

PRIME MINISTER

cc. Mr. Howell
Mr. Pym

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Lobby this morning - Coal

The Lobby today sought really to establish:

- i. that the Government had made a massive U-turn under pressure of a strike;
- ii. that Mr. Howell had apparently been authorised to make the U-turn without knowing the financial cost - i.e. the Government had given the NUM and NCB carte blanche to negotiate the industry's EFL;
- iii. that all this would have profound consequences for the Government's economic strategy and pay negotiations; and
- iv. it now represented an entirely different approach to nationalised industries with flexibility the order of the day.

Handwritten notes:
 DLF - Long hand
 JW - fitting
 RW - fitting
 ME - to production
 LW - EFL
 TB - accounts
 SH - minutes

My reaction needs to be read against the attached note of my briefing to the Lobby at 8.30 p.m. last night.

The main points I sought to get over this morning in reply to the Lobby's pre-occupations set out in the four points above were:

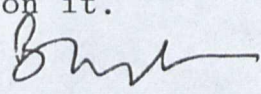
- i. As the Prime Minister had said in the "Analysis" programme, no Government ever gets from A - B in a straight line. There has to be adjustment when circumstances dictate. The coal industry was hit by recession. None the less its EFL for '80/'81 would probably hold and over the nationalised sector as a whole EFLs had held in all bar four cases - steel, rail, shipbuilding and airways, which were either in chronic trouble

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and/or victims of the recession;

- ii. So far as Mr. Howell's negotiating room was concerned I made it clear that Mr. Gormley was reported as saying today that closures would continue - as was inevitable in an extractive industry. The industry was now to examine the pace of the programme and when it had done so the Government would only then be able to examine the financial implications.
- iii. On the consequences for the economic strategy, I made the point that the Government's strategy remained unchanged. What was, however, clear was that, as in life, all of us have to adjust to circumstances from time to time. So far as pay was concerned, the issue before the Government was not pay but a closure programme. The application of industrial muscle had implications not merely for the industries concerned but also for the taxpayer and the consumer.
- iv. On the last point there was not a new policy of flexibility. There was an existing policy; that all Governments had, of coping with circumstances. Finally, I sought to get over the fact that this Government - and in my experience all Governments I have served - did not want confrontation. There may be others who did, but Governments also had a responsibility at a time of deep recession to look at the economy as a whole and the damage that could be inflicted upon it.

19 February, 1981


B. INGHAM

COAL TRIPARTITE:

We told the Lobby that Derek Ezra had, in the light of the Government's willingness to review the financial constraints on the coal industry, withdrawn the NCB plan and would re-examine it in consultation with the unions.

All sides remained committed to the 'Plan for Coal' - no-body had said there must be no closures. The average age of the 23 pits which the NCB wanted to close was 97 years.

Obviously there would be differences of opinion over what was economic or non-economic but three points were unanimously agreed:

- i the commitment to the plan for coal;
- ii the need for some closures;
- iii recognition of the need for an efficient industry.

We emphasised that the plan had been withdrawn for re-examination not scrapped. The NCB and unions would come back next Wednesday; they might not have completed their review by then but Joe Gormley was keen to keep on talking.

When did the Government decide to review the financial constraints?

There are financial implications of either carrying out the NCB plan or of altering/scrapping it. Government had to express a willingness to review the constraints before the NCB could withdraw. Review is not the same as abolition and there is no commitment for new money.

Agreement to bring imports down from 8m tonnes to 1m tonnes annually?

No - the two sides will consider the minimum level of imports required. They were expected to be down this year anyway.

Government sold out to avoid strike?

Didn't want one but NCB manages the industry.

Implications for other nationalised industries?

Of 17 nationalised industries only four have had increased EFLs for 1980-81:

shipbuilding
steel
railways
airways

all were chronic loss-makers or hit by the recession.

Lesson for other industries is to threaten a strike to get their financial constraints reviewed?

No: in the end you can't defy the laws of economics.

When was the decision taken by Government?

We don't discuss how Government negotiates; Ministers know their operating limits.

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Cost of keeping the 23 pits open?

Don't know specifically but the last 10% of coal produced costs
£190m = £18 per ton.

ED