

Pine Munks²

DR

20 March 1985

27/3

PRIME MINISTER

COAL INDUSTRY

I saw Ian MacGregor yesterday.

The position of NACODS

He is concerned about the power given to NACODS by the current coal industry legislation. He is discussing with Peter Walker the possibility of amending the Act to place on management a general duty to ensure safety in the pits without laying down a NACODS monopoly. He observed that many miners write to him saying there are far too many NACODS members in their pit for the work they have to do. He suggested that your support for amending the rules would be most welcome.

Open-cast coal

He identified planning delays as the main obstacle to expansion. I did not get the impression of any vigorous programme under way, despite your urgings in the past. I said we would see that the current review of planning delay going on in the DoE included open-cast coal permissions. I reminded him of the possibilities for expanding output at sites that already have planning permission.

Restructuring the Board

He proposes to announce Board changes in the near future. His aim is to strengthen the central Board of the industry, bringing in or promoting people more likely to help him in his task of changing its culture. John Northard from Western Area, and Ken Moses from North Derbyshire, will be appointed; Mr Butler may become the new Finance Director. He may also want to announce one or two non-Executive Director appointments.

I raised the question of Mr Eaton and media relations, explaining the general enthusiasm for Eaton's performances in Government. He has returned to his region, and there are no plans for media appearances for him. He may, however, return to the centre in due course as Personnel Director, and could then be used again for media appearances. Ian MacGregor is keen to have a period when the Coal Board has a low profile.

Redundancies and closures

Ian MacGregor intends to encourage all areas and pit managements to press for the maximum number of voluntary redundancies in the immediate post-strike period. He doesn't mind imbalance in the rate of redundancies, as he will then switch people from the worst pits to the better pits.

He wishes to proceed at a lively pace with closure, and is happy to use the existing closure procedure as there has been no progress in even getting people to talk about the NACODS review procedure.

Finance

I asked what the cash flow position might be like in 1985/86. He said he had no idea, but the profit and loss account would look very bad in view of the closure and recovery costs they were now incurring. He intended to manage cash flow, which would be improved by the rapid movement of stock from pithead to CEGB, who would then pay for it.

Investment programme

I asked if he intended to return the investment programme to the level it was running at before the strike, or whether he wanted to keep it under more control in view of the likely bad cash position he would be experiencing.

He said that the old investment programme had been far too generous, designed by those who thought the only aim was to produce coal at whatever cost; and he would be reviewing the investment programme in a meaner spirit, trying to relate the investment to the potential returns it would earn.

Recovery of mines

The Coal Board have currently drawn up a list of damaged faces and pits, and are now going round the areas talking about the costs of reinstating, and the likely profits or losses that would be earned from the pits following their reinstatement. They do not intend to reinstate them all, although there is of course local pressure for such action.

Conclusion

I concluded by congratulating him on his stoicism over the last year, and by encouraging him in his efforts to change the culture of the industry and to press on with making it more economic. He denied reports of a major decentralisation programme. He takes the view that NACODS power is virtually broken for the time being, as the miners are desperately keen to stay back at work and to earn some money.

The opportunity post-strike

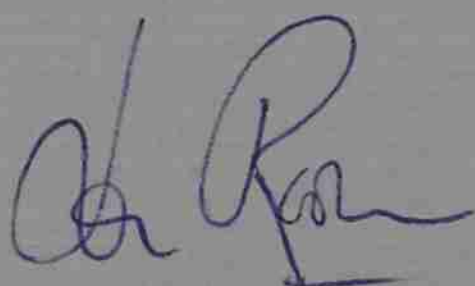
Now is our chance to regionalise the NCB. It will not last for long. Regionalisation of the NCB will help fragment the NUM, making it either a loose federation or even independent local unions.

One cannot see Scargill voluntarily acquiescing in such local autonomy. The moderate coalfields are unlikely to go out fully on a limb as separate entities negotiating the outstanding pay rises unless they know the NCB will respond sympathetically. The NCB must therefore demonstrate that a favourable response would be forthcoming.

Pay settlements are running at 5.75% and look likely to rise. A settlement by a section of the NUM of 5.2% (as has been accepted by NACODS) would be helpful to this year's pay round, and would make it difficult for the rest of the NUM to settle at a higher figure.

We suggest you talk to Peter Walker about:

1. Encouraging regionalisation from the NCB side.
2. Responding well to any effort by a regional NUM to bargain separately.
3. Taking open-cast more seriously.
4. When there will be some firm financial forecasts for 1985/6.



JOHN REDWOOD