

CONFIDENTIAL

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01-211-6402

Rt Hon Sir Keith Joseph Bt MP
Department of Industry
Ashdown House
123 Victoria Street
London SW1

24 February 1981

Dear Keith

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COAL IMPORTS: BSC

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As you know from my Private Secretary's letter of 18 February to the Prime Minister's office, one of the points which the unions pressed hardest at last Wednesday's Tripartite meeting was the level of coal imports. It was clear that this was one of the subjects on which we should have to make concessions if widespread strikes were to be avoided, and I therefore undertook that the Government would be prepared to look, with a view to movement, at what could be done to reduce imports towards their irreducible minimum. Although I took care to word this commitment cautiously, we should be under no illusions that the NUM expect substantial and rapid progress and are most unlikely to accept anything less.

What I had in mind was that the NCB should be put in a position to discount their own prices to CEGB and BSC to a rate at which those two Boards would no longer have a financial incentive to import those coals which were not essential on quality grounds. I expect that if prices were broadly equal they would be willing to help us by reducing their imports.

Since then, NCB have had exploratory discussions with BSC as well as with CEGB. I gather that Mr McGregor insists on the letter of his contract with NCB and that he is not willing to do more than to allow NCB to quote for further sales of coking coal as each of BSC's present import contracts comes to an end, and to have the business if they can match world market prices. I understand that only one such contract is due to come to an end during 1981-82. If NCB can secure it, the effect would be to reduce BSC's imports by some 250,000 tonnes next financial year.

However, the unions are looking for a substantially greater reduction. They had been arguing first for a complete ban on imports, and then, when they had accepted that there was some minimum level of imports which was essential on grounds of quality, they envisaged that imports would be brought down to some 1mt pa (compared with the 5.5mt now expected during 1981). Since then, NCB have sought to persuade them that the maximum reduction in imports which is practicable is about 3mt - as an annual rate, rather than a reduction during 1981-82 - of which about 1mt might be coking coal.

The unions' whole attitude at last week's Tripartite meeting made it clear that they would have great difficulty in accepting continued imports at a time when we were putting our own coal to stock. It will be hard for the moderates among them to accept a smaller reduction than they believe is technically possible. In the present difficult circumstances, our first priority must be to maintain a dialogue with the unions and to avoid a renewed strike. I hope therefore that you will press Mr McGregor to be as helpful as possible in his reply to the further approach which I understand that NCB are about to make to him and to go as far as possible in substituting NCB coal for imports.

In all probability I shall have to hold another Tripartite meeting after tomorrow's meeting. It would be immensely helpful, therefore, to have BSC's response, which I hope will be helpful, as soon as possible.

I am sending copies of this letter to Members of E Committee, Sir Robert Armstrong and Mr Ibbs.

D A R HOWELL

Yours ever

Davis