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PRIME MINISTER

12 June 1985

OPEN-CAST COAL

Total UK coal production from open-cast sites is about 15 mt pa, ie 13% of UK coal demand prior to the NUM dispute. The 50-odd large sites, owned and managed by the NCB, using contractors to carry out the work, produce 14 of the 15 mt annual output.

For the large NCB-managed sites, planning consents are obtained by the NCB, usually in accordance with a long-term programme. The remaining 1 mt or so of coal is produced from another 50-odd small open-cast sites licensed by the NCB, and managed and operated by the private sector. In this case, the private sector companies apply for planning permission, having first obtained an indication from the NCB that a licence will be forthcoming.

Open cast mining is profitable. The coal is often of high quality. The large NCB-managed sites cover their costs and contribute £6-26 per tonne to NCB's overheads. The small licensed sites give NCB a royalty of £16 per tonne. In 1983/4 open-cast mining gave NCB an operating profit of £211 million.

Realising the potential of the open-cast mining sector is critical to NCB's objective of achieving financial break-even by 1987/8. Ian MacGregor presumably recognises this, but his

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industry is still dominated by a deep-mining mentality which tends to regard open-cast coal production more as a threat than a premium sector of the business; the greater the market share of open-cast capacity, the stronger are the pressures to shut down uneconomic or marginal deep-mined pits with all the attendant problems.

Leave aside the greater opportunity now afforded for political obstruction to planning permissions for open-cast sites, there is a genuine environmental trade-off to be struck. Disposal of the coal by a stream of heavy lorries is usually the most disruptive factor. Politically, it would be wrong to reverse the 1983 decision to bring the planning procedure for open-cast mining into line with other mineral operations. The Government would be exposed to the charge of protecting the environment of the wealthy South, whilst short-circuiting the normal processes in the North. Given the profitability of open-cast mines, it is worth making reasonable concessions to avoid the more damaging environmental impacts, for example, disposal by a rail link or the construction of small bypasses.

### Conclusions

Robert Armstrong's proposal that the NCB should assiduously pursue their planning applications within the processes now established, is right. Politically-motivated local authorities may be a source of some delay, but they

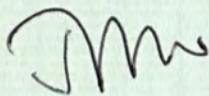


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cannot ultimately obstruct planning consent where the grounds are reasonable.

As regards the suspicion that the NCB are only half-hearted open-cast miners, you might ask Peter Walker to ensure that the NCB are exploiting to the full the existing potential of open-cast sites managed by themselves, and are not being dog in the manger in issuing licences to small private sector operators. The profitability and flexibility of open-cast mining means that this should be a prime feature of the Corporate Plan, which will be taking shape later this year.



JOHN WYBREW

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