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CP(72) 144

COPY NO

66

6 December 1972

CABINET

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COAL POLICY: REVISED DRAFT STATEMENT

Note by the Secretary of State for Trade and Industry

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I was invited by the Cabinet yesterday to revise in the light of our discussion the draft statement attached to my Note CP(72) 135. The revised draft of a statement which, with the agreement of the Home Secretary and the Lord President I would propose to make on Monday 11 December, the day on which the Coal Industry Bill will be introduced in the House of Commons, is attached.

P W

Department of Trade and Industry

6 December 1972

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## DRAFT STATEMENT ON COAL POLICY

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

There is real uncertainty about future prices of fuels and an increasing awareness throughout the world of the danger of a shortage of energy. In the UK we must ensure that our national energy assets are wisely used. Last year, the National Coal Board lost £157m. They are now losing around £100 million a year. Without Government aid this would increase and could only be eliminated by massive contraction. We are not prepared to see such a rapid rundown. Its social and human consequences are totally unacceptable. For these reasons the coal industry must be given the opportunity to re-establish itself as the supplier of a competitive fuel - without being a permanent burden on the taxpayer.

Against this background my hon Friend, the Minister for Industry, told the coal industry in August that before considering what help from public funds might be provided, the Government wished to know what the industry could do to help itself. As a result, the Board and the unions put to us joint proposals for action both by the industry and by the Government.

We welcome 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 prosper and output per manshift has just reached a new record. The unions have undertaken to co-operate with the Board in a review of the performance and prospects of pits. The Board are also reviewing their land and property holdings to ensure that they are put to the most effective use and, if surplus to need, are sold.

The industry's joint proposals signify a determination to put their own house in order and the Government therefore have decided to take powers to support the industry in this task.

First: We intend to make a special regional grant to help the Board preserve jobs, especially in areas of high unemployment. Nevertheless there will be redundancies and we therefore intend to introduce improvements in redundancy terms, which will apply from to-day. We shall see that every effort is made to provide new jobs and we will make full use of the Industry Act and available European coal and steel community funds.

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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 community practice 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 overvalued. This will considerably reduce the Board's interest and depreciation charges.

Legislation will be introduced for these purposes and a Bill will be published today. Until this becomes law any necessary advances for purposes authorised under the Coal Acts will continue to be made from the National Loans Fund.

These measures will deal with the Board's immediate financial problems and ease the consequences of any unavoidable contraction. But substantial assistance from public funds cannot be justified without effective and sustained efforts by all sides of the industry to improve its competitive position, contain costs and re-establish viability. Indeed it is only through such efforts that the industry will be able to take full advantage of the opportunities, not least in Europe, which the future holds.

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