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RECORD OF A MEETING HELD AT No. 10 DOWNING STREET ON 15 SEPTEMBER 1983

NOT TO BE PHOTOCOPIED OR CIRCULATED OUTSIDE THE PRIVATE OFFICE

PRESENT

Prime Minister
The Chancellor of the Exchequer
The Secretary of State for Energy
The Secretary of State for Employment
Sir Robert Armstrong
Mr. Peter Gregson
Mr. Michael Scholar

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COAL

The Secretary of State for Energy said that a couple of days ago, Mr. MacGregor had a very good meeting with the NUM and other Coal Board employees. He was clearly handling the situation very adroitly. He had reached some preliminary conclusions about the industry, although he wished to have a little longer before he was held to any of these. Mr. MacGregor believed that there was very considerable administrative over-manning within the NCB, and that there would be useful savings from this source in due course. He also considered that the investment programme could be reduced when the Coal Board's practice of invariably ordering the best equipment, almost regardless of cost, had been corrected. The long-term future of the coal industry was, or should be, bright indeed, and there ought to be in years ahead continuing investment in low-cost new capacity. This investment, however, ought to go forward in step with closures of uneconomic capacity, and should be presented to the workforce as a quid pro quo for closures. Mr. MacGregor would be making a case, which the Secretary of State supported, for continuation of the 25 per cent grant for coal conversion.

/The closure programme

The closure programme had gone better this year than planned: there had been one pit closed every three weeks, and there were now 18,000 fewer in the workforce - i.e. almost 10 per cent of the total. Manpower reductions, especially when associated with closure of uneconomic pits, produced very worthwhile savings (£15 million a year for every thousand redundancies in the case of a closure and £5 million for every thousand redundancies when no closure was involved). Each 1 per cent on miners' pay cost £20 million a year, so that closures produced considerably greater economies than the results of practicable pay moderation. Mr. MacGregor had it in mind over the three years 1983/85 that a further 75 pits would be closed: first, 64 which would reduce the workforce by some 55,000, and reduce capacity by some 20 million tonnes; then a further 11, with manpower reductions of 9,000 and capacity reduction of a further 5 million tonnes. There should be no closure list, but a pit by pit procedure. The manpower at the end of that time in the industry would be down to 138,000 from its current level of 202,000.

The Secretary of State noted that there would be considerable problems in all this. The manpower reductions would bite heavily in particular areas: two-thirds of Welsh miners would become redundant, 35 per cent of miners in Scotland, 48 per cent in the North East, 50 per cent in South Yorkshire and 46 per cent in the South Midlands (which included the whole of the Kent coalfield). From end-1984 onwards it would not be possible to offer redundant miners other employment in the mining industry. There would also be unfortunate effects on the mining equipment supply industry.

On pay, Mr. MacGregor had it in mind to offer the miners 5½ per cent on wage rates, the equivalent of 4½ per cent on earnings. He had it in mind to offer this in October, and stick to it. The Chancellor noted that there would be advantage in loading some of the increase onto the productivity bonus scheme. The Secretary of State said that Mr. MacGregor certainly had it in mind to reject firmly the NUM's desire to abandon this bonus system altogether. There was general agreement that 5½ per cent on base rates should be seen as a reasonable offer in comparison with the 3 per cent pay factor announced today and the likely course of the RPI up to December, when it was probable that the miners would ballot on the offer. Although there would be wider economic advantage in a somewhat lower increase for the

/miners this

miners this year, the figure proposed was usefully lower than last year's figure, and there was support for the tactic of seeking as swift as possible a settlement on pay in order to get on with closing uneconomic capacity.

It was agreed that no record of this meeting should be circulated.

MCS

15 September 1983