

MEETING RECORD

SECRET AND PERSONAL



SUBJECT MATTER

File 16
a/c coal
16(a-c)

filed on NAT IND - coal Pt 21

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

2 April 1990

Dear Sir,

COLLIERY CLOSURES: INDEPENDENT REVIEW BODY

The Prime Minister held a meeting this afternoon to discuss your Secretary of State's minute dated 26 March. Those present were the Chancellor of the Exchequer, the Secretaries of State for Wales, Trade and Industry, Energy and Employment, Mr. Richard Wilson (Cabinet Office) and Mr. George Guise (No. 10 Policy unit).

I should be grateful if you and copy recipients would ensure that no further copies of this letter are taken and that it is seen only by named individuals.

Your Secretary of State said that he had had protracted discussions with Sir Robert Haslam about the implications of the new electricity contracts for British Coal. He had come to the conclusions set out in his minute with reluctance and he recognised the sensitivities to which they gave rise. However, he was clear that he personally would be unable to persuade British Coal management to adopt anything other than options 2 or 3 in his minute. If colleagues wished to stick with the present Colliery Review Procedure under option 1 the only way which existing management might be brought to accept this would be in a meeting with the Prime Minister. Even then he was not sanguine about the prospects since management's view that the present position was fundamentally different from the circumstances under which the Independent Review Body procedure had been used hitherto were very strongly held.

In discussion the following main points were raised:

- the present IRB machinery had worked extremely well since its introduction; management had retained ultimate control and at the end of the day the usual outcome was that a majority of miners had accepted the redundancy terms available. There should be scope for adjusting the economic criteria for individual pits in the existing Colliery Review Procedure to take into account the new commercial position arising from the electricity contracts, for example by building in the transport costs factor. In practice whether an individual pit was made uneconomic because of physical exhaustion or because there was no market for its coal

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made little difference at the end of the day; both factors made a pit loss-making and no longer economically viable. It should be possible to adapt the present closure procedures to reflect this kind of position;

- the case set out in your Secretary of State's minute for a change to the procedures had a considerable financial and intellectual logic. But the political and tactical aspects were at least as important. There was a major risk that if the Colliery Review Procedure was changed there would be allegations that the Government had broken faith with earlier commitments, particularly bearing in mind the sensitivity of the circumstances in which it was introduced. It was essential not to alienate NACODS. Introducing a modified system which unified the Review Procedure for, say, 10 pits would provide a major focus for protest which could be presented as a legitimate cause justifying strike action. Any unified proposal for considering the closure of a substantial number of pits could also be portrayed as the consequence of electricity privatisation and provide increased likelihood of protest;
- the possible revised procedure was intended to apply only for the initial 10 or so pit closures which could not be readily justified simply on grounds of exhaustion. Thereafter, proposals for further pit closures would revert to consideration under the existing IRB procedures. This would, however, make the presentation of a new system for the initial round of closures more difficult to defend;
- there was a strong case for reconsidering the level of redundancy payments to miners in pits that were closed. Payments of up to £40,000 might be justified, particularly bearing in mind that the possibilities for relocation to other pits were likely to be less than in the past. Careful consideration would also need to be given to redundancy arrangements for middle management;
- it would be important to keep under close review the level of coal stocks both at power stations and elsewhere;
- in parallel with the consideration of the pit closure procedures, careful thought also needed to be given to the successor to Sir Robert Haslam as Chairman of British Coal. There was a strong case for choosing a candidate with experience of the coal industry. None of the existing executives in the industry was of the calibre required, and this pointed to focusing the search on the existing non-executive directors of British Coal.

Summing up the discussion, the Prime Minister said that the Group felt strongly that it would be a mistake to move away from the existing Colliery Review Procedure. It was recognised, however, that there would be major difficulties in persuading existing British Coal management to accept this position. She would therefore be prepared to discuss this direct with Sir Robert Haslam, at a meeting which your Secretary of State would also attend. Your Secretary of State should speak to Sir Robert Haslam in these terms and then advise on the optimum timing of a meeting.

I am copying this letter to those present at the meeting and to Sir Robin Butler.

Yan,
Paul

PAUL GRAY

John Neilson, Esq.,
Department of Energy.