

Nat Prod
Coal

CONFIDENTIAL Prime Minister

(1)

MR SCHOLAR

cc Mr. Duguid
Mr. Hoskyns
Mr. Ingham
I assume you agree with X?

Closure of Coegnant Colliery

Yes no MS 30/10

We had a word about Mr. Moore's letter of 28 October to the Chancellor about the closure of this small colliery in Wales.

This is to confirm that I see no case for the Prime Minister intervening in this correspondence, nor for the Government to question the NCB's judgement that it would be right to inform the NUM on 2 November of the intention to close Coegnant Colliery. We would have to have a very good reason not to back the NUM's judgement, and if Cowan does not expect the announcement adversely to affect the wage negotiations, then I think we should trust his judgement. The postponed closure would not only be wrong in itself, but (since the NUM would certainly guess the reason) would make them feel that the Government and the NCB are even more frightened of their industrial power than we really are.

J.

Note/ Told David Lowley that
the PM had seen and not
objected.
MS 3/11

29 October 1981

CONFIDENTIAL

CONFIDENTIAL



*cc Mr Dwyer
Mr Venner*

DEPARTMENT OF ENERGY
THAMES HOUSE SOUTH
MILLBANK
LONDON SW1P 4QJ
01-211 3932

Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
London SW1

28 October 1981

A handwritten signature in cursive script, appearing to read 'Sir Geoffrey'.

CLOSURE OF COEGNANT COLLIERY

I am writing to let you know that Phillip Weekes, the NCB's Area Director in Wales, is planning to inform NUM representatives on 2 November that he sees no alternative to the closure of Coegnant Colliery. This is the first step in the procedure for colliery closures re-established following the unofficial action in February.

Coegnant is one of the smallest collieries in Wales. It employs about 400 men and produced 42,000 tonnes in 1980/81, when its Output per Manshift (OMS) was 0.502/t compared with NCB's average OMS of 2.32/t. The colliery was on the Board's list of 23 collieries in February, when it was stated that it produced coal at £132/t and lost £97 per tonne - the average cost of producing NCB coal in 1980/81 was about £35/tonne. It was in fact the largest lossmaker of the 23 pits in terms of loss per tonne.

Since February the Board has managed to close a number of pits in other areas and the number of redundancies has been higher than expected. But there has hitherto been virtually no progress on either front in Wales. The NUM in Wales have prevented their members from accepting the improved redundancy terms and until recently have been resisting even general discussions about closures. At a recent meeting with the Area Director the NUM, as was to be expected, took a strong line against any closures. Other areas have become increasingly restive about this lack of progress in Wales and more than one Area Director has told the Board that it would be difficult to implement further closures unless there is a closure in South Wales, where the largest losses are encountered.



Phillip Weekes recently told the Board that he now wanted to take the first step in the agreed procedure for closures. The Board agreed to support Weekes subject to Jimmy Cowan, the Board's Member for Industrial Relations and chief wage negotiator, going to Wales to assess the position for himself. On his return from Wales on 27 October Cowan told my officials that his considered view is that, if the procedures are followed, he can see no reason why Weekes' preliminary announcement to the NUM on 2 November should in any way adversely affect the wage negotiations. The second stage, when the Board in London decide whether to endorse Weekes' proposal formally, will not be completed until after the expected ballot on 18/19 November. All steps in the procedure will not be completed until December or even January.

Cowan also does not think there is any possibility of serious industrial action at this juncture. If there was any such action it would only take place after the Board have considered the NUM's inevitable appeal, ie well into December. The Welsh NUM are unlikely to get support for early action from other areas if they do not even go through the agreed closure procedure. There will inevitably be a certain amount of posturing, as happened in the case of the recent closures of Orgreave, New Hucknall and Houghton. Cowan points out McGahey, who is likely to agree this week to a major closure at Bedlay, would certainly be in no position to support action in Wales. Nor does Cowan expect any trouble from Joe Gormley, who apparently referred to the size of the Board's losses in Wales in a recent speech. Even Scargill has accepted some closures in Yorkshire this year.

The Board have considered asking Weekes to delay his announcement by a few weeks. They have decided against doing so for a number of reasons. First, the Board feel that a start to closing uneconomic capacity in Wales is long overdue. As the NUM probably already know informally about the proposal, it will be much more difficult to get them to accept it, if it is again postponed, as the NUM's assessment of their own power will be enhanced. Cowan considered this a serious danger. The Board also feel that if there is a postponement the Presidential ballot at the beginning of December and the Christmas holiday in effect means that the initial announcement will have to be postponed until the New Year. This in turn will make it very difficult for the Board to carry out closures in other areas, thus jeopardising the Board's aim to carry out 10 closures this year and reduce productive capacity by 2 mt pa. This would, of course, have repercussions on the Board's results, although these cannot be quantified at this stage.

In order to sweeten the pill the Board are prepared to provide funds for investment in the nearby St John's colliery which is a long-life pit and which is one of the pits where jobs will be found for men from Coegnant. The Board expect to be able to find alternative employment for the majority of men employed at Coegnant.



58 OCT 1984

We have considered carefully whether we should ask the Board to delay their announcement by a few weeks in case it jeopardises the pay negotiations. We cannot altogether rule out the possibility that the preliminary announcement will adversely affect the pay negotiations or lead to serious industrial action. But I accept Cowan's considered view that the risk is very small. I therefore think it would be wrong for us to intervene. We should rather let the Board get on with their job of reducing the losses in Wales by applying the closure procedures which were re-confirmed between the Board and the Unions earlier in the year. If we were to intervene we can be sure that the Board would ask us to compensate them for any financial consequences. If, as I hope will not be the case the Board fail to meet their financial targets this year as next year, Derek Ezra will be only too happy to have an excuse that he could use publicly to help explain away any shortfall.

overaken

As Nigel Lawson will be lunching with the Board on 30 October, I should be most grateful if you would confirm by close of play on 29 October that you agree that there is no need for us to intervene with the Board's plans because of the very slight danger that Weekes' announcement will affect the pay negotiations.

I am sending copies of this letter to the Prime Minister, the Secretaries of State for Employment and Wales, Sir Robert Armstrong and Mr Ibbs.

JOHN MOORE