

7A-D

PRIME MINISTERCOAL PRIVATISATION

Peter Gregson told me today of the main points which Mr Parkinson is likely to make at your meeting tomorrow on coal privatisation. They are:

1. Ministers have already stated that the coal industry will be privatised, but not until the next Parliament. There is growing acceptance within the industry that this is a fact of life.

2. Substantial legislation will be needed:-

- to turn the Corporation into a plc;
- to take from the Corporation its ownership of mineral rights and to vest them in Crown, or some Crown body
- to establish a licensing regime for future exploitation of coal reserves
- to deal with the NCB's historic obligations to provide compensation for subsidence from old mine workings, dealing with fires in old pits, etc.

Such legislation might run to some 70 clauses.

3. If this legislation was left until the next Parliament, it could probably not be introduced until its second session; the first session would be required for consultation with the

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industry and drafting. On that timetable, the process of privatisation would not be completed until late into the next Parliament.

4. Legislation could be introduced this Parliament. If the legislation was to be certain of enactment before the next election, the Bill would have to be introduced in the 1989-90 session, i.e. the session after the one which is shortly to begin. This would mean a policy decision on a Bill by the end of this year so that consultations and drafting could be completed in time for the Bill to be introduced early in the 1989-90 session.

5. A Bill this Parliament could broadly take three forms:-

- (a) A minor Bill which would not deal with the privatisation issues referred to in paragraph 2 above, but would be confined to tidying up legislation on restructuring grants and financial issues. This minimalist approach would disappoint some Government backbenchers who are pressing for early privatisation. But Ministers would have the perfectly good defence that decisions on legislation were being delayed until the industry was in proper financial shape.
- (b) A small Bill which would give some encouragement to private mine-owners. This could be achieved by increasing the limits above which private mine-owners needed NCB permissions; for example, non-NCB mines cannot employ more than 15 men without NCB approval and legislation might increase the limit to say 30 people. While this liberalisation might please some Government supporters, others would criticise it as not enough and indeed it would only affect the margins of the industry, perhaps increasing private coal production from some 2 per cent to 4-5 per cent.



(c) A major privatisation Bill in the 1989-90 session, covering the points listed in paragraph 2 above. Such a Bill would require far reaching decisions on the industry's structure in the course of the first half of next year. The decisions could well provoke great controversy among NCB managements and the unions, both NUM and NCB. One possible structure for a privatised industry, which Peter Gregson thought might be a front runner, would be to sell groups of pits to large companies like RTZ, Shell, BP as well as transferring some into employee ownership. Such a course would be unwelcome both to the NCB management and to the two unions. The unions would in any event, be sensitive since manpower would be still be rapidly reducing in the industry (with UDM areas as much affected as NUM). Scargill might also be tempted to flex his muscles (or what is left of them) at a time when electricity privatisation was in full swing.

Mr Parkinson would like your views. He may well be reluctant to back the third course - a major privatisation Bill this Parliament; highly controversial with no prospect of benefits this side of the General Election. Nor is he much attracted by the second course - the small Bill raising licensing limits; it would satisfy nobody. His inclination seems therefore to go for the first course with minimal legislation this Parliament, leaving privatisation entirely to the next.

#### Comment

As you know, I am a strong supporter of early coal privatisation. But I find the Department of Energy's arguments impressive. The best course seems to be to leave the privatisation legislation until the next Parliament, and to tell Mr Parkinson that the Department should do what they

N. L. W.

26 September 1988



PRIME MINISTER

You are having meetings next week to give a first consideration of the privatisation of the railway and coal industries:

- (i) railways - at 1500 hours on Thursday with a group of Ministers;
- (ii) coal - on which you are seeing Mr. Parkinson alone at 1530 hours on Tuesday.

Departmental consideration of a possible railway privatisation is further forward as the separate papers in your box make clear. Mr. Parkinson has so far not involved any other Department in his thinking. Indeed, he does not want to put a paper to you at this stage. But I have agreed with his office that Peter Gregson will give me an outline of his thinking on Monday so that you can consider the issues before you see Mr. Parkinson on Tuesday. I will put this in your box on Monday evening.

You will want to consider any consequences which Mr. Parkinson's ideas might have for Mr. Channon's proposals for rail privatisation.

N.L.W.

*mw*

N.L. WICKS

23 September 1988

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B/F  
early Sep.

Noted

1630 on

29 Sept. 1

hope I won't  
remember what



10 DOWNING STREET N 13!

PLC with

14.  
21/7

1. Mr Gray to see
2. Mrs Gausman

PL put an hour in  
the diary etc at very  
end of September, on  
a contingency basis,  
for Mr Perbman to  
talk about the  
future of the Coal  
Industry. But  
don't ring Perbman's

Office + don't tell  
anyone outside  
Pte office.

N. C. W.

20.7