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MS
 Howell

PRIME MINISTER

Coal
 (E(81) 25, 21 and 24)

The Chancellor of the Exchequer's minute to you of 2nd March, the Secretary of State for Energy's minute to you of 25th February and the Secretary of State for Industry's letter to the Secretary of State for Energy of 2nd March are also relevant.

BACKGROUND

2. In a fast moving situation which the NUM (and possibly the NCB) are trying to exploit for their own purposes, it is worth recalling the basic steps taken and the commitments made so far. Trouble blew up when the NCB announced their accelerated closure programme. The Government commitments made to end the resulting unofficial strike were:-

- (a) To look, with a view to movement, at what could be done to reduce likely coal imports of 5½ million tonnes in 1981 towards the irreducible minimum.
- (b) To discuss the financial constraints upon the NCB, and in particular the financial implications of colliery closures, with an open mind and a view to movement.

3. In addition the NCB withdrew its accelerated closure programme in order to re-examine the position with the miners.

4. The above commitments and decisions were made at the tripartite meeting on 18th February. The second tripartite meeting on 25th February led to the tabling by the NUM of an extensive shopping list ranging from improved redundancy payments to a cut in the price of coal for old age pensioners (Mr. Howell's minute to you of 25th February). In that minute Mr. Howell revealed - so far as I know for the first time - that the likely over-run by the NCB of their EFL's in 1981-82 would be some £450 to £500 million coupled with a revenue account loss of £350 million. These numbers considerably exceed those put forward in Mr. Howell's original paper on 17th February (E(81) 21) - the figuring in that paper was confusing but the general impression it gave was that the extra costs would be in the order of £200 million a year.



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5. Since then there has been extensive, but inconclusive, Ministerial correspondence on redundancy pay; a minute from the Chancellor (2nd March) casting doubt on the NCB's arithmetic; and a powerful warning by Sir Keith Joseph (his letter of 2nd March) about the dangers inherent in action to reduce coal imports.

6. In considering these matters the Committee may wish to disentangle three threads:-

- (i) The likelihood of renewed industrial trouble. On the face of it the cause of the strike - the announcement of the accelerated closure programme - has been removed. If in addition the Government is able to show some progress towards fulfilling the two commitments if accepted on 18th February there would appear to be nothing for the NUM to fight about. But the Committee will want to be sure. My impression is that we are still a long way from being sure that trouble could not start up again: no doubt the unions will maintain the uncertainty as long as they can to maximise their bargaining position.
- (ii) The extent to which the Government is willing now to firm up on its commitments - e.g. by publicly accepting a range of financial costs - albeit through the proxy of the NCB - as recommended in paragraph 11b of E(81) 25. To this is allied the question of whether there are other commitments, quantified or not, which the Government would be prepared to throw into the pot, e.g. on enhanced compensation for redundancy.
- (iii) What is to be done about the basic and newly revealed deterioration in the NCB's financial position.

7. In considering all of these matters your colleagues will also wish to consider the extent to which it is proper and necessary for the Government to continue detailed discussions of the NCB's finances in the tripartite forum.



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Many of the issues which have been brought into the discussion are either matters for negotiations between the NCB and the NUM (redundancy payments) or for settlement between the NCB and the Government (EFL's), as for the Government alone (aid to the conversion of industrial boilers to coal burning). To keep talking about them in the tripartite forum engages the Government in direct negotiations with the NUM in a way contrary to normal practice and, I suspect, contrary to the Government's advantage. The sooner the Government can get off this hook the better.

HANDLING

8. After asking the Secretary of State for Energy to introduce his paper you will want to call for contributions from the Chancellor of the Exchequer, the Secretary of State for Industry and the Secretary of State for Employment before opening the debate more widely. The object of the operation will be to decide:-

- (a) What Mr. Howell may or may not say at the resumed tripartite on 11th March.
- (b) How the Government can best disengage from the tripartite discussions and how quickly can this be achieved.
- (c) What issues require further Ministerial consideration and on what timescale.

CONCLUSIONS

9. These will be determined by the course of discussion but I suggest that as a minimum you will need:-

- (a) A decision on what if anything can be said about money at the next tripartite and who should say it.
- (b) Similarly a decision on what if anything can be said about the individual items of the NUM shopping list especially about redundancy - and possibly investment.
- (c) A decision on how best the tripartite discussions can be brought to an end, and consideration of detailed issues returned to normal channels (in particular, should Mr. Howell seek an end to the discussions on 11th March, or is it



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tactically useful to hold open the possibility of a further meeting - while recognising that every tripartite meeting increases the pressure on the Government to pay up and involves the Government further in direct negotiations with the mineworkers).

- (d) An invitation to the Secretary of State for Energy to bring forward specific proposals on redundancy payments agreed as a minimum with the Chancellor of the Exchequer, the Lord President, the Secretary of State for Industry and the Secretary of State for Employment.
- (e) An invitation to the Secretary of State for Energy, in consultation with the Chancellor of the Exchequer, to bring forward urgently an analysis of the NCB's likely financial position in 1981-82, the scope for offsetting action through higher prices etc., and the implications for the NCB's EFL in 1981-82, (the fact that the NCB expect to lose a great deal more money than previously allowed for does not mean that the Government should automatically make a full corresponding adjustment to the EFL).

(Robert Armstrong)

4th March 1981

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