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This is for discussion at  
your meeting on Thursday.May John Moore  
accompany Nigel Lawson?

Yes not Mrs 21/1

## NCB PIT CLOSURES

As foreshadowed in my minute of 10 December, I am writing to report on the NCB's considered proposals on closures, which I discussed with Norman Siddall on 21 December and 17 January, and to set out my own recommendations.

The Board's prospects have recently deteriorated sharply with the loss of 2mt of paid-for sales to the CEGB in 1983 and some loss of sales as well as lower prices in other markets. This is fundamentally a result of the weakening of world energy prices and the recession. While the Board are taking remedial action to reduce these losses, their losses before deficit grant in 1983/84 now look like being at least £500m compared with the £410m expected when the EFL was set as recently as last October. Unless remedial action is taken these losses will grow progressively in the years ahead. On the plus side, however, recent events have shown a reluctance on the part of the miners themselves to strike, while Scargill, though by no means a spent force, no longer has the standing in the industry he had when he secured the Presidency of the NUM by a landslide only a year ago.

The Board are therefore convinced that the rate of closures should be speeded up. Basically there are two alternative strategies for the period immediately ahead. The first is to pursue the fastest programme of closures which is consistent, in the Board's view, with the probable avoidance of a national strike. The second is to attempt to close 10mt of loss-making capacity or even more in 1983/84, accepting the near certainty of a national strike as soon as the NUM realises what is happening. That course would have to be based on the belief that the Coal Board is now, unlike in February 1981, in a position to win, or to avoid losing, any such strike.



Norman Siddall and his colleagues advocate the first of these two options for the period immediately ahead. In the present circumstances I agree with them. I have little doubt that, if we are to have any chance of returning the coal industry to something approaching viability within the next 5 years, the second option is essential. However, the time to embark on it is as soon as possible after an election, and not in the year immediately preceding one. In addition, the Board will then have accustomed the miners to accepting a higher rate of closures on economic rather than exhaustion grounds:

It is impossible as it would be imprudent to attach a precise figure to the number of closures in 1983/84 under the Board's preferred strategy. Roughly speaking it could amount to double the 2mt a year of capacity that has been closed over the past decade including mergers and partial closures, but it could be more or less than this. To minimise the risk of immediate national strike action and to maximise the chances of closing uneconomic capacity the Board will want to take it step by step and play it by ear.

The Board envisage that during the next year or so most of the closures will be in Scotland and (in particular) South Wales, where, of course, there is a high proportion of loss-making pits. In the Board's view this strategy, while making strike action in Scotland and/or South Wales quite likely, significantly reduces the chances of the central belt of the English coalfield coming out and thus resulting in a national strike. And, of course, a local strike confined to Scotland or South Wales would probably benefit the NCB's finances, given the heavy losses at present being made there from deep mining. I will, of course, keep colleagues informed of the Board's precise plans, pit by pit, as they develop.

Although, in Norman Siddall's considered view, the preferred strategy will not provoke a national strike, and indeed has been specifically designed not to do so, Scargill will do everything he can to foment and escalate disputes. If therefore, we wish the Board to embark on this strategy they must know that we are prepared, if need be, to face a national strike and to give the Board wholehearted support in fighting and winning any such strike. To this end, we must continue taking maximum precautions to maintain endurance at power stations. I have minuted separately on this issue. But there is no way of eliminating the risk of a






strike altogether, short of confining closures to the small number of pits that the NUM agrees have reached exhaustion, which would be unacceptable both to the Board and to ourselves. In my view, the risk is worth taking. If contrary to Norman Siddall's educated guess, the proposed strategy were to lead to a national strike, it would be widely seen as totally unreasonable and the NUM's support from other unions and the general public is likely to be minimal. By contrast, a policy of closing upwards of 10mt of capacity in 1983/84 would be seen as a dramatic change in the Board's approach and is likely not only to be highly provocative to the miners but also to receive less support from the general public.

The Board plan on a reduction in manpower of some 15,000 in 1983/84, although many of these would come from continuing pits. There would be very few compulsory redundancies. The Board's strategy for closures could eliminate losses of up to £100m in a full year. This relatively low figure compared with the present scale of the Board's losses emphasises that this strategy is but the first step in what will need to be a sustained programme lasting a number of years. But it is the success of this first step that will make subsequent steps possible.

I am sending copies of this minute to the Chancellor of the Exchequer, the Home Secretary, the Secretaries of State for Scotland, Wales and Employment, Sir Robert Armstrong and Mr Sparrow.

S. D.   
Approved by the  
SECRETARY OF STATE FOR ENERGY  
and signed in his absence

21 January 1983



