



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

PRIME MINISTER

THE NCB AND THE NUM

I thought that John Hoskyns' paper on the NCB/NUM problem was very helpful.

2. In particular, I agree with him that we should make arrangements for a careful and urgent examination of this problem by an interdepartmental team. Perhaps it would be best to set it up under CPRS chairmanship.

3. I agree too that the starting point should be to define the problem and set out objectives. It seems to me that we have two types of objectives. The first relates to the efficiency of the coal industry. How can we frame a realistic strategy for a more efficient industry which will not be a drain on the public purse and be able to compete effectively with imports? The second set of objectives concerns the influence of the miners on the national pay scene. What strategy can we adopt which will limit the damage they can do to our economic policies generally?

4. These objectives are not alternatives. Both are obviously desirable and the second may be a necessary precondition of the first. But policy actions for pursuing each may be different.



5. Both, however, seem to raise the question whether a confrontation with the NUM can be avoided, whether it may in fact be necessary if we are to pursue these objectives and what the risks and implications would be. It is impossible to avoid this question. No-one would suggest that we should actively seek a confrontation with the NUM in pursuit of either objective: but the question is perhaps whether in either case we should pursue policies which involve a high risk of such confrontation or whether we should deliberately seek to minimise the risk. This means thinking carefully about the chances of success in such a confrontation and how much those chances might depend on how the confrontation came about and how it was handled. Conversely, we also need to think about the consequences of the pursuit of a low risk policy and what this might entail in the way of concessions to the NUM so that efficiency in the industry is not improved and increases in miners' pay do further damage to our economic policies.

6. I think the interdepartmental working group should try systematically to follow through the implications of alternative lines of policy - "high risk" and "low risk" - in both fields. The work will obviously have to be related to the current secret Cabinet Office study on withstanding a coal strike.

7. In all this, the role of the NCB is obviously important. Paragraph 2.3.2 of John Hoskyns' note suggests that the NCB management perhaps faces a reality which we don't fully recognise. But is it not the case that the NCB see their interest in many respects as coinciding with the NUM's, for example in maximising coal production whatever the market circumstances and without regard to profitability? Surely one of our immediate aims should be to try to detach the NCB to some extent from the NUM?

P.S. Julian
 for (G.H)
 5 June 1981

(Approved by the Chancellor
 and signed in his absence).