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PRIME MINISTER

NCB Pit Closures

BACKGROUND

The papers for your meeting tomorrow on NCB pit closures are the minutes to you from the Secretary of State for Energy of \_\_\_\_\_

- Flag A
- a. 21 January, outlining the NCB's proposed strategy on closures and his own recommendations; and
  - Flag B  
b. 18 January, summarising likely power station endurance this year.

Flag C

The letter of 21 January from the Parliamentary Under Secretary of State, Department of Energy (Mr Moore) to the Chancellor of the Exchequer, which was copied to you, provides relevant background information on the present state of play on the most contentious extant pit closures.

2. The need for substantial pit closures is not in dispute either as between Departments or as between the Government and the NCB; there is no other way in which the Board's substantial financial losses, which, as the Secretary of State reports in his minute continue to increase sharply, might be contained and perhaps eventually reduced. But the speed and extent of pit closures clearly has to be balanced against the risk of a national strike.

MAIN ISSUES

3. The main issue for Ministers at this stage is what should be the strategy for pit closures in 1983/84. The Secretary of State for Energy also touches on the question of the desirable rate of closures in the longer term but does not seek any decisions at this stage.

The immediate future

4. In the recent past the NCB has achieved the closure of some 2 million tonnes \_\_\_\_\_



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of capacity per annum, mostly on the grounds that the reserves of the pits concerned were exhausted. Most of these closures have proved uncontroversial, even since Mr Scargill assumed the Presidency of the National Union of Mineworkers (NUM). However, the scope for continuing to base closures on exhaustion - however widely defined - is limited; and to continue with the closure programme of some 2 million tonnes capacity per annum would be most unlikely even to contain the NCB's financial losses, let alone allow a start to be made on reducing them. The NCB's view, therefore, is that a faster rate of closures is essential. Their judgement is that roughly doubling the present rate of closures (ie a programme of 3-4 million tonnes per annum) is the most that can realistically be achieved in the near future without running a serious risk of a national strike.

5. The Board's tactics have broadly four aspects, namely:

- a. To concentrate closures initially in those areas where the scale of losses is recognised to be extremely high, ie mainly Scotland and South Wales, and to avoid any closure proposals in central England or in pits which the miners could reasonably present as profitable in some sense.
- b. To be seen to be flexible about particular closure proposals and, in particular, to be ready to consider carefully any counter proposals for economies put forward by the NUM or the workforce.
- c. To ensure that closures in some areas are accompanied by well publicised investment proposals in profitable areas.
- d. To move only gradually, so as to ensure that a higher rate of closures becomes acceptable to both the miners and the general public.

Their judgement is that these tactics will avoid the danger of a national strike, since they see little prospect that miners in profitable pits will be prepared to engage in a lengthy strike over closures in demonstrably unprofitable areas. There is, of course, a risk of local industrial action, but the Board judges that this could be contained and need not be damaging provided that it does not emerge on too many fronts simultaneously.



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6. Their proposal, therefore, is roughly to double the present rate of closures, ie a programme of 3-4 million tonnes per annum. This would involve the closure of perhaps 10 pits, about half of which would be in South Wales with the remainder equally divided between Scotland and the ~~Norther~~ East; there might also be a number of mergers of pits involving reductions in capacity and manpower but not actual closures. Overall, some 15,000 jobs per annum would be lost, but without the need for more than a few compulsory redundancies. The Board thinks that a programme of this size might have enabled them to break even by 1986-87, before the recent deterioration in their prospects. However, in practice the financial consequences can only be guessed at; much will depend on the rate of closures that the Board actually manages to achieve. It seems likely that this sort of programme would contain and probably significantly reduce the scale of the Board's losses; but it would by no means eliminate them.

7. The Secretary of State's minute deliberately does not set out any form of blueprint for the closure programme over the next 18 months or so. His view, which the NCB fully shares, is that the Board will have to be opportunistic to a very large degree. As the letter from the Parliamentary Under Secretary of State, Department of Energy, demonstrates progress is possible, although some tactical retreats may well be necessary. Moreover, although the Board has a broad idea of how it would like to proceed, unforeseen opportunities to achieve closures quickly may well arise, which it will want to seize. For these reasons, the NCB is not seeking endorsement of a detailed closure plan, and neither is the Secretary of State. On balance this seems the right approach. There is, of course, the danger that it will result in fewer closures than originally hoped for. But if that proves to be the case it does not seem likely to be because the NCB lacks the resolution but because they judge that the risks of a national strike are becoming too great.

#### Power station endurance

8. As the Secretary of State points out, the risk of a national strike on this issue cannot be completely discounted. He argues that if this situation does arise the Government must be prepared to face a national strike and to do everything it can to help the NCB to win it.



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9. As the Secretary of State's minute of 18 January demonstrates, power station coal stocks are now equivalent to something over 20 weeks endurance and the peak endurance level of some 27 weeks will be reached in May/June. These assessments take account of the likely scope for replenishing power stations' stocks of ancillary materials, especially lighting-up oil. The Department of Energy is confident that these levels of endurance could be achieved in practice.

The longer term

10. The Secretary of State's minute does not deal in any detail with the longer term, although he indicates that a closure rate of 10 million tonnes capacity per annum or more would be required if the Government's objective for the NCB were to return to viability within the next 5 years or so. No final decisions are required on these issues at this stage. You may therefore wish to defer discussion on what the longer term closure rate should be. More work needs to be done on the available options including the job losses involved both nationally and locally and the contributions which the various options would make to improving the NCB's viability. These options also need to be considered against an assessment of the scope for further improving power station endurance in the longer term on which the Official Group on Coal will be submitting a report to Ministers by Easter.

HANDLING

11. You will want to invite the Secretary of State for Energy to speak to his minutes. The Chancellor of the Exchequer and the Chief Secretary, Treasury will wish to comment on the public expenditure implications of the Secretary of State's recommendations; and the Secretary of State for Employment on the industrial relations implications.

CONCLUSIONS

12. You will want to reach conclusions on the following matters:



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- a. whether, as the Secretary of State for Energy proposes, the strategy for pit closures in 1983/84 should be to aim at around double the 2 million tonnes a year rate of the past decade;
  
- b. whether Ministers should review later this year the options for the desirable closure rate in the longer term.

*PLG*

P L GREGSON

26 January 1983