

GC/BG

Prime Minister 2

JAW

21/3.

01 211 6402

The Rt Hon John MacGregor OBE MP
 Chief Secretary
 Treasury Chambers
 Parliament Street
 LONDON
 SW1P 3AG

Could have
 a more detailed
 explanation of

18 March 1986

Dear Chief Secretary,

REDUNDANT MINeworkERS' PAYMENTS SCHEME

Thank you for your letter of 13 February.

The treatment of accumulated liabilities on RMPS and Social Costs is a matter we will need to settle for the Coal Industry Bill in the light of the Board's financial projections. I must point out, however, that the sums involved are substantial. Moreover, they include significant elements of 'staged funding' of capital sums already credited, with our agreement, to the Board's accounts for earlier years. We could not refuse to pay further instalments without a breach of faith.

I propose that the announcement of the ending of RMPS for redundancies after March 1987 should be made during the debate introducing the draft 1986 RMPS Order (likely to be on 25 or 26 March). This should be unambiguous; but given the uncertainties created by the oil price collapse I feel it would be better at the present time not to play up the point in a way which would provoke speculation on likely numbers of closures and redundancies after that date. I propose, therefore, that this should so far as possible be limited to including within the opening statement remarks to the effect that:

"The Scheme introduced by the 1986 RMPS Order will be effective to the end of the National Coal Board's 1986/7 financial year, when the power to make Schemes under the 1977 Coal Industry Act expires. It is not the Government's present intention to introduce new legislation extending beyond that date the power to make Schemes".

If pressed on what this means for beneficiaries under earlier Orders we would take the line that:

"It will not affect the entitlement to continuing benefits, as provided under the relevant statutory instrument, of those who left the industry before 29 March 1987".

Copies of this go to the recipients of your letter.

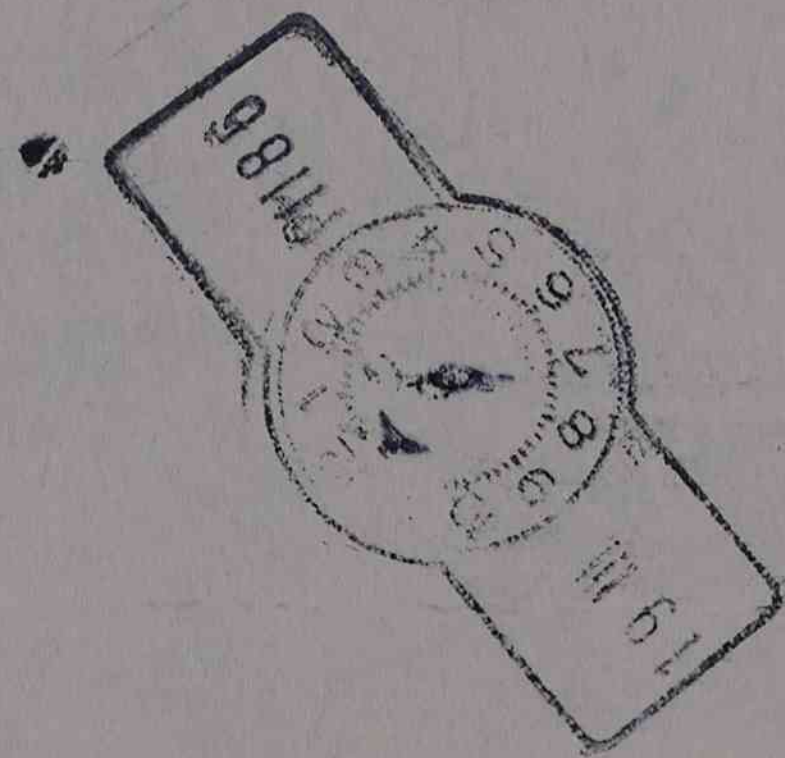
Yours sincerely, *(Signature)*

(Approved by the SOS but signed
 in his absence.)

PP

PETER WALKER

NATIND: Coal: PE 19.



CONFIDENTIAL



M B P N

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Peter Walker MBE MP
 Secretary of State for Energy
 Department of Energy
 Thames House South
 Millbank
 London
 SW1P 4QJ

Dear Peter,

24 March 1986

REDUNDANT MINEWORKERS' PAYMENTS SCHEME

Thank you for your letter of 18 March.

WILL REQUEST IF REQUIRED

I should welcome a statement in the debate on the RMPS Order clarifying our intentions about financing the Scheme. While I understand the sensitivity of the coal industry to the oil price, I wonder whether the cautious wording of your proposed statement would not be just as likely to excite speculation as dampen it. I think it would be preferable to avoid this by deleting the word "present" in the second sentence.

I should hope that you could stall on enquiries about what your statement actually means. You can draw attention to the uncertainties in the energy market and the unwisdom of jumping to hasty conclusions about the detail of the new financial regime for the NCB from 1987-88. We shall in any case have to reach conclusions about the content of the forthcoming Coal Industry Bill over the next few months, so the stalling period would not be protracted.

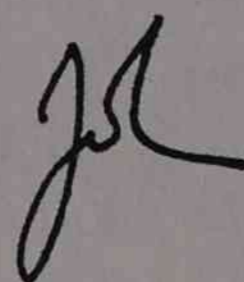
With that in mind, I hope that your answers to questions about existing entitlement to benefit could leave open the possibility of transferring to the NCB the Government's liability to pay continued benefits. This too is something we shall have to settle over the next few months. This could be achieved by deleting the words "as provided under the relevant statutory instrument" and "entitlement to".

CONFIDENTIAL

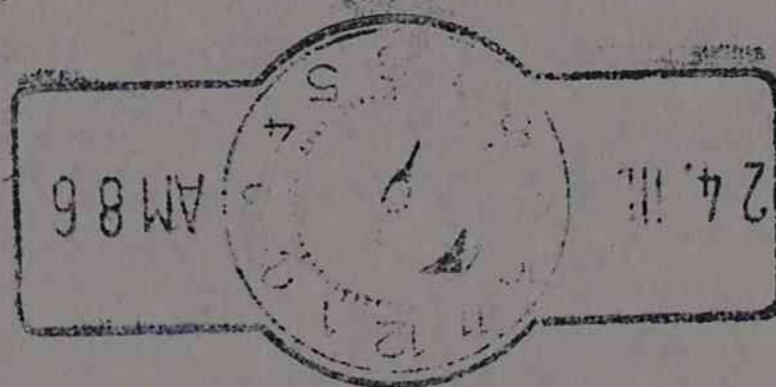
CONFIDENTIAL

I am copying this letter to the Prime Minister,
Norman Fowler, David Young, Paul Channon, Nicholas Ridley,
Malcolm Rifkind, Nicholas Edwards, John Biffen and to
Sir Robert Armstrong.

Yours ever,



JOHN MacGREGOR



CONFIDENTIAL



cc: SG
Prime Minister 2

DW
13/2

Treasury Chambers, Parliament Street, SW1P 3AG
The Rt Hon Peter Walker MBE MP
Secretary of State
Department of Energy
Thames House South
London
SW1P 4QJ

13th February 1986

Dear Peter,

REDUNDANT MINeworkERS' PAYMENT SCHEME

Thank you for your letter of 28th January. I have also seen Malcolm Rifkind's letter of 11 February.

I agree that it is vital to keep up the pressure on the coal industry to reduce capacity in line with market demand. As you know, I had hoped to end direct Government support for this strategy through the RMPS quickly, so that the industry could make its future closure plans flexibly.

However, I accept that keeping the scheme open for only the first part of 1986-87 could be counter-productive if redundancies and the necessary manpower transfers cannot be matched efficiently to the necessary closure patterns. Inevitably it is a matter of judgment how the NCB's objectives on capacity can best be achieved. I am reluctantly prepared to go along with Ian MacGregor's advice that we should do better to hold the scheme open for the whole of 1986-87.

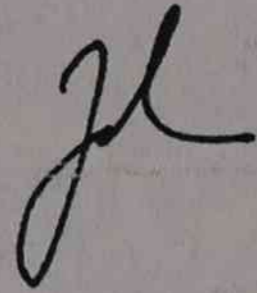
Naturally I still retain some reservations about this course. It would be more satisfactory to judge its effectiveness in helping to achieve a more viable coal industry in the light of the NCB's corporate plan. Yet I appreciate that you need to introduce a statutory instrument to implement the new RMPS terms shortly. But in view of the uncertainties about the future of the coal industry, I think we must defer a decision on how the accumulated liabilities of RMPS and social costs are to be financed. We shall be better able to see how far they can be borne by the NCB when we evaluate the corporate plan.

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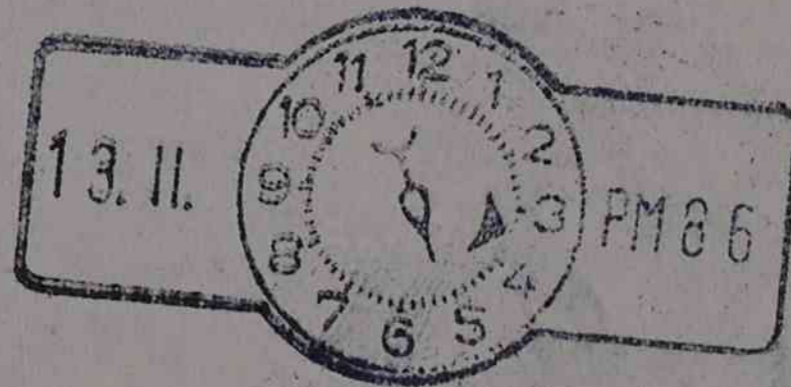
I must therefore ask that your statement on ending the RMPS leaves our options open on this crucial financing point. I should accordingly be grateful if you could agree its terms with me first.

I am copying this letter to the Prime Minister, Norman Fowler, David Young, Paul Channon, Nicholas Ridley, Malcolm Rifkind, Nicholas Edwards, John Biffen and to Sir Robert Armstrong.

Yours ever,



JOHN MacGREGOR





NEW ST. ANDREW'S HOUSE
ST. JAMES CENTRE
EDINBURGH EH1 3SX

CONFIDENTIAL

The Rt Hon John MacGregor OBE MP
Chief Secretary
HM Treasury
Parliament Street
LONDON
SW1P 3AG

// February 1986

N B M

Dear John,

REDUNDANT MINEWORKERS' PAYMENT SCHEME

I have seen Peter Walker's letter of 28 January and write to register my support for his view of March 1987 ^{at that} as the more appropriate operative date for the NCB taking over the Redundant Mineworkers' Payment Scheme.

A generally more realistic and rational view is being taken by the unions of the future of the coal industry and it does not seem particularly useful to put this at risk by appearing to introduce an unduly short deadline for further closures and redundancies.

Copies of this go to the Prime Minister, Peter Walker, Norman Fowler, David Young, Paul Channon, Nicholas Ridley, Nicholas Edwards, John Biffen and Sir Robert Armstrong.

Yours ever,
Malcolm

MALCOLM RIFKIND

NAT IND PT19

Coal.



MARK

A Mr Downey, Fed 1696,
has phoned asking if we
have any comments on the
attached draft.

QF

I do not keep
corres. between
Ministers.

Monica
31 1 86

JJ 4/2

I have signed D/12

& P/E that we would not
want to interfere. The PM
simply said that he would
do what it could.

MEAT 31/1

MR NORGROVE

NBP at this stage
(PW's letter is
already in the box.)

30 January 1986

REDUNDANT MINeworkERS' PAYMENT SCHEME

In his letter of 28 January, Peter Walker seeks Treasury support for an early announcement that the Government-financed RMPS will cease at the end of the financial year 1986/7. So far, the Treasury have reserved the option to advance this termination date by 6 months. In this case, we agree with Peter Walker.

Pending more radical restructuring of the UK coal industry, we need the NCB rapidly to become a market-responsive, commercially-sound business, motivated solely by business objectives and no longer dependent on Government subsidy. Inter alia, this entails the rapid execution of a programme to close surplus uneconomic capacity and shed redundant manpower, and the phasing out of Government financial support.

But there is, at present, a potential conflict between these two objectives. It would be counter-productive to constrain the closure/manpower reduction programme by prematurely terminating the RMPS - particularly now that NCB management appear to accept the business logic of terminating RMPS from March 1987. We should not overlook the psychological impact of Peter Walker's proposed announcement on mineworkers contemplating voluntary redundancy. It is important that the NCB should derive maximum benefit from the momentum behind the closure programme and the surge of voluntary redundancies which is likely to precede the termination of RMPS.

JOHN WYBREW





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CBI

Prime Minister 2

DS

29/1

01 211 6402

The Rt Hon John MacGregor OBE MP
Chief Secretary
H M Treasury
Parliament Street
London
SW1P 3AG

28 January 1986

REDUNDANT MINeworkERS' PAYMENT SCHEME

When we last discussed the above you and I agreed that at a future date it would be correct for the National Coal Board to take on the financial responsibility for the redundancy terms paid to mineworkers. As you know a major readjustment of the industry is successfully taking place. More than 30 pits have either been closed or are going through closure procedures and by the end of the current financial year, if the present progress continues, we will be well on the way to achieving the major adjustment of the industry that is necessary.

I have had long and detailed discussions with Ian MacGregor. He strongly believes that the correct strategy is to achieve a major closure programme during the coming financial year, and to make it clear long before March 1987 that the present Redundant Mineworkers Payment Scheme will end then and that from that date there will be no Government finance scheme and any benefits paid for subsequent redundancies will be determined by the resources of the National Coal Board itself.

In your letter of 16th December you suggested that we should review whether or not the scheme could cease after six months. Both Ian MacGregor and myself are convinced that this would be inadvisable and indeed would not save you money. There would then have to be an attempt to get through the redundancies needed within that six months but this would not be possible without mobilising considerable hostility and without giving the time necessary to strategically deal with the modified procedures that were agreed during the dispute. Ian Macgregor is doing well with his closure programme and I think we must accept his judgement that the best way is to complete the closures in an efficient manner between now and March 1987. I would therefore like your permission to announce



in the near future that the Scheme will come to a final end in
March 1987 so that the whole industry will be aware of this fact.

I am sending copies of this letter to recipients of your earlier
correspondence.

PETER WALKER

NAT IND

COAL

PT 19



SECRET



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16

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Peter Walker MP
Secretary of State for Energy
Department of Energy
Thames House South
Millbank
London
SW1P 4QJ

NBM

18 December 1985

Dear Peter,

REDUNDANT MINEWORKERS' PAYMENT SCHEME

Thank you for your letter of 18 December.

It is helpful that your draft statement avoids committing the Government to funding the RMPS for all of 1986-87. I had hoped that you would also be able to agree to make the changes in the scheme cost neutral. But in expectation of satisfactory agreement on miners' redundancy terms for the future, I am prepared to go along with what you suggest.

On a minor presentational point, I suggest that your draft answer might make it clear that strikers will not be better off than non-strikers—that is, that the Government is in no way making up national insurance contributions not paid during the strike.

Copies of this letter are being sent to the Prime Minister, Norman Fowler, David Young, Leon Brittan, Nicholas Ridley, George Younger, Nicholas Edwards, John Biffen and to Sir Robert Armstrong.

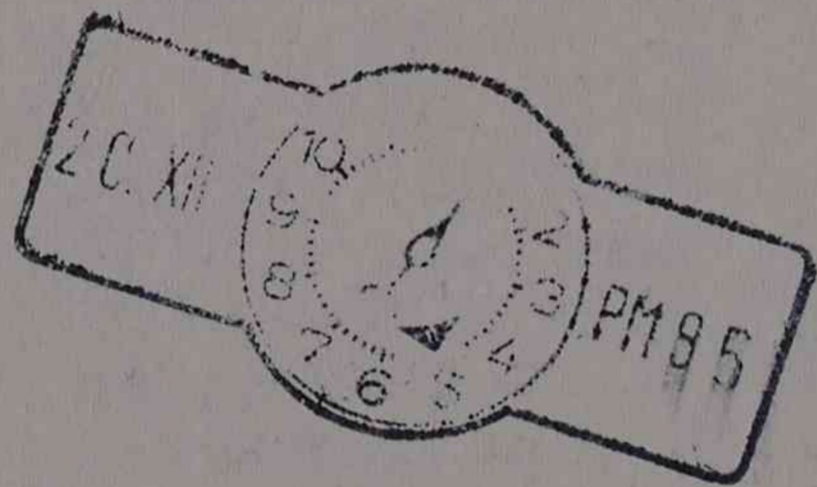
Yours,

JH

JOHN MacGREGOR

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NAT IND: Coal: P619



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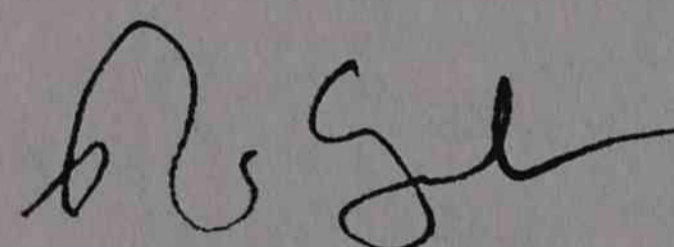
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01 211 6402

The Rt Hon John MacGregor OBE MP
 Chief Secretary
 HM Treasury
 Parliament Street
 LONDON
 SW1P 3AG

Copy No 2 of 12

18 December 1985



REDUNDANCY TERMS FOR MINEWORKERS

FILE WITH DRW

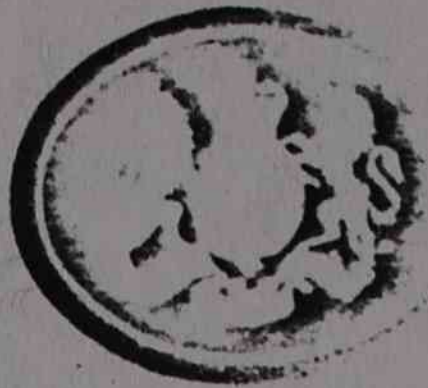
Thank you for your letter of 16 December.

It is very difficult to deal with points of this nature when they are raised so shortly before the deadline for the announcement which it is essential for me to make, and without proper prior discussion between officials. However, I have considered carefully what I can do to meet them.

I am bound to say that I doubt very much whether it would be sensible to set up a scheme to run for only 6 months as you suggest. Indeed, in practice, because of the periods of notice required under employment legislation, it might well enable the NCB to proceed with voluntary redundancies under its terms only until the end of June 1987. However, I am willing to hold the point over for later discussion, and to frame the terms of my announcement so as to avoid any commitment on the period for which the new scheme will run.

You also suggest that the announcement should say that responsibility for redundancy payments will be transferred to the NCB from 1987/88. I must say in passing that I do not understand why it should be impossible to decide how we should deal with redundancy payments in 1986/87 before we have seen the NCB's business plan, but possible to take decisions now for 1987/88 and later years. I have some sympathy with the substance of the point that you are making and have warned Mr MacGregor that it is something that I shall want to discuss with him in due course. However, it is not something which would possibly be announced now as a firm decision. We should discuss it in the light of the NCB's business plan. If the timetable permits, a decision could be announced during the debate on the RMPS Order (which will also, of course, have to state the period for which the new scheme is to run).

SECRET



Finally, I am afraid that I cannot accept your suggestion of an arbitrary reduction in lump sums paid to older men. The proposal in my letter of 29 November can be justified on the grounds of equity between those with and those without a full national insurance contribution record; yours cannot. The sums at stake are small in the context of expenditure on the RMPS, which is anyway currently forecast to be within the existing public expenditure provision for 1986/87. The point must be made clear in my announcement so that the NCB can counsel those considering accepting redundancy.

I enclose a copy of the statement in the form in which I intend to make it tomorrow.

I am sending copies of this letter to the Prime Minister, Norman Fowler, David Young, Leon Brittan, Nicholas Ridley, George Younger, Nicholas Edwards, John Biffen and to Sir Robert Armstrong.

PETER WALKER

SECRET

CONFIDENTIAL

DRAFT QUESTION AND ANSWER ON THE REDUNDANT MINeworkERS PAYMENT SCHEME

Q. To ask the Secretary of State for Energy whether he will make a statement on redundancy terms for mineworkers following expiry of the present Redundant Mineworkers Payments Scheme on 29 March 1986?

A. The generous benefits available under the Redundant Mineworkers Payments Scheme have enabled the National Coal Board to maintain their policy of not making redundant men who wish to continue to work in the coal industry, while carrying through the extensive restructuring that is needed to secure the industry's future viability. The coalminers' dispute, in addition to the other damage which it inflicted on the industry, delayed that necessary restructuring. Against this background, I have concluded that it would be right for the present to maintain broadly the present level of scheme benefits. I have also concluded that it would be right to make available additional weekly benefits to men aged 50 or over on redundancy whose total weekly benefits would otherwise be seriously reduced by their failure, through deficient National Insurance contribution records in 1984-85, to qualify for unemployment benefit or sickness benefit at the standard rate. Men who receive this additional weekly benefit will, however, have their lump sum benefits under the Scheme reduced in recognition of their having failed to pay full National Insurance contribution.

In summary, my proposals are as follows.

- Weekly basic benefit and pension supplement paid to men aged 50 or over on redundancy will continue as under the present Scheme; there will be a new basic benefit table, calculated as in previous years. It will continue to be a condition for receipt of these benefits that the beneficiary is unemployed or sick; but it will no longer be a requirement that he qualifies for unemployment benefit or sickness benefit.

- Redundant mineworkers who qualify for less than the standard rate of unemployment benefit or sickness benefit as a result of a deficient national insurance contribution record for 1984/85 will, subject to certain conditions, be eligible for a sum equal to the difference between benefit at the standard rate and the benefit, if any, to which they are actually entitled. The equivalent of unemployment benefit will continue to be paid under existing rules to men aged 50 or over on redundancy after they have exhausted their entitlement to unemployment benefit.
- Lump sums payable to men aged 50 or over will be calculated as under the present Scheme. But they will be reduced by £600 for those who qualify under the new provisions outlined above for additional weekly Scheme benefits at the standard rate of unemployment benefit or sickness benefit, and by £550 for those who qualify for additional weekly Scheme benefits at a lower rate.
- Lump sums payable to men aged under 50 on redundancy will continue to be calculated as under the present Scheme.
- Entitlement to contributory benefits under social security legislation or to statutory redundancy payments under employment legislation will not be affected by these proposals.

I shall in due course lay before the House for approval a draft Order incorporating these proposals. They do not affect the operation of the present Scheme, which expires on 29th March 1986.

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CONFIDENTIAL

PRIME MINISTER

COAL

This meeting is to be attended by Mr. Walker, the Chancellor, Mr. Younger, Mr. Hurd and Mr. Tebbit.

Two other points.

Paragraph 6 of Brian Unwin's brief refers to further questions about lessons of the miners' strike. There were two others which you agreed to leave over until other Ministers had commented on the Cabinet Office report. These were:

- the report refers to the problems caused by multi-issue ballots and questions NACODS' of September 1984, but argues that this has been the only such case. But why should it not be done again deliberately and action be taken to stop it?
- It says that the Widdicombe inquiry is expected to report in late spring 1986 on matters relevant to local authorities' scope for providing financial assistance to strikers and their families. Should the Government anyway be looking towards legislation on this early in the 1986/87 session?

The Ministers concerned with these questions will not be at the meeting. If the occasion arises you could mention them, to be taken up by the Cabinet Office. Otherwise I shall minute them out.

Secondly, Department of Energy and Treasury have been wrangling about the terms of the redundant mineworkers payment scheme next year. Department of Energy intend to announce tomorrow afternoon that it will be extended, but without giving details. This is something they need to sort out between them, at least initially.

Julie Bowers

PP DAVID NORGROVE

17 December 1985

VC3AJB

CONFIDENTIAL

SECRET



12

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Peter Walker MBE MP
Secretary of State
Department of Energy
Thames House South
Millbank
London
SW1P 4QJ

16 December 1985

*Dear Peter,***REDUNDANT MINeworkERS' PAYMENT SCHEME**

Thank you for your letter of 29 November with proposals for the RMPS in 1986-87. You said that you wanted to have a word about it but in the event we seem to have been unable to do so although I know our offices have been in touch.

. As you say, it is important that the NCB can continue to make miners redundant and shut pits. That is the only way that they can achieve a viable coal industry. They still need relatively generous redundancy terms to bribe the men to go. So I agree that we must continue the RMPS for 1986-87 with benefits high enough to get the men to leave.

It is disappointing, however, that we cannot take the important decisions on the shape of next year's RMPS scheme in the context of the NCB's business plan. When Peter Rees agreed to the terms of the 1985-86 scheme he made it quite clear that he expected the recovery strategy and future redundancy policy to be planned alongside one another.

Yet I accept that right now we need to set up the 1986-87 scheme so as to avoid lengthening the hiatus in redundancies which will inevitably happen in the first quarter of 1986. We therefore need an interim scheme, say for 6 months. That way we leave our options open in planning the scheme for the remainder of 1986-87 alongside the Board's business plan. A shorter scheme will have the advantage of continuing to bolster the Board's policy of fostering redundancies by creating uncertainty about the future of redundancy payments on their current generous scale.

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In addition, I think we must also make it clear that we do not intend to continue statutory funding of redundancies beyond 1986-87 when the present primary powers expire. It is irrational for the industry not to take full financial responsibility for the whole range of its investment decisions, including redundancies. By 1987-88 the NCB should have achieved break-even and will need to continue through the recovery strategy to reach profitability. In doing so it may need scope for more accurate focussing of redundancy offers to negotiate closures in difficult areas. So I think your statement should make it quite clear that, whatever the decision about funding redundancy payments in the second half of 1986-87, the responsibility will be the NCB's from 1987-88.

The details of the scheme you suggest for 1986-87 are broadly satisfactory. I accept that the qualification rules need to be weakened to ensure that strikers are still willing to come forward for redundancy in the first part of the year. It makes no sense to give them an incentive for delay. I can also see the case for making up weekly RMPS payments to older men to compensate for lost unemployment or sickness benefit. But I am not convinced that we should do so without adjusting lump sums in full, thus avoiding the extra £4m cost you mention in your letter.

Copies of this letter go to the Prime Minister, Norman Fowler, David Young, Leon Brittan, Nicholas Ridley, George Younger, Nicholas Edwards, John Biffen, and to Sir Robert Armstrong.

Yours etc,
JH

JOHN MacGREGOR

SECRET

Y SWYDDFA GYMREIG

GWYDYR HOUSE

WHITEHALL LONDON SW1A 2ER

Tel. 01-233 3000 (Switsfwrdd)

01-233 6106 (Llinell Union)

Oddi wrth Ysgrifennydd Gwladol Cymru

WELSH OFFICE

GWYDYR HOUSE

WHITEHALL LONDON SW1A 2ER

Tel. 01-233 3000 (Switchboard)

01-233 6106 (Direct Line)

From The Secretary of State for Wales

The Rt Hon Nicholas Edwards MP

5 December 1985

SECRET

NBPM

7.

REDUNDANCY TERMS FOR MINeworkERS

I have seen Peter Walker's letter of ^{attached} 29 November.

Since the end of the strike the benefits available to redundant miners have helped the NCB to close rapidly some of its most unprofitable pits. The effect has been startling: in South Wales productivity has increased substantially and the area, which for so long has returned massive losses, hopes to be trading profitably by the middle of next year. Much remains to be done and, like Peter, I consider it important that men should continue to have an incentive to leave the industry voluntarily. You will no doubt be examining the financial implications but, on the face of it, the costs of the scheme seem modest when set against the benefits.

/ Copies of this letter go to the Prime Minister, Peter Walker, Norman Fowler, David Young, Leon Brittan, Nicholas Ridley, George Younger, John Biffen and to Sir Robert Armstrong.

The Rt Hon John MacGregor OBE MP
 Chief Secretary
 HM Treasury
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NAT IND : Coal: PEIS



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