



10 DOWNING STREET

From the Private Secretary

27 January 1983

Pit Closures

The Prime Minister took a meeting this morning to consider the issues raised in your Secretary of State's minute of 21 January on pit closures. As well as your Secretary of State, the Home Secretary, the Chancellor of the Exchequer, the Secretaries of State for Scotland, Wales and Employment, the Chief Secretary, Treasury, the Parliamentary Under Secretary of State, Department of Energy (Mr. Moore), Mr. John Sparrow, Sir Robert Armstrong and Mr. Peter Gregson were present.

The following were the main points made in discussion:

- a. Although the NCB's preferred strategy had been designed on the basis that it should provide a better than even chance of avoiding a national strike, this could not be guaranteed. If the Government endorsed the NCB's preferred strategy, it would have to be on the understanding that the Government acknowledged that the risk of a national strike could not be ruled out, and would not withdraw support from the strategy if this risk materialised.
- b. Many of the pits most vulnerable to closure in 1983/84 would be in Scotland and Wales. This was inevitable since the worst losses were being made in those areas; moreover, any local strikes confined to Scotland and Wales would probably benefit rather than harm the NCB's finances because of the heavy losses being made in those areas.
- c. The proposed closures in South Wales might be more readily accepted if the NCB was able to announce plans for future investment elsewhere in that coalfield. It was recognised that it would be wrong to encourage the NCB to undertake uneconomic investment, but there might be some scope for getting maximum credit for such investment in South Wales as the NCB was already contemplating. The NCB was already aware of the need to handle the closures in South Wales with political skill. In the overall national context, it was intended to combine the closure proposals with proposals for significant new investment in the English coalfields, for example at Asfordby, if approval for that project could be given soon.

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d. It was suggested that some of the pits which the NCB proposed to close might be suitable for offering to the workforce on a "buy-out" basis. The difficulty was however that the pits had been declared by the NCB to be uneconomic and the workforce had not contested this but had rather argued that the pits should be kept in operation on a subsidised basis.

e. Although it was generally agreed that a more rapid closure strategy than that proposed would not be desirable in 1983/84, the longer term strategy would need to be considered in due course. This could usefully take account of the analysis - which was arguably based on some highly optimistic assumptions - of the NCB's financial prospects which would inevitably arise in the course of the examination of the NCB's draft corporate plan. The further work by the Official Group on Coal (MISC 57) on the scope for extending power station endurance in the longer term would also be relevant.

f. It was noted that the forthcoming Monopoly and Mergers Commission report on the NCB would show that 20 million tonnes of capacity was permanently uneconomic, and that a further 20 million tonnes was marginal. It would be important to get these points across as an illustration of the impact of the coal industry in its present state on industrial costs and jobs.

The Prime Minister, summing up the discussion, said that the meeting fully endorsed the proposed pit closure strategy for 1983/84 set out in the minute of 21 January from the Secretary of State for Energy. The strategy for the longer term would need to be considered at a later date. Meanwhile all necessary work should proceed on exploring the scope for further increasing power station endurance in the longer term.

I am sending copies of this letter to John Halliday (Home Office), John Kerr (HM Treasury), Muir Russell (Scottish Office), Adam Peat (Welsh Office), Barnaby Shaw (Department of Employment), John Gieve (Chief Secretary's Office), Mike Seeney (Mr. Moore's Office, Energy), Gerry Spence (CPRS), Richard Hatfield (Cabinet Office) and Peter Gregson (Cabinet Office). I would be grateful if you and they would ensure that this letter is given the usual very restricted circulation.

Julian West, Esq.,
Department of Energy.

NOTE OF A MEETING HELD AT 10 DOWNING STREET ON THURSDAY 27 JANUARY AT 11.40AM
TO DISCUSS NCB PIT CLOSURES

Present

Prime Minister
Home Secretary
Chancellor of the Exchequer
Secretary of State for Scotland
Secretary of State for Wales
Chief Secretary, Treasury
Secretary of State for Energy
Secretary of State for Employment
Parliamentary Under Secretary of State,
Department of Energy (Mr Moore)
Mr Sparrow

Sir Robert Armstrong
Mr P L Gregson

The meeting considered the minute from the Secretary of State for Energy to the Prime Minister dated 21 January setting out a preferred strategy for pit closures by the National Coal Board (NCB) in 1983/84.

The following main points were made in discussion:

a. Although the NCB's preferred strategy had been designed on the basis that it should provide a better than even chance of avoiding a national strike, this could not be guaranteed. If the Government endorsed the NCB's preferred strategy, it would have to be on the understanding that the Government acknowledged that the risk of a national strike could not be ruled out, and would not withdraw support from the strategy if this risk materialised.

b. *Many* Most of the pits *most vulnerable to* ~~scheduled~~ for closure in 1983/84 would be in Scotland and Wales. This was inevitable since the worst losses were being made in those areas; moreover, any local strikes confined to Scotland and Wales would probably benefit rather than harm the NCB's finances because of the heavy losses being made in those areas.

In public presentation however it would be important not to suggest that there was a deliberate plan to concentrate closures on Scotland and Wales.

c. The proposed closures in South Wales might be more readily accepted if the NCB was able to announce plans for future investment elsewhere in that coalfield. It was recognised that it would be wrong to encourage the NCB to undertake uneconomic investment, but there might be some scope for getting maximum credit for such investment in South Wales as the NCB was already contemplating. The NCB was already aware of the need to handle the closures in South Wales with political skill. In the overall national context, it was intended to combine the closure proposals with proposals for significant new investment in the English coalfields, for example at Asfordby, if approval for that project could be given soon.

d. It was suggested that some of the pits which the NCB proposed to close might be suitable for offering to the workforce on a "buy-out" basis. The difficulty was however that the pits had been declared by the NCB to be uneconomic and the workforce had not contested this but had rather argued that the pits should be kept in operation on a subsidised basis.

e. Although it was generally agreed that a more rapid closure strategy than that proposed would not be desirable in 1983/84, the longer term strategy would need to be considered in due course. This could usefully take account of the analysis of the NCB's financial prospects which would inevitably arise in the course of the examination of the NCB's draft corporate plan. The further work by the Official Group on Coal (MISC 57) on the scope for extending power station endurance in the longer term would also be relevant.

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The Prime Minister, summing up the discussion, said that the meeting fully endorsed the proposed pit closure strategy for 1983/84 set out in the minute of 21 January from the Secretary of State for Energy. The closure strategy for the longer term would need to be considered at a later date. Meanwhile all necessary work should proceed on exploring the scope for further increasing power station endurance in the longer term.

f. It was noted that the thought.