

cc Mr Duguid



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 first A/warning of the NCB's
 closure plans: bin will
 come to collapse soon.

PRIME MINISTER

The National Coal Board have put to me their plans for the coal industry for the period to 1985/6. This minute is to give you a preliminary indication of the position they face, pending an opportunity for colleagues to consider the prospects in detail. 27/1

The market for coal has been reduced by the economic recession and the Board are faced with a surplus of supply over demand. Their main conclusion is that substantial closures of uneconomic capacity are necessary, perhaps totalling 17m tonnes over the period. Carrying this programme through will entail improved redundancy terms for mineworkers and impose other short term costs which initially outweigh the savings accruing from closures; and the Board have asked for Government help to finance these and for some Government action to sustain demand.

The Board will see the National Executive Committees of the mining unions on 10 February to explain the problems facing them and the need to reduce capacity. At further meetings in the following days the Board's Area Directors will give the unions locally details of the pits the Board have decided to close. The policy of the National Union of Mineworkers is to oppose all economic closures and we cannot rule out the possibility of a collision between the Board and the union.

I have told Sir Derek Ezra that there is no prospect of a final decision by 10 February on the Board's financial proposals, which raise major questions for the Government. He has accepted this. I have also told him that the Government is unlikely to agree to take action to sustain coal demand. I am sure that it must remain the Board's own responsibility to keep a proper balance between supply and demand.

I agree with the Board however that substantial closures of uneconomic capacity are needed. They are essential to get the industry into competitive shape and put the Board's finances right: last year the pits the Board intend to close lost £150m and were



they to remain open these losses would increase. It has taken the Board themselves some time to realise the need to accelerate closures, and the pressure of the financial strategy we set for them in 1979 has played a big part in bringing them to do so. Now that they do see the need, we should support them in achieving the necessary closures. In particular, there is a strong case, as they suggest, for improved redundancy terms and for helping the Board to finance other extra costs imposed by accelerating closures. Such help would make the ordinary miners much less likely to support NUM opposition to the Board's plans. I shall, however, bring detailed proposals on this and other parts of the Board's plans before my colleagues in the normal way.

I am sending copies of this minute to the other members of the E Committee.

J.A.
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SECRETARY OF STATE FOR ENERGY
27 January 1981