



10 DOWNING STREET

From the Private Secretary

26 April 1985

Dear Michael

COAL INDUSTRY

There are a number of issues on the coal industry which Ministers will need to consider in the coming months and for which it is necessary to agree a timetable for the work involved. When your Secretary of State came to see the Prime Minister on Wednesday on another subject, she raised a number of these issues with him.

(i) Replenishment of power station stocks

Your Secretary of State reported that NCB and CEBG had agreed a schedule of deliveries which would achieve 22.9 mt at power stations by end October. The Prime Minister wondered whether this was sufficient and suggested 28 mt. Your Secretary of State replied that when this had been discussed in March a target of six months' endurance had been set which 23 mt would provide. The Prime Minister would be grateful if your Secretary of State could consider the logistic and financial implications of aiming at a higher target.

(ii) Extending power station endurance

Ministers will need to consider a variety of options eg expansion of inter-connectors, dual firing (whether oil or gas), mixed firing, a further expansion of coal stocks, increased access to alternative coal supplies. The Prime Minister understands that the CEBG is engaged on a major technical appraisal of the options which is unlikely to be ready before early June.

(iii) NCB Programme for closures and redundancies

Your Secretary of State told the Prime Minister that NCB had still not set clear objectives for closures and redundancies for the next two years. He suggested that the Prime Minister might meet the Chairman to discuss his plans. This would need to be preceded by a meeting of Ministers.

(iv) Acceleration of open cast development

There are two separate issues; first, securing an adequate flow of planning consents, and secondly, the

priority which the NCB gives to open cast operations. On the first, advice is expected shortly from Sir Robert Armstrong, after which a meeting will be arranged with your Secretary of State and the Secretary of State for the Environment. The second can be dealt with in the context of (iii) above.

(v) Longer term structure of the coal industry

The Prime Minister is anxious that work should be set in hand on the longer term structure of the coal industry to consider such issues as regionalisation, privatisation, joint ventures and the hiving off of open cast operations.

(vi) Personnel changes on the NCB

Ministers will need to consider the successor to the Deputy Chairman and the consequential managerial changes.

The Prime Minister would be grateful for advice from your Secretary of State on a timetable for dealing with these issues.

I am copying this letter to Rachel Lomax (HM Treasury, copy no. 2) and to Peter Gregson (Cabinet Office, copy no. 3). Please could you ensure that it is shown only to those who need to know of its contents.

Yours sincerely

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