

Prime Minister<sup>2</sup>

To note.

MUS 10/12

PRIME MINISTER

m

NCB PIT CLOSURES

This minute reports on my recent preliminary discussion with Norman Siddall about the Board's thinking on pit closures. He will give me the Board's considered views on the different options after the meeting of the Board on 17 December. I have made it clear that we shall need three or four weeks thereafter to consider their proposals.

Period up to Christmas

The Board will be holding an appeal meeting against the closure of Kinneil with the NUM on 14 December - NACODS and BACM have already agreed to its closure. Norman Siddall believes that, although there is likely to be a good deal of shouting, there is most unlikely to be serious industrial action in Scotland and, even if there is, it is even more unlikely to spread to other coalfields. The Board are relying on the various transfer payments to the men, nearly all of whom will be reallocated to other mines, to ensure that the pit closes by the end of the year. The Board also expect to hold an appeal meeting with the NUM on Britannia in Wales on 16 December. The Board have no immediate plans to close this colliery. Unless, however, further investment is undertaken soon the colliery will have to close within two years, although the closure might be brought forward. I shall be reporting separately on the threat from the NUM in the South Wales Area to take strike action if there is not increased investment and recruitment in South Wales.

An appeal meeting on Snowdown has been tentatively set for 22 December. At present BACM and NACODS will attend, while the NUM is expected to boycott it. The Board are unlikely to announce a final decision to put it on a development only basis until early in the New Year. When such a decision is announced there could well

be industrial action in the Kent coalfield, although the Board believe that it is unlikely to spread significantly. Some 300 men in Kent have shown interest in receiving redundancy terms, which offers the prospect of avoiding a united front even in Kent.

Following the recently agreed closure of West Cannock in Staffordshire (590 men, 311,000t production in 1981/82), further agreed closures at Marley Hill in Durham (690 men, 213,000t production) and Parkhill in Yorkshire (450 men, 260,000t production) are likely to take place fairly soon. The risks of industrial action over these are negligible.

#### Pit Closures in 1983

The Board are acutely aware of the fact that they can only improve the financial position of the industry if they reduce their excess capacity by closing high cost pits. The MMC's report on the NCB, which has just been received, concludes that "in 1981/82 the 10% of the deep mined output (10.8m tonnes) that comes from pits with the highest losses per tonne, involved operating losses of £263m at average proceeds". Norman Siddall has been using similar figures. The report also shows that pits are losing up to over £100 per tonne - compared with the current pithead price for steam coal for the CEGB of about £36 per tonne. Most of the persistently high loss-making pits are in Scotland, Wales, Kent and the North East. If this capacity is not closed, we shall be faced with a serious and continuing deterioration in the Board's finances with no prospect of the Board achieving financial viability within the foreseeable future.

Against this background the Board have recently sent us a draft Corporate Plan which has been circulated to interested Departments. In it the Board have outlined a rapid strategy and a reference case. The former involves bringing the profitable supply and demand more rapidly into balance by closing, as a first step, some 10m tonnes of capacity in 1983/84. The reference case involves the closure of 3m-4m tonnes of capacity in both 1983/84 and 1984/85 compared with 2m tonnes pa in the past few years. Provided that 3m-4m tonnes of closures are achieved and a number of other provisos are met - it is by no means certain that they can be - the Board could expect to break even in four years' time.



The Board favour the "reference case" approach. They recognise that the rapid strategy would lead to a major confrontation with the NUM - probably a national strike lasting several weeks at least. The reference case is likely to involve significant industrial action in Wales, Scotland and Kent. The chances of this spreading elsewhere cannot be ignored, as Scargill is likely to try to persuade the whole Union to take a stand on principle, when the first or second controversial closure is announced.

If the Board adopt the reference strategy, they are likely to have two main options for achieving 3m - 4m tonnes of closures in 1983/84. First, they might launch a limited number of closures in Scotland and Wales in the early part of the year, while completing the action at Snowdown. In these circumstances Norman Siddall's current estimate is that there is a high risk of local action in Scotland, Wales and Kent, but that it will probably not result in widespread action, involving the central coalfields in England.

Alternatively, the Board might wish to reduce capacity somewhat more rapidly, notably if their market position deteriorates further. In this case it would be necessary to bring forward some closures of pits nearing exhaustion in the central coalfields, notably in Nottinghamshire and the Midlands. Norman Siddall's current view is that this would considerably increase the dangers of national industrial action, although the Board nevertheless have a reasonable chance of confining serious action to the Welsh, Scottish and Kent coalfields. The Board are particularly anxious to avoid closures for the time being in the other major loss-making area, the North East. The Board point out that there have been a substantial number of closures in that area, unlike in Wales, in the recent past and they believe that such a move would greatly increase the risk of a national strike. The Board, however, propose to continue the manpower run-down in the North East and are expecting to close one colliery in that area towards the end of 1983.

Norman Siddall has made it clear that a key element in his strategy of dividing the areas will be the adroit use of investment. He attaches particular importance to an early go-ahead for Asfordby, to which both the Nottinghamshire and the Leicestershire miners attach great importance. As the events of February ~~1982~~ <sup>1981</sup> made clear, unless the support for the Board of their moderate areas can be retained, the chances of a national strike are greatly enhanced.



I made it clear to Norman Siddall that the Government would require adequate time to consider the Board's proposals, when they are received, before the Board becomes committed to any particular course of action which carried any real risk of widespread industrial action. He readily accepted the point and agreed to tell me in greater detail about the Board's preferred plans after they had been fully discussed on 17 December. He pointed out that there would certainly be time for proper consultation as the Board would not wish to launch any controversial closures (other than Kinneil and Snowdown which have already been under discussion for some months) until late January or February. This would mean that, if there was any serious industrial action, it would be unlikely to occur until late February or early March, when spring and hence low electricity demand will be in prospect. We shall, of course, need to give detailed consideration to the question of timing, when the Board have formulated the options more clearly. We shall also need to assess the risks attached to the various options.

My officials will be keeping in close contact with the Board to see how their thinking develops. I do not think we need take any immediate action beyond the MISC 57 report which you received recently. After the Board have outlined possible courses of action following their meeting on 17 December, we shall then need to consider the various options and all their implications very carefully indeed.

I am sending copies of this letter to the Chancellor of the Exchequer, the Home Secretary, the Secretaries of State for Defence, Scotland, Industry, Transport, Wales and Employment and to John Sparrow and Sir Robert Armstrong. In view of its content I should be grateful if they would ensure that it is given very restricted distribution.

*J.P. Cright*

SECRETARY OF STATE FOR ENERGY

10 December 1982

*(Approved by the Secretary of State and signed in his absence.)*



17 DEC 1952  
12 11 21 AM '52  
69 10 10  
69 10 10

The first part of the report deals with the general situation in the country and the progress of the work of the Commission. It is followed by a detailed account of the work of the Commission during the year, and a summary of the results of the work. The report is a valuable contribution to the knowledge of the situation in the country and the progress of the work of the Commission.

The second part of the report deals with the work of the Commission during the year. It is a detailed account of the work of the Commission during the year, and a summary of the results of the work. The report is a valuable contribution to the knowledge of the situation in the country and the progress of the work of the Commission.

The third part of the report deals with the work of the Commission during the year. It is a detailed account of the work of the Commission during the year, and a summary of the results of the work. The report is a valuable contribution to the knowledge of the situation in the country and the progress of the work of the Commission.

RECEIVED BY THE SECRETARY OF STATE  
17 DEC 1952