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NCB

The NCB's current strategy is to achieve financial viability by 1988. This requires manpower reductions of 64,000 (from 202,000 to 138,000) and the closure of 25 mt of capacity between 1982-88. Under the present redundancy arrangements, compulsory reductions among the under fifties will be required to achieve those objectives.

The NCB are now proposing to introduce an improved redundancy scheme for the under fifties for 2 years only (1984-86). The lump sum redundancy payments would be quadrupled to £1,000 for each year of service. It is anticipated that this scheme will induce 10-20,000 men under 50 to leave the industry in addition to the 30,000 expected under current plans.

Strategic Advantages

If the Board's expectations are realised, the need for compulsory redundancies could be avoided. This would significantly diminish the risks of strike action.

It also appears that these proposals would accelerate the rate of manpower reductions and of pit closures. It is possible that financial viability could be achieved 1-2 years earlier than expected, ie in 1986-87.

Both of these outcomes are highly desirable. However, we have insufficient information to be confident that they can be achieved.

Furthermore, we are already achieving a significantly faster rate of both manpower reductions and pit closures than anticipated. During 1983/4, manpower is expected to reduce by 21,000 (compared with 14,000 originally expected), and closures by 7 mt (compared with 5 mt originally expected). We are unclear whether this has been taken fully into account.

The Economic Case

The proposed scheme will cost £187 million. This will be offset by cash and revenue benefits rising to £200 million per annum in the year following the 2-year programme.

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At face value, this is economically attractive. However, if the effect of the scheme is to bring forward redundancies which would otherwise have taken place 1-2 years later, the net saving may not be much more than the cost of the scheme.

The estimated cost of a strike, given as £160 million per month, is misleading. Although this could be the effect on the Profit and Loss Account, with the current stock positions and excess of production over demand there is unlikely to be any cash flow loss from a strike.

Public Sector Comparisons

Irrespective of the merits of the proposals for the NCB, they also have implications for other public sector industries.

A 45-year-old with 25 years' service would receive roughly the following lump sum payments. These figures include the state scheme payments.

NCB (existing):	£11,000	
NCB (proposed):	£28,000	—
BR:	£5,000	—
BS:	£17,000	—
BSC:	£10,000	—
BA:	£15,000	—
State Scheme:	£3,000	
<i>Docks</i>	<i>22,500</i>	

These figures are necessarily a gross simplification of a complicated issue, but they serve to indicate the general position.

Average payments for miners under 50 would be £3,500 now and about £15,000 under the new proposals.

The NCB's proposals would therefore introduce a significantly more generous scheme for miners than is available elsewhere in the public sector. Public sector schemes are also generally much more attractive than private sector arrangements.

We would expect these proposals to meet with general criticisms. The precedent is also likely to cause practical and political difficulties in achieving manpower targets in other nationalised industries.

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On the other hand, the special position of the miners is generally understood and average redundancy terms for miners over 50 already amount to about £30,000.

Recommendations

We recommend that the following points should be clarified at the Prime Minister's meeting:

- Are these proposals likely to avoid the need for compulsory redundancies?
- Are sufficient people likely to come forward? If not, is the NCB planning for compulsory redundancies?
- How much sooner will financial viability be achieved?
- We are already achieving faster than planned rates of manpower reductions and pit closures. Has this been taken fully into account?
- Are the direct costs and savings resulting from these proposals attractive?
- The likely impact upon other public sector industries.

We consider that if the answers to these points are positive, the Government should back Ian MacGregor.

DLP.

DAVID PASCALL