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 PRIME MINISTER

MBAM -
 contents summarized
 in telegram to Washington.

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I held a further meeting of the Coal Industry Tripartite this morning. The NUM were represented by Gormley, McGahey and Daly. There were no polemics from the union and the atmosphere was reasonably calm. The meeting was therefore satisfactory from our point of view. But Gormley emphasised the continuing difficulty of the situation. The danger of industrial action remains and we must continue to handle the union very carefully indeed if we are to avoid it. We must in particular help Gormley to maintain his control over the militants. He did in fact ask for another Tripartite to be held before the NUM's next National Executive Committee meeting on 12 March, and we made a provisional arrangement for 11 March. He said that such a meeting was necessary if the situation was to remain under control and I am inclined to accept his judgement. I am sure that at that meeting we shall, in some areas at least, have to be more precise in quantifying the commitments we have undertaken, and to be seen to have made progress.

2. The two issues of most concern to the union were of course the cost to the Board of keeping open the pits they had planned to close, and the cost of discounting prices so as to displace imports. On the first, I repeated the statement I made last week that we were willing to discuss the financial constraints on the Board with an open mind and with a view to movement. I added that the Department was now waiting for the Board's estimates of the cost to it of returning to the normal consultative procedure on closures, and that in the light of these estimates we should discuss with the Board how to revise the industry's financial arrangements. The union did not press further today for a figure for the costs involved.



3. As to imports, I repeated the undertaking to see what could be done to reduce these towards the irreducible minimum. I pointed out that this reduction could be achieved only by negotiations between the NCB and BSC and CEGB having regard to contractual commitments. Those negotiations were under way and the Government had naturally asked CEGB and BSC to be as helpful as they could. I also said that I would keep in touch with the negotiations. I added that the Government would be prepared to meet any inescapable costs incurred by CEGB and BSC in displacing imports to which they are contractually committed; and the cost of price reduction made by NCB in matching the prices of imports forgone in this way and substituting NCB coal. Again I was not pressed for a figure for the costs involved, but Gormley made the point strongly that the Board should also be compensated for the discounts they had already made to keep imports down, as well as the discounts needed for the further reduction now under discussion.

4. Gormley asked also for Government support on several other items. He mentioned:

- a. Improved redundancy payments. I indicated the Government's willingness to seek improvement, though without commitment at this stage to the precise change the Government would accept.
- b. Maintenance of investment at a high level. I repeated that the Government would make available to the Board the resources which they saw as necessary for investment consistent with the general approach of Plan for Coal. Again, I gave no commitment as to the actual figure.
- c. Stocking Aid; coking coal grants; reduction of interest payments; help with discounts on export sales. I said that all these proposals could be considered as part of the problem of adjusting the NCB's financial regime to new circumstances, on which we should need to have discussions with the Board.



- d. Support for research and for coal liquefaction. I said that we were willing to consider further the possibility of some limited funding of demonstration projects for fluidised bed combustion (which would come from my Department's existing budget). As to the proposed liquefaction plant at Point of Ayr, I said that we were still considering the proposal the Board had already made for Government support.
- e. Reduction in retirement age for mineworkers. I told the union that this was a matter for the Board in the first instance.
- f. Government support for a scheme of oil substitution in general industry. I pointed out that there was already an economic case for replacement of oil by coal in many parts of industry, but took note and said that we would consider further whether the Government could do anything to help prime the pump.
- g. Support for investment in the Ancit process at the Phurnacite plant. I declined to agree to this.
- h. Government financing of cut price coal for old age pensioners. I also declined to agree to this.
5. I have no doubt that to maintain control of the situation we must show further progress by the next Tripartite on 11 March. In particular:
- a. I am convinced that we must be ready very soon to announce our acceptance of the specific proposals for improving redundancy terms which the Board have already put to us. I shall circulate a further letter to my colleagues about these.



b. I hope we can still decide on a Government-financed scheme of substitution of coal for oil in general industry. Acceptance of such a scheme would not only help in our relations with the NUM (and also make it easier to reject some of their other proposals) but could also save public expenditure. I shall circulate a further letter to my colleagues about this also.

6. The questions of the cost of displacing imports and the cost of withdrawing the closure programme are really only a part of the larger question of the general financial prospects for the Board. The Chairman of the Board has just told us that he now expects their cash requirements in 1981/82 to be some £450-500m in excess of their External Finance Limit and their revenue account loss to be £350m. These estimates and the reasons for them are now being examined by my Department and the Treasury and there could be some revision of detail, but they indicate the scale of the financial problems now faced by the NCB. Help with the cost of displacing imports and withdrawing the closure programme will clearly be only a part of the help the Board will need. It is against this general background that we need to consider what we say to the NUM on these two points. I shall consult my colleagues further about this.

7. I am sending copies of this minute to the other members of the Cabinet, and to Sir Robert Armstrong.

MP SECRETARY OF STATE FOR ENERGY

25 FEBRUARY 1981

(Approved by the Secretary of State, ^{and} signed in his absence.)