



SECRETARY OF STATE FOR ENERGY

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18 December 1979

Dear Jim,

COKING COAL

Thank you for your letter of 17 December, which we spoke about today.

I mentioned that E(EA) had in fact agreed in July that the Government should in principle provide a tapering subsidy to the NCB for a limited period to enable it to reduce its coking coal output. The sub-Committee asked the Secretary of State to consult NCB and BSC as soon as possible along these lines (E(EA)(79)9th). Accordingly, my Secretary of State told the NCB in August of the Government's willingness in principle to provide such a subsidy, and the Secretary of State for Industry made a similar notification to the BSC.

What the Secretary of State told the NCB and mining unions in fact falls short of this, since he made it absolutely clear that any grant for coking coal support must not affect the total size of grants for the NCB, as agreed in the consideration of coal strategy. It would therefore involve no increase in the total support for coal, or in public expenditure, and so is unlikely to lead to requests for similar treatment from other nationalised industries.

You might like to see the attached note of what the Secretary of State said. You will see that he did not say that he would try to stop further imports by the BSC. This is of course a matter for the BSC's commercial decision just as the question of whether to offer the BSC a discount to match import prices remains a matter for the NCB to decide. He invited the NCB to discuss the problem further with the BSC, and said that he would explore the possibility of the BSC's not taking a decision until these further discussions had been concluded. It has since been established that the BSC do not in any case expect to take their decision until the end of January, so there should be no problem on this score.



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I am sending copies of this letter to the Private Secretaries, to the Members of E(EA) Committee and to Martin Vile (Cabinet Office).

W J Burroughs
Private Secretary

Yours sincerely,

Bill



18 DEC 1979



COKING COAL

Note of meeting between Secretary of State for Energy, the Chairman of the National Coal Board and the leaders of the Mining Unions on 18 December 1979

The Chairman of the National Coal Board and Leaders of the Mining Unions saw the Secretary of State for Energy on Tuesday, 18 December to discuss the effects on the coal industry of the British Steel Corporation's plans to increase imports of coking coal and to cut back on steel production.

The Board and the mining unions emphasised their deep concern that the changing picture of the future of the steel industry gave rise to increasing uncertainty about the market for coking coal remaining to the British coal industry. Their earlier discussions with the Corporation had centred on a total coking coal requirement of some 10.5m tonnes of which the National Coal Board were seeking to retain at least 5.0m tonnes and hopefully 7.2m tonnes. The latest plans of the Corporation had introduced a new factor into the situation with their total requirements for coking coal now likely to be no more than about 9m tonnes; the maximum available to the NCB would be about 5.5m tonnes with the possibility that demand for NCB coking coal might be reduced to 3.5m tonnes. This reduction in demand, even to the 5.5m tonnes posed special difficulties for South Wales.

To preserve sales of about 5.5m tonnes to the BSC would require the price of NCB coking coal to be fixed to the end of 1980 plus some further discounts on some tonnages; these would together total around £33m. The Board said whilst they were prepared to meet about half this cost they did not see their way to going further without Government assistance on the rest.

The Board and the mining unions put the following points to the Government:

- the BSC should be asked not to enter into additional import commitments pending conclusion of further discussions with the Corporation on future supply arrangements.
- the Government should be prepared to provide financial assistance to the Board to enable them to meet the price conditions of the BSC.
- there would be serious repercussions for the NCB's coke manufacturing operation because the BSC had now advised the Board that in the light of their latest plans to reduce steelmaking, they would be able to supply all their needs from their own ovens.

The Secretary of State for Energy said that he fully understood the worries of the coal industry about this particular issue; though, more generally, he was confident about the coal industry's prospects through expansion and the production of competitive coal. In response to the points raised by the Board and the mining unions he said:

- The Government were prepared, within the very substantial total of grants and external finance already agreed for the NCB, to authorise payment of grants specifically to help the Board meet the cost of some arrangement with the BSC. The Government would not however be able to make any additional monies available in total to the Board.
- the Board should engage in further discussions with the BSC to clarify the Corporation's future requirements and to seek to come to some arrangement on quantities and price.
- he would undertake to explore the possibility of BSC not taking a decision to increase their imports until the Board's further discussions with them had been concluded.

The Chairman of the NCB said that he was doubtful whether the limited nature of the financial arrangement which the Secretary of State had mentioned would permit the Board to improve on the terms they had offered to the BSC. But he undertook to consider what they could do. The industry would still, anyway, be faced with an apparent reduction in demand for NCB coal from 8½m tonnes to 5½m tonnes and the disappearance of BSC's demand for coke from NCB's subsidiary.

Department of Energy

18 December 1979

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