10 DOWNING STREET

Prime Minister (2)

If the strike does end next week, Ministers will soon need to review the Board's policy for closures and redundancies. As a first step a meeting has been arranged for 11 March to discuss the modified colliery review procedure.

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PRIME MINISTER 1 March 1985

COAL DISPUTE

The theme which you expounded at MISC 101 will have wide appeal:

- The miners have been misled by the NUM Executive. Scargill's Luddite challenge to the Government has captured hearts but not minds. The average miner knows that there is no future for an industry which has lost touch with commercial and economic reality.

- Scargill's ultimate folly was to reject out of hand the recent NCB/TUC proposal. Since the TUC had endorsed that proposal, striking miners can feel released from their loyalties to the NUM leadership and free to vote with their feet. The Government can stand back and let them do so.

Some would see the imminent walk-back as a messy end; inferior to a clean settlement based on the NCB/TUC proposal; a recipe for continuing guerilla warfare. But there are substantial advantages. This form of end would give you the most favourable outcome psychologically and symbolically. It should also put the NCB in the best position to restructure the industry on a sound commercial basis.

A negotiated settlement, based on the NCB/TUC proposal, would be a dangerous starting point. The first risk is that

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the NCB's period of "conciliation and reconstruction" following the settlement will be largely unmanaged, with money and other resources being spread around willy nilly without regard to the strategic needs of the business. The second is that the new Plan for Coal will again be flawed by long-term target-setting, based on wishful thinking. What we need is a plan which concentrates on starting with the right industry structure, rather than attempting to map out an optimistic route through a highly uncertain future.

Copy attached.

The Financial Times of 26 February 1985 gave an encouraging foretaste of the first fruits of Ian MacGregor's stewardship of the NCB. It reports Board agreement to restructuring plans to bring the industry into line with modern business corporations.

The plans envisage decentralisation of authority and initiative to the NCB areas, with profit incentives for area and pit managers, and greatly-increased output incentives for the face workers. Board members have evidently been impressed by the US productivity rate where face workers earning about $40,000 achieve output several times that of British miners on similar faces using similar equipment.

There will be a big cut in the number of headquarters staff, with almost all functions moving out of London to the coal fields; an external recruitment drive for middle and senior managers; and more emphasis on finding new uses for coal and diversifying markets away from the CEGB. All this will further undermine the central monopoly power of the NUM.

With the 50% mark passed, there is a pressing need for the NCB to move on from the seige mentality of the last year to a recovery and reconstruction phase. Lost coal faces will have to be recovered or abandoned. The equipment needs to be retrieved and redeployed. Production teams need to be reformed. The necessarily-limited financial resources available to the NCB should be used to maximum effect.

<u>Suggested Action</u>

It now looks as if the return to work will be so extensive that the remaining pockets of resistance can be ignored. That being so, move quickly and decisively; a "conciliation" period will mean the opposite. Instead:

1. Launch the MacGregor restructuring plans. Peter Walker should back the decentralisation envisaged.

2. Give the miners in those areas which have worked through the dispute the reward for their good sense. Let them be the first to have the opportunity to conclude imaginative new productivity deals. Back-up successful initiatives in this area with the requisite investment.

3. Thereby demonstrate to those who want to continue Scargill's sterile struggle after the return to "work"

that a new and potentially more rewarding game is starting, but under new rules; if they don't want to play, the NCB's limited resources will be deployed elsewhere.

For miners who do want to join the new game but are held back by their colleagues, offer support for relocation and housing in areas which have a future.

4. Rapidly formulate and conclude the modified colliery review procedure with NACODS and any NUM area or pit organisations which are prepared to participate constructively.

5. Resume the pit closure programme, concentrating on those areas where the potential of the pits and the attitude of the miners offer no prospect for a viable commercial future.

6. Ask for early estimates of the cash requirement of the industry. We understand that 1984/5 will see £1,800 million lost.

7. Sell off ancillary businesses and press forward with opencast expansion, possibly using private capital. The NCB should be encouraged to raise some of its capital needs by asset sales.

JMW.

JOHN WYBREW

Cut-price Spain offer by Thomson

By Arthur Sandles

THOMSON Holidays, Britain's biggest tour operator, yesterday launched a new programme of 100,000 low-cost summer holidays in Spain, raising the prospect of a price war in the travel industry for the third year running.

Contracts have been negotiated with Spanish hoteliers for a proportion of rooms at revised low rates. Instead of cuts across the board, a new brochure has been produced, and the old brochure remains valid.

The holidays represent a substantial reduction on Thomson's normal prices and the highest discount is £144 on a two-week holiday. Customers will not be able to specify their hotel. That will be allocated on arrival in Spain. The prices may not be as spectacular as they seem at first as they are subject to surcharges.

Thomson said: "It is much easier for us to consolidate flights if we have, say, five going on the same day to the same place. Smaller operators have a much bigger problem."

Intasun, second in size to Thomson, said it was surprised by its rival's move. "All our divisions had a better booking period last week than a year ago. We said things would pick up late and they have. We still think there will be a shortage of holidays in the high season."

Intasun's reaction to the Thomson offer has been to rush out a range of low-price early season offers which were not going to be published for at least another week. "These will not only be cheaper than Thomson's prices, but will include any surcharges," Intasun said.

Although Thomson said it had cut its flying programme by only 7 per cent, Intasun argued that the cuts were much heavier. "We have analysed their brochures and reckon they have cut out 30 series." A series is a once-a-week round-trip flight from a UK airport.

Giving reasons for the new launch, Mr John MacNeil, managing director of Thomson Holidays, said: "The market is down by about 30 per cent compared with last year. Thomson's own performance is very much in line with the rest."

NCB agrees restructuring plans

BY JOHN LLOYD, INDUSTRIAL EDITOR

FAR-REACHING plans to restructure the management and production methods of the National Coal Board have been broadly agreed by board members. Implementation awaits the end of the miners' strike. The plans include:

- Decentralisation of authority and initiative to the NCB areas, with profit incentives for area and pit managers and greatly increased output incentives for face workers.
- A big cut in the number of headquarters staff, with almost all functions moved out of London to the coalfields.
- Much more emphasis on finding new forms of coal use and diversifying markets away from the Central Electricity Generating Board.
- Recruitment of middle and senior managers externally.

The principal object of the plans, which have been discussed by the board throughout the 51-week strike, has been to lay the foundations for an industry much more in keeping with a conventional, modern business corporation than with the NCB. This remains relatively cumbersome, dependant as it is on consensual management/union committee structures.

Mr Ian MacGregor, the NCB chairman, sees his task as completing the restructuring of management by pushing power and initiative down to his area and pit managers. These could have their salaries supplemented by bonuses based on the profits they achieve, or, in many cases, from reducing the losses they make.

The board has identified the faceworker as the key operative in the industry. It believes incentives should be much higher to obtain a production rate double or more than its present level.

Board members have been impressed by the U.S. productivity rate, where faceworkers, earning about $40,000 (£37,932) a year, achieve output several times that of British miners on similar faces using similar equipment.

However, the board acknowledges this would mean the National Union of Mineworkers dropping its insistence on a rigid relativity between faceworkers and other workers. Instead, it would have to be prepared to accept that faceworkers, as the "aristocrats" of the pits, would receive aristocratic wages. Other workers, by contrast, would receive wages determined more by market forces.

Much of the operational success of the plans would depend on a mineworkers' union which acknowledged the central importance of such issues as profit and marketing. The board believes such a state of affairs may emerge after the dispute if the present unions leadership is seen to be defeated.

Decentralisation of authority would not extend so far as wholly to devolve to the areas such functions as marketing. It is recognised that the CEGB's dominance of the NCB's market means a central customer must be centrally serviced.

The board believes the 70 per cent of output taken by the CEGB will tend to fall, and it is therefore urgently examining new coal markets. However the twin possibilities of coal gasification and liquefaction, considered since the mid-70s as holding the biggest potential for the late 20th century and beyond, are now thought to offer little prospect.

Instead, the board believes that coal slurry—coal dust carried in a liquid—could in time replace heavy fuel oil like diesel for such uses as fuelling ships' boilers. Careful consideration is being given to the possibility of carrying slurry in pipes from the pits to terminals, although it is acknowledged that the major commercial use of slurry has yet to be proven.

The board's Hobart House headquarters, near Buckingham Palace, is regarded as an extravagance. It is envisaged that only the chairman, the finance director and about 12 staff should stay in London.

U.S. delays Japan trade talks

BY JUREK MARTIN IN TOKYO

THE U.S. has called off talks, due to start in Tokyo today, on American access to a more liberalised Japanese telecommunications market.

Mr Malcolm Baldrige, U.S. Commerce Secretary, said in Washington that he had postponed the talks until the Japanese were more ready to discuss "specifics."

He said it was clear the Japanese were so far only ready to discuss the issue in a theoretical fashion.

A U.S. official was quoted in Tokyo as saying that the gap between the two sides was still "too wide" after last week's exchanges in Washington with the Japanese Ministry of Post and Telecommunications.

The U.S. has attached particular importance to telecommunications in its present round of trade negotiations with Japan. The two sides are bound to reconvene discussions soon—probably in the next two weeks—and it is thought likely that the U.S. postponement is designed to increase pressure on Japan.

The U.S. also seems to have concluded that this week's talks would have served little purpose because Japan has yet to divulge details of one key document. This is the legislation being drawn up by the Japanese Ministry on a telecommunications regime due to be in place by April 1.

Last week, the Ministry said it would make available to the U.S. a summary of the proposed Bill early next month. A fortnight ago, Mr Bill Brock, U.S. Trade Representative, complained in Tokyo tht it was unreasonable that the substance of such important legislation remained secret only weeks before it was due to become law.

On April 1, the current state monopoly, Nippon Telegraph and Telephone, is to be transformed into a private company, but it will still be under government control.

Nancy Dunne writes from Washington: U.S.-Japanese talks in Tokyo on liberalisation of forest products trade, another key interest for the U.S.—broke down yesterday. The subject may be referred to the next round of ministerial talks.

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES		
Albion	31	+ 4
Amstrad	80	+ 6
Avon Rubber	291	+ 6
Brammer	322	+ 8
Caledonian Offshore	285	+ 30
Cape Inds	45	+ 11
Good Relations	228	+ 28
Insight	120	+ 8
Invent Energy	710	+ 50
Leyland Paint	37	+ 3
Lyle Shipping	14½	+ 2½
Solicitors Law	50	+ 8
The Times Veneer	37	+ 5

FALLS		
Antofagasta Hldgs	220	− 50
BAT Inds	338	− 17
BICC	227	− 6
De Beers Defd	392	− 10
F. S. Geduld	£17⅜	− 1½
Grand Metropolitan	280	− 8
Horizon Travel	135	− 5
Intasun Leisure	102	− 10
Ladbroke	255	− 7
McAlpine (Alfred)	236	− 16

Miners

Continued from Page 1

panied by Mr Peter Heathfield, the general secretary, and Mr Mick McGahey the vice president, failed to get the agreement they sought to a four-point statement endorsing the NUM's negotiating position.

Mr Scargill charged the TUC with failing to provide the industrial support it had promised under the resolution passed by Congress last year attempt to raise increased financial support from the unions to help alleviate hardship in the mining areas.

There is no prospect however of a further TUC initiative for more talks in the near future. The rejection last week by the NUM executive of the concessions obtained by the seven-man TUC liaison group has made Mr Willis and his