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NOTE FOR THE RECORD

COAL POLICY

The Prime Minister held a meeting today to discuss proposals put forward by the Secretary of State for Energy for an enhanced redundancy scheme for miners under the age of 50. Present were the Chancellor of the Exchequer, the Secretaries of State for Trade and Industry, Energy, Employment, Wales and Transport. Mr. Gregson also attended.

The Secretary of State for Energy said that the current strategy was for NCB to achieve break-even by 1988. This would involve reducing the number of miners from just over 200,000 to just under 140,000. Over the past year the number of miners had fallen by 20,000 bringing the total of 180,000. The current plan envisaged a fall of 28,000 over the next two years. Mr. MacGregor had reconsidered NCB's strategy and had concluded that the process of run-down ought to be accelerated. This would imply the loss of 45,000 miners over the next two years. The difficulty facing the industry was that the number of men over 50, for whom the RMPS was relatively generous, was now only about 40,000. It would become increasingly difficult to operate through the policy of retiring men over 50 and re-deploying men under 50 in other pits. In some areas, e.g. Scotland and Wales, the contraction would be too great to permit this. Any compulsory redundancies would greatly strengthen the hand of the NUM in calling a strike.

Mr. MacGregor had, therefore, suggested enhanced terms for men under 50 through the RMPS. He was proposing payments of £1,000 per year of service, paid as a lump sum.

The Secretary of State for Energy said that from the point of view of the Coal Board, these proposals made a great deal of sense. He recognised that a more generous scheme for miners could create difficulties for his colleagues and he was therefore seeking their views.

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The Chancellor agreed that the rate of closures should be accelerated and that these proposals were sensible. The gross cost in 1984-85 of extra RMPS expenditure would be about £150 million and the savings about £80 million, leaving a net cost to the exchequer of £70 million. He asked that his officials should be given the opportunity to see whether this figure could be trimmed in any way.

In discussion it was emphasised that the two-year limit should be strictly adhered to as in this way it would be most effective and would minimise repercussions for other sectors. Other Ministers recognised the problem of repercussions. Nevertheless they felt that it was right to adopt these proposals.

It was suggested that early retirement of older miners, with a long career under ground, was more easily accepted as a special case. The comparisons would be more acute where younger miners were receiving large lump sums. It was noted that, from the point of view of the NCB, the most rational approach was to lay off the younger men.

It was noted that the terms imposed were very much more generous than anything else on offer in the public sector, with the possible exception of dockers, and certainly a great deal more than £4,000 which was the maximum under the State scheme. The Secretary of State for Transport said he might wish to imitate the idea of a time-limited scheme as dockers were currently not applying for the £22,500 currently on offer.

It was argued that for the scheme to be cost-effective NCB should exert very tight control on recruitment.

It was noted that the current overtime ban was having a limited effect on the movement of coal from pithead stocks to power station stocks as movements were taking place only during the regular working days. It was agreed that discreet efforts should be made to increase deliveries during these days.

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/Summing up,

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Summing up, the Prime Minister said that the objective of a more accelerated run-down of coal capacity was accepted, as were the terms of the enhanced RMPS. The Secretary of State for Energy should consult further with his colleagues before any announcement were made. His officials should discuss with the Treasury ways in which the net cost in 1984-85 might be kept to a minimum. The Secretary of State for Energy should put to the NCB the points made about the repercussions of large redundancy payments to younger miners.

19 January, 1984

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