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Prime Minister
MR TURNBULL

8 March 1985

COAL DISPUTE - ENDURANCE, AND NEW COLLIERY REVIEW PROCEDURE

1. Power Station Endurance Post Dispute

Energy plan to reduce the oil burn in power stations to normal levels during March. About 500,000 tonnes of unused oil will be stored through the Summer and consumed in the Autumn. The aim of stock movements will be to enter next Winter with power station coal stocks distributed at the right locations - all at minimum cost to the PSBR.

With the cross-Channel electricity link with France and additional nuclear capacity, this plan should result in power station endurance at the start of next Winter of about 6 months (22-24 million tonnes). That assumes a steady return to normality in the NCB, the import of CEGB's Rotterdam coal stocks and 1 million tonnes of other coal imports.

There are two important policy questions:

- are additional and expensive measures needed to give us more endurance for next Winter?
- should we act now to restructure the coal industry, including the closure of uneconomic pits?

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There is no need to initiate expensive exceptional measures to increase endurance beyond the 6 months planned - at least not yet. But we should watch the weekly trends in industrial relations and output in the NCB over the next few months. If the climate is bad, and the outlook for next Winter ominous, pre-Winter endurance can and should be boosted rapidly by increasing the oil burn and/or importing more coal.

We must go ahead quickly with restructuring. Endurance can always be bought - at a price. A restructured coal industry with a profitable long-term future is, by comparison, priceless. And we are now in a unique position to succeed.

2. New Colliery Review Procedure

Press on with the new Colliery Review Procedure, but do not let it impede the restructuring of the industry. Nor should the Procedure compromise the NCB's responsibility to conduct its operations as a commercial business subject to the normal disciplines of the market.

The method for this does not appear to be at issue within Government or the NCB:

- The terms of reference for the Review Body should make clear that the scope of its advice to the NCB must be based on business considerations, and not on wider socio-economic issues.

- As foreseen in the NACODS agreement, the Review Body will be constituted at a national level.

- The duration of individual reviews must be limited to 3-5 weeks.

- The Review Body should be small, authoritative and independent - not a representative gathering of partisan nominees from the various factions. The Chairman should be in the mould of a Public Inquiry Inspector, charged with providing coherent advice in consultation with the other members of the Review Body.

The more contentious policy questions concern the handling of the restructuring process if it proves impossible to devise a new Review Procedure acceptable to the various parties. Presentationally, it is important that the NCB should be seen to strive constructively for a sensible new Procedure. Whatever the outcome, the NCB must not be deterred from pressing ahead with restructuring the coal industry, if necessary under existing procedures. The NCB should aim at least to shed as much capacity in 1985/6 as was originally planned over the years 1984/5 and 1985/6. It is better to import coal for stockbuilding than throw good money after bad into reviving pits which have no future. And better still to move rapidly to a big opencast industry, if possible with private capital.

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Conclusion

1. press on with restructuring;
2. follow Department of Energy's ideas on Endurance but monitor carefully and be prepared to burn more oil if necessary;
3. hasten the Review Procedure;
4. expand opencast.

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