SUBJECT

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10 DOWNING STREET

*From the Private Secretary*

20 February 1981

Dear Julian.

As you know, your Secretary of State and Mr. Moore called on the Prime Minister this afternoon to discuss the state of play in the coal negotiations. Sir Donald Maitland and Mr. Monger were also present.

There was a general discussion of the tactics the Government should adopt in the coming days. Mr. Howell explained that the NCB would be meeting the unions on Monday to discuss the proposals they would put to the Government at the next tripartite meeting on Wednesday. Sir Derek Ezra had met Department of Energy officials earlier that day, and had given the NCB's estimate of the extra cash which would be required to meet the concessions which had been made at the first tripartite meeting on imports and closures. They estimated an extra £55-60 million would be required if imports were reduced to their "irreducible minimum". £20-25 million of this was accounted for by subsidised sales to the CEGB, and the other £30 million was due to an additional 1 million tonnes of coking coal which BSC would buy from the South Wales coalfield. As regards closures, the NCB were assuming that the unions would insist on a return to the traditional area review procedure and that this would result in a closure programme of no more than 1½ million tonnes per year - instead of the 4 million tonnes per year which the NCB had hoped for. This reduced rate of closure would involve additional costs of £150-200 million in 1981/82, with higher figures in later years. The extra money would be financing increased stocks of coal. Against this, because of the reduced rate of closure, the amount of money which the NCB had envisaged for redundancy payments would be less. Mr. Howell emphasised that the figures were the NCB's and had not yet been crawled over by his officials. Furthermore, the savings on redundancy payments would not be seen as such by the outside world because the NCB's existing EFL did not contain provision for the redundancy payments that would have been required for a 4 million tonne closure programme.

Mr. Howell went on to say the union side were likely to press the NCB to agree a firm package of proposals at their Monday meeting. These would include proposals on imports and closures, and also probably on improved redundancy terms. Once agreed by the NCB, it would be very difficult for the Government to resist them at the tripartite meeting. The Government could no longer have much

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confidence in Sir Derek Ezra's handling of the negotiations, and it was therefore important to give him Ministers' views on how he should proceed. Ministers had decided that a national stoppage had to be avoided; but it was also necessary to ensure that this was achieved at minimum cost.

In discussion, the Prime Minister said that the Government and the NCB would have to go along, to a large extent, with whatever Mr. Gormley proposed in order to ensure that the militants did not regain their ascendency. But it was questionable whether it would be right to offer improved redundancy terms before the unions were prepared to talk seriously again about closures at above the reduced level of 1½ million tonnes per year. Against this, it was argued that it was now very unlikely that it would be possible to achieve even 1½ million tonnes per year without improved terms; and in any case, if Mr. Gormley was to insist on including improved redundancy terms in the joint package (as he was quite likely to), it would be hard for the NCB to resist. Keeping redundancy terms off the agenda would strengthen the hands of the militants.

In further discussion, it was agreed that the best strategy would be for the NCB to listen to the union side at Monday's meeting and not go firm on their proposals until they had had an opportunity to consider. This would give Sir Derek Ezra a chance to consult Ministers privately before agreeing a joint package with the unions, and it would also enable Ministers collectively to reach a clearer view of the concessions that might be required at the E meeting on Monday morning. Mr. Howell or Mr. Moore should try to persuade Sir Derek, whom they would be seeing later that evening, to resist going firm on any figures at the Monday meeting with the unions. If Sir Derek were to say that that was impossible, they would have to form a view over the weekend on the figures which he had already given them and on the figures which might be put forward for redundancy terms. With this in mind, Mr. Howell should immediately consult the Chancellor of the Exchequer.

I am sending a copy of this letter to John Wiggins (HM Treasury), Richard Dykes (Department of Employment), David Heyhoe (Office of the Chancellor of the Duchy of Lancaster) and David Wright (Cabinet Office).

Tim Lankester.

Julian West, Esq.,
Department of Energy.