co-operate in operating dual-fired plant during a strike on the grounds that this involved abnormal working. It is difficult to assess in the abstract how serious a risk this is.

3.16 A further area of potential difficulty lies in the substantial additional volumes of oil that would be needed. The 6-9 months endurance provided by the current level of coal stocks should allow time for oil supplies to be organised. Nevertheless, the extra demand on the refineries would be significant and consultations with the oil industry would be needed to assess the implications.

Summary of options

3.17 Maintaining the level of power station coal stocks that will be attained this autumn should lead to an increase in endurance from the present 6 months to 7½-9 months over the next 3-4 years as new nuclear capacity and the

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interconnector is commissioned. But endurance based on current coal stocks could fall again by the end of the decade, depending on the growth of electricity demand and the lifetime of the Magnox stations (Table 1).

3.18 The most straightforward approach to increasing endurance yet further would be to build CEGB power station coal stocks to a level close to the utilisable physical maximum. This might give endurance in the mid-eighties of approaching 12 months. Since this would be an extension of present policy which has not so far met serious resistance, there seems no reason to believe that the unions concerned would not co-operate in its execution. There may also be scope for increasing power station coal stocks in Scotland yet further to increase exports via the interconnector.

3.19 The other means of boosting endurance all involve increased oil burn, which is significantly more expensive than burning coal and may also involve additional capital and operating costs. The possibilities discussed earlier are summarised in Table 2. In brief

- a. retaining old CEGB oil-fired plant that is due to be phased out would entail modest extra operating costs (£10 million a year) for a small gain in endurance (1-1½ weeks). The CEGB would not welcome such a suggestion which would be at odds with their desire to cut costs;
- b. fully manning Scottish modern oil-fired plant would cost £10-15 million a year and would be resisted by the SSEB on commercial, efficiency and staff morale grounds. This measure would give a useful increase in endurance (4-6 weeks), though it might be possible, subject to further studies by SSEB, to achieve the same result at lower cost;
- c. supplying lighting-up oil by pipeline to certain CEGB power stations to supplement coal burn would not be costly (£4 million) and would extend endurance by 4-6 weeks. But the feasibility of using the Government pipeline system for this purpose would need further investigation. There is also scope in Scotland for burning oil at coal-fired stations but further studies would be needed to establish the effect on endurance.

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- d. Rendering the CEGB independent of coal supplies by converting the main coal-fired power stations to dual coal/oil firing would be exceedingly expensive and would in any event take more than a decade. Even increasing endurance to about 2 years by partial conversion to dual firing would cost over £2 billion and would take at least 5 years.

3.20 There must always be some doubt about the willingness of the power station workers to co-operate in achieving abnormal levels of oil burn during a miners' strike. The more obvious the measure, and the larger the scale, the greater would be the risk. This argues against a major programme of dual firing and, to a lesser extent, against keeping available oil-fired plant which would not be used except in emergencies.

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SECTION IV : ISSUES FOR MINISTERS

Ministers will wish to decide, in the light of the strategic decisions on the coal industry which they will be taking shortly, whether they wish to achieve power station endurance greater than the 6 months available next winter; and if so, what should be the objective. The Official Group would provide further advice on how best any required level of endurance might be met. In setting objectives, however, Ministers will wish to consider whether they would wish to proceed solely by increasing power station coal stocks to the maximum physical limit; or whether they would be prepared to contemplate additional oil burn beyond that which would be attainable on the Electricity Boards' present plans. In deciding how far they were prepared to consider additional oil burn, Ministers would need to bear in mind the cost and other implications of:

- a. keeping available for use in an emergency all existing oil-fired plant;
- b. burning lighting-up oil at coal-fired power stations, supplied by the Government pipeline system or other suitable means; and
- c. an extensive programme of conversion of coal-fired power stations to dual-firing.

Cabinet Office

20 July 1983

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SCOTLAND

1. In present circumstances coal together with maximum nuclear, gas-fired and hydro-electric power are sufficient to meet the winter peak demand for electricity; no oil-fired power stations are used. This is likely to remain the position for the foreseeable future until the Torness AGR comes fully on stream in 1989, when the proportion of electricity demand met by nuclear power will increase from approximately 26 per cent to approximately 43 per cent.
2. There are five 660 MW oil-fired sets in Scotland, which are utilised as follows:-

Inverkip: 3 sets, of which one is partially manned;
one is rotating storage;
one is currently inoperable because the stator has been removed to supply another turbine.

Peterhead: 2 sets, of which one is fully used and burns gas liquids;
one is partially manned (and is currently earmarked for burning surplus gas liquids) to provide 30 days' running during the winter period.

The SSEB have recently announced that the partially-manned set at Inverkip will be capable of operating for twelve hours per day from Monday to Friday. By commencing oilburn as soon as a miners' strike begins the current position is that SSEB could export an average of 500 MW to CEGB through the interconnector for 26 weeks. This would be made up of 1000 MW, twelve hours per day, Monday to Friday and about 300 MW through the night and at weekends. If longer endurance is required in Scotland then similar oil-burn could extend the coal stocks to provide over 39 weeks' endurance but without using the interconnector on a regular basis.

3. If the interconnector were required for a longer period than 26 weeks or if overall endurance of more than 39 weeks is required then there are four options:-

(a) reliance on the transfer of workers from coal-burning stations to oil-burning stations when stocks at the former run out;

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- (b) increase the manning levels of the partially-manned sets at Peterhead and Inverkip and manning the remaining two sets at Inverkip;
- (c) increase coal stocks at coal-burning stations;
- (d) increased burning of oil in coal-fired stations.

On option (a), Scotland's main coal-burning stations are located in coal-fields and, in past disputes, there have been considerable tensions between the power station workers and the local miners. Quite apart from trade union opposition, it would not be safe to rely on the required co-operation of the power station workers at the height of a dispute; the SSEB share this view. The cost of option (b) would be £10-15 million per annum. The workers at the oil-burning sets, which would only be used during miners' strikes, would have virtually nothing to do at other times and this, the SSEB judge, would create industrial relations problems with the very group of workers on whom they would have to rely during a miners' strike. The SSEB are strongly opposed to this option also on financial grounds. Options (c) and (d) are both technically feasible and the implementation of either could increase the endurance of the Scottish system from 39 to 52 weeks by the end of 1986. Option (d) would require consultation with SSEB to determine the cost of providing increased oil storage facilities at the coal-fired power stations. Once Ministers have reached a view on the desired endurance for the electricity system in Great Britain as a whole, further work will be undertaken by the Scottish Office to establish how this can best be achieved in Scotland.

4. The issue for Ministers would be whether, despite the opposition of the SSEB and the visibility of the measures involved, additional oil-fired generating capacity should be manned to enable the use of the interconnector throughout a miners' strike, although this would have only a modest effect on CEGB's endurance; or whether endurance in Scotland should be increased by increasing coal stocks and planning to burn oil in coal-fired stations.

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TABLE 1

millions of tonnes coal equivalent
England and Wales

	1986/7			1991/92 (25 year Magnox life)			1991/92 (30 year Magnox life)		
	Low	Central	High	Low	Central	High	Low	Central	High
Electricity demand (annual)	95	97	100	95	102	109	95	102	109
Nuclear supply (annual)	21½			16½			24½		
Measures to conserve coal during a strike (mtce per year)									
- maximum oil burn		29½			29½			29½	
- French interconnector		6			6			6	
- Scottish interconnector*									
Shortfall (annual) to be met from power station coal stocks	38	40	43	43	50	57	35	42	49
Endurance based on present power station coal stocks (30 mt) (months)	9	8	7½	7½	6	5	10	7½	6½
Stocks (mt) required for endurance of									
9 months	30	32	34	34	40	46	28	34	39
12 months	38	40	43	43	50	57	35	42	49

* Assumed to be zero (see paras 2.4-2.5)

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*Net Ind
Coal P+8*
TABLE 2

Options for extending endurance beyond
expected level of 7½-9 months in 1986/87

	Capital cost	Net weekly cost of oilburn	Additional endurance
Increase coal stocks to maximum physical limits	£70m	-	3 to 4 months
Retain the CEGB oil-fired plant	£10m	£3m	1-1½ weeks
Man SSEB modern oil-fired plant	£10-£15m	£6m	4-6 weeks
Burn lighting-up oil supplied in extended Government pipeline system	£4m	£10m	4-6 weeks
Dual firing of 15000 mW of coal-fired plant	£2-£3½ billion*	£50m	1 year

* The capital cost of dual firing includes the additional system operating costs while conversion is taking place.



huz

4

10 DOWNING STREET

From the Private Secretary

4 July, 1983

POWER STATION AND INDUSTRIAL ENDURANCE

The Prime Minister was grateful for your Secretary of State's minute of 23 June, to which was attached two reports by the Official Group on Coal.

The Prime Minister agrees, subject to the views of colleagues, all the proposals in your Secretary of State's minute.

I am sending a copy of this letter to Tony Rawsthorne (Home Office), J. Kerr (HM Treasury), Richard Mottram (Ministry of Defence), Muir Russell (Scottish Office), Barnaby Shaw (Department of Employment), Jonathan Spencer (Department of Trade and Industry), Dinah Nichols (Department of Transport), and to Richard Hatfield (Cabinet Office).

M.C. SCHOLAR

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

CM



ce/w
A
2 PPs
3

PRIME MINISTER

POWER STATION AND INDUSTRIAL ENDURANCE

attached
In his minute to you of 23 June, the Secretary of State for Energy set out his conclusions on the two Reports prepared by MISC 57. On increasing the endurance of industrial consumers, I share his view that a modest and selective programme would make a useful contribution, even though it would not be practicable to bring industrial endurance up to the 26 weeks we are seeing for power stations. I agree with the particular measures proposed and that further study is needed in the case of consumers who draw coal direct from the pits. We need to satisfy ourselves that measures to safeguard such consumers would not be frustrated by picketing.

2. On finance, I accept that the NCB should be told that the Government is willing in principle to meet the costs the Board actually incurs in implementing these schemes, through adjustment of the deficit grant limit and EFL. This assurance should not, however, be regarded as diminishing the need for stringent measures to contain the overrun of the 1983-84 EFL which is currently projected.

3. I agree too that we should take no further action on power station ancillaries, given the CEGB's willingness to accept a commitment to work to 26 weeks endurance. On carbon dioxide, I agree that no immediate action should be taken, given the difficulty of undertaking a programme without attracting public attention. It is important, however, that the report on endurance in the medium term should study this question further.

4. I am copying this minute to the Home Secretary, the Secretaries of State for Energy, Defence, Scotland, Employment, Trade and Industry, and Transport, and to Sir Robert Armstrong for the usual limited circulation.

M.

N L
29 June 1983

B

2 1/2

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TOTAL COPIES 11

COPY No. 1

PRIME MINISTER

POWER STATION AND INDUSTRIAL ENDURANCE

I have seen the recommendations of the Secretary of State for Energy in his minute of ^{attached} 23 June on action to enhance the endurance of coal burning industry in the event of a miners' strike.

2 I hope that you will feel able to agree to these proposals, which seem to me important both because of the benefits they would bring to the industries concerned and their customers; and also because I think it is important that, if we have to face a strike, we should be able to say that we have helped industry to help itself, as well as the economy in general, through the special discounts offered.

3 I am copying this minute to recipients of Peter Walker's minute.

CP

C P

28 June 1983

Department of Trade and Industry

File on B14



C
Prime Minister ① |

Agree A, B and C?
(You will see from

Yes not

plans A+B that the Treasury and DTI concur)

Prime Minister

POWER STATION AND INDUSTRIAL ENDURANCE

The official group on coal, MISC 57, has been considering a number of issues in connection with endurance in the event of a miners' strike. A report on the medium term is in preparation. The two reports attached to this minute deal with industrial endurance and ancillary materials at power stations.

MCS
1/7

Having studied these reports, I propose that on the first one, we should take immediate decisions to:

A

- (i) increase stocks of coal held by the cement industry at a cost of £1-1.2m (paragraph 13);
- (ii) increase coal stocks held by small industrial consumers and at depots, cost £1.5m (paragraph 17-18);
- (iii) increase coal stocks held by large industrial consumers, cost £2.2m (paragraph 16)

B

These measures would need to be financed by increases in the NCB's deficit grant limit and EFL.

I also suggest that MISC 57 should examine further the possibilities for a scheme to help certain customers who normally draw coal direct from the pits (paragraph 20).

C

As to the second report, my conclusion is that we should take no immediate action on additional stocks of ancillary materials at power stations. This question will need to be looked at further in the light of the forthcoming report on endurance in the medium term.

The decisions in paragraph 2 are now urgent if these additional stocks are to be in place by October. I would therefore be grateful for your earliest agreement to proceed.

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

A handwritten signature in cursive script, appearing to read "Cecil Dull".

SECRETARY OF STATE FOR ENERGY

23 June 1983

SECRET AND PERSONAL

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AND PERSONAL

INCREASING INDUSTRIAL ENDURANCE OF A MINERS' STRIKE

Report by the Official Group on Coal (MISC 57)

INTRODUCTION

1. The current pattern of coal consumption in Great Britain is as follows:-

electricity generation	73 per cent
industry	16 per cent
domestic consumption	7 per cent
miscellaneous	4 per-cent

Most of the industrial consumption is accounted for by large firms; at least 80 per cent is consumed in major establishments, and over 60 per cent is used by the iron and steel industry, including substantial imports.

2. In the event of a miners' strike the Government's first priority must be the maintenance of electricity supplies, which is the present strategy. As the table above demonstrates, industry is the only other substantial user of coal. The achievement of lengthy power station endurance therefore raises the questions of how far industrial endurance might similarly be extended and what the effects would be if coal burning industry were temporarily to cease operation during a miners' strike. The purpose of this report is therefore:-

- a. to assess the significance to the economy of the continued functioning of coal burning industry during a miners' strike;
- b. to confirm the continued acceptability of a strategy which assumes considerably shorter endurance of coal burning industry than of the power stations; and
- c. to consider how far it would be feasible and desirable to increase the endurance of coal burning industry.

In order to set the remainder of this report in context, Ministers will recall that the level of power station endurance planned for November 1983 is 26 weeks.

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3. There seems no need to consider special measures to improve the endurance of domestic and other minor coal consumers. It is not unreasonable to assume that they would often have access to alternative sources of energy to a considerable extent. Where this was not possible some inconvenience and possibly hardship would have to be endured, although in the case of particularly vulnerable domestic users (the old, the sick etc) the National Union of Mineworkers (NUM) has maintained coal deliveries during previous strikes and there is no reason to believe that they would not do so again.

THE INDUSTRIAL AND ECONOMIC EFFECTS OF A LENGTHY MINERS' STRIKE

4. The main industries whose output would be directly affected by a loss of coal supplies are as follows:-

iron and steel
cement
motor vehicles

Other industries which would be affected eventually are parts of the engineering and metal trades (including aerospace and electrical engineering), the paper and board and sugar processing industries and, to a lesser extent, the chemical industry.

5. However, for all industries except cement production the shortfall in domestic production occasioned by a miners' strike could probably be made good for the duration of a lengthy miners' strike through increased imports or extra production by manufacturers not dependent on coal. In particular, in the case of iron and steel it seems likely that production could be maintained at two of the British Steel Corporation's (BSC) five main plants (Redcar and Port Talbot) since these are normally supplied with imported coal by ship. Whether production could also be maintained at Ravenscraig would depend on whether the movement by rail of imported coal from Hunterston to Ravenscraig continued during a miners' strike.

6. In the case of motor vehicle production, some of British Leyland's major plants are dependent on coal and might, therefore, have to close temporarily. The effects of this would clearly be felt not only by the Company itself but also by its component suppliers.

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7. The production of cement is totally dependent on coal. Cement is not normally imported in significant quantities. However, in the event of a miners' strike it might prove possible to import about 20 per cent of normal cement consumption. Moreover, if the major cement works at Northfleet were successfully to import coal during a miners' strike (which it is capable of doing, but normally does not), its continued cement production plus cement imports might together provide up to 40 per cent of normal domestic consumption.

8. Given that normal electricity supplies would continue for up to 26 weeks, the industrial and economic effects of a lengthy miners' strike would build up only gradually, since different establishments have different endurance; there would, however, be significant step changes when production had to cease at those vehicle plants dependent on coal and, more importantly, when supplies of cement were exhausted. The possible economic effects of a lengthy miners' strike have been analysed using the Department of Industry's input/output model. This suggests that once industrial coal stocks were exhausted and supplies of cement reduced to the 20-40 per cent of normal, GDP might be reduced by around 20 per cent and unemployment increased by about $1\frac{1}{2}$ million, or possibly slightly more. The model attributes the bulk of these effects to the reduction in cement supplies. If the normal level of cement supplies could be maintained, the economic effects would be relatively modest; GDP would be reduced by only around 5 per cent and unemployment might increase by only $\frac{1}{3}$ million. The most serious effect seems likely to be on the balance of payments. The model suggests that the adverse impact might range from $\pounds 3\frac{1}{2}$ - $5\frac{1}{2}$ billion, with cement supplies of 20-40 per cent of normal, ^{to} up to $\pounds 9$ billion if normal levels of cement supplies were to be maintained. (The reason for this apparently paradoxical relationship between the level of cement supplies and the total impact on the balance of payments is that the greater the level of cement supplies the greater the level of total economic activity and therefore the higher is the demand for imports, while the level of exports is unlikely to vary much with the availability of cement supplies.)

9. It is impossible to predict what, if any, the permanent effects on manufacturing industry would be of a lengthy miners' strike in terms of lost jobs, production and markets. There has never been a really lengthy miners' strike on which to base such an analysis. However, it is generally true that the lasting effects on the economy of strikes are often less serious than were supposed before or during the strike.

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10. The above analysis suggests that, although the immediate effects on the economy of a prolonged miners' strike would be serious they would not be intolerable so long as power supplies were maintained. This confirms that the correct strategy is to concentrate on improving power station endurance. Nonetheless, measures which might improve the endurance of coal burning industry at reasonable cost are clearly worth considering, particularly in the case of the cement industry and to a lesser extent vehicle production. The possibilities which have been identified in consultation with the National Coal Board (NCB) are discussed in the following section.

POSSIBLE MEASURES TO INCREASE INDUSTRIAL COAL STOCKS

11. The NCB believes that industrial coal stocks are normally at their highest in October, because coal prices are usually increased on 1 November; industrial action associated with the NUM pay claim can normally be expected in the winter; and heating requirements are greater in the winter. The average endurance of major establishments in manufacturing industry as a whole was $9\frac{3}{4}$ weeks at the end of September 1982, based on coal consumption during the fourth quarter of 1982. Because of the likelihood of a miners' strike at that time, this level of industrial coal stocks is believed to be close to the physical limits of normal stocking sites. The average endurance, calculated on the same basis, of major establishments in the three most vulnerable industries was as follows:-

iron and steel	6-10 weeks
cement	$11\frac{1}{2}$ weeks
motor vehicles	$6\frac{1}{2}$ weeks

The NCB believes that in the absence of incentives the average endurance of major establishments by this October would probably be about 10 weeks. Small industrial consumers typically have an endurance of not more than 3-4 weeks.

12. In principle industrial coal users might import coal during a miners' strike. Coal traders and large companies would know the market well enough and the NCB would be prepared to offer advice despite its obvious concern to protect its markets. However, in practice the miners are likely to succeed during a strike in blocking abnormal coal imports on any significant scale. The main scope for improving industrial endurance lies, therefore, in offering to industry incentives to increase their levels of coal stocks above what they would otherwise have been and perhaps also their coal stocking capacity. The options for

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doing so are discussed in the following paragraphs. These generally build on the arrangements which the NCB has already negotiated with a number of its major customers, including the cement companies, following the decision taken by Ministers before Christmas to allocate £2.5 million to finance discounts and extended credit terms by the NCB for the purpose of ensuring that industrial coal stocks were maintained at about the October 1982 level rather than being run down during the winter, as is generally the case, both for financial reasons and because by then there is no longer perceived to be a risk of a miners' strike over pay. These special terms were introduced because of the possibility of a miners' strike early this year over closures. This issue now before Ministers is what measures need to be taken to ensure adequate industrial coal stocks by November 1983 against the possibility of a miners' strike then.

The Cement Industry

13. The present arrangements with the three cement companies provide for their coal stocks in October 1983 to be sufficient for about 18 weeks expected consumption in the case of one company and 10-12 weeks in the case of the other two. (The difference arises because one company had spare coal stocking capacity immediately available and could therefore take maximum advantage of the discount on offer, whereas the other two would have to enlarge their stocking capacity to increase their stocks above 10-12 weeks; this they would be prepared to do if the previous discounts were to be repeated). It ought to be possible to bring the coal stocks of all three up to between 16-18 weeks, but this would require new arrangements involving in total about 200,000 tonnes extra coal at a cost of £5-6 per tonne. In addition, stocks of cement and cement clinker are normally sufficient for a further 4-6 weeks normal consumption. Thus, the total endurance of cement supplies would be 20-24 weeks if this measure were to be implemented.

The British Steel Corporation

14. The endurance of the BSC's two major plants which are dependent on NCB coal (Llanwern and Scunthorpe) is currently only about 5 weeks. The NCB considers that there is no practical chance of building up stocks further at Llanwern if the present high rate of coal consumption there is maintained. The level of coal stocks at Scunthorpe could in the NCB's view be increased from the 6 weeks planned for October 1983 to perhaps 8 weeks, but the local works management do not regard this increase in endurance as worth the effort involved. In practice the temporary closure of Llanwern and Scunthorpe would not matter a

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great deal, since at least some of their products could probably be supplied from those plants which are likely to continue to operate (see paragraph 5) or from stockholders or imports.

Motor Vehicles

15. The existing arrangements should bring stocks very close to capacity - about 6 weeks - at British Leyland, but the NCB are currently considering whether this could be improved by exceptional measures.

Other Major Industries

16. The present arrangements with most other large coal consumers should provide for an average endurance of about 10 weeks by October 1983. The NCB considers that it ought to be possible to increase the endurance of a few of its major customers, mainly in the chemical and textile industries, to perhaps 15-20 weeks or even longer in some cases by offering an additional incentive of about £5 per tonne relating to total additional coal stocks of 450,000 tonnes.

Smaller industry

17. Stockholding on their own sites by smaller industrial companies is limited, and it is unlikely that such companies' endurance would exceed 3 or 4 weeks. The NCB consider that with a determined effort this could be raised to 5 or 6 weeks at a cost, probably, of £6 a tonne on a total tonnage of about 150,000 tonnes.

18. A number of consumers in this category are supplied from depots. The total stockholding for this category of consumers could be raised to an equivalent of 7 weeks consumption if additional deals were made to hold increased stocks of industrial coal at depots. This would be more expensive per tonne because of double handling, and the NCB estimates that this would cost about £7 to £8 a tonne on a total tonnage of 80,000. The NCB would plan to use about 15 of the 44 larger coal depots throughout the country for this purpose. Many of the 44 depots are in the South and West of the country, and in the North West. Those in the North West would probably be the more vulnerable to picketing, but the location of coal there would probably be the more valuable to industry. There was little or no picketing of these depots in the strikes in the early 1970s, but that is not necessarily a guide to what would happen today. Against the risk of successful picketing, however, must be set the probability that some coal could be got away from these depots in anticipation of a strike. Moreover, this measure would make it easier for the Government to resist pressure during a miners' strike from small industrial consumers for it to be settled quickly.

Special strategic stocks

19. Another problem relates to the concentration of industrial customers in and the near the coal fields who typically can hold little or no stocks on their own premises and who therefore normally draw coal direct from the pits. The NCB believes that it ought to be possible to organise strategic stockpiles for these customers on sites away from the pit fields; neither the sites nor the coal stockpiled at them would be owned or manned by the NCB. The NCB has in mind a total provision of perhaps 150,000 tonnes, which would provide an endurance of perhaps 7-8 weeks. The cost involved would be between £8 and £10 per tonne. This is higher than in the other proposals discussed above, because the sites involved would have to be specially equipped.

20. The creation of such stockpiles would be bound to be visible and difficult to explain in the absence of a threat of early industrial action. Moreover, during a miners' strike such stockpiles would clearly be targets for picketing. Thus, if Ministers agree in principle that discounts along the lines proposed above might be offered, Departments will have to establish urgently with the NCB whether a practicable scheme along these lines could be devised before any steps are taken to establish the stockpiles.

Summary of Costs

21. To summarise, the total costs of all the above schemes are as follows:-

cement	£1-1.2m
other large industries	£2.2m
small industries	£0.9m
coal depots	£0.6m
strategic stocks	£1.2-1.5m
	<hr/>
	£5.9-6.4m
	<hr/>

The NCB thinks that in practice extra expenditure in 1983-84 of £5 million in round figures might be involved, since it may not prove possible in the event to carry out fully all of the schemes discussed above.

DISCUSSION OF THE OPTIONS

22. All the above measures are designed to maximise stocks by November 1983, and if they are to be implemented fully early decisions will be required. It is for later decision whether further measures should be taken to increase

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industrial stocks in the longer term, either generally or in particularly important industries such as cement, and, if so, what these measures should be. It is very likely that further incentives would be required since, if there is not a miners' strike, industry's normal inclination would be to run down their coal stocks.

23. The approach of offering subsidies to industry to increase coal stocks or to maintain them at higher levels than normal carries the risk that the subsidy will be spent on measures which industry would anyway have taken of its own accord. Arguably industry is at least as well placed as the Government to assess whether to take special steps to increase its endurance of a miners' strike beyond that already planned for October 1983. However, the NCB's view is that in general industry will only build up its coal stocks and maintain them at relatively high levels if there is a clear threat of early industrial action in the coal industry; and that at present industry does not generally perceive such industrial action taking place in the foreseeable future. Its judgement, therefore, is that the subsidies proposed above will be required if the endurance of coal burning industry is to be increased. It is clearly impossible completely to avoid the risk that a subsidy will be offered needlessly. This risk can, however, be reduced by monitoring the expenditure closely and by concentrating subsidies on those industries where increased endurance is of particular importance to the economy as a whole, and coal stocks therefore need to be as large as possible, (ie the cement industry) or where the industry concerned is least likely to take measures of its own accord to improve its endurance of a miners' strike. But it cannot be eliminated altogether, because there is no way of knowing for certain what firms would have done in the absence of a scheme. It is for Ministers to decide whether this risk should be accepted given the overall benefits of the additional stock levels which might be achieved.

24. The discussion in paragraph 8 above of the extent to which the economic effects of a miners' strike would be mitigated by maintaining as high a proportion as possible of normal cement supplies suggests that there is a good case on wider economic grounds, which the industry itself may not be best placed to judge, for ensuring that normal cement supplies are maintained for as long as possible. The measures discussed in paragraph 13 above would increase the endurance of the cement industry to a total of around 20-24 weeks at a cost of £1-1.2 million. The same is also true of motor vehicle production, although

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as noted in paragraph 15, there appears to be only very limited scope for increasing its coal stocks.

25. The economic impact of the cessation of other large coal burning industries would, however, be relatively modest. The case for a subsidy to them therefore requires more careful consideration.

26. As for smaller industries, the economic effects would also be modest if they were temporarily to cease operation. But since their endurance of a miners' strike is likely to be very much less than that of major companies, Ministers may feel that there is a case for encouraging them to increase their coal stocks through the measures discussed in paragraphs 17 to 20. If the problem of picketing at depots and at strategic stocks near the pitheads could be overcome and all the above measures could therefore be implemented, the cost might be up to £3 million. But if not, and the measures were confined solely to increasing the coal stocks held by small industries on their own sites (ie. paragraph 17), the cost would be around £0.9 million.

FINANCING THE SCHEMES

27. The costs given above are the gross costs to the NCB of discounts or extended credit terms in the period 1 April - 31 October 1983. The NCB have argued that they represent also a reasonable measure of the net additional costs to them, the benefits to the Board of earlier payments being more than balanced by the costs of disruption of delivery patterns when the additional stocks are drawn down at the end of the period. However, it is not clear how rapid or disruptive a run-down of stocks by industrial customers will occur in November; and it is possible that it will not happen at all, if, for instance, Ministers agree a scheme to maintain stocks at high levels for a further period or industry retains high stocks of its own accord. Departments are agreed that the NCB might be told that the Government was prepared in principle to meet the full costs incurred by the NCB in offering discounts/extended credits through increases in the Board's EFL and Deficit Grant limits, if this proved necessary, but that, if high levels of stocks continue beyond November, the costs would be adjusted downwards by a retrospective calculation of the financial benefits to the NCB.

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CONCLUSIONS

28. Ministers are invited:-

- (i) to note the likely industrial and economic effects of a lengthy miners' strike as set out in paragraphs 4-10 above;
- (ii) to agree that in the light of (i) the Government's strategy should continue to be to give first priority to power station endurance and that it is acceptable that at November 1983 endurance of coal burning industry should be less, in some cases considerably so, than that of the power stations;
- (iii) to decide which, if any, of the measures to increase industrial endurance discussed in paragraphs 13-20 the NCB should be authorised to take at a total cost in practice of up to perhaps £5 million.

Cabinet Office

11 May 1983

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POWER STATION ENDURANCE: ANCILLARY MATERIALS
Report by the Official Group on Coal (MISC 57)

INTRODUCTION

1. This report considers the steps that might be taken to increase further by November 1984 the stocks of ancillary materials held at the power stations. We shall shortly be reporting to Ministers on the options for increasing power station endurance of a miners' strike in the medium term to 9-12 months or more. However, very early decisions are required on ancillary materials if the work required to increase stocks by November 1984 is to be completed on time. Hence this separate report.

THE PRESENT POSITION

2. By November 1983 power station coal stocks will provide some 26 weeks endurance in the event of a miners' strike. Ministers have taken no decisions on the desirable size of power station coal stocks by November 1984, so we have assumed for planning purposes that they will remain sufficient to provide 26 weeks endurance.

3. The Central Electricity Generating Board (CEGB) has urgent work in hand to increase stocks of, or manufacturing capability at power stations for, essential ancillaries (other than carbon dioxide, for which see below) to 20 weeks normal use by November 1983. The cost of about £70 million is being borne by the Board. The CEGB judge that with prudent use and with the deliveries that should be possible during a strike lasting for up to 6 months, 20 weeks stocks should be stretchable to 26 weeks. The Board is therefore prepared to accept a commitment to 6 months endurance without further expenditure on storage facilities for, or additional stocks of, ancillaries.

4. In the case of carbon dioxide (which is used as a coolant only in nuclear power stations) stocks at the power stations are sufficient for 3 weeks normal use. There are no plans at present to increase this. The CEGB believe that, since the majority of nuclear power stations are remote from the coal fields and there is no possibility of pickets influencing the primary fuel supply, picketing would be sporadic and not determined. Moreover, past experience is

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that pickets would be prepared on safety grounds to allow stocks of carbon dioxide to be replenished during a strike. However, in his minute of 13 December 1982 to the Prime Minister the Secretary of State for Energy expressed disquiet about this position and said that he would therefore be pursuing with the Central Electricity Generating Board how quickly and at what costs stocks of carbon dioxide might be brought up to 20 weeks endurance allowing for a single replenishment. This is discussed below.

OPTIONS: ANCILLARY MATERIALS OTHER THAN CARBON DIOXIDE

5. There seem to be two options for stocks of ancillary materials generally by November 1984, namely:-

- (a) maintain stocks at the levels planned for November 1983 i.e. a guaranteed 20 weeks and in the view of the CEGB a high probability that this level of stocks could be made to last for 26 weeks during a miners' strike. This option would involve no further expenditure beyond that already authorised; or
- (b) increase stocks of ancillaries to match exactly the likely level of power station coal stocks by November 1984. We have assumed this to be 26 weeks. This would cost £22 million more than option (a) above.

In the case of option (b) it is likely that the CEGB would seek reimbursement of the expenditure involved from the Government. This could well involve a grant, which would have to be announced publicly.

6. The decision between these options turns on the practicality of replenishment of stocks of ancillary materials at the power stations during a miners' strike. The CEGB is confident that this will prove possible; it has laid plans for unorthodox deliveries, including the use of large helicopters, to all power stations during a miners' strike. The Board is, therefore, as noted above, prepared to accept a commitment to achieve 26 weeks endurance on the basis of 20 weeks normal stocks. However, the possibility clearly cannot be excluded that the extent and intensity of picketing would increase the longer the dispute lasted. If in these circumstances replenishment were to prove impossible power station endurance would be determined by the availability of ancillary materials and, after allowing for measures to ensure the most economical use of such materials, might be limited to perhaps 22 weeks.

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OPTIONS: CARBON DIOXIDE

7. Increasing stocks of carbon dioxide at the power stations beyond their normal level of 3 weeks raises somewhat different considerations. If stocks of carbon dioxide at the nuclear power stations were to run out, these power stations would eventually have to be closed down. However, the CEGB estimates that 3 weeks stocks of carbon dioxide could in practice be made to last for up to 6 weeks at full output or rather longer at reduced output. Even if all the nuclear stations were eventually to have to close down, coalburn in other stations would have to be increased by only about 15 per cent to make good the shortfall; the CEGB therefore estimates that total endurance of a strike would be reduced by only about 2 weeks. In previous miners' strikes the scope for reducing electricity supplies in this way was not exploited by the miners, if, indeed, they were aware of it. The nuclear stations were generally not picketed, but where they were the replenishment of stocks of carbon dioxide was never seriously impeded, ostensibly on safety grounds. However, it clearly cannot be assumed that the same would happen in any future miners' strike. Unlike in the early 1970s the NUM is now firmly opposed to nuclear power. They might well now be aware that the operations of power stations could quickly be impeded during a strike by denying supplies of carbon dioxide; and any attempt by the Electricity Boards to oppose this for reasons of safety would clearly suit the NUM's wider purposes.

8. There would therefore seem to be a case in principle for increasing stocks of carbon dioxide to the level of stocks of other ancillary materials. The problem is that the work involved would take about 18 months to complete. Since the construction of large storage tanks would be required, this work could not be concealed for very long, particularly given the need for planning permission. Moreover, the CEGB would almost certainly insist that the costs involved (of the order of £40 million to increase stocks to 26 weeks) should be met by a special grant, for which Parliamentary approval would be required. Thus, public attention would quickly be drawn to the increase in stocking capacity well before the work could be completed, and the reasons for the increase would be difficult to obscure. The danger, therefore, is that the measures required to increase stocking capacity could unnecessarily draw the attention of the trade unions, particularly the NUM, to this area of vulnerability, perhaps at a time when the risk of industrial action in the pits was quite high.

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CONCLUSIONS

9. Ministers are invited to decide whether:-

- (i) in the case of ancillary materials other than carbon dioxide stocks by November 1984 should be:-
 - (a) maintained at their November 1983 level pending decisions on coal stocks and endurance in the medium term; or
 - (b) increased to 26 weeks at a cost of £22 million;
- (ii) in the case of carbon dioxide stocks by November 1984 should be:-
 - (a) maintained at the present level of 3 weeks; or
 - (b) increased to the level of ancillary materials generally at a cost of up to £40 million.

Cabinet Office

4 May 1983

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PART ends:-

PART 8 begins:-

ss/energy to pm talk 23.6.83