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CABINET

COAL POLICY

Note by the Secretary of State for Trade and Industry

1. At the meeting of the Cabinet on 2 March (CM(72) 11th Conclusions, Minute 3) my colleagues agreed interim measures to meet the National Coal Board's (NCB) deficit for 1971-72. We also agreed that Parliament should be told that the Government intended in due course to introduce legislation to deal with the financial problems of the coal industry.
2. The Ministerial Committee on Economic Strategy has reviewed the options open to us to moderate the contraction of the industry, ease hardship for redundant miners, and maintain supplies of coal at a level adequate to meet future uncertainties. They approved my proposals for:
 - a. The cancellation of about £475 million of the NCB's debt to the Exchequer.
 - b. Recurrent grants of about £170 million a year of which the most important are:
 - i. A regional grant of £70 million a year.
 - ii. Redundancy payments of about £30 million a year.
 - iii. Compensation to the electricity generating boards for burning surplus coal (the precise sum to be agreed between the Chancellor of the Exchequer and me).
3. The Committee agreed that legislation should now be introduced to give effect to these proposals, and I shall submit a draft Bill to the Legislation Committee shortly. They also agreed that I should make a statement in Parliament before the Bill was introduced, and invited me, in consultation with the Home Secretary, to submit the draft to the Cabinet for their approval.

4. Our proposals may seem over generous to some of our supporters and in preparing the statement I have aimed at a presentation which by emphasising the vital importance of the industry's own contribution on costs and productivity, will go as far as we can to disarm criticism. I hope to arrange with the Lord President to make this statement in Parliament on Tuesday 5 December; and seek my colleagues' approval of its terms.

P W

Department of Trade and Industry

28 November 1972

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DRAFT STATEMENT ON COAL POLICY

With permission, Mr Speaker, I will make a statement about the coal industry.

Last year, the National Coal Board incurred a deficit of £157M, mainly because of the costs of industrial action. The continuing costs of the Wilberforce settlement mean that the Board's losses are still running at around £100 million a year and, under present arrangements, this would increase further. Under present conditions, the industry could only eliminate these losses by a massive contraction.

Against this background my Hon Friend, the Minister for Industry told the coal industry in August that before considering what assistance from public funds might be provided to meet their serious financial situation, the Government wished to know what action those in the industry were able to take themselves to secure its future. As a result, the two sides of the industry - management and unions - put to us joint proposals for action both by the industry and by the Government.

Yet, at the same time, there is an increasing awareness throughout the world of the danger of a shortage of the sources of energy. We in the UK are fortunate in having large reserves

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of coal in addition to the more recently discovered fields of oil and gas in the North Sea. We must ensure that these national assets are wisely used and that the coal industry is given the opportunity to reestablish itself, as the supplier of a competitive fuel without being a permanent burden on the taxpayer.

The Government welcomes this joint approach and the drive which the Board, with the full co-operation of the unions, are making to stimulate sales and marketing, improve quality, reduce overheads and increase productivity. These efforts are already bearing fruit and output per manshift is approaching record levels. The unions will co-operate with the Board in a joint review of the performance and prospects of pits. The Board are also carrying out a systematic review of their land and property holdings to ensure that these are put to the most effective use and if surplus to operational requirements are sold.

The Industry's jointly agreed proposals express a determination to put their own house in order and the Government therefore have decided to take powers to enable us to support the industry in its future task.

First: We intend to make a special regional grant to help the Board preserve jobs especially in areas of high unemployment. Nevertheless it is acknowledged that

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there will need to be further redundancies and we therefore intend to introduce improvements in redundancy terms. We shall see that every effort is made to provide new jobs and funds will be available for this under the Industry Act. We shall make the maximum possible use of ECSC funds available for these purposes.

Second: We intend to take powers to continue grants towards the Board's social costs, to contribute towards the cost to the Board of holding stocks and to cover losses incurred as a result of special agreements with the electricity generating boards to burn extra coal. At the same time we propose to follow the practice in the European Coal and Steel Community and give support to coking coal.

Third: We propose to write off the Board's accumulated deficit as at March 1973 and the amount by which the Board's capital assets are at present overvalued. This will considerably reduce the Board's interest and depreciation Charges.

Legislation will be introduced for these purposes. In the meantime any necessary advances for purposes authorised under the Coal Acts will continue to be made from the National Loans Fund.

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The Government measures I have outlined will deal with the Board's immediate financial problems, moderate the contraction of the industry and ease the social and human consequences of that contraction. The coal industry's contribution to establishing a viable position is vital. Assistance from public funds on the scale indicated cannot be justified without effective and sustained efforts by all sides of the industry to improve its competitive position and contain its costs; indeed it is only through such efforts that it will be able to take full advantage of the opportunities, not least in Europe, that the future holds.

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