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PRIME MINISTER

Coal

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Your meeting is to discuss the proposals relating to the Redundant Mineworkers Payments Scheme (RMPS) set out in the note attached to the letter of 18 January from the Private Secretary to the Secretary of State for Energy. We understand that Mr Walker has spoken to the Chancellor of the Exchequer and other Ministers who will be attending your meeting.

2. The issues which you will want to discuss are:
- i. what is the current NCB strategy on closures and is it the right strategy from the Government's point of view?
 - ii. do these proposals contribute to the achievement of the Government's preferred strategy?
 - iii. would there be undesirable repercussions for other industries?
 - iv. are there any points of detail on expenditure or other matters?

Strategy

3. There has been no Ministerial discussion of the NCB's closure strategy since the unrecorded talk which you had with the Secretary of State for Energy and the Chancellor of the Exchequer last September. At that time Mr McGregor was said to have only preliminary thoughts and, although it was clear that he was disposed to accelerate the rate of closures, there was a considerable lack

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of precision over what was to be achieved and over what timescale. Most of the Ministers present at your meeting will have had no inkling of Mr McGregor's latest thinking. While this is a highly sensitive matter, you will wish to encourage the Secretary of State for Energy to be as forthcoming and clear as possible to his colleagues at the meeting - not just to enable them to assess the merits of the redundancy proposals but also to permit Ministers to judge whether the wider consequences of the NCB's strategy for the Government, including the risks of strike action, are acceptable. If Ministers have serious reservations it is desirable that they should emerge before rather than after the NCB has embarked on a high risk strategy.

Merits of the proposals

4. It is clearly in the interests both of the NCB and the Government to secure the acquiescence of the miners to the closure of uneconomic pits as soon as this can reasonably be achieved. This means stepping up the rate of closures but desirably in a way which does not play into the hands of militants. Ministers will wish to consider whether the announcement of the proposed two year improvement in the terms of the RMPS for the under 50s will be helpful or harmful in this respect. The NCB are said to take the view that it will contribute significantly to diminishing the risk of strike action. On the other hand the announcement is bound to be a clear signal that a large number of redundancies, involving younger as well as older miners, are planned over the next two years.

5. Last September the Secretary of State for Energy warned you that, because of the increasing difficulty of finding alternative jobs at other pits, redundancies might have to be compulsory from the end of this year. You will wish to ask the Secretary of State for Energy how far he expects the proposed improvement in the RMPS to lessen the need for compulsory redundancies. If significant compulsory redundancies are nevertheless likely to be required, is the improvement still worth making?

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Repercussions for other industries

6. It will be for the Secretary of State for Employment and for Ministers with specific sponsoring responsibilities to say whether they see troublesome repercussions for redundancy terms in other industries. There appears to be general acceptance that special redundancy terms should be available in certain sectors such as coal, steel and the docks where an exceptionally rapid rundown of manpower is required. The arrangements for redundant mineworkers already have some particularly generous features (for example the weekly benefits, as well as lump sum payments, for those aged 50 and over). The view may be that these improvements to the lump sum benefits for those under 50 are unlikely to have significant wider repercussions.

Expenditure and other points of detail

7. On the face of it the expenditure implications appear to be favourable if the proposals reduce the NCB's costs in the manner expected. You will however wish to establish whether the Chancellor of the Exchequer has any objections on expenditure grounds. If the proposals are approved in principle it may in any case be desirable to ask the Secretary of State for Energy to settle them in detail with the Chancellor of the Exchequer.

P L GREGSON

18 January 1984

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