PART 19 (NEW FILE COVER) MT

Confidential Filing.

Financial Position of the Coal Industry
Mineworkers Pay.

NATIONALISED INDUSTRIES

PART ONE: JUNE 1979
PART 19: DEC. 1985

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
~~23.7.86~~ 31.7.86 PT19 ENDS							

PREM 19/1865

Dd 8398366 2M 11/83 JET

PART 19 ends:-

DN to PM 31/7

PART 20 begins:-

TF to ENERGY 4/8

TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

Reference	Date
CC(86) 7th meeting, item 1	20/02/1986
CC(86) 21st meeting, item 3	22/05/1986

The documents listed above, which were enclosed on this file, have been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate **CAB** (CABINET OFFICE) CLASSES

Signed______________________ Date 01/10/2014

PREM Records Team

10 DOWNING STREET

Prime Minister!

A major review as suggested by John Wybrew might turn out to be a waste of time. But the present uncertainties are likely to continue, whatever the actual oil price. Agree to commission the further work proposed here?

DRN
31/7

Yes - however the point you filibuster made on p.3.

PRIME MINISTER 31 July 1986

ENERGY POLICY

Peter Walker's brief review of policy work in progress is either a trailer for his 'paper on energy strategy in general' or a brush off. The confusion may reflect his doubts over the purpose of such an exercise. Any attempt by the Government to formulate energy policy in the sense of a definitive master plan would do more harm than good. Resilience against uncertainty is more important than devising the best strategy for a set of circumstances which cannot be predicted.

Wisely, Nigel Lawson, as Secretary of State for Energy in 1982, envisaged a more limited role for Government, ie:

> 'to set a framework which will ensure that the market operates in the energy sector with a minimum of distortion and that energy is produced and consumed efficiently'.

That remains the Government's last public pronouncement on the nature of energy policy.

Judged in this light the Government has been making good progress, for example, in abolishing BNOC and privatising British Gas. There is scope to go a lot further. Considerable progress has been made in changing the corporate culture of British Coal to that of a market-orientated business. The next step is to put coal onto the same diverse, private sector basis as oil and gas exploration and development. Privatisation of the electricity supply industry is a natural sequel to the successful privatisation of gas.

That said, I believe that there is a good case to review energy policy in a coherent way - not with the aim of formulating a definitive strategy, but to ensure that the framework around a liberalised UK energy market is consistent

with the Government's objectives. The following aspects could usefully be covered:

1. An explicit definition of objectives and their relative importance for example:

   - To ensure continuous secure supplies of fuels at prices which are internationally competitive;

   - To derive maximum economic benefit from the development of our indigenous energy resources;

   - In doing so to foster the development of British capability and technology to meet the needs of the energy supply industries both in the domestic market and in export markets.

2. Recognition of the daunting uncertainties which plans and decisions in the energy field are exposed to, for example:

   - Oil prices which by, say, 1990 might be anywhere between $15 to $50 a barrel.

   - Electricity demand which may be growing at an underlying rate double the 1.5% pa currently used for long term planning.

   - Events such as the coal strike or Chernobyl.

3. Consideration of strategic questions such as:

   - Given the increased uncertainty over the contribution of nuclear power to electricity supplies in the 1990s, the number of coal and oil-fired stations approaching retirement in a bunch, and the growing evidence of an increase in the underlying demand for electricity, what should the CEGB be doing to keep the lights on in the 1990s?

- What are the implications for the British coal industry and the process of retrenchment to a core of economic capacity?

- What assumptions is the CEGB to make about the security of supplies of British coal? (If the British coal industry is restructured and put onto a diverse private sector basis there should be less need for substantial coal imports).

- How much weight should be put on the potential damage to British industrial capability caused by the cycle of feast-to-famine-to-feast, for example in the construction of power stations and now the development of offshore oil and gas?

The Chancellor would not wish Mr Walker to lead on this. It is in any case already under discussion. Bruce-Gardyne

- As regards the latter, how much fiscal stimulus should the Government give to offset the collapse of oil prices with the aim of maintaining the momentum of exploration and appraisal, encouraging the continued development of production capacity and preserving independent British oil companies?

Conclusion

Many of these issues interlock. Most of them are prone to the same uncertainties. There is a case to review energy policy in a coherent way - not with the aim of formulating a definitive strategy but to ensure that the Lawsonian framework around a liberalised UK energy market is consistent with the Government's objectives. It might be worth inviting Peter Walker to amplify his views along the lines indicated above.

JOHN WYBREW

39. CCBG
cc Rachel Lomax

BF Monday.

SECRET

COPY NO 1 OF 4

Prime Minister

Minutes attached.

At E(A) in April we discussed the importance of agreeing a policy for fixing the coal price to the CEGB in the longer term and I said that before this happened I would submit a paper on energy strategy in general in the Autumn.

As you know, in the event we endorsed the NCB/CEGB five year settlement for the next two years and this in itself deals with one vital area.

On the other major sectors of energy policy, the rationalisation of the coal industry is proceeding at a pace faster than any of us could have anticipated and in fact the latest manpower figures show that almost 50,000 men have left the industry, with a further 4,300 under notice to leave. I am in close contact with Sir Robert Haslam, the incoming Chairman, and I will be submitting to the Treasury our review of the strategy for the industry over the next two or three years.

The gas industry will be privatised this Autumn. Naturally I am pleased that we have steered this legislation through the entire Parliamentary procedure with total success. The details of the forthcoming advertising campaign have been well prepared, and there is every prospect of a successful flotation.

SECRET

On the nuclear industry, I am unable to proceed with decisions until I receive the Sizewell Report this September, but we will then be ready to make proposals for the power station capital investment programme in the light of the recommendations of the report. Decisions on the strategy for nuclear energy and electricity generation must remain in abeyance until we know the details of the Report.

The final sector is oil, where we have correctly proceeded with a new round of licencing. We are agreed that we do not support restrictions on production and the only changes in strategy will be those that the Treasury decide upon in the light of new market conditions and their impact upon the most appropriate methods of taxation.

SECRETARY OF STATE FOR ENERGY
23 July 1986

10 DOWNING STREET

1. NW — to see.
2. Martin.

An excellent job.

Tedious but very worthwhile.

Thanks.

Jack

10 DOWNING STREET

22/7

DW

Please find attached a 'masterpiece' as requested!

All references on the CF Files referred to are flagged up – the other files (GR & Appts.) are easily obtainable and have few papers on.

Hope this covers all angles & is sufficient forearming!

Martin

DIARY OF CONTACTS BETWEEN NO.10 AND MR. IAN MACGREGOR

Date	Type of Contact and Subject	File
01.02.80	PM meeting with MacGregor and Sir Peter Carey (re appointment as Chairman of BSC) at No.10	Appts.File (BSC)
	1. As Part-time Deputy Chairman (02.05.80) and then Chairman of the British Steel Corporation (01.07.80)	
15.11.80	PM meeting with MacGregor, SS/DTI, David Young, David Wolfson (at Chequers) Subjects: BSC Corporate Plan; Gas Pipeline; Public Sector Projects; and others	Steel Ind: Nat.Ind. Pt.7
19.03.81	Letter to MacGregor from PM. Subject: Campbell-Savours MP meeting and Distington foundry closure	" Pt.9
09.09.81	PM meeting with MacGregor and Min. DTI at No.10 Subjects: BSC performance & future; Coal Industry; large-scale building projects	" Pt.10
25.06.82	PM meeting with MacGregor at No.10 Subject: Future Chairmanships of BSC and NCB	Appts.File (NCB)
13.12.82	PM meeting with MacGregor at No.10 Subject: Future Chairmanships of BSC and NCB	Steel.Ind: Nat.Ind. Pt.12
	2. As Chairman of the National Coal Board (01.09.83)	
19.01.84	At PM's meeting with Ministers at No.10, the S/S Energy was instructed to put to the NCB points about redundancy payments	Coal Ind: Nat.Ind. Pt.8
23.2.84	Letter from PM to MacGregor sympathising with him over the incident at Ellington Colliery (he was knocked to the ground)	" Pt.8
27.2.84	Letter from MacGregor to PM replying to her letter of 23.2.84	" Pt.8
14.03.84	PM meeting with MacGregor and S/S	"

	Energy at No.10, to discuss escalating coal dispute (& Channel Tunnel)	Pt.8
30.03.84	Private Sec.(No.10) instruction to D/Energy to keep in close contact with NCB (in anticipation)	" Pt.8
03.07.84	PM meeting with MacGregor and S/S Energy at No.10 to discuss coal dispute	" Pt.10
03.08.84	MacGregor contact with No.10 (by 'phone?) regarding protection of working miners from intimidation	" Pt.11
04.09.84	PM meeting with MacGregor and S/S Energy at No.10 to discuss Coal Dispute (in particular NCB/NUM talks)	" Pt.12
19.09.84	PS letter to Energy suggesting the NCB's message is pushed harder to miners to encourage a return to work (following PM's meeting with the Miners' Wives Back to Work Campaign)	" Pt.12
19.09.84	Note from PS to PM suggesting she 'phone S/S Energy to ask him to consider "pay awards to working miners" with MacGregor (no evidence it occurred, however)	" Pt.12
23.09.84	PM meeting with MacGregor and S/S Energy at Chequers to discuss coal dispute (in particular the forthcoming talks with the TUC)	" Pt.13
11.10.84	Phone call between PM and S/S Energy discussing NCB/NUM talks, and setting up of an advisory body within the Colliery Review Procedure. (Possible instruction to NCB resulted - no proof)	" Pt.13
14.10.84	Phone call between PM and MacGregor regarding NCB/NUM ACAS talks and texts, and NACODS' dispute (see also phone call between S/S Energy and PM)	" Pt.13
20.10.84	Copy of PM letter to Kinnock of 19.10.84 sent to MacGregor (letter was about Coal Dispute latest)	" Pt.14
23.10.84	PM letter to Edwards (NCB) - encouragement regarding the movement of coal stocks	" Pt.14
30.10.84	PM meeting with Mr. Smith (NCB), S/S Energy, S/S Employment, at House of Commons, to discuss NUM/NCB ACAS talks and developments (S/S Energy 'phoned MacGregor during this)	" Pt.14

19.01.85	'Phone call between PM & S/S Energy on TUC document and other aspects of coal dispute. Instruction to NCB via S/S Energy to produce proposals	" Pt.15
25.01.85	PM meeting with S/S Energy and S/S Employment (reporting on coal dispute and "talks about talks" at No.10, 24.1.85) - probably this meeting resulted in a contact with NCB to produce a statement	" Pt.16
19.02.85	Statements issued after PM meeting with TUC Monitoring Group to discuss Coal Dispute at No.10 Both Mr. Willis and Government said that the PM undertook that S/S Energy would convey the views of the TUC to the NCB	" Pt.16
20.02.85	Letter from S/S Energy to MacGregor with attached draft letter and statement for MacGregor to send to TUC to pass on to NUM. [PM/No.10 had amended these documents earlier.]	" Pt.16
08.03.85	Phone call between PS No.10 and S/S Energy reporting on intimidation of working miners for S/S Energy to bring up with MacGregor	" Pt.17
11.03.85	Meeting of Ministers at No.10, the conclusions of which agreed that S/S Energy should develop the terms of the modified Colliery Review Procedure with the NCB	" Pt.17
19.03.85	John Redwood meets MacGregor about situation in Coal Industry	" Pt.17
28.03.85	PS No.10 reporting to Sir Robert Armstrong about MacGregor's problem with transfer of planning consents (presumably after a MacGregor contact with No.10)	" Pt.17
31.03.85-01.04.85	PS No.10 reported to MacGregor by 'phone on a PM meeting with Working Miners at a Dinner at Sir Woodrow Wyatt's house	" Pt.17
15.04.85	PS No.10 Personal letter to MacGregor about intimidation, in particular, Mr. & Mrs. Fjaelberg	" Pt.17
16.04.85	PS No.10 letter to D. Energy about the 'Coal Industry Bill' and seeking the views of MacGregor	" Pt.17

08.05.85	Letter from MacGregor to PS No.10 about intimidation, in particular Mr. & Mrs. Fjaelberg (reply to letter of 15.4.85)	" Pt.17
13.05.85	PM meeting with MacGregor at No.10 about situation in the Coal Industry	" Pt.17
16.05.85	PS No.10 letter to MacGregor about intimidation (Mr. & Mrs. Fjaelberg). Reply to letter of 8.5.85	" Pt.17
23.05.85	PS No.10 letter to PUSS/Energy Hunt, about working miners and their families and a list handed to Gerry Malone to be checked with NCB	" Pt.17
29.05.85	PM meeting with S/S Energy at No.10 about intimidation. Energy to be in touch with NCB	" Pt.17
05.06.85	S/S Energy spoke to MacGregor about Barry Booth and intimidation of working miners after information from Woodrow Wyatt (see also PS note for record of 5.6.85)	" Pt.18
10.06.85	PPS No.10 contacts D. Energy to relate to NCB the PM's concern over intimidation of working miners after information from Woodrow Wyatt	" Pt.18
13.06.85	PM wrote to MacGregor about protection of working miners	" Pt.18
13.06.85	PM wrote to MacGregor to invite him to lunch at No.10 with NCB and S/S Energy	" Pt.18
26.06.85	'Silver Birch' request for a meeting with PM	" Pt.18
04.07.85	PPS telephone call to MacGregor reminding him to reply to PM's letter of 13 June	" Pt.18
10.07.85	PM's discussion with S/S Energy about Chris Butcher - 'Silver Birch' at No.10	" Pt.18
18.07.85	PPS letter to MacGregor reminding him to reply to PM's letter of 13 June	" Pt.18
23.07.85	MacGregor wrote to PM replying to PM's letter of 13 June 1985	" Pt.18

25.07.85	PPS letter to D. Energy about MacGregor's reply of 23 July 1985 keeping them informed of NCB's dealings with intimidation of working miners	" Pt.18
02.08.85	MacGregor 'phoned PPS about arranging a meeting with working miners and the PM, and PPS wrote to D. Energy	" Pt.18
06.08.85	MacGregor 'phoned PS following up his request of 2 August 1985, and Energy replied	" Pt.18
08.08.85	MacGregor 'phone conversation with PS telling MacGregor that PM would not see 2 Notts. working miners - not well received	"
09.08.85	PM letter to (a miner) about intimidation - passed to MacGregor. (MacGregor wrote to PM 2.9.85, PM replied 13.9.85)	GR file:
23.09.85	PS call to D. Energy to pass on PM's concern over NCB's actions over Notts miners	Coal Ind: Nat.Ind. Pt.18
03.10.85	PM letter to (a miner) about intimidation - passed to MacGregor (MacGregor wrote to PM 22.10.85, PM replied 7.11.85)	GR file
04.10.85	PS call to D. Energy to ask them to investigate Press claims over NCB handling of Emley Moor Drift Mine (followed by PS letter of 7.10.85)	Coal Ind: Nat.Ind. Pt.18
17.10.85	D. Energy to PS replying about Emley Moor with an attached NCB letter and report from MacGregor	"
28.02.86	NCB Press Release about MacGregor's impending book and the PM's involvement in coal strike	Pt.19
23.04.86	Tyler wrote to PM about 'ghosting' MacGregor's book	"
09.05.86	PS reply to Tyler	"

END OF CONTACTS UP TO 17 JULY 1986

JD3AOE

Prime Minister 2
To note that we should still hit the target of 27m tonnes of coal stocks by October, despite the cold spring.
DRN 8/7

MT.

MR NORGROVE

8 July 1986

COAL STOCKS AT POWER STATIONS

You asked whether the mid-June figure of 23.4 million tonnes of coal stocked at power stations in Great Britain is below the planned build-up of stocks to a level of 27 mt by end October.

The current shortfall is about 0.5 mt. The output from British Coal has somewhat exceeded the target, but this has been offset by higher than expected electricity demand and less coal from other sources. There is no need to worry at this stage. If electricity demand continues to exceed expectations, the CEGB can increase the oil burn - and enjoy a cost saving.

The strategic question to be considered later this year is whether the CEGB should play safe and adopt a policy of cycling coal stocks between 27 mt at the start of the Winter down to 22 mt at the end, or whether to drop back to cycling between a maximum of 25 mt and a minimum of 20.

JOHN WYBREW

PRIME MINISTER 7 July 1986

COAL INDUSTRY BILL 1986

The correspondence between Peter Walker and John MacGregor over the scope and detail of the Coal Industry Bill reflects a basic difference of views on the best ways to get the British coal industry back into a healthy commercial state. The Treasury's priority has been to change the flawed institutional basis of the coal industry. They have argued that there is no better time than the immediate aftermath of the coal strike to do this.

By contrast, Peter Walker has seen little merit in making controversial early changes to the institutional framework: changes which might, if anything, hamper the prime task, as he sees it, of closing uneconomic pits, raising productivity and instilling new and more market-responsive attitudes on the part of management and workforce. Peter Walker might point to Scargill's hostile reception at the recent NUM conference as evidence of the wisdom of such an approach.

Peter Walker has successfully defended this approach in the correspondence with the Treasury over the Coal Industry Bill. However, the Treasury are clinging doggedly to one remaining issue - the need to remove the NUM's power to abuse their position in jointly managing the Mineworkers' Pension Scheme, at the taxpayers' expense. Peter Walker would be prepared to do this, provided the necessary changes neither

hand the coal mining unions a cause around which to reunite, nor arouse public animosity against a seemingly harsh Government seeking to reduce miners' pension rights.

We would recommend that you:

1. Express the hope that a practical way can be found to modify the Mineworkers' Pension Scheme arrangements without uniting popular opposition in the industry or Parliament.

2. Suggest that it would be useful to have British Coal management's views on the risks of uniting the unions over this issue. (Our intelligence indicates that Peter Walker may be overstating the risk of uniting the unions.)

JW

JOHN WYBREW

NAT IND

COAL

PT 19

CC BG

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SECRETARY OF STATE FOR ENERGY
THAMES HOUSE SOUTH
MILLBANK LONDON SW1P 4QJ
01 211 6402

The Rt Hon John MacGregor OBE MP
Chief Secretary
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

4 July 1986

NBPM

COAL INDUSTRY BILL 1986

Thank you for your letter of 26 June.

I am prepared to accept that the orders extending the period of application of the new social grant power should each apply for one year only.

Your latest suggestion for the Mineworkers' Pension Scheme (that I should legislate to amend the rules of the Scheme so as to require contributions to be such as will fund the benefits available, presumably on a new entrant basis or similar) still involves legislating to override an agreement freely negotiated between the Board and its employees. However, I accept that it might be less controversial than legislating to give the Board control of the Scheme; and in view of the importance you attach to the point I will examine how it might be achieved in detail and whether it can be linked in any way to changes to accommodate the UDM. We can then reach a final decision in the light of specific draft provisions.

One difficulty I foresee is that if the NUM ultimately agree to changes in representation it would be very hard to defend legislation purely on contribution rates. As I have explained, it will be necessary to present the powers in relation to miners' pensions and coal industrial social welfare arrangements as for use only if the NUM continue to be intransigent in blocking proper representation for the UDM.

As regards conciliation arrangements within the coal industry, I will need to consider the ruling of the High Court of 20 June in detail before reaching a view. We are also still waiting to see whether the NUM will appeal.

I am copying this letter to the Prime Minister, Willie Whitelaw, John Biffin, Norman Tebbit, David Young, John Wakeham and Sir Robert Armstrong.

PETER WALKER

CONFIDENTIAL

NAT. IND: Coal; Pt 19

007/2770

CONFIDENTIAL

CCBG

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Peter Walker MBE MP
Secretary of State for Energy
Department of Energy
2 Marsham Street
London
SW1

BF / Any P.U. comments? (Policy unit)

26 June 1986

Dear Peter,

COAL INDUSTRY BILL

Thank you for your letters of 9 and 17 June about different aspects of this Bill.

I can agree to most of what you propose on the financial provisions of the Bill, subject to our settling a way of protecting the NCB against union irresponsibility in the Mineworkers Pension Scheme (MPS).

You have suggested a break point after two years in the power to make social grant orders. That would certainly help. I am still somewhat concerned about taking powers to make orders for so long a period as five years, after which time the coal industry should face a markedly different economic prospect. For that reason I should be able to go along with your compromise if the order making power after the second year were renewable annually.

I am sorry that you feel unable to proceed with a capital reconstruction. I am still attracted by the idea of putting the NCB back on its feet and getting it to make a fresh start. I should therefore like to take up your suggestion of a last-minute review of the Board's prospects before the Bill is introduced.

There seems little point, however, in a partial reconstruction. It would beg all sorts of questions about NCB's longer term future, which you would be unable to answer in the

CONFIDENTIAL

absence of a coherent financial framework for the coal industry.

So if the review later this summer concludes against a reconstruction. I should be prepared to go along with reserve powers to pay deficit grant arrangements. Like the powers in use now, these should allow scope for paying grant on only part of the Board's deficit, on the understanding that in general we should prefer to avoid further unspecific subsidies. In practice of course decisions will have to be made in the context of circumstances at the time.

Your proposals for the annual decision round on social grant arrangements meet nearly all my concerns. It is helpful to have your assurance about how the financial limit for the year should operate in practice. I hope that, in the light of the first year of operation of the new arrangements, it will be possible to implement a regular cash limit.

I am disappointed that you feel unable to press NCB to assume responsibility for the continuing weekly payments due from redundancies before 1987-88. I continue to believe that this would be a useful discipline for the Board. It would increase its cost structure, but by much less than the full cost of rationalisation since the capital cost of previous redundancies have been borne by the Government. Essentially, it would take the NCB a step nearer proper commercial operation.

Nevertheless, I realise that this is an emotive issue. If you feel unable to justify removing the element of the exceptional protection the NCB enjoys, I will not press you to do so.

This leaves the question of how the powers to improve democratic representation within the coal industry should be used. I am sorry you see difficulty with the extension I suggested, especially as you share my concern about the NCB's exposure to open-ended demands for deficit finance from the MPS.

You are concerned about providing the Opposition with an opportunity to unite and present such a move as an attack on benefits. I agree that we should aim to avoid this. I do believe we would enjoy widespread support - including the support of our own backbenchers - in arguing that the present arrangements are quite unreasonable. The NUM can force the pension fund into deficit and the NCB - which means at present the taxpayer - has to pick up the bill.

One way forward would be to leave in place the present arrangements as regards pension benefits but to change them as regards contributions. All we need is an arrangement which ensures that, whatever the level of benefits, contributions are set at a corresponding level.

As I said at the outset, my agreement to the bulk of your proposals in your letter of 9 June is conditional on your acceptance of this point.

I am copying this letter to the Prime Minister, Willie Whitelaw, John Biffen, Norman Tebbit, David Young, John Wakeham and Sir Robert Armstrong.

Yours ever,

JM

JOHN MacGREGOR

NAT IND
COAL
PT 19

CC86

PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

24 June 1986

Prime Minister
DRW
25/6

COAL INDUSTRY BILL

In your letter of 9 June you seek drafting authority to include in your Coal Bill for next Session provisions to deal with problems regarding employee representation following the emergence of the UDM. Although I assume that the UDM's victory in the High Court last week will remove the need for some of these, I also assume that the need for others remains. John Biffen and I have considered the implications of these provisions for next Session's programme.

Clearly these measures must command a high political priority and, unless other colleagues have policy objections, you may take it you have authority to instruct Parliamentary Counsel to draft the provisions. I have to say, however, that I am concerned at the implications of these additions for the rest of the Programme. Although they do not add appreciably to the length of the Bill, it will become considerably more controversial and will certainly not qualify as a Money Bill; it can therefore be expected to take up more time in both Houses while the necessity of obtaining Royal Assent by the end of February 1987 will presumably still stand. It is too early to make a final judgement but I fear that some consequential tailoring of the remainder of the programme may well prove necessary and I must give you and colleagues early warning of this. These concerns would be redoubled if the Bill were to be hybrid and I very much hope that this can be avoided; if it cannot, then I think we must reconsider the matter.

I am sending a copy of this letter to the Prime Minister, members of E(A) Committee, the Chief Whip, Commons; First Parliamentary Counsel, and Sir Robert Armstrong.

The Rt Hon Peter Walker MBE

NAT IND Coal PT19

file SH
cc BG

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

23 June 1986

NCB/SSEB NEGOTIATIONS

The Prime Minister was grateful for your Secretary of State's minute of 18 June about the discussions between the SSEB and the NCB about coal purchases.

I am copying this letter to Geoff Dart (Department of Energy).

DAVID NORGROVE

Robert Gordon, Esq.,
Scottish Office

JC

cc PS
cc R. Lomax (HMT)

38

SECRET

Prime Minister 2

DRN 20/6

Prime Minister

NCB/SSEB NEGOTIATIONS

I have seen Peter Walker's minute to you of 13 June and your Private Secretary's letter to mine of 16 June about the discussions between the SSEB and the NCB about coal purchases.

I have no desire to see the NCB/CEGB agreement reopened. SSEB naturally seek comparable benefits for Scottish consumers but there are very sound reasons why the negotiations to this end need not follow a precisely similar path.

The SSEB have been able to put themselves in a position to achieve a broadly similar tariff reduction (around 3.5% on average) by operating only one of the three modern and highly efficient oil-fired generating sets available to them. At the same time they have maintained a substantial coal burn; but they are perfectly willing to increase their coal burn and reduce oil-burn proportionately if coal can be made available at a price which will enable them to achieve the desired tariff reduction. The Boards are required by statute to minimise their costs of production and we expect them to behave commercially.

I saw Ian MacGregor, Bob Haslam and Kenneth Couzens on 3 June and as a result saw the Chairman of SSEB on 10 June. He told me then that he was about to start negotiations with the NCB following an initial proposal from them which he thought unacceptable. I am acutely aware of the difficulties which the NCB face in Scotland and shall certainly maintain contact with the Chairman of the SSEB about the progress of negotiations; but it is in my view very desirable that we

should allow the two sides to pursue negotiations without direct Government intervention.

It should be possible for the two sides to reach a satisfactory agreement provided we leave them with some reasonable scope for manoeuvre.

I am copying this minute to Peter Walker.

MR

M R

18 June 1986

NAT IND
COAL
PT 9

SECRET

37A CCBG

Prime Minister 2

The Treasury suggested that the NCB should have control over the mineworkers' pension scheme. Mr Walker thinks that would be too controversial and wants simply to give the UDM representation, which should osely help the NCB.

01 211 6402

The Right Hon. John McGregor OBE MP
Chief Secretary
Treasury Chambers
Parliament Street
London
SW1P 3AG

COPY NO 2 OF 12

DRN 17/6

17 June 1986

COAL INDUSTRY BILL 1986

I have considered carefully the suggestion in your letter of 9 June that we should use my proposed provision regarding UDM representation of the Mineworkers' Pension Scheme to give the Board ultimate control over the scheme.

The ability of the NUM to block proposals for change stems from the facts that under the rules of the scheme they appoint half the trustees to the Committee of Management, and additionally that the agreement of the Union is required to any changes to those rules (including any change to contribution rates and benefit levels). I agree that this is unsatisfactory, given the Board's obligation to finance any deficiency. Unfortunately, remedying it would not be as simple and uncontroversial as you suppose.

In my minute of 30 May to the Prime Minister I proposed a provision to amend the rules of the MPS with a view to securing representation for all unions representing substantial bodies of the workforce similar to that now enjoyed by the NUM. Although the details have yet to be fully worked out, what I envisage is a provision within the Bill giving me a once-only power to amend the rules of the MPS by Order such that:

i) organisations seeming to the Board to represent a significant proportion of their employees in grades eligible for membership of the MPS shall have the power to appoint that number of trustees as will so far as possible ensure that the 50% of non-Board appointed trustees reflects the division of the contributing membership between those organisations;

ii) changes to the rules of the Scheme can be made by agreement between the NCB and a majority of the trustees, or, in the event of the trustees being evenly divided, by agreement of the NCB and endorsement in a ballot of the contributing membership.

SECRET

As I said in my earlier minute, I intend to make it clear that I would much prefer not to use these powers, which will be used only if the NUM continue to be intransigent in blocking proper representation on the Scheme for the UDM.

I believe that my proposal could be given a very positive presentation, as necessary to prevent a major injustice being perpetrated by the undemocratic left. Our opponents will have the greatest difficulty taking a unified stand.

These proposals will also help the Board with its long-standing problems over control, to the extent that they mean that the Board acting with the UDM will be able to override the NUM.

If, however, we go further and give the Board the power for the first time to override the united views of its employees' representatives in this area, then we will no longer be able to present our proposals as necessary simply to reflect the emergence of the UDM, and they will inevitably be a good deal more controversial. There is no possibility of taking powers to make such a fundamental change through Parliament without a clear statement of what is intended; and the opposition will be able to unite in presenting them as an attack on pensions, using legislation to override agreements freely negotiated within the industry.

I do not therefore believe that it is worth complicating the presentation and passage of the present Bill by seeking to include provisions to remedy what is after all a long-standing difficulty. I am sure our aim should be to keep the present Bill to the essential minimum.

I am copying this to the Prime Minister, ~~Willie~~ Whitelaw, Nigel Lawson, John Biffen, Norman Tebbitt, David Young, John Wakeham and Sir Robert Armstrong.

Peter

PETER WALKER

NAT. IND: Coal: Pt19.

CC BG

01 211 6402

NBPM

The Rt Hon Paul Channon MP
Secretary of State for Trade and Industry
1 Victoria Street
LONDON
SW1H OET

17 June 1986

Dear Paul

AGREEMENT BETWEEN BRITISH COAL AND THE CEGB ON COAL SUPPLY

AGREED WITH DN

In your letter of 2 June, you commented on the proposed agreement between British Coal and the CEGB, the first two years of which we have now endorsed.

I am grateful for your views on how you think industrial consumers, particularly the large, intensive users, may react to the agreement. However, I think your comments do less than justice to it.

As a commercial agreement, the deal had to take account of the interests of both industries; and, as I said in my letter of 20 May to John MacGregor, it can reasonably be argued that, given the uncertainty about the future of fossil fuel prices, it would be wrong to restructure coal and electricity prices now to the full extent that might be appropriate if present oil prices were thought likely to continue indefinitely. As it is, however, the benefit to industrial consumers will be greater than you assumed. As you will have seen from the announcements, the electricity price reduction will amount to 5% for monthly-billed industrial consumers and as much as 7-8% for those on contracted load terms (which includes many of the large, intensive users). This means that the 1 April increase is effectively wiped out for industrial consumers; and that the average price to such consumers will have fallen in real terms in each year since 1981 and is now some 10% less than it was in that year.

The three tranche arrangement for the pricing of coal represents a continuation and extension of the principles underlying the existing two tranche scheme whereby coal supplies are priced to compete with imported fuels at the margin, while intra-marginal

supplies reflect both NCB costs and the higher costs of transporting imported fuels to inland sites. In line with these principles, the prices of first and second tranche coal in the proposed agreement remain the same as they would have been under the existing agreement (£46.88/tonne and £33/tonne respectively) while the third tranche price is set to compete with coal or oil imports at coastal sites. (It is not the case, as you assume, that the agreement increases the price of first tranche coal: the increase to £46.88/tonne resulted from the operation last November of the formula in the previous agreement.)

Under the agreement, the porportion of coal in the first tranche will fall each year, leaving a higher proportion of supplies directly competitive with imported fuels. Both the first and second tranche prices will be lower in real terms than they were at the time of the price revision in November 1984 and will subsequently fall further in real terms.

Overall, the agreement seems to me to strike a reasonable commercial balance between the two industries; and also between the taxpayer and the electricity consumer. As I said in my letter of 20 May, it is a substantial move in the direction indicated by market signals; and I pointed out the difficulties, and in fact the impracticability, of a short term deal, such as one for 12 months.

I recognise that large intensive users may still wish to pursue the possibility of special arrangements; and the industries will be considering what further might be done. I will keep you informed of developments.

I am copying this letter to the Prime Minister, Nigel Lawson, other members of E(A) and to Sir Robert Armstrong.

PETER WALKER

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COAL
PT 19

2 PP's

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SECRETARY OF STATE FOR ENERGY
THAMES HOUSE SOUTH
MILLBANK LONDON SW1P 4QJ
01 211 6402

The Rt Hon John MacGregor OBE MP
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

NBPM.

17 June 1986

NCB (ENTERPRISE) LTD

FILE WITH DN

Thank you for your letter of 9 June.

I am delighted that you share my conviction that we must be seen to be supporting British Coal's continuing efforts to provide alternative employment in the mining areas. I propose to announce the increase of funds to the company at a suitable occasion shortly when I shall also take the opportunity to announce its change of name, probably to British Coal (Enterprise) Ltd.

I have, of course, reminded Merrik Spanton that there will be no change in the procedure for the release of money within the new ceiling of £40 million.

I am copying this letter to the Prime Minister, other members of E(A) and to Sir Robert Armstrong.

PETER WALKER

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PRIME MINISTER 16 June 1986

NCB/SSEB NEGOTIATIONS

Peter Walker accuses Donald Miller and the South of Scotland Electricity Board (SSEB) of jeopardising the Scottish coal field by precipitately switching to cheap fuel oil and then being unreasonably hard-nosed in the negotiation with the NCB.

This is unfair. Unlike the CEGB, the SSEB was consuming no oil prior to the recent collapse of oil prices. Fearing a pre-emptive legal challenge by electricity customers wanting to benefit from cheap oil, Donald Miller and his Board cautiously decided to bring one of their five mothballed oil-fired units into operation from 1.4.86. Even with this and cheaper coal supplies from 1.7.86 (see below), the SSEB can only afford to give Scottish consumers a discount of 0.15 pence per kwh compared with the CEGB's equivalent discount of 0.2 pence per kwh.

Donald Miller tells us that the NCB's coal supply offer - consistent with the CEGB's deal - looks satisfactory; when it comes into effect on 1.7.86 the SSEB's one oil-fired unit will be taken off baseload operation and the oil consumption halved.

The real threat to uneconomic coal production capacity in Scotland is the Torness nuclear power station, the first unit

of which is due to be commissioned next Spring. Allowing for Torness, SSEB are still planning on continued use of their relatively modern coal-fired stations at Longannet, Cockenzie, and Kincardine.

Conclusion

You don't need to worry or intervene. Scottish electricity consumers will benefit from lower oil prices, much like those in England and Wales. Provided the NCB operates the remaining Scottish pits efficiently, the SSEB will be long-term customers with a coal requirement of some 5 mtpa.

JOHN WYBREW

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10 DOWNING STREET

From the Private Secretary

16 June 1986

NCB/SSEB NEGOTIATIONS

You will have received a copy of the Secretary of State for Energy's minute of 13 June to the Prime Minister about the negotiations between the NCB and the SSEB. The Prime Minister agrees strongly with Mr. Walker that there is no way the SSEB can be given terms which are more advantageous than those agreed with the CEGB. She hopes that your Secretary of State will be making this very clear to the SSEB. The Government must now do everything possible to achieve an agreement on the same basis as that agreed with the CEGB.

I am copying this letter to Geoff Dart (Department of Energy).

(DAVID NORGROVE)

Robert Gordon, Esq.,
Scottish Office

SECRET

cc BG Arthur.

PRIME MINISTER

COPY NO OF 3

35

NCB/SSEB NEGOTIATIONS

You will wish to be aware of the very difficult situation which is developing in relation to the Scottish coalfield.

Following the agreement between the Coal Board and the CEGB on coal prices, Ian MacGregor has also to negotiate a new coalburn arrangement with the SSEB. These negotiations have not been made any easier by the Chairman, Mr Miller's precipate decision to switch to increased oilburn, which has led to a build-up of unsold coal stocks in Scotland.

The future for the Scottish coalfield already looks bleak. The NCB advise me that, whatever happens on the SSEB's coalburn, the collieries at Seafield Francis, Comrie and Killoch Baroney are likely to close in the next two years with the loss of about 2½ thousand jobs. The first announcements could be in two to three weeks time. If the SSEB maintain a high level of oilburn this will necessitate in addition the early closure of Monktonhall and severe cutting back of Longannet. That would mean the loss of a further 1,000 plus jobs, and a marked acceleration of the pace of redundancies.

The SSEB are currently demanding as the price for resuming coalburn a deal which would be almost twice as expensive (relative to quantity) as the agreement reached with the CEGB. There is of course no way that the SSEB can be given terms which are more advantageous than those agreed with the CEGB without re-opening the CEGB deal, with potentially serious consequences for public expenditure.

Ian MacGregor has asked both Malcolm Rifkind and me to do what we can to help smooth the negotiations.

I am copying this minute to Malcolm Rifkind.

Secretary of State for Energy

13 June 1986

SECRET

34

PRIME MINISTER

NCB/SSEB NEGOTIATIONS

I am told by Mr. Walker's Private Secretary that this minute has ~~three~~ two purposes:

i) to encourage Mr. Rifkind to get on with his negotiatins with the Chairman of the SSEB - he is apparently not taking this seriously enough;

ii) to warn of these impending redundancies both for themselves and for their implications for seats in Scotland.

Agree that the SSEB has to fall in line with the CEGB and that Mr. Rifkind should bend every effort to bring this about?

Yes MT

MT

DAVID NORGROVE
13 JUNE 1986

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WEEKLY COAL AND POWER STATION STATISTICS SUPPLEMENT (1)

EcS Division, Dept. of Energy, Thames House South,
Millbank, London SW1P 4QJ phone:01-211-4368

12 JUNE 1986

	Week ending.....		1.6.85 (6)	10.5.86 (5)	17.5.86	24.5.86	31.5.86 (6)
COAL	PRODUCTION (m.tonnes)	deep mines+	0.62	1.56	1.90	1.84	0.47
		opencast+	0.28	0.23	0.31	0.32	0.22
		TOTAL	0.91	1.79	2.21	2.16	0.69
	PRODUCTIVITY(2) (tonnes/manshift)	'overall'	1.95	3.08	3.17	3.16	1.88
		'production'	10.31	13.73	14.16	13.81	9.85
	UNDISTRIBUTED STOCKS (m.tonnes)	deep mines:					
		England	4.57	2.12	2.07	1.97	1.82
		S.Wales	2.22	2.34	2.33	2.32	2.29
		Scotland	1.11	0.85	0.87	0.90	0.91
		opencast	7.77	2.76	2.78	2.79	2.85
		TOTAL	15.68	8.08	8.05	7.97	7.88
POWER STATIONS	COAL STOCKS (m.tonnes)	S.Eastern	1.25	1.45	1.46	1.50	1.47
		S.Western	1.43	1.81	1.83	1.87	1.89
		Midland	5.34	7.38	7.52	7.67	7.40
		N.Eastern	3.72	7.81	7.94	8.06	7.99
		N.Western	1.32	1.74	1.77	1.81	1.81
		TOTAL CEGB	13.06	20.19	20.51	20.91	20.54
		Scotland	1.19	1.48	1.50	1.53	1.57
		TOTAL Gt.Britain	14.25	21.67	22.01	22.43	22.11
	COAL CONSUMPTION (m.tonnes)	S.Eastern	0.11	0.04	0.06	0.08	0.12
		S.Western	0.12	0.19	0.19	0.17	0.11
		Midlands	0.49	0.64	0.62	0.57	0.50
		N.Eastern	0.34	0.40	0.42	0.40	0.33
		N.Western	0.06	0.10	0.10	0.08	0.06
		TOTAL CEGB	1.12	1.37	1.39	1.30	1.12
		Scotland	0.10	0.05	0.06	0.05	0.04
		TOTAL Gt.Britain	1.22	1.42	1.45	1.35	1.16
	COAL RECEIPTS (m.tonnes)	CEGB	1.09	1.49	1.72	1.69	0.75
		Scotland	0.15	0.07	0.08	0.08	0.08
		Gt.Britain	1.24	1.56	1.80	1.77	0.83
	OIL STOCKS(3) (m.tonnes)	CEGB	0.79	0.71	0.72	0.74	0.75
		Scotland	0.18	0.14	0.12	0.14	0.15
		Gt.Britain	0.97	0.85	0.84	0.88	0.91
	OIL CONSUMPTION (3) (m.tonnes)	CEGB	0.01	0.04	0.06	0.06	0.03
		Scotland	–	0.02	0.02	0.02	0.02
		Gt.Britain	0.01	0.06	0.08	0.08	0.05
	OIL RECEIPTS(3) (m.tonnes)	CEGB	–	0.04	0.07	0.07	0.05
		Scotland	–	0.03	–	–	0.03
		Gt.Britain	–	0.07	0.07	0.07	0.08
	GAS CONSUMPTION (m.therms)	CEGB	1	–	–	–	–
	ELECTRICITY(4) SUPPLIED (GWh)	Nuclear	838	896	840	848	893
		Other Steam	2,723	3,502	3,608	3,376	2,835
		TOTAL	3,562	4,398	4,447	4,224	3,728
		TOTAL, temperature corrected	3,572	4,345	4,367	4,243	3,638

(1) Great Britain unless otherwise stated. All latest figures are subject to revision. (2) NCB mines only. (3) Oil-fired boilers only. (4) Steam stations only. +includes licensed production. (5) Includes May Day Bank Holiday. (6) Includes Spring Holiday.

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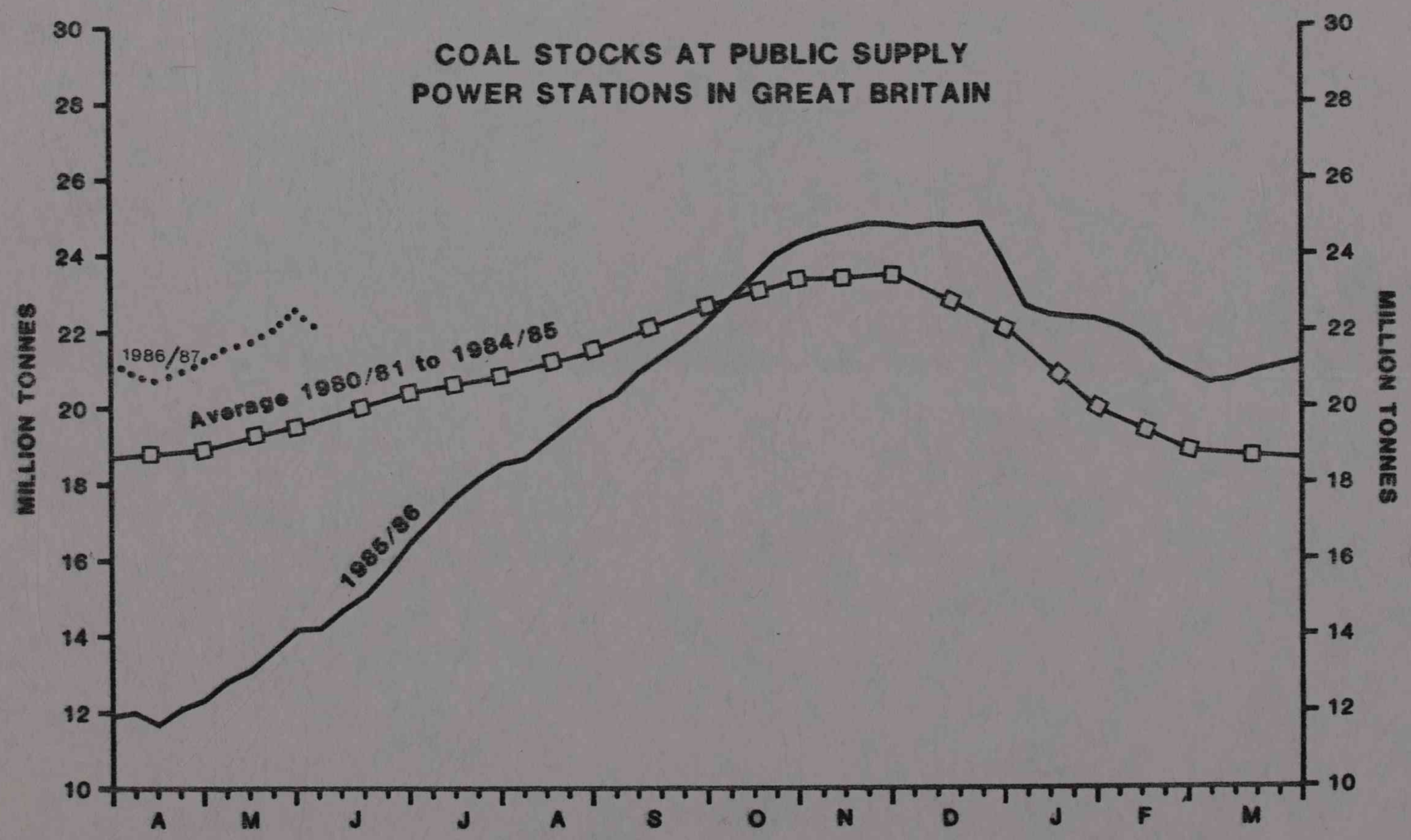
WEEKLY COAL AND POWER STATION STATISTICS (1)

EcS Division, Dept. of Energy, Thames House South,
Millbank, London SW1P 4QJ phone 01-211-4368 12 JUNE 1986

	Week ending.....		1.6.85 (6)	10.5.86 (5)	17.5.86	24.5.86	31.5.86 (6)
COAL	PRODUCTION (m.tonnes)	deep mines+	0.62	1.56	1.90	1.84	0.47
		opencast+	0.28	0.23	0.31	0.32	0.22
		TOTAL	0.91	1.79	2.21	2.16	0.69
	PRODUCTIVITY(2) (tonnes/manshift)	'overall'	1.95	3.08	3.17	3.16	1.88
		'production'	10.31	13.73	14.16	13.81	9.85
	UNDISTRIBUTED STOCKS (m.tonnes)	TOTAL	15.68	8.08	8.05	7.97	7.88
POWER STATIONS	COAL STOCKS	(m.tonnes)	14.25	21.67	22.01	22.43	22.11
	COAL CONSUMPTION	"	1.22	1.42	1.45	1.35	1.16
	COAL RECEIPTS	"	1.24	1.56	1.80	1.77	0.83
	OIL STOCKS(3)	"	0.97	0.85	0.84	0.88	0.91
	OIL CONSUMPTION(3	"	0.01	0.06	0.08	0.08	0.05
	OIL RECEIPTS(3)	"	0.00	0.07	0.07	0.07	0.08
	ELECTRICITY SUPPLIED(4)(GWh)						
	Nuclear	"	838	896	840	848	893
	Other Steam	"	2,723	3,502	3,608	3,376	2,835
	TOTAL	"	3,562	4,398	4,447	4,224	3,728
	TOTAL, temperature corrected	"	3,572	4,345	4,367	4,243	3,638

(1) Great Britain unless otherwise stated. All latest figures are subject to revision. (2) NCB mines only. (3) Oil-fired boilers only. (4) Steam stations only. +includes licensed production. (5) Includes May Day Bank Holiday. (6) Includes Spring Bank Holiday.



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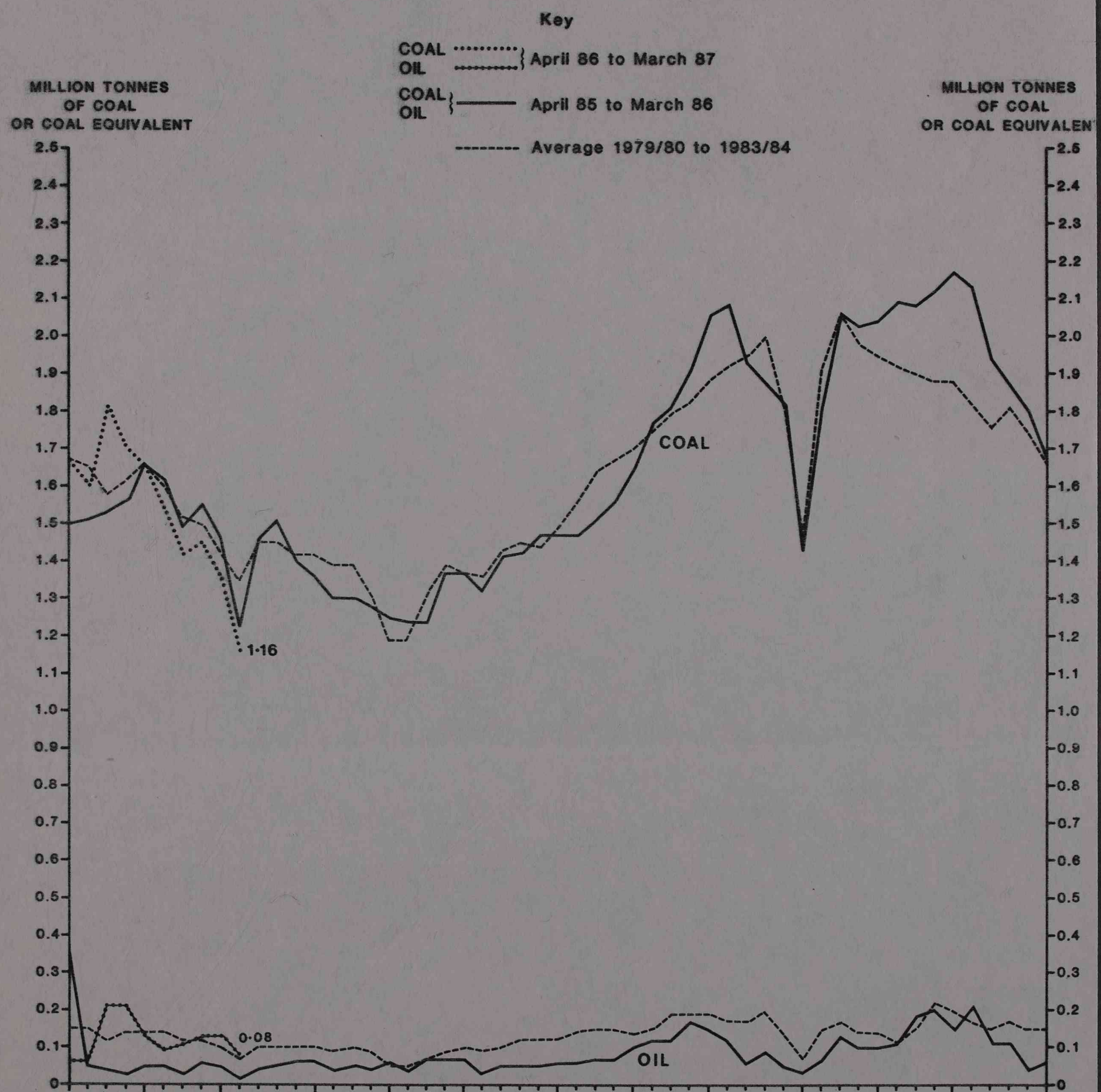
COAL CONSUMPTION AND OIL CONSUMPTION (OIL FIRED) AT PUBLIC SUPPLY POWER STATIONS IN GREAT BRITAIN



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Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Peter Walker MBE MP
Secretary of State for Energy
Department of Energy
Thames House South
Millbank
London
SW1P 4QJ

Prime Minister 2

DRN 10/6

9 June 1986

Dear Peter,

NCB (ENTERPRISE) LTD

FILE WITH ON

Thank you for your letter of 30 May to Nigel Lawson.

Like Norman Tebbit, I agree that it is vital to demonstrate willingness to support British Coal's efforts to improve employment prospects in declining coalfields. Investing in regenerating the local economies is a positive way of doing this. I therefore agree to your proposal to double the limit on NCB's lending to NCB(E). I suggest officials can determine the timing of release of money within this new ceiling.

Our commitment to NCB(E) should not, however, preclude assessment of the cost-effectiveness of NCB(E)'s strategy. As you will be aware from Peter Rees' letter of 18 April 1985 to Tom King, we are establishing disciplines throughout the public sector to assess the effectiveness of employment creating measures. You may recall that Peter reminded you of this when he wrote on 27 July 1985 authorising a £10 million increase in the limit on NCB's lending to NCB(E).

This approach should in no way detract from NCB(E)'s lending programme. There will obviously be a learning curve as the company discovers how best to target the distribution of its finance. But it is important to establish that its lending criteria are in practice operated in a cost-effective way. As my officials have indicated to yours, the methods chosen for checking and monitoring are less important than the principle of assuming that NCB(E)

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NAT IND COAL PTIG

delivered value for money. The techniques developed by David Young's officials for appraising costs per job of employment creation measures provide a basic methodology for evaluation. I hope therefore that you will foster some kind of study of NCB(E)'s cost effectiveness in job creation.

I am copying this letter to the Prime Minister, members of E(A) and to Sir Robert Armstrong.

Yours ever,

JM

JOHN MacGREGOR

2985/39

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Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Peter Walker MBE MP
Secretary of State for Energy
Department of Energy
Thames House South
Millbank
LONDON
SW1P 4QJ

NBPM

9 June 1986

Dear Peter,

COAL INDUSTRY BILL 1986

I have seen your minute of 30 May to the Prime Minister. I also strongly endorse the new clauses you propose in that minute. It is essential to follow through the industrial relations gains won during the strike. That must mean giving better representation to the UDM.

I believe that there is one further NUM nuisance you might consider tackling over and above those you mention in your letter. At present the NUM appoints half the Committee of Management of the Mineworkers Pension Scheme. This enables the NUM to control decisions on investment strategy, on employee contributions and on benefit levels. In general the NUM tends to block increases in employee contributions. This tends to push the fund into a difficulty. Unfortunately - and this is the real nuisance - such a deficiency does not lead to lower pension benefits as the NCB has a statutory obligation to make good any funding deficiencies. In short the NCB pays for the NUM's irresponsibility and this in turn increases public expenditure.

This arrangement produces the kind of contingent liability which the Prime Minister said in her minute of 23 May we should seek to eliminate as far as possible. There are already monitoring arrangements to make regular checks on the funding positions of all nationalised industries' pension schemes. But these cannot protect the NCB against irresponsible union behaviour on contribution rates. The obvious solution would be to give the NCB a majority on the Committee of Management.

NAT IND Coal P179

SECRET

This need not affect the drafting of the clause as such, only the subsequent order amending the rules of the MPS. Nor is there any need to spell out exactly what is proposed during the Parliamentary debates on the Bill. But obviously I hope you will feel able to take care not to rule out this change in the balance of power in describing how union representation is to be made fairer.

I am copying this letter to the Prime Minister, Willie Whitelaw, Nigel Lawson, John Biffen, Norman Tebbit, David Young and John Wakeham.

Yours ever,

John

JOHN MacGREGOR

CC P/G

SECRETARY OF STATE FOR ENERGY
THAMES HOUSE SOUTH
MILLBANK LONDON SW1P 4QJ
01 211 6402

NBPM

The Rt Hon John MacGregor OBE MP
Chief Secretary
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

9 June 1986

Dear John

COAL INDUSTRY BILL

Financial Provisions

Thank you for your letter of 15 May. I am glad that you are able to go along with the main features of the legislative framework I have proposed.

You suggest that the power to make social grant orders should be taken for two years rather than five. I do feel it would be unduly restrictive to commit ourselves now to having a further Act in operation for this purpose by March 1989. Flexibility to go for a later date could prove a positive advantage particularly if, as I foresee, we wish the next Coal Bill to go beyond the purely financial. I propose as a compromise that the social grant provisions within the Bill should last for two years initially, but that there should be powers to extend them by affirmative Order, with Treasury approval, by up to a further 3 years.

You suggested that if breakeven could be achieved by 1987/88 we should aim for a capital reconstruction rather than extension of powers to pay deficit grant. Given present uncertainties over future fuel prices I am clear that we are in no position now to make sensible decisions on a capital reconstruction. A preliminary analysis of the implications of the agreement on coal sales recently negotiated between British Coal and the electricity supply industry, on which I have written separately, suggests that a continuation of the power to pay deficit grant is unavoidable in the short term. However, as I said in my earlier letter, we can review the position before the Bill is introduced.

I can confirm that the social grant available under the Bill will be variable year by year. The ability to do this, in the light of the expected financial position of British Coal in the year in question, is one of the key elements in my proposal.

I envisage the new power to pay social grant working as follows. Each year the Board will advise us of their expected social costs during the following year. In the light of this advice, and the expected state of the Board's finances generally, our Departments will settle together:

(i) the heads of cost to which Government will contribute in the coming year;

(ii) the maximum percentage of those costs eligible for grant;

(iii) a financial limit on payments;

(iv) the Estimates provision to be taken for the year.

Under this system we will, in effect, be notifying British Coal in advance on the maximum size of our expected financial contribution. I would hope that, once set, the financial limit would need to be changed only exceptionally; eg if there were a need for further immediate closures and redundancies. The effect of this regime will be very similar to operating under cash limits. I would not, however, wish formally to cash limit support, at least until we have some experience of operating the new regime.

I have explained that I do not think that it would be sensible to attempt a financial reconstruction at present; I am not convinced that in the absence of such a reconstruction a partial writing-off of debt to eliminate the Board's current small deficit on reserves makes sense. It would not, for example, allow us to pay deficit grant at less than the full level, since doing so would push the Board back into its present position of technical insolvency. However, if you feel that it is essential on grounds of propriety that there should be a small write-off to eliminate the present negative reserves, then I am prepared to include such a provision in the Bill.

This brings me to your remaining suggestion, that the Bill should transfer to British Coal responsibility for continuing payments under the Redundant Mineworkers' Payments Scheme to those who qualified before the ending of the Scheme for new redundants in March 1987.

I cannot accept this suggestion.

First, entitlement to continuing benefits under this statutory scheme derives from legislation which we put through Parliament; and any attempt to transfer liability to British Coal would be widely regarded as a breach of faith.

Secondly, far from bringing the Board closer to a more realistic commercial regime, such a transfer would leave the Board with very

considerable costs which they did not themselves incur, which they could not control, and which we would not wish to influence their decision on future closures and redundancies. This could only damage management morale. Incidentally, if we were just to transfer the liabilities to British Coal, Government would, of course, still be left with the need to legislate to amend the terms of people's entitlements where necessary (eg to update amounts) even though the cost would fall on the Board.

Finally, I can see no financial advantage in such a step. Self-evidently, it would do nothing to reduce public expenditure.

Other Provisions

You will be aware the Prime Minister and other colleagues have welcomed my proposal that provisions should also be included in the Bill to deal with problems following the emergence of the UDM regarding employee representation in the Mineworkers Pension Scheme (MPS), the Coal Industry Social Welfare Organisation (CISWO) and related bodies, and (if necessary) the coal industry conciliation scheme.

The precise form of the provision will need to be framed so as to minimise the risk of the Bill being judged hybrid. But in essence what I am proposing is that the Bill should give me the power to make Orders:

(i) amending the rules of the MPS with a view to securing representation for all unions representing substantial bodies of the workforce similar to that now enjoyed by the NUM; these changes will be confined to the constitution of the Committee of Management and the provision governing changes to the rules of the scheme;

(ii) in relation to CISWO and related organisations, to enable changes to be made to the Memorandum and Articles of Association of CISWO, and to terminate existing coalfield welfare agreements. Changes will also need to be made to a number of miners' welfare trusts, but I am hopeful that I will be able to achieve these using existing powers under S41 of the Coal Industry Nationalisation Act 1946 once the other changes have been made;

(iii) ending agreements under section 46 of the Coal Industry Act 1946, to pave the way for new conciliation agreements within industry. (The courts are due to rule on the continuing effect of the current agreements shortly; subject to the outcome this last provision could prove unnecessary).

SECRETARY OF STATE FOR ENERGY

I would intend to make very clear that I would much prefer not to use these powers. Only if the NUM continue in their unreasonable and intransigent approach to these questions will any Government intervention be required.

My officials will of course consult their colleagues in the Treasury, Department of Employment and the Privy Council Office, on the details of these proposals, paying particular attention to the need to avoid hybriding. I hope that you and the other recipients of this letter will now feel able to agree to my having formal drafting authority to proceed as I have proposed; I know that Parliamentary Counsel are anxious to receive drafting instructions as early as possible.

Copies of this letter go to the Prime Minister, other members of E(A), Willie Whitelaw, John Wakeham and to Sir Robert Armstrong.

PETER WALKER

NAT IND Coal PT 19

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WEEKLY COAL AND POWER STATION STATISTICS SUPPLEMENT (1)

E[illegible] Division, Dept. of Energy, Thames House South,
Millbank, London SW1P 4QJ phone:01-211-4368

6 JUNE 1986

	Week ending.....		25.5.85	3.5.86	10.5.86 (5)	17.5.86	24.5.86
COAL	PRODUCTION (m.tonnes)	deep mines+	1.70	1.95	1.56	1.90	1.84
		opencast+	0.39	0.30	0.23	0.31	0.30
		TOTAL	2.09	2.25	1.79	2.21	2.14
	PRODUCTIVITY(2) (tonnes/manshift)	'overall'	2.56	3.21	3.08	3.17	3.16
		'production'	11.48	14.15	13.73	14.16	13.81
	UNDISTRIBUTED STOCKS (m.tonnes)	deep mines: England	4.72	2.24	2.12	2.07	1.97
		S.Wales	2.29	2.33	2.34	2.33	2.32
		Scotland	1.12	0.84	0.85	0.87	0.90
		opencast	7.94	2.77	2.76	2.78	2.79
		TOTAL	16.06	8.18	8.08	8.05	7.97
	COAL STOCKS (m.tonnes)	S.Eastern	1.20	1.40	1.45	1.46	1.50
		S.Western	1.41	1.79	1.81	1.83	1.87
		Midland	5.58	7.41	7.38	7.52	7.67
		N.Eastern	3.60	7.71	7.81	7.94	8.06
		N.Western	1.30	1.74	1.74	1.77	1.81
		TOTAL CEGB	13.09	20.06	20.19	20.51	20.91
		Scotland	1.14	1.45	1.48	1.50	1.53
		TOTAL Gt.Britain	14.23	21.51	21.67	22.01	22.43
POWER STATIONS	COAL CONSUMPTION (m.tonnes)	S.Eastern	0.14	0.06	0.04	0.06	0.08
		S.Western	0.14	0.19	0.19	0.19	0.17
		Midlands	0.57	0.65	0.64	0.62	0.57
		N.Eastern	0.41	0.45	0.40	0.42	0.40
		N.Western	0.09	0.11	0.10	0.10	0.08
		TOTAL CEGB	1.35	1.47	1.37	1.39	1.30
		Scotland	0.10	0.07	0.05	0.06	0.05
		TOTAL Gt.Britain	1.46	1.54	1.42	1.45	1.35
	COAL RECEIPTS (m.tonnes)	CEGB	1.87	1.80	1.49	1.72	1.69
		Scotland	0.15	0.09	0.07	0.08	0.08
		Gt.Britain	2.02	1.89	1.56	1.80	1.77
	OIL STOCKS(3) (m.tonnes)	CEGB	0.80	0.71	0.71	0.72	0.74
		Scotland	0.18	0.14	0.14	0.12	0.14
		Gt.Britain	0.98	0.84	0.85	0.84	0.88
	OIL CONSUMPTION (3) (m.tonnes)	CEGB	0.03	0.03	0.04	0.06	0.06
		Scotland	–	0.03	0.02	0.02	0.02
		Gt.Britain	0.03	0.05	0.06	0.08	0.08
	OIL RECEIPTS(3) (m.tonnes)	CEGB	–	0.05	0.04	0.07	0.07
		Scotland	–	0.03	0.03	–	–
		Gt.Britain	–	0.08	0.07	0.07	0.07
	GAS CONSUMPTION (m.therms)	CEGB	2	–	–	–	–
	ELECTRICITY(4) SUPPLIED (GWh)	Nuclear	941	886	896	840	848
		Other Steam	3,439	3,675	3,502	3,608	3,376
		TOTAL	4,380	4,561	4,398	4,447	4,224
		TOTAL, temperature corrected	4,354	4,555	4,345	4,367	4,243

(1) Great Britain unless otherwise stated. All latest figures are subject to revision. (2) NCB mines only. (3) Oil-fired boilers only. (4) Steam stations only. +includes licensed production. (5) Includes May Day Bank Holiday.

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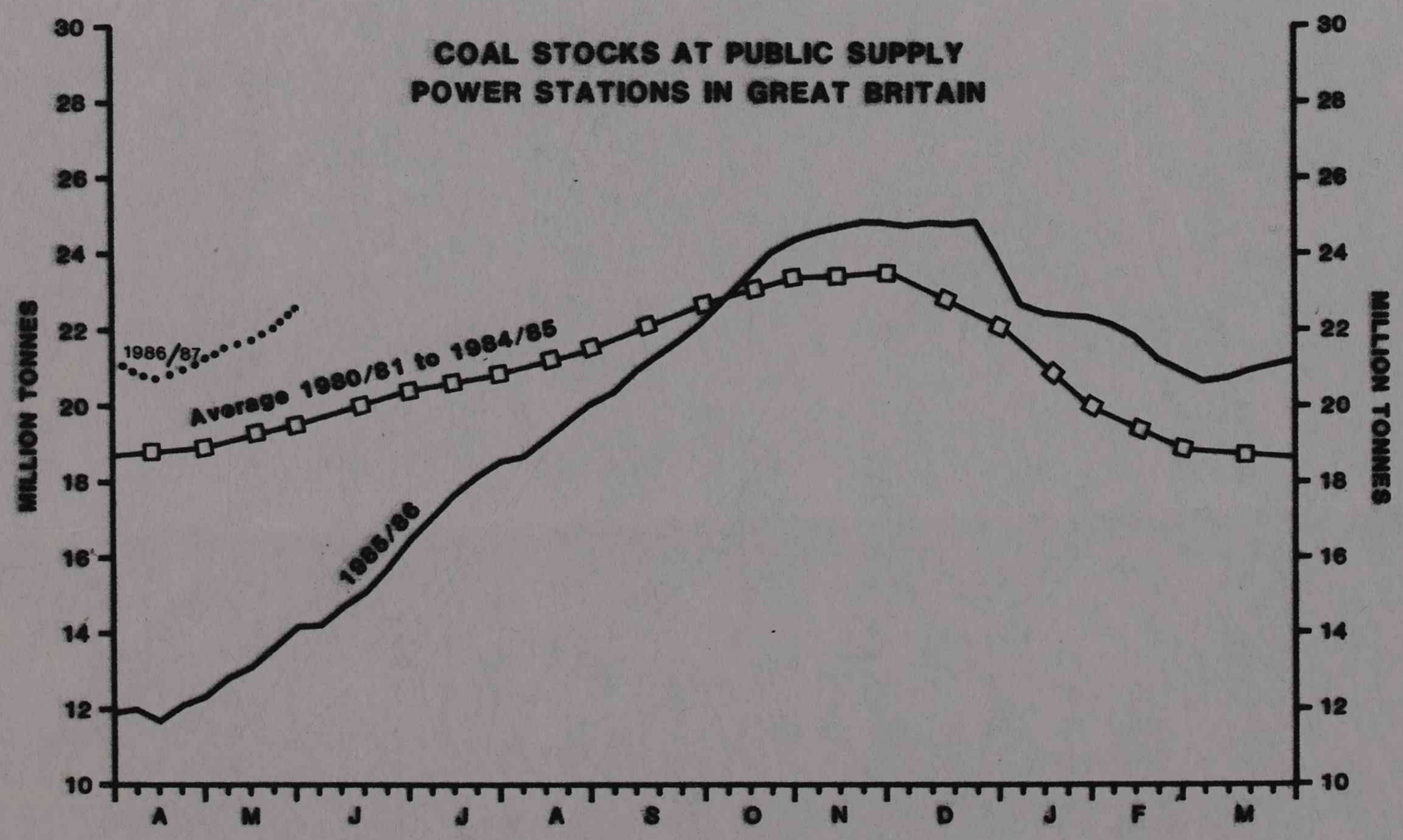
WEEKLY COAL AND POWER STATION STATISTICS (1)

E[illegible] Division, Dept. of Energy, Thames House South,
M[illegible]bank, London SW1P 4QJ phone 01-211-4368

6 JUNE 1986

	Week ending.....		25.5.85	3.5.86	10.5.86 (5)	17.5.86	24.5.86
COAL	PRODUCTION (m.tonnes)	deep mines+	1.70	1.95	1.56	1.90	1.84
		opencast+	0.39	0.30	0.23	0.31	0.30
		TOTAL	2.09	2.25	1.79	2.21	2.14
	PRODUCTIVITY(2) (tonnes/manshift)	'overall'	2.56	3.21	3.08	3.17	3.16
		'production'	11.48	14.15	13.73	14.16	13.81
	UNDISTRIBUTED STOCKS (m.tonnes)	TOTAL	16.06	8.18	8.08	8.05	7.97
POWER STATIONS	COAL STOCKS	(m.tonnes)	14.23	21.51	21.67	22.01	22.43
	COAL CONSUMPTION	"	1.46	1.54	1.42	1.45	1.35
	COAL RECEIPTS	"	2.02	1.89	1.56	1.80	1.77
	OIL STOCKS(3)	"	0.98	0.84	0.85	0.84	0.88
	OIL CONSUMPTION(3	"	0.03	0.05	0.06	0.08	0.08
	OIL RECEIPTS(3)	"	0.00	0.08	0.07	0.07	0.07
	ELECTRICITY SUPPLIED(4)	(GWh)					
	Nuclear	"	941	886	896	840	848
	Other Steam	"	3,439	3,675	3,502	3,608	3,376
	TOTAL	"	4,380	4,561	4,398	4,447	4,224
	TOTAL, temperature corrected	"	4,354	4,555	4,345	4,367	4,243

(1) Great Britain unless otherwise stated. All latest figures are subject to revision. (2) NCB mines only. (3) Oil-fired boilers only. (4) Steam stations only. +includes licensed production. (5) Includes May Day Bank Holiday.



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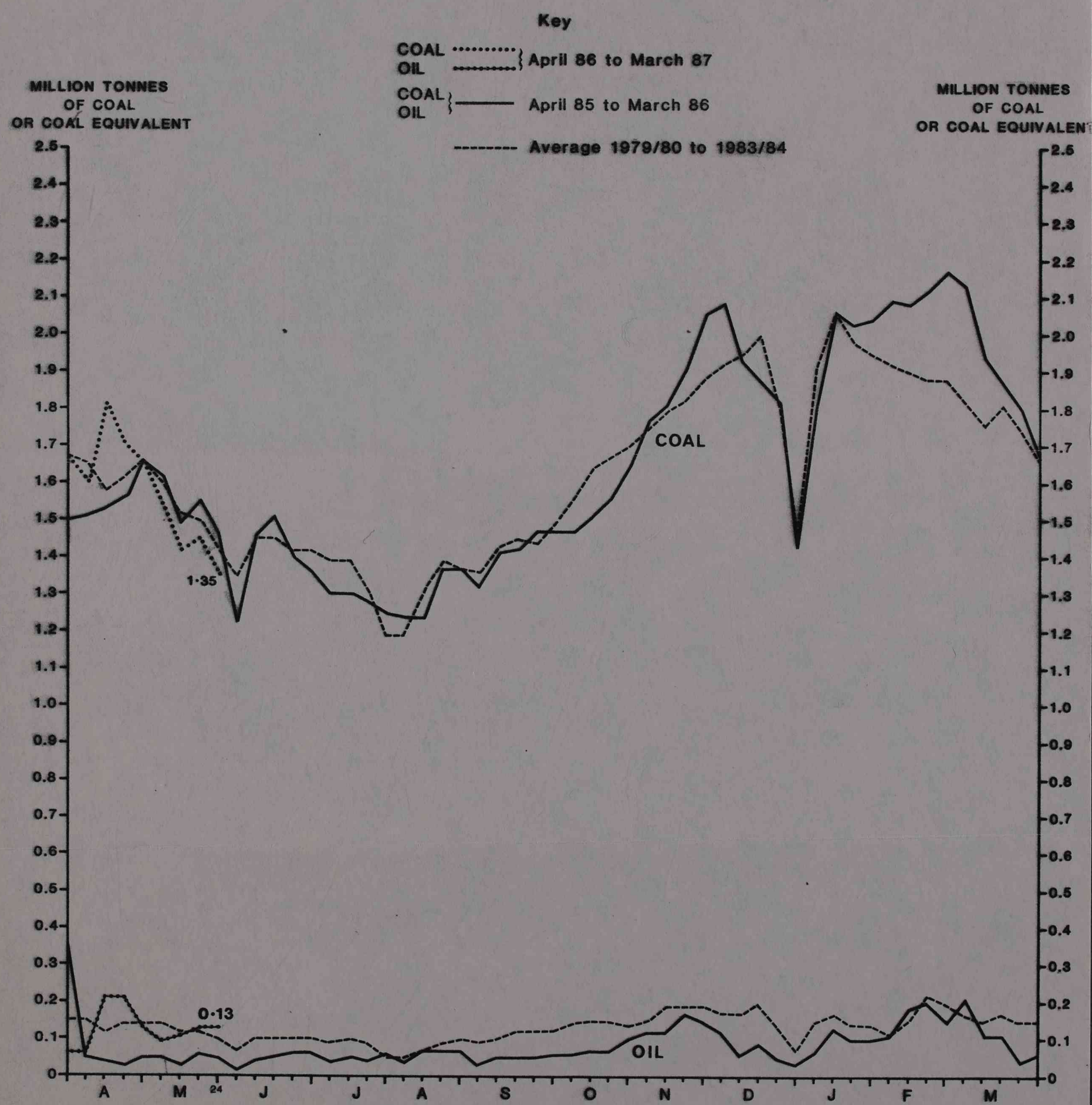
COAL CONSUMPTION AND OIL CONSUMPTION (OIL FIRED) AT PUBLIC SUPPLY POWER STATIONS IN GREAT BRITAIN



10 DOWNING STREET

DRN,

Re. your note on CDL to SS/Energy 23.5.86 (at flap):-

HMT say CST dealing — he is content with this and with SS/Energy's note to him of 2.6.86. He will therefore not be commenting.

Content?

G.H.
6/6.

Agreed.

Y SWYDDFA GYMREIG
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switsfwrdd)
01-233 6106 (Llinell Union)
Oddi wrth Ysgrifennydd Gwladol Cymru

WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switchboard)
01-233 6106 (Direct Line)
From The Secretary of State for Wales

The Rt Hon Nicholas Edwards MP

5 June 1986

SECRET

Prime Minister
A fair point.
6/6.

Dear Peter

Thank you for copying to me your letter of 30 May to Nigel Lawson.

The direct impact of the envisaged British Coal/CEGB deal on prices will probably not be very great in South Wales. I understand however that the consequential search for operating savings throughout the coal industry puts in jeopardy one of our coking plants and two associated coking coal mines. In all nearly 2000 jobs in the industry in South Wales are at serious risk over the coming few months.

Against this background I warmly welcome your proposal to raise the financing limit of NCB (Enterprise) Limited by £20 million. This is, as you say, the most direct response we can make to the already severe and now mounting employment problems of the mining communities - whose remoteness often makes for great difficulty in attracting new industry from elsewhere notwithstanding the range of regional incentives on offer.

I do, however, urge caution in regard to our public references to the employment created by NCB (Enterprise) Limited. We should avoid being seen to endorse announcements that specify the numbers of jobs created; at best these will take time to materialise and in the nature of things some announced projects will fall by the wayside. Whilst fully taking the point made in Norman Tebbit's letter of 4 June that we must not cast doubts publicly about the achievments of NCB (Enterprise) Limited and suchlike ventures we do also need to avoid giving specific hostages to fortune.

I am sending a copy of this letter to the Prime Minister and Nigel Lawson, to other members of E(A) and to Sir Robert Armstrong.

Yours ever
Nick

The Rt Hon Peter Walker MBE MP
Secretary of State for Energy

COPY NO 2 of 22

NAT IND
COAL
PT 19

CC(86) 31

PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

Prime Minister 2

4 June 1986

Dear Peter

DCR 6/6. MT

COAL INDUSTRY BILL 1986

30 PICE WITHDRAWN

In your minute to the Prime Minister of ~~10~~ May, proposing various ways in which the position of the Union of Democratic Mineworkers might be assisted, you mention that you are reasonably confident that your proposals should not make the Bill hybrid. This minute is simply directed to that point, and not to the general policy of your proposals on which the Prime Minister's views are recorded in her Private Secretary's letter of 2 June.

My advice is that while the question of hybridity is not clear cut, there is a real risk that provisions of the kind you describe could be held to be hybrid. Until your policy proposals are worked out in more detail I do not think that the question of hybridity can be resolved one way or the other. I must, however, put up a clear marker that the addition of yet further hybrid measures to the legislative programme next session could have very difficult implications indeed. As you know, we currently propose to include three hybrid Bills next session, including the Channel Tunnel Bill on which we are currently facing so many procedural problems. I do not think I need say more at this stage, but I should be grateful to be kept closely in touch as you develop your policy proposals on this.

I am sending a copy of this minute to the Prime Minister, the Chancellor of the Exchequer, the Lord Privy Seal, the Chancellor of the Duchy of Lancaster, the Secretary of State for Employment and the Chief Whip. I am also sending a copy to Sir Robert Armstrong and to First Parliamentary Counsel.

Yours
John Wakeham

The Rt Hon Peter Walker MP

NAT IND
COAL
PT 19

SK/Conf

SECRET

CCBG

Department of Employment
Caxton House Tothill Street London SW1H 9NF
Telephone Direct Line 01-213 5949
Switchboard 01-213 3000

30

The Rt Hon Peter Walker MBE MP
Secretary of State for Energy
Department of Energy
Millbank Tower
LONDON SW1

NBPM

4 June 1986

Dear Peter,

COAL INDUSTRY BILL

I have seen your minute of 30 May to the Prime Minister and I strongly support your proposal to use the Coal Industry Bill to remove some of the legal impediments to the growth and influence of the UDM. I am sure that you will aim to draft your changes in a way that reduces the scope or excuse for any future Energy Secretary of a different persuasion to impose industrial relations structures unacceptable to British Coal. I would quite like to see your detailed proposals and have a chance to comment on them.

You will no doubt appreciate that I am interested in this subject as a Nottinghamshire MP as well as a Ministerial colleague!

I am copying this to the Prime Minister, Willie Whitelaw, Nigel Lawson, John Biffen, Norman Tebbit and John Wakeham.

Yours,

KENNETH CLARKE

cc PUS FOS
Mr DB Smith
Mr Wigg Brown.

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NAT IND
CORR
PT 19

SECRET

29

CABINET OFFICE,
WHITEHALL, LONDON SW1A 2AS

Chancellor of the Duchy of Lancaster

Tel No: 233 3299
7471

4th June 1986

The Rt Hon Peter Walker MBE MP
Secretary of State for Energy
Department of Energy
Thames House South
Millbank
LONDON
SW1 4QJ

NBPM.

Dear Peter.

NCB (ENTERPRISE) LIMITED

Thank you for sending me a copy of your letter of 30 May to Nigel Lawson.

I very much agree with you that we should not now be seen to be any less than unstinting in our commitment to NCB (Enterprise) as a mechanism for alleviating the economic conditions resulting from major pit closures. The political effects of major job losses in areas already suffering from high unemployment are not confined to the areas themselves. It appeals most vividly to the public conscience for help. We need to work hard to show that in time, even in these depressed areas, private enterprise can bring new industry and jobs. But there is a major transitional problem. We are therefore committed to the success of NCB (Enterprise) and its steel and, now, shipbuilding counterparts. It would be most damaging to cast doubts publicly about their effectiveness. I therefore support your proposal to make an early announcement of the availability of new funds.

I am sending a copy of this letter to the Prime Minister, members of E(A) and to Sir Robert Armstrong.

Yours ever
Norman

NORMAN TEBBIT

NAT IND : Coal : Pt 19

Prime Minister 2
DRN
3/6.

MR NORGROVE

3 June 1986

NCB/CEGB AGREEMENT

In his letter of 2 June, Paul Channon takes issue with the two year scope of the new agreement between the NCB and the CEGB:

> "As I understand it, you envisage that we will now largely determine what electricity prices should be in 1988. If so, the difficulties of explaining such a course to sceptical - and vocal - large electricity consumers are obvious."

Paul Channon is wrong to infer that the CEGB's coal bill in 1988, and hence electricity prices in 1988, have now been fixed. The key factor is the price of oil. The re-opener clause will come into play from the end of the current financial year if the price of fuel oil falls outside the range £65-100 a tonne (roughly $15-24 a barrel).

I certainly would not bet on oil prices lying in this range by 1988. My hunch is that they could be higher.

JOHN WYBREW

cc BG
cc B1

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET 5422
Telephone (Direct dialling) 01-215)
GTN 215)
(Switchboard) 01-215 7877

Secretary of State for Trade and Industry

CONFIDENTIAL

2 June 1986

The Rt Hon Peter Walker MP
Secretary of State for Energy
Department of Energy
Thames House South
Millbank
LONDON
SW1P 4QJ

Prime Minister
DRN
2/6.

Dear Peter.

PROVISIONAL AGREEMENT BETWEEN THE NCB AND CEGB ON COAL SUPPLY

I have seen your letter of 20 May to John MacGregor, together with his reply of 29 May and Norman Tebbit's letter of 23 May.

I think that colleagues should be in no doubt that the proposal emerging from the two industries, and endorsed in your letter, will be seen as most unsatisfactory by industry. To begin with, I expect them to be unhappy about a minimum two-year structure for the relationship between the NCB and CEGB. Our past discussions, and officials' before them, have been based on the belief that something rapid had to be put together to avoid radical disruption to the NCB's plans through the CEGB switching substantially to cheaper fuel oil supplies. But it was also felt that energy markets were too uncertain for a longer-term view to be taken about the right relationship between the industries and - what matters to industrial and other consumers - the resulting course of electricity prices. As I understand it, you envisage that we will now largely determine what electricity prices should be in 1988. If so, the difficulties of explaining such a course to sceptical - and vocal - large electricity consumers are obvious.

My Departmental concern is not, of course, strictly with the relationship between the NCB and the CEGB, but with electricity prices. Unfortunately, the latter tend to be substantially determined by the former. As I understand it, it has until quite recently been maintained by your Department and the Treasury that

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1786 1986 BOARD OF TRADE BICENTENARY

electricity prices properly reflect the costs of a continuing supply, and do not contain any element of the social costs inherent in maintaining uneconomic domestic coal capacity. It has been argued that the second tranche of coal bears a reasonable relationship with the amount and price of imported coal which could otherwise be delivered to power stations capable of being supplied by imports. Similarly the price of the first tranche of coal could be defended as not inconsistent with the price of imported coal, enhanced by a notional transportation cost to inland power stations.

If that argument could be sustained a year or so ago when first and second tranche prices were some £44 and £36 respectively, it must have broken down when the second (now third) tranche falls to an import related price of £29.50, but the first tranche increases to nearly £47 (or £44½ when averaged with the new second tranche).

These are sums which industry will do for themselves. Depending on the course of oil product and international coal prices, I think we may find it increasingly difficult to argue that industrial consumers are facing electricity prices which fairly reflect market conditions and the cost of continuing supply. As your letter implies, industry is not going to be much impressed with a price reduction of only some 3 per cent, following a price increase of 4 per cent this April. I am already concerned, as you must be, with the level of complaint from industry about electricity prices in the wake of changed world energy markets.

Large users in particular may return to the charge, depending on the electricity supply industry's own plans towards this sector of the market. I think we need to reserve our position on this issue until the industries' intentions become clearer.

I recognise of course, the problem posed in your letter, that the two industries would not accede to the sort of shorter-term deal that E(A) had had in mind. I am therefore prepared to go along with the general view that something on the lines set out in your letter will need to be accepted. But I think colleagues should be under no illusions at the difficulties we shall face both in the short term and, depending on the course of energy prices, over the next couple of years in trying to make such an agreement stick. There is bound to be increasing pressure from the large and intensive users, who are likely to continue to face higher electricity prices than most European competitors. And with relevant energy prices no longer following agreed economic principles, the arguments against special treatment for this group

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would appear no longer sustainable. I therefore ask you in communicating the Government's acceptance of these proposals, to explore the industries' plans for these users and to report progress. You should also say that, while the Government notes the industries' intention that the current agreement should run for at least two years, you could not rule out the need to re-open the arrangements if the resulting electricity prices were shown to be higher than could be justified on accepted pricing principles, taking account of price comparisons across Europe. There would in any case need to be a fundamental look at the proper relationship after these two years.

I am sending copies of this letter to the Prime Minister, Nigel Lawson, other members of E(A) and to Sir Robert Armstrong.

Yours

Paul

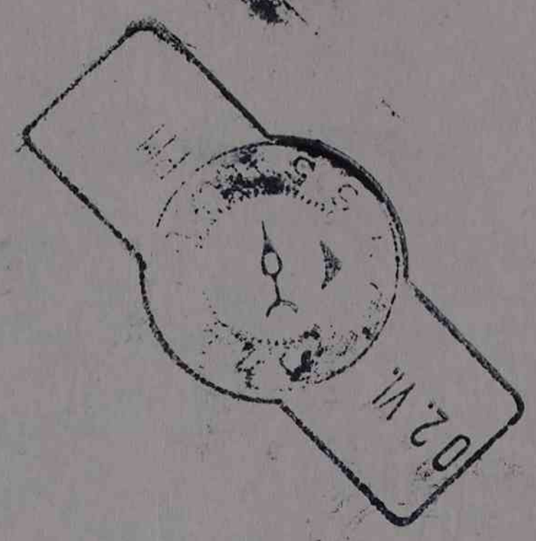
PAUL CHANNON

JF4AAA

999-49

1786 1986 BOARD OF TRADE BICENTENARY

NAT IND
COAL
PT 19



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cc BG

SECRETARY OF STATE FOR ENERGY
THAMES HOUSE SOUTH
MILLBANK LONDON SW1P 4QJ
01 211 6402

The Rt Hon John MacGregor OBE MP
Chief Secretary
HM Treasury
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

NBPM.

2 June 1986

Dear Chief Secretary,

PROVISIONAL AGREEMENT BETWEEN THE NCB AND CEGB ON COAL SUPPLY

Thank you for your letter of 28 May replying to mine of 20 May.

I am glad you agree that, subject to certain conditions, we should not wholly overturn the proposals now put to us by the industries. I will arrange an early discussion with the two industries with the intention that announcements should be made in the very near future.

I shall explain to the industries that our agreement is to the firm arrangements proposed for the first two years but add, as you suggest, that there can be no presumptions beyond that date.

As regards NCB's 1986-87 EFL, I have already proposed that this should be confirmed at £730m. I shall of course emphasise to them the necessity of living within that figure.

For the later years, it is my intention, during the IFR process, to press hard on the NCB to deliver the maximum savings and this will include a rigorous examination of their capital expenditure intentions.

I am copying this letter to the Prime Minister, other members of E(A) and to Sir Robert Armstrong.

Yours sincerely,

PETER WALKER
(Approved by the Secretary of State and signed in his absence)

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NAT. IND: Coal: Part 19

SECRET file

28

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

2 June 1986

Dear Joan,

The Prime Minister has seen the Secretary of State for Energy's minute of 30 May in which he proposes to add clauses to the Coal Industry Bill 1986 designed to overcome some of the problems faced by the UDM.

The Prime Minister supports these proposals very strongly indeed.

I am copying this letter to Geoff Dart (Department of Energy), Rachel Lomax (HM Treasury), David Morris (Lord Privy Seal's Office), Andrew Lansley (Chancellor of the Duchy of Lancaster's Office), John Turner (Department of Employment) and to Murdo Maclean (Chief Whips Office).

Yours,
David

(David Norgrove)

Miss Joan MacNaughton,
Lord President's Office.

SECRET

AR.

10 DOWNING STREET

Prime Minister!

While noting that the business managers will wish to comment, agree that the UDM must be helped and that you strongly support the proposal to put the UDM on a more even footing with the NUM?

DLW

30/5

27

SECRET

PRIME MINISTER

30 May 1986

COAL INDUSTRY BILL 1986

The tide of recent events continues to run against the coal unions. Accordingly, it is easy to overlook the threat to the recovery of the UK coal industry from a monolithic NUM at the dictat of Scargill and his cronies.

For the Government to abandon Roy Lynk and the UDM would be both immoral and short-sighted. After all, the UDM doesn't have many supporters amongst the management of British Coal.

The development of our coal reserves is not a natural monopoly. The recipe for a healthy, market-responsive industry is a diversity of private sector participants operating in a framework akin to that successfully established for oil and gas. The UDM is motivated not by political objectives but by the best interests of its members. As such, it could play a valuable part in the evolution of a restructured coal industry on these lines.

We recommend that you should support Peter Walker's proposal for rectifying the UDM's disadvantaged position.

Very much so

JOHN WYBREW

SECRET

cc BG [illegible]

COPY NO 1 OF 9 26

PRIME MINISTER

COAL INDUSTRY BILL 1986

As you know, I have a place in next year's legislative programme for a short, essential Coal Industry Bill dealing primarily with the ending of RMPS and the introduction of wider social grant powers. Yesterday I had a meeting with representatives of the Union of Democractic Mineworkers (UDM) which convinced me that the Bill should also deal with the intolerable position the new union finds itself in.

I have to tell you that the UDM leadership is most depressed and demoralised by the numerous, primarily legal, problems they have encountered in every sphere where they have sought either to improve the lot of their members or to represent them in organisations affecting their interests. The exercise of veto powers by the NUM has prevented the new union from having any representation on the Mineworkers' Pension Scheme (MPS), the Coal Industry Social Welfare Organisation (CISWO) or on any of the statutorily established coal industry consultation/conciliation procedures. They see themselves as abandoned by the Government, in spite of their efforts to maintain coal production through the strike and their courage in facing up to intimidation (still continuing in some places) from NUM members.

As a result their recruitment drive is meeting with little success, many men taking the view that it is better to wait and see what emerges from the current mass of proceedings before the courts. Yesterday's decision by an Industrial Tribunal in favour of two NUM workers at Ellistown colliery who were not being paid the wage increase paid to UDM members there is seen as yet another setback (although British Coal intend to appeal that decision in the High Court).

Many of our backbench members are only too aware of the problems now being faced by the UDM. In my view, if the next Coal Bill under this Government comes forward with no provisions to overcome some of these problems, we shall face major criticism from our own side.

The provisions I propose are as follows:

(a) a power to amend the rules of the MPS with a view to securing representation for all unions representing substantial bodies of the workforce similar to that now enjoyed by the NUM.

(b) in relation to CISWO and related organisations: a power to change the shareholdings of CISWO by Order and powers to amend agreements and trust instruments establishing Area welfare committees and Colliery Welfare Institutes.

(c) conciliation arrangements: a power to end by Order agreements under section 46 of the Coal Industry Nationalisation Act 1946. (The courts are due to rule on the validity of the current conciliation arrangements next month: subject to the outcome, this last provision could prove unnecessary).

I envisage that the changes I have in mind would add only three clauses to the proposed Bill. It was originally estimated as between 5 and 10 clauses. Present estimates are that provisions already agreed would amount to no more than 6, in which case the Bill will still be a short one.

I recognise of course that these additions will make the Bill a good deal more controversial than should otherwise have been the case. Nor will we be able to present it as a Money Bill. However I am reasonably confident that the provisions I envisage should not make the Bill hybrid. Nevertheless I see considerable presentational advantages in taking powers to rectify the UDM's intolerable position. I would intend to make very clear that I would much prefer not to use these powers. Only if the NUM continue in their unreasonable and intransigent approach to all these questions will any Government intervention be required. There can however be no defence for allowing them to perpetuate the intolerable position of the UDM any longer.

Yours very sincerely

NL

I should welcome your early agreement to this approach. I shall then write to colleagues setting out in rather more detail the nature of the powers I have in mind.

I am copying this minute to Willie Whitelaw, Nigel Lawson, John Biffen, Norman Tebbit, David Young and John Wakeham.

Secretary of State for Energy
30 May 1986

CCBG

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WEEKLY COAL AND POWER STATION STATISTICS SUPPLEMENT (1)

EcS Division, Dept. of Energy, Thames House South,
Millbank, London SW1P 4QJ phone: 01-211-4368

30 MAY 1986

			Week ending.....	18.5.85	26.4.86	3.5.86	10.5.86 (5)	17.5.86
COAL	PRODUCTION (m.tonnes)	deep mines+		1.79	1.98	1.95	1.56	1.90
		opencast+		0.32	0.31	0.30	0.23	0.31
		TOTAL		2.11	2.28	2.25	1.79	2.21
	PRODUCTIVITY(2) (tonnes/manshift)	'overall'		2.54	3.16	3.21	3.08	3.17
		'production'		11.26	14.09	14.15	13.73	14.16
	UNDISTRIBUTED STOCKS (m.tonnes)	deep mines:						
			England	5.04	2.34	2.24	2.12	2.07
			S.Wales	2.31	2.32	2.33	2.34	2.33
			Scotland	1.14	0.83	0.84	0.85	0.87
		opencast		8.09	2.77	2.77	2.76	2.78
		TOTAL		16.58	8.26	8.18	8.08	8.05
	COAL STOCKS (m.tonnes)	S.Eastern		1.15	1.36	1.40	1.45	1.46
		S.Western		1.32	1.77	1.79	1.81	1.83
		Midland		5.56	7.30	7.41	7.38	7.52
		N.Eastern		3.27	7.60	7.71	7.81	7.94
		N.Western		1.27	1.71	1.74	1.74	1.77
		TOTAL CEGB		12.57	19.74	20.06	20.19	20.51
		Scotland		1.09	1.43	1.45	1.48	1.50
		TOTAL Gt.Britain		13.67	21.17	21.51	21.67	22.01
POWER STATIONS	COAL CONSUMPTION (m.tonnes)	S.Eastern		0.15	0.12	0.06	0.04	0.06
		S.Western		0.15	0.20	0.19	0.19	0.19
		Midlands		0.60	0.70	0.65	0.64	0.62
		N.Eastern		0.44	0.41	0.45	0.40	0.42
		N.Western		0.10	0.14	0.11	0.10	0.10
		TOTAL CEGB		1.44	1.57	1.47	1.37	1.39
		Scotland		0.11	0.09	0.07	0.05	0.06
		TOTAL Gt.Britain		1.55	1.65	1.54	1.42	1.45
	COAL RECEIPTS (m.tonnes)	CEGB		1.93	1.77	1.80	1.49	1.72
		Scotland		0.19	0.09	0.09	0.07	0.08
		Gt.Britain		2.12	1.86	1.89	1.56	1.80
	OIL STOCKS(3) (m.tonnes)	CEGB		0.83	0.69	0.71	0.71	0.72
		Scotland		0.18	0.13	0.14	0.14	0.12
		Gt.Britain		1.01	0.81	0.84	0.85	0.84
	OIL CONSUMPTION (3) (m.tonnes)	CEGB		0.03	0.05	0.03	0.04	0.06
		Scotland		-	0.02	0.03	0.02	0.02
		Gt.Britain		0.03	0.08	0.05	0.06	0.08
	OIL RECEIPTS(3) (m.tonnes)	CEGB		-	0.05	0.05	0.04	0.07
		Scotland		-	0.06	0.03	0.03	-
		Gt.Britain		-	0.11	0.08	0.07	0.07
	GAS CONSUMPTION (m.therms)	CEGB		2	-	-	-	-
	ELECTRICITY(4) SUPPLIED (GWh)	Nuclear		902	848	886	896	840
		Other Steam		3,634	4,110	3,675	3,502	3,608
		TOTAL		4,536	4,958	4,561	4,398	4,447
		TOTAL, temperature corrected		4,502	4,968	4,555	4,345	4,367

(1) Great Britain unless otherwise stated. All latest figures are subject to revision. (2) NCB mines only. (3) Oil-fired boilers only. (4) Steam stations only. +includes licensed production. (5) Includes May Day Bank Holiday.

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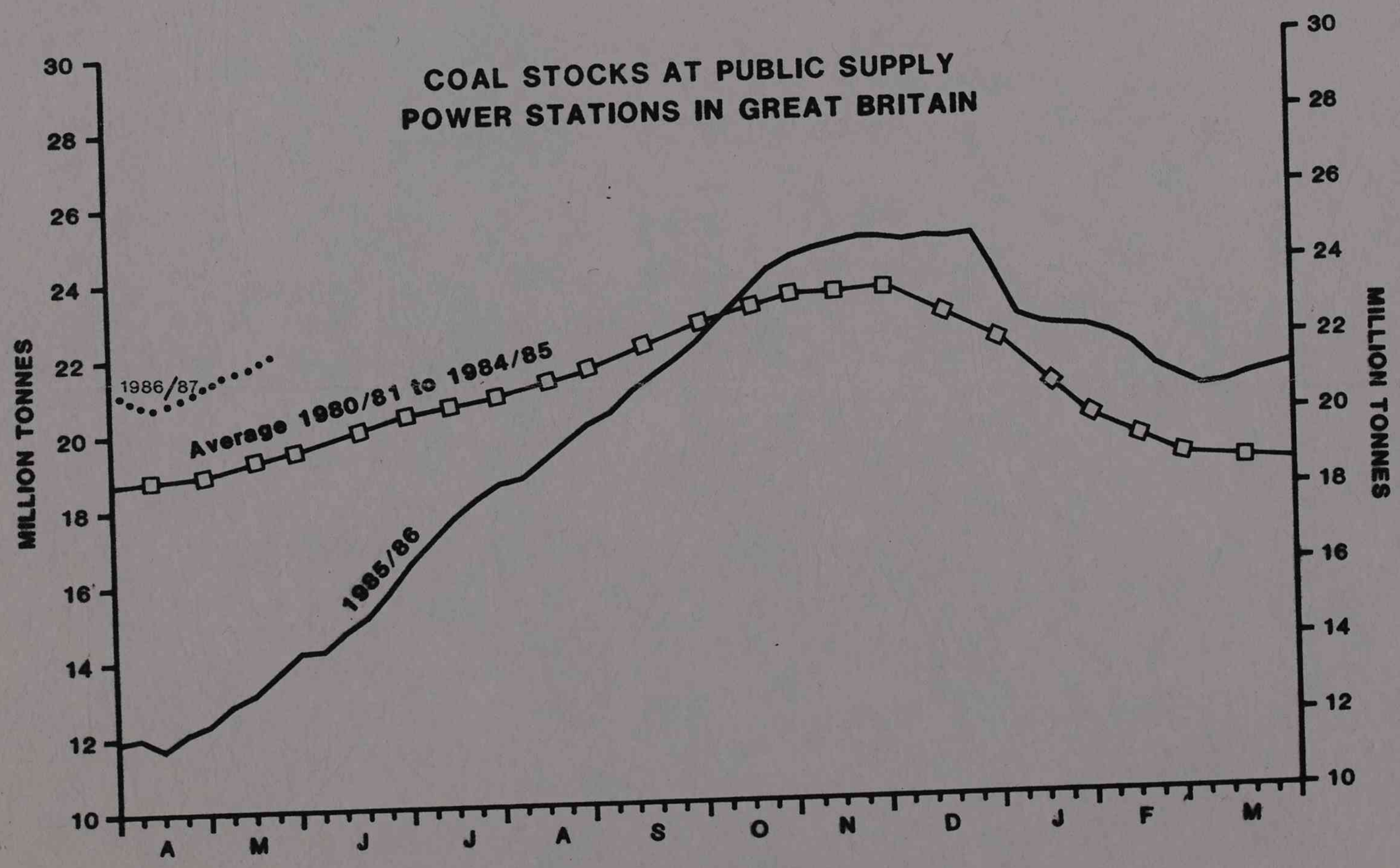
WEEKLY COAL AND POWER STATION STATISTICS (1)

EcS Division, Dept. of Energy, Thames House South,
Millbank, London SW1P 4QJ phone 01-211-4368

30 MAY 1986

	Week ending.....	18.5.85	26.4.86	3.5.86	10.5.86 (5)	17.5.86
COAL	PRODUCTION (m.tonnes) deep mines+	1.79	1.98	1.95	1.56	1.90
	opencast+	0.32	0.31	0.30	0.23	0.31
	TOTAL	2.11	2.28	2.25	1.79	2.21
	PRODUCTIVITY(2) (tonnes/manshift) 'overall'	2.54	3.16	3.21	3.08	3.17
	'production'	11.26	14.09	14.15	13.73	14.16
	UNDISTRIBUTED STOCKS (m.tonnes) TOTAL	16.58	8.26	8.18	8.08	8.05
POWER STATIONS	COAL STOCKS (m.tonnes)	13.67	21.17	21.51	21.67	22.01
	COAL CONSUMPTION "	1.55	1.65	1.54	1.42	1.45
	COAL RECEIPTS "	2.12	1.86	1.89	1.56	1.80
	OIL STOCKS(3) "	1.01	0.81	0.84	0.85	0.84
	OIL CONSUMPTION(3 "	0.03	0.08	0.05	0.06	0.08
	OIL RECEIPTS(3) "	0.00	0.11	0.08	0.07	0.07
	ELECTRICITY SUPPLIED(4)(GWh)					
	Nuclear "	902	848	886	896	840
	Other Steam "	3,634	4,110	3,675	3,502	3,608
	TOTAL "	4,536	4,958	4,561	4,398	4,447
	TOTAL, temperature corrected "	4,502	4,968	4,555	4,345	4,367

(1) Great Britain unless otherwise stated. All latest figures are subject to revision. (2) NCB mines only. (3) Oil-fired boilers only. (4) Steam stations only. +includes licensed production. (5) Includes May Day Bank Holiday.



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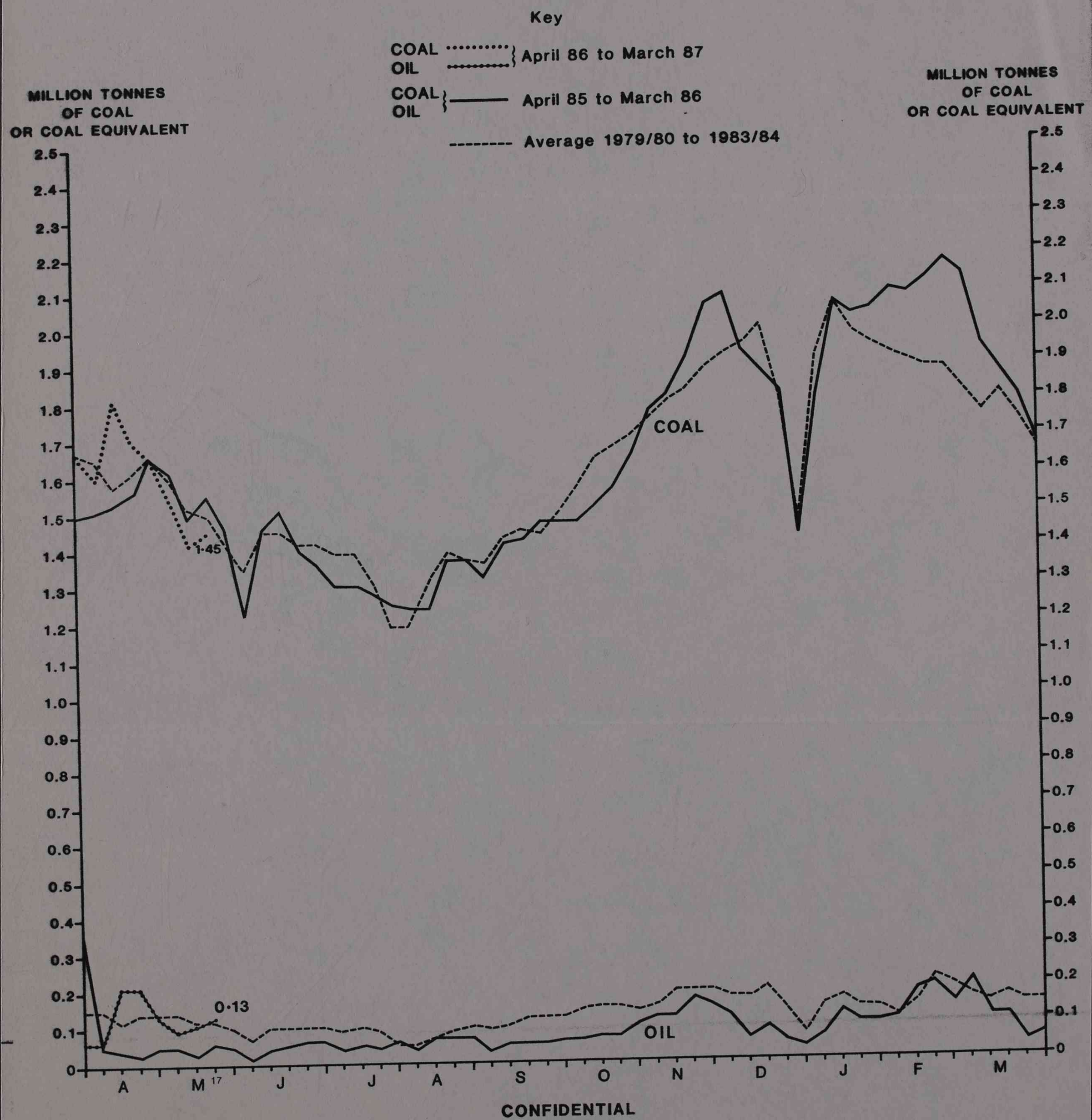
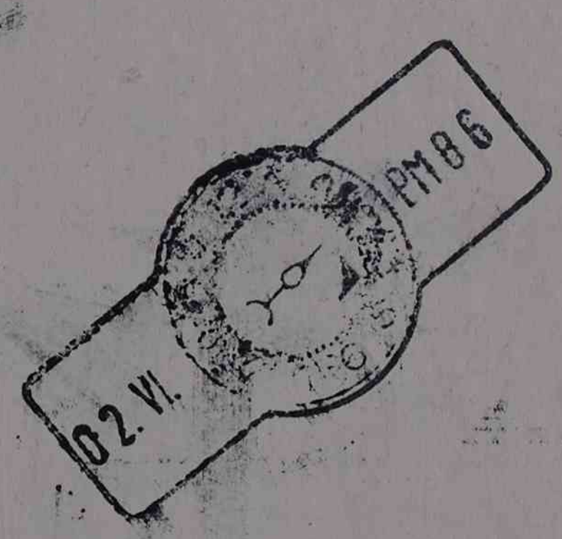
COAL CONSUMPTION AND OIL CONSUMPTION (OIL FIRED) AT PUBLIC SUPPLY POWER STATIONS IN GREAT BRITAIN

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cc BG

NBPM until we have the Treasury's reply.

SECRETARY OF STATE FOR ENERGY
THAMES HOUSE SOUTH
MILLBANK LONDON SW1P 4QJ

01 211 6402

COPY NO 2 OF 20

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
London
SW1P 3AG

30 May 1986

Dear Nigel

ATTACHED

As I informed Cabinet last Thursday it is likely that job losses in the coal industry will be worse that we initially anticipated due to the adverse impact of the lower oil price. Last week saw announcements of about 15,000 further job losses in the public sector in some of the most hard hit areas of the country. I am afraid that over the next two years the Coal Board will be adding to those job losses and areas like Scotland and the North East will be very hard hit. These areas are the areas that will also be badly affected by any slowing down of the investment programme in the North Sea.

The only compensation we have is the very real success of NCB (Enterprise) Limited. We have, as you know, so far allocated to them £20 million. They have fully committed £10 million of this and are involved in schemes which will involve the further investment of £21 million. They have so far created 6,500 job opportunities and have in prospect investments that involve a further 5,800 job opportunities. It is therefore vital that we make it clear that we intend to raise the overall limit so that the existing schemes under consideration can go ahead and further schemes can be considered. This would mean raising the overall limit by a further £20 million.

The NCB's provisional 1986/87 EFL of £730 million already allows for the expenditure of £20 million through NCB (Enterprise). Thus increasing the funding limit will not in itself increase public expenditure.

I gather from my officials that there has been some talk by your officials that before any further money is advanced they wish outside consultants to examine the success of what has taken place. Whilst I am perfectly happy for outside consultants to examine the position when the original investments have had some time to settle I do think it would be totally wrong for the Government to be seen to be other than enthusiastic about the success of the Enterprise company. The sums involved are minute compared with the total financial change we are bringing about in the coal industry. The politics of being other than enthusiastic would be disastrous. I am confronted with delegation after delegation of Labour MPs, leading local authorities and others who protest at the increase in job losses in areas where there is already high unemployment and

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the only policy we have to assist in this is the Enterprise company.

Added to which, so far NCB(E) has managed to obtain £6 of further investment in the projects concerned for every £1 that it has put in itself. If this continues, the £40 million expended will result in £280 million of investment in new commercial activities in areas of high unemployment.

I would like to make an early announcement about the availability of further funds when I open a new structural building business financed by the Enterprise company.

I am copying this letter to the Prime Minister, Members of EA and Sir Robert Armstrong.

Peter

PETER WALKER

NAT IND

COAL

10 DOWNING STREET

Prime Minister

The Chief Secretary and Mr Tebbit are willing to go along with the proposed deal between the NCB and the CEGB. The Policy Unit are also content.

Agree not to intervene?

Yes

No

DCR
29/5.

001/1285

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cc BG

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Peter Walker MBE MP
Secretary of State for Energy
Department of Energy
Thames House South
Millbank
London
SW1P 4QJ

28 May 1986

Dear Peter,

PROVISIONAL AGREEMENT BETWEEN THE NCB and CEGB ON COAL SUPPLY

Thank you for your letter of 20 May.

Like you, I am surprised that the industries have produced a provisional deal which could cover up to 5 years. Their deal is not, of course, based on any underlying economic principles. So while it may be appropriate for an interim arrangement of the sort envisaged at E(A) during a period of particular uncertainty, I do not believe it forms a proper basis for long term trading between two state industries with significant monopoly power.

For the longer term I think we have to look to move trading between British Coal and the CEGB toward an import parity basis. I do, however, accept your point about the difficulties of wholly overturning the proposals now before us. I would be willing to accept them on the following basis:

(a) the deal is firm for 1986-87 and 1987-88 but with no presumptions beyond that date;

(b) you are confident that British Coal will live within their 1986-87 EFL of £730 million and you will emphasise to them the necessity of making whatever savings are necessary to ensure this happens;

(c) you press hard on British Coal to deliver further savings in 1987-88 and later years. I have in mind in particular their investment programme. Our officials need to do further detailed work together on this

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I am copying this letter to the Prime Minister, other members of E(A) and to Sir Robert Armstrong.

Yours ever,

JM

JOHN MacGREGOR

cc BG

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CABINET OFFICE,
WHITEHALL, LONDON SW1A 2AS

Chancellor of the Duchy of Lancaster

Tel No: 233 3299
7471

23rd May 1986

The Rt Hon Peter Walker MBE MP
Secretary of State for Energy
Department of Energy
Thames House South
Millbank
LONDON
SW1P 4QJ

Privat Treasury comm.

D Peter

PROVISIONAL AGREEMENT BETWEEN THE NCB AND CEGB ON COAL SUPPLY

Thank you for sending me a copy of your letter of ~~20~~ 21st May to John MacGregor. In the absence of any readily available means to achieve a deal more closely in line with the conclusions of E(A) Committee, I accept that we should endorse the deal in the terms which you propose.

Having done this, I hope that it will be possible to turn this to the maximum presentational advantage. I am conscious of the number of people, and pensioners in particular, who write to me complaining about the cost of electricity and gas. Whether justified or not, some regard it as tantamount to a direct imposition of Government. I think we should take this opportunity to highlight the way in which some of the basic costs for the poor, families and pensioners have in fact fallen; electricity and the reductions in the cost of second-class letter post will be two good instances. This may help in offsetting the complaints over the now small - in absolute terms - size of increases in pensions and benefits.

I am sending a copy of this letter to the Prime Minister, other members of E(A) and to Sir Robert Armstrong.

Yours
Norman

NORMAN TEBBIT

NAT IND Coal PT19

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WEEKLY COAL AND POWER STATION STATISTICS SUPPLEMENT (1)

EcS Division, Dept. of Energy, Thames House South,
Millbank, London SW1P 4QJ phone:01-211-4368

22 MAY 1986

	Week ending.....		11.5.85 (5)	19.4.86	26.4.86	3.5.86	10.5.86 (5)
COAL	PRODUCTION (m.tonnes)	deep mines+	1.45	1.96	1.98	1.95	1.56
		opencast+	0.27	0.29	0.31	0.30	0.23
		TOTAL	1.72	2.25	2.28	2.25	1.79
	PRODUCTIVITY(2) (tonnes/manshift)	'overall'	2.41	3.12	3.16	3.21	3.08
		'production'	10.73	13.78	14.09	14.15	13.73
	UNDISTRIBUTED STOCKS (m.tonnes)	deep mines:					
		England	5.23	2.33	2.34	2.24	2.12
		S.Wales	2.32	2.35	2.32	2.33	2.34
		Scotland	1.16	0.81	0.83	0.84	0.85
		opencast	8.31	2.72	2.77	2.77	2.76
		TOTAL	17.03	8.21	8.26	8.18	8.08
POWER STATIONS	COAL STOCKS (m.tonnes)	S.Eastern	1.11	1.37	1.36	1.40	1.45
		S.Western	1.22	1.76	1.77	1.79	1.81
		Midland	5.51	7.24	7.30	7.41	7.38
		N.Eastern	3.00	7.44	7.60	7.71	7.81
		N.Western	1.24	1.71	1.71	1.74	1.74
		TOTAL CEGB	12.08	19.53	19.74	20.06	20.19
		Scotland	1.01	1.43	1.43	1.45	1.48
		TOTAL Gt.Britain	13.09	20.96	21.17	21.51	21.67
	COAL CONSUMPTION (m.tonnes)	S.Eastern	0.16	0.12	0.12	0.06	0.04
		S.Western	0.14	0.23	0.20	0.19	0.19
		Midlands	0.65	0.72	0.70	0.65	0.64
		N.Eastern	0.36	0.37	0.41	0.45	0.40
		N.Western	0.09	0.14	0.14	0.11	0.10
		TOTAL CEGB	1.40	1.58	1.57	1.47	1.37
		Scotland	0.10	0.12	0.09	0.07	0.05
		TOTAL Gt.Britain	1.49	1.71	1.65	1.54	1.42
	COAL RECEIPTS (m.tonnes)	CEGB	1.63	1.71	1.77	1.80	1.49
		Scotland	0.17	0.10	0.09	0.09	0.07
		Gt.Britain	1.80	1.81	1.86	1.89	1.56
	OIL STOCKS(3) (m.tonnes)	CEGB	0.86	0.69	0.69	0.71	0.71
		Scotland	0.18	0.09	0.13	0.14	0.14
		Gt.Britain	1.04	0.78	0.81	0.84	0.85
	OIL CONSUMPTION (3) (m.tonnes)	CEGB	0.02	0.10	0.05	0.03	0.04
		Scotland	–	0.03	0.02	0.03	0.02
		Gt.Britain	0.02	0.13	0.08	0.05	0.06
	OIL RECEIPTS(3) (m.tonnes)	CEGB	–	0.03	0.05	0.05	0.04
		Scotland	–	–	0.06	0.03	0.03
		Gt.Britain	–	0.03	0.11	0.08	0.07
	GAS CONSUMPTION (m.therms)	CEGB	3	–	–	–	–
	ELECTRICITY(4) SUPPLIED (GWh)	Nuclear	1,002	865	848	886	896
		Other Steam	3,419	4,497	4,110	3,675	3,502
		TOTAL	4,421	5,362	4,958	4,561	4,398
		TOTAL, temperature corrected	4,315	4,967	4,968	4,555	4,345

(1) Great Britain unless otherwise stated. All latest figures are subject to revision. (2) NCB mines only. (3) Oil-fired boilers only. (4) Steam stations only. +includes licensed production. (5) Includes May Day Bank Holiday.

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WEEKLY COAL AND POWER STATION STATISTICS (1)

EcS Division, Dept. of Energy, Thames House South,
Millbank, London SW1P 4QJ phone 01-211-4368

22 MAY 1986

	Week ending.....		11.5.85 (5)	19.4.86	26.4.86	3.5.86	10.5.86 (5)
COAL	PRODUCTION (m.tonnes)	deep mines+	1.45	1.96	1.98	1.95	1.56
		opencast+	0.27	0.29	0.31	0.30	0.23
		TOTAL	1.72	2.25	2.28	2.25	1.79
	PRODUCTIVITY(2) (tonnes/manshift)	'overall'	2.41	3.12	3.16	3.21	3.08
		'production'	10.73	13.78	14.09	14.15	13.73
	UNDISTRIBUTED STOCKS (m.tonnes)	TOTAL	17.03	8.21	8.26	8.18	8.08
POWER STATIONS	COAL STOCKS	(m.tonnes)	13.09	20.96	21.17	21.51	21.67
	COAL CONSUMPTION	"	1.49	1.71	1.65	1.54	1.42
	COAL RECEIPTS	"	1.80	1.81	1.86	1.89	1.56
	OIL STOCKS(3)	"	1.04	0.78	0.81	0.84	0.85
	OIL CONSUMPTION(3	"	0.02	0.13	0.08	0.05	0.06
	OIL RECEIPTS(3)	"	0.00	0.03	0.11	0.08	0.07
	ELECTRICITY SUPPLIED(4)(GWh)						
	Nuclear	"	1,002	865	848	886	896
	Other Steam	"	3,419	4,497	4,110	3,675	3,502
	TOTAL	"	4,421	5,362	4,958	4,561	4,398
	TOTAL, temperature corrected	"	4,315	4,967	4,968	4,555	4,345

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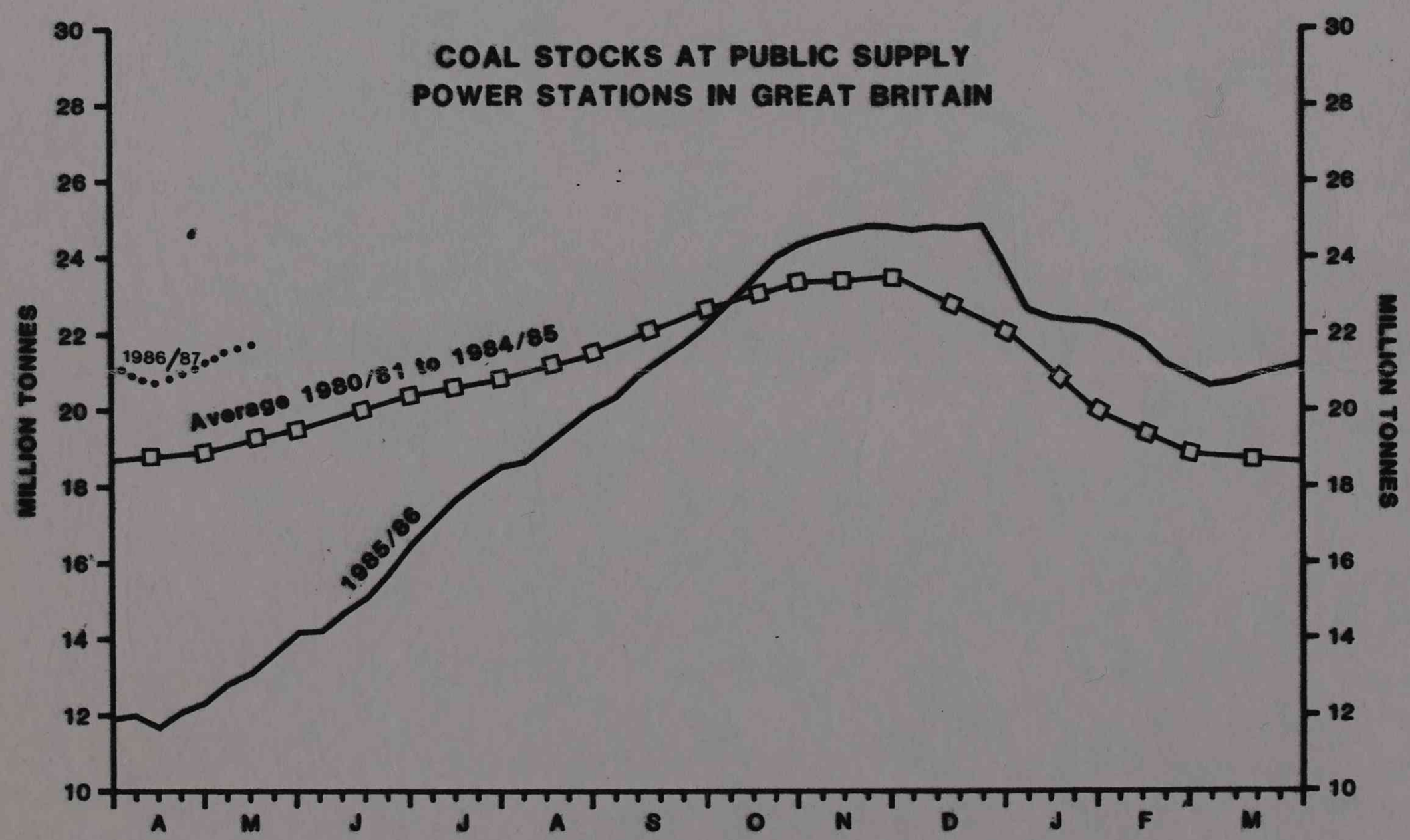

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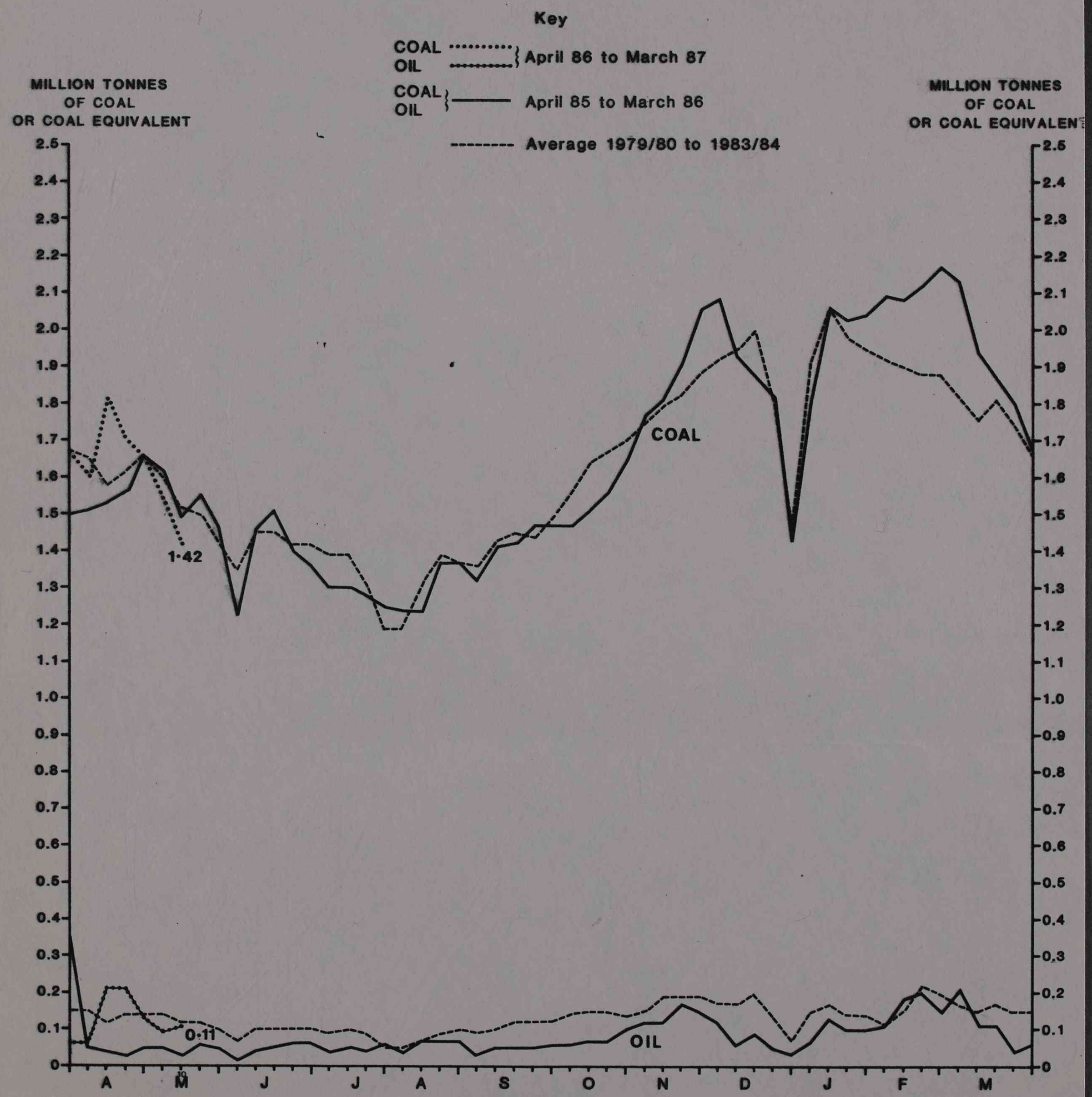
COAL CONSUMPTION AND OIL CONSUMPTION (OIL FIRED) AT PUBLIC SUPPLY POWER STATIONS IN GREAT BRITAIN



NBPR at present

PRIME MINISTER 21 May 1996

PROVISIONAL AGREEMENT BETWEEN THE NCB AND CEGB ON COAL SUPPLY

The Government was right not to interfere with the negotiation between the NCB and the CEGB. But what have we got compared with expectations?

On a narrow short-term view, the fall of oil prices potentially gives electricity consumers a windfall worth up to £1 billion pa - ie tariff reductions of at least 5%. But certainly in the short-term, and probably in the long-term, the UK economy would suffer from a switch to maximum oil burn in power stations. By the 1990s, we are likely to regret a further substantial scaling down of the UK coal industry.

The stopgap deal which E(A) had in mind would have:

- given part of the windfall to electricity users in recognition of the new balance of competitive forces in the energy market;

- put part of the consequent cost on the NCB in reducing capital expenditure and making other economies;

- put part of the cost on the taxpayer in funding a larger NCB deficit.

What we are offered is close to this judicious middle course. The big difference is the long-term framework in which the deal between the NCB and CEGB has been struck.

Presentation is important both for the two industries and for the Government. We need to forestall criticism that the ESI has not fulfilled its obligation to electricity consumers. We want to signal to miners that the market for coal is under serious threat unless coal is produced more efficiently and cheaply.

Against this background, I believe that the NCB and the CEGB were right to ignore their remit to confine the negotiation to a stopgap deal. The supply of coal from the NCB to the CEGB is the world's largest contract. Both industries are capital-intensive with huge fixed assets. The CEGB's statutory obligation to minimise fuel costs is bound to be tempered by considerations of longer term supply security. With over 80% of its capacity in deep mines (which unlike open-cast mines cannot be closed down temporarily) the NCB needs a secure market for its coal. Thus, both organisations are more attracted by stability rather than the vagaries of the oil market.

Whilst the framework of the deal is presentationally helpful, the basic contractual commitment is confined to the current financial year and the next. In any case, if oil prices move outside the range $15-24 a barrel, the re-opener clause will come into play and a new deal will have to be

struck. An interim deal of at most two years should fit nicely with the Government's plan for a new corporate structure of British Coal in two years' time.

Conclusion

We would recommend acceptance of the deal negotiated between the NCB and the CEGB.

JW

JOHN WYBREW

CCB6

CCB1

SECRETARY OF STATE FOR ENERGY
THAMES HOUSE SOUTH
MILLBANK LONDON SW1P 4QJ
01 211 6402

Prime Minister
To be aware, in advance of Treasury and Policy Unit comments.
DRN 20/5.

The Rt Hon John MacGregor OBE MP
Chief Secretary
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

20 May 1986

PROVISIONAL AGREEMENT BETWEEN THE NCB AND CEGB ON COAL SUPPLY

As agreed at E(A) (12th Meeting), I saw the Chairmen of the NCB, the CEGB and the Electricity Council in order to encourage them to negotiate a reduction in coal prices of the order of £150-£200 million during the 7 months to the end of October 1986.

Although both at the initial meetings and on subsequent occasions I made it clear that I had no authority to approve a deal other than on this basis, the industries returned to me with a provisional agreement they have negotiated covering 5 years from 1986/87 to 1990/91. Essentially, the coal industry wants a longer-term deal in order to provide stability for planning the return to viability to which it is committed: the electricity supply industry (esi) wants a longer-term deal in order to provide stability in its costs and therefore its tariffs, and because it believes it will be easier to justify accepting what could be represented as inadequate concessions on coal prices in 1986/87 if it can hold out to its customers a firm prospect of continuing gains.

It is clear that neither industry will be willing to return to the concept of a 7-month, or even a 12-month, deal. We have no statutory powers we could use to force them, but in any case, there would be real difficulties in such a course. In any shorter term deal, the esi would be bound to seek a larger price reduction in the first year. This additional burden on the coal industry could only be met by an even more extensive closure programme which would be wholly unattainable in the face of the constraints of the New Colliery Review Procedure and the pledge of no compulsory redundancies.

We must therefore consider carefully whether we can endorse their proposals. We need to reach an early conclusion, in view of the public expectations which have been built up during the negotiations.

THE PROPOSED DEAL

Details of the proposed deal are set out in the Annex to this letter. The main features are that it creates a 3-tranche, instead of a 2-tranche, structure of coal prices; and that the size of the

first tranche, which is less closely related to the price of coal on international markets, falls in each year. The deal is expressed as firm for 1986/87 and 1987/88 and as a "clear intention" thereafter. There is a re-opener clause which would allow the price of the second tranche to be re-negotiated in years after 1986/87 if the price of heavy fuel oil lay outside the range £65-£100 a tonne.

FINANCIAL EFFECTS

My officials have passed to yours the information that is available from the two industries about the financial effects of the proposed deal. The main points are as follows:

(a) Compared with the present Joint Understanding, the proposed deal will cost the NCB about £300 million in 1986/87, £380 million 1987/88 and £400 million in 1988/89. The NCB have identified substantial offsetting savings, but believe that their return to breakeven will now take place in 1988/89 not 1987/88.

(b) The esi will, of course, expect to pass the savings on to its consumers. I estimate that the savings would allow a reduction in tariffs of something more than 3% in 1986/87, and a further 1% in 1987/88.

(c) Even before their negotiations with the CEGB, the NCB had revised their plans for 1986/87 to allow for a loss of some £180 million revenue in all markets to reflect the fall in oil prices. By strenuous efforts to find cost savings, and by reducing expenditure on fixed assets from £800 million to £750 million, they expect to be able to contain their financial requirements within the provisional White Paper figure of £730 million. The proposed deal, with parallel effects in other markets, will further reduce net revenue by about £170 million. In my view, the cost to the PSBR should be offset by a further reduction in the NCB's capital expenditure of £100 million, to £650 million. Allowing for cost reductions through lower inflation and savings to public sector bodies from lower electricity tariffs, the overall effect on the PSBR should be very small - perhaps of the order of £20 million. I propose to confirm to the NCB an external financing limit for 1986/87 of £730 million.

But the public sector bodies will spend the benefit.

APPRAISAL

I see no difficulty about the proposed deal as it affects 1986/87. The full year cost to the NCB of £300 million is consistent with the range that E(A) approved (of £150 million to £200 million for 7 months); and as I have said, I believe the cost to the PSBR can be virtually eliminated.

As regards the later years it might be argued that there are dangers in a 5-year deal, given the present uncertainty in the energy market. However the fact that the deal is only firm for first two years removes much of the force of this argument.

There are a number of positive features. The deal is a substantial move in the direction indicated by market signals. It can reasonably be argued that it would be wrong, in conditions of uncertainty to insist on immediately restructuring coal and electricity prices to the full extent that might be appropriate if present oil prices continued indefinitely. Any utility, even if privately owned, could well attach considerable importance to the sort of stable relationship with a supplier which the proposed deal offers. Self-evidently, both industries will be willing to defend the deal as something which they negotiated without Government interference.

CONCLUSION

Balancing these considerations, my conclusion is that we should endorse the deal for the two years for which it is firm - 1986/87 and 1987/88, whilst urging the NCB to press ahead with the necessary cost reductions underlying it, including an accelerated rate of pit closures and redundancies. For the remaining 3 years, we should note the basis on which the two industries wish to proceed and, in particular, the intention that the electricity consumer should receive a continuing benefit from the fall in energy prices. But we should make it clear that the deal should be thoroughly reviewed at the end of the two year period.

If this approach is acceptable to you and the other members of E(A), I will consult Malcolm Rifkind about the implications of this for a deal between the NCB and the SSEB.

I am sending copies of this letter to the Prime Minister, other members of E(A) and to Sir Robert Armstrong.

PETER WALKER

OUTLINE OF THE PROPOSED NCB-CEGB DEAL

1. The deal would cover the five financial years 1986/87 to 1990/91. It is firm for the first two years and expressed as a "clear intention" thereafter. (A shorter term arrangement would cause difficulties for both sides. The NCB could not offer large short-term discounts without throwing their financial recovery seriously off course. The ESi need a longer-term framework of falling prices in which to justify short term price reductions which are well below their customers' expectations.)

1986/87

2. The deal involves three tranches of coal, (compared with two tranches under the current Joint Understanding). The volumes and prices in 1986/87 are:

1st tranche: 50mt at the same price (£46.88) as under the present Understanding

2nd tranche: A new tranche of 10mt priced at £33 per tonne

3rd tranche: 12mt at an agreed import-related price of £29.50

Any tonnage above 72mt* this year will be at 3rd tranche prices. There will be no price increase this autumn, and prices will effectively be frozen until November 1987.

SUBSEQUENT YEARS

3. Beyond 1986/87 the deal relates to a steady 70mt a year, of which a growing proportion will be second tranche coal. Thus

mt

	1986/87	1987/88	1988/89	1989/90	1990/91
1st tranche	50	47	46	43	40
2nd tranche	10	11	12	15	18
3rd tranche	12	12	12	12	12
	--	--	--	--	--
TOTAL	72	70	70	70	70
	--	--	--	--	--

4. (a) From November 1987, the price of first tranche coal will rise each year below the rate of inflation, as under the present pricing formula.

(b) The price of 2nd tranche coal will be 75% of the first tranche price, provided that Heavy Fuel Oil

* Up to 70mt. Beyond that the price would be a matter for negotiation.

remains in the range of £65-100 per tonne (this is very roughly equivalent to $15-24 per barrel of crude). If it moves outside this range, negotiations on the second tranche price will be reopened.

(c) The price of third tranche coal will continue, as at present, to be related to import prices.

FINANCIAL IMPLICATIONS

5. The CEGB estimate that the deal will reduce their 1986/87 payments by £270m (8%) from around £3300m to £3028m. This is based on purchases of 72m. tonnes at a new average price of just over £42 per tonne.

6. The NCB plans were based on selling 73.5 mt to CEGB in 1986/87. On this basis they assess the loss of receipts in 1986/87 at £300m.

7. The financial implications for later years will depend on the rates of inflation and import prices fed into the pricing formulae.

ANNEX B

	Initial budget	£million Revised budget
Fixed assets	798	748
Other capital	2	2
Change in stocks	(90)	(64)
Other working capital ...	(57)	(59)
NCB (Enterprise)		20
Total capital requirements	653	647
Profit/(loss)	(75)	(87)
Interest	(506)	(510)
Depreciation	473	484
Sales of assets	35	39
Other	1	1
Total Internal resources	(73)	(73)
EFR	725	720

17/5 c. Mr Norgrove (No 10)

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ccbG

CABINET OFFICE
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20 MAY 1986
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FILE No. .....

Mr Wiggins
although this goes beyond the terms agreed by E(A), the Treasury are likely to accept it subject to firm assurances on the ELF, & the limitation of the firm deal to 2 years. This seems reasonable to me. Mr Walker is being pretty tough on NCB capital investment this year, & would be difficult to push them further.

If the Chancellor does respond as above, I see no reason for the Prime Minister to intervene.

SECRETARY OF STATE FOR ENERGY
THAMES HOUSE SOUTH
MILLBANK LONDON SW1P 4QJ
01 211 6402

cc - Mr Unwin
Mr Wiggins

The Rt Hon John MacGregor OBE MP
Chief Secretary
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

20 May 1986

PROVISIONAL AGREEMENT BETWEEN THE NCB AND CEGB ON COAL SUPPLY

As agreed at E(A) (12th Meeting), I saw the Chairmen of the NCB, the CEGB and the Electricity Council in order to encourage them to negotiate a reduction in coal prices of the order of £150-£200 million during the 7 months to the end of October 1986.

Although both at the initial meetings and on subsequent occasions I made it clear that I had no authority to approve a deal other than on this basis, the industries returned to me with a provisional agreement they have negotiated covering 5 years from 1986/87 to 1990/91. Essentially, the coal industry wants a longer-term deal in order to provide stability for planning the return to viability to which it is committed: the electricity supply industry (esi) wants a longer-term deal in order to provide stability in its costs and therefore its tariffs, and because it believes it will be easier to justify accepting what could be represented as inadequate concessions on coal prices in 1986/87 if it can hold out to its customers a firm prospect of continuing gains.

It is clear that neither industry will be willing to return to the concept of a 7-month, or even a 12-month, deal. We have no statutory powers we could use to force them, but in any case, there would be real difficulties in such a course. In any shorter term deal, the esi would be bound to seek a larger price reduction in the first year. This additional burden on the coal industry could only be met by an even more extensive closure programme which would be wholly unattainable in the face of the constraints of the New Colliery Review Procedure and the pledge of no compulsory redundancies.

We must therefore consider carefully whether we can endorse their proposals. We need to reach an early conclusion, in view of the public expectations which have been built up during the negotiations.

THE PROPOSED DEAL

Details of the proposed deal are set out in the Annex to this letter. The main features are that it creates a 3-tranche, instead of a 2-tranche, structure of coal prices; and that the size of the

first tranche, which is less closely related to the price of coal on international markets, falls in each year. The deal is expressed as firm for 1986/87 and 1987/88 and as a "clear intention" thereafter. There is a re-opener clause which would allow the price of the second tranche to be re-negotiated in years after 1986/87 if the price of heavy fuel oil lay outside the range £65-£100 a tonne.

FINANCIAL EFFECTS

My officials have passed to yours the information that is available from the two industries about the financial effects of the proposed deal. The main points are as follows:

(a) Compared with the present Joint Understanding, the proposed deal will cost the NCB about £300 million in 1986/87, £380 million 1987/88 and £400 million in 1988/89. The NCB have identified substantial offsetting savings, but believe that their return to breakeven will now take place in 1988/89 not 1987/88.

(b) The esi will, of course, expect to pass the savings on to its consumers. I estimate that the savings would allow a reduction in tariffs of something more than 3% in 1986/87, and a further 1% in 1987/88.

(c) Even before their negotiations with the CEGB, the NCB had revised their plans for 1986/87 to allow for a loss of some £180 million revenue in all markets to reflect the fall in oil prices. By strenuous efforts to find cost savings, and by reducing expenditure on fixed assets from £800 million to £750 million, they expect to be able to contain their financial requirements within the provisional White Paper figure of £730 million. The proposed deal, with parallel effects in other markets, will further reduce net revenue by about £170 million. In my view, the cost to the PSBR should be offset by a further reduction in the NCB's capital expenditure of £100 million, to £650 million. Allowing for cost reductions through lower inflation and savings to public sector bodies from lower electricity tariffs, the overall effect on the PSBR should be very small - perhaps of the order of £20 million. I propose to confirm to the NCB an external financing limit for 1986/87 of £730 million.

APPRAISAL

I see no difficulty about the proposed deal as it affects 1986/87. The full year cost to the NCB of £300 million is consistent with the range that E(A) approved (of £150 million to £200 million for 7 months); and as I have said, I believe the cost to the PSBR can be virtually eliminated.

As regards the later years it might be argued that there are dangers in a 5-year deal, given the present uncertainty in the energy market. However the fact that the deal is only firm for first two years removes much of the force of this argument.

There are a number of positive features. The deal is a substantial move in the direction indicated by market signals. It can reasonably be argued that it would be wrong, in conditions of uncertainty to insist on immediately restructuring coal and electricity prices to the full extent that might be appropriate if present oil prices continued indefinitely. Any utility, even if privately owned, could well attach considerable importance to the sort of stable relationship with a supplier which the proposed deal offers. Self-evidently, both industries will be willing to defend the deal as something which they negotiated without Government interference.

CONCLUSION

Balancing these considerations, my conclusion is that we should endorse the deal for the two years for which it is firm - 1986/87 and 1987/88, whilst urging the NCB to press ahead with the necessar cost reductions underlying it, including an accelerated rate of pit closures and redundancies. For the remaining 3 years, we should note the basis on which the two industries wish to proceed and, in particular, the intention that the electricity consumer should receive a continuing benefit from the fall in energy prices. But w should make it clear that the deal should be thoroughly reviewed at the end of the two year period.

If this approach is acceptable to you and the other members of E(A) I will consult Malcolm Rifkind about the implications of this for a deal between the NCB and the SSEB.

I am sending copies of this letter to the Prime Minister, other members of E(A) and to Sir Robert Armstrong.

PETER WALKER

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	--	--	--	--	--

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Depreciation	473	484
Sales of assets	35	39
Other	1	1
Total Internal resources	-3	(73)
EFR	725	720

Prime Minister 4
This reports a correspondence about the terms the Coal Industry Bill 1986.
DLN 16/5

PRIME MINISTER

16 May 1986

1986 COAL INDUSTRY BILL

The collapse of oil prices and the uncertain prospects for the coal industry have forced the Department of Energy and the Treasury onto common ground - an extension of the unsatisfactory deficit funding arrangements for British Coal.

By now, the Treasury (eagerly) and Energy (cautiously) expected to be laying the foundations of a new corporate structure, which would segregate British Coal's conflicting roles:

- the commercial business;
- the Licensing Authority for coal;
- the instrument for social security.

Denied this objective, the Treasury want to nudge the extended funding arrangements a little closer to being a surrogate for normal commercial disciplines. Energy will accept some of the Treasury's proposals, the principal remaining differences being:

1. **Duration of the extended arrangements.** Treasury want two years. Energy want the flexibility to extend beyond two years, subject to an Affirmative Resolution. (Treasury

are right to signal that the extension is short-term and foreshadows a radical restructuring. Energy's counter-proposal should achieve this whilst retaining useful flexibility.)

2. **Transfer to British Coal of responsibility for the Redundant Mineworkers' Payments Scheme and Concessionary Coal Schemes.** Treasury want the burden of all past and future commitments to be transferred to British Coal, even if the Government has to underwrite the increased deficit. Energy want British Coal's obligations to begin in respect of decisions taken after the start of the next financial year. (The psychology of the Treasury's proposal is bad. We are trying to motivate an organisation to get back into profit. Just when that is in sight (deficit of £100-200 million foreseen in 1987/88, allowing for the new deal with CEGB), we clobber British Coal with an additional £200 million for past commitments arising from Government-inspired measures.)

Conclusion

There is no need to intervene at this stage. The differences between Peter Walker and John MacGregor are not fundamental, and may well be resolved without reference to colleagues.

JOHN WYBREW

014/2769

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cc BG

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Peter Walker MBE MP
Secretary of State for Energy
Department of Energy
Thames House South
Millbank
London
SW1P 4QJ

15 May 1986

Dear Peter,

COAL INDUSTRY BILL

Thank you for your letter of 18 April to Nigel Lawson.

It is disappointing that we cannot consider the future financial framework for the coal industry against the projections in the NCB's long overdue corporate plan. That would obviously be the most sensible course. However I accept that we cannot delay decisions on the content of the Bill indefinitely.

I can therefore go along with the broad and flexible grant structure you propose to replace social grant and RMPS, on four conditions.

The first is that the Bill should give order-making powers for only two years. This is an explicitly temporary regime, really just a simplified version of the present one: we should make no bones about our intention to adopt a more lasting, and quite possibly different, financial structure after that, in the context of perhaps less uncertain views about the energy market.

Second, the Bill should transfer responsibility for continuing payments under RMPS and concessionary coal schemes to the NCB. This would move the Board a little closer to a realistic commercial regime, though I realise that initially the financial burden may be too great to bear without some government support.

Third, the coverage of the grant available under the Bill should be variable year by year.

Fourth, the new omnibus grant should be cash limited. This would impose a useful financial discipline on the

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PARLIAMENT: legislation, PTIS

Board and would make a welcome contribution to the campaign to extend the coverage of cash limits.

You also rule out a capital reconstruction, preferring instead to take reserve powers to continue deficit grant. This strikes me as a retrograde step. If the Board can hold to their objective of breaking even next year, a capital reconstruction might be an attractive option. The NCB's negative reserves create an uncomfortable propriety problem for NLF lending, which would be better avoided. For that reason I believe it would be right to go for a capital reconstruction as soon as a defensible recovery strategy will justify one. Of course we cannot decide on that approach without the corporate plan.

Copies of this letter go to the Prime Minister, other E(A) colleagues and to Sir Robert Armstrong.

Yours ever,

JM

JOHN MacGREGOR

DRN Seen

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WEEKLY COAL AND POWER STATION STATISTICS SUPPLEMENT (1)

EcS Division, Dept. of Energy, Thames House South,
Millbank, London SW1P 4QJ phone:01-211-4368

15 MAY 1986

			4.5.85	12.4.86	19.4.86	26.4.86	3.5.86
	Week ending.....						
COAL	PRODUCTION (m.tonnes)	deep mines+	1.71	1.98	1.96	1.98	1.95
		opencast+	0.31	0.30	0.29	0.31	0.30
		TOTAL	2.02	2.28	2.25	2.28	2.25
	PRODUCTIVITY(2) (tonnes/manshift)	'overall'	2.38	3.13	3.12	3.16	3.21
		'production'	10.55	13.84	13.78	14.09	14.15
	UNDISTRIBUTED STOCKS (m.tonnes)	deep mines:					
		England	5.34	2.35	2.33	2.34	2.24
		S.Wales	2.32	2.34	2.35	2.32	2.33
		Scotland	1.20	0.81	0.81	0.83	0.84
		opencast	8.52	2.72	2.72	2.77	2.77
		TOTAL	17.38	8.22	8.21	8.26	8.18
POWER STATIONS	COAL STOCKS (m.tonnes)	S.Eastern	1.07	1.43	1.37	1.36	1.40
		S.Western	1.13	1.80	1.76	1.77	1.79
		Midland	5.62	7.20	7.24	7.30	7.41
		N.Eastern	2.79	7.26	7.44	7.60	7.71
		N.Western	1.24	1.71	1.71	1.71	1.74
		TOTAL CEGB	11.85	19.40	19.53	19.74	20.06
		Scotland	0.94	1.46	1.43	1.43	1.45
		TOTAL Gt.Britain	12.79	20.86	20.96	21.17	21.51
	COAL CONSUMPTION (m.tonnes)	S.Eastern	0.16	0.15	0.12	0.12	0.06
		S.Western	0.17	0.22	0.23	0.20	0.19
		Midlands	0.68	0.73	0.72	0.70	0.65
		N.Eastern	0.37	0.50	0.37	0.41	0.45
		N.Western	0.09	0.13	0.14	0.14	0.11
		TOTAL CEGB	1.47	1.73	1.58	1.57	1.47
		Scotland	0.14	0.09	0.12	0.09	0.07
		TOTAL Gt.Britain	1.62	1.81	1.71	1.65	1.54
	COAL RECEIPTS (m.tonnes)	CEGB	1.87	1.72	1.71	1.77	1.80
		Scotland	0.20	0.09	0.10	0.09	0.09
		Gt.Britain	2.08	1.82	1.81	1.86	1.89
	OIL STOCKS(3) (m.tonnes)	CEGB	0.87	0.76	0.69	0.69	0.71
		Scotland	0.18	0.11	0.09	0.13	0.14
		Gt.Britain	1.05	0.87	0.78	0.81	0.84
	OIL CONSUMPTION (3) (m.tonnes)	CEGB	0.03	0.09	0.10	0.05	0.03
		Scotland	–	0.03	0.03	0.02	0.03
		Gt.Britain	0.03	0.12	0.13	0.08	0.05
	OIL RECEIPTS(3) (m.tonnes)	CEGB	0.01	0.03	0.03	0.05	0.05
		Scotland	–	–	–	0.06	0.03
		Gt.Britain	0.01	0.03	0.03	0.11	0.08
	GAS CONSUMPTION (m.therms)	CEGB	4	–	–	–	–
	ELECTRICITY(4) SUPPLIED (GWh)	Nuclear	1,021	854	865	848	886
		Other Steam	3,735	4,630	4,497	4,110	3,675
		TOTAL	4,756	5,484	5,362	4,958	4,561
		TOTAL, temperature corrected	4,628	5,017	4,967	4,968	4,555

(1) Great Britain unless otherwise stated. All latest figures are subject to revision. (2) NCB mines only. (3) Oil-fired boilers only. (4) Steam stations only. +includes licensed production.

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WEEKLY COAL AND POWER STATION STATISTICS (1)

EcS Division, Dept. of Energy, Thames House South,
Millbank, London SW1P 4QJ phone 01-211-4368

15 MAY 1986

	Week ending.....		4.5.85	12.4.86	19.4.86	26.4.86	3.5.86
COAL	PRODUCTION (m.tonnes)	deep mines+	1.71	1.98	1.96	1.98	1.95
		opencast+	0.31	0.30	0.29	0.31	0.30
		TOTAL	2.02	2.28	2.25	2.28	2.25
	PRODUCTIVITY(2) (tonnes/manshift)	'overall'	2.38	3.13	3.12	3.16	3.21
		'production'	10.55	13.84	13.78	14.09	14.15
	UNDISTRIBUTED STOCKS (m.tonnes)	TOTAL	17.38	8.22	8.21	8.26	8.18
POWER STATIONS	COAL STOCKS	(m.tonnes)	12.79	20.86	20.96	21.17	21.51
	COAL CONSUMPTION	"	1.62	1.81	1.71	1.65	1.54
	COAL RECEIPTS	"	2.08	1.82	1.81	1.86	1.89
	OIL STOCKS(3)	"	1.05	0.87	0.78	0.81	0.84
	OIL CONSUMPTION(3	"	0.03	0.12	0.13	0.08	0.05
	OIL RECEIPTS(3)	"	0.01	0.03	0.03	0.11	0.08
	ELECTRICITY SUPPLIED(4)	(GWh)					
	Nuclear	"	1,021	854	865	848	886
	Other Steam	"	3,735	4,630	4,497	4,110	3,675
	TOTAL	"	4,756	5,484	5,362	4,958	4,561
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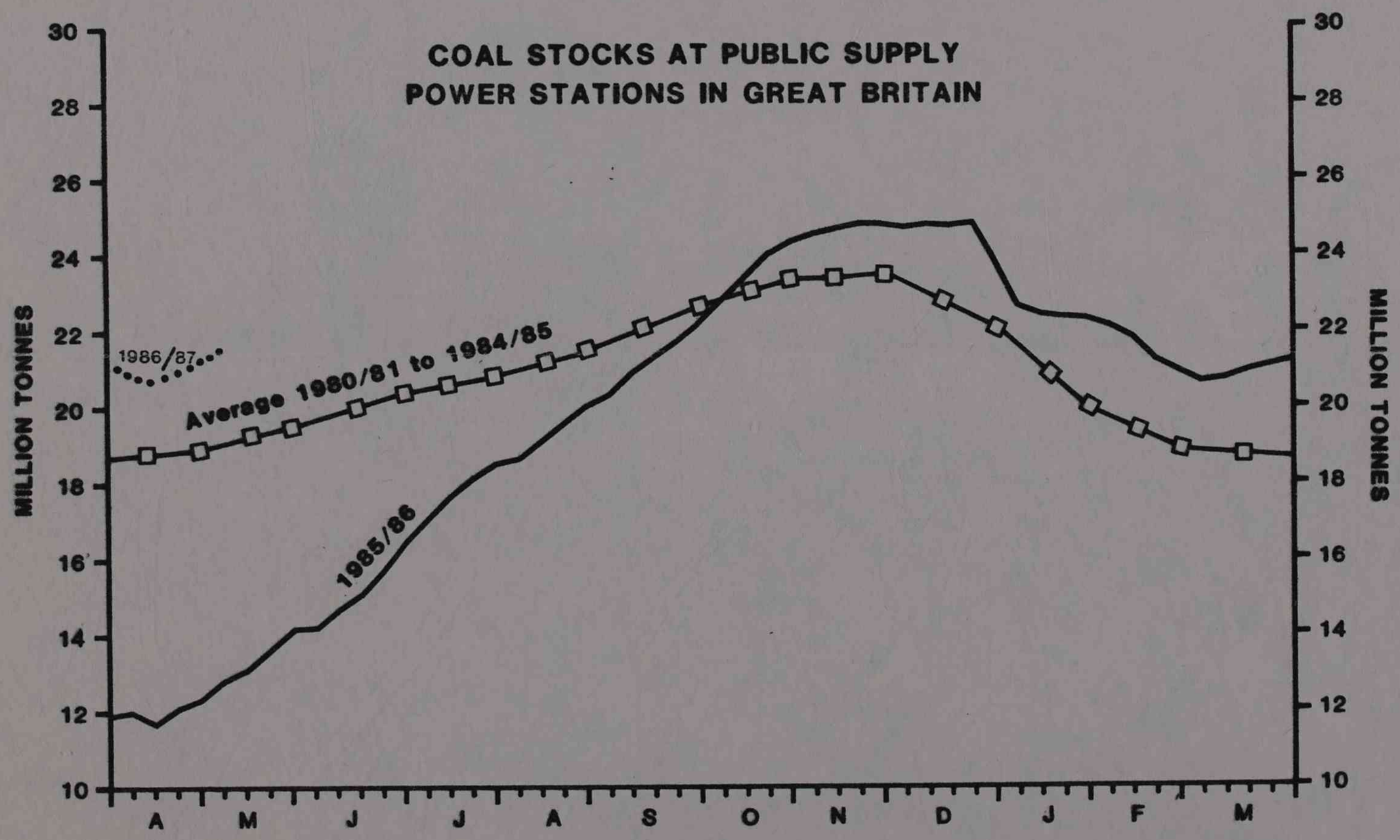

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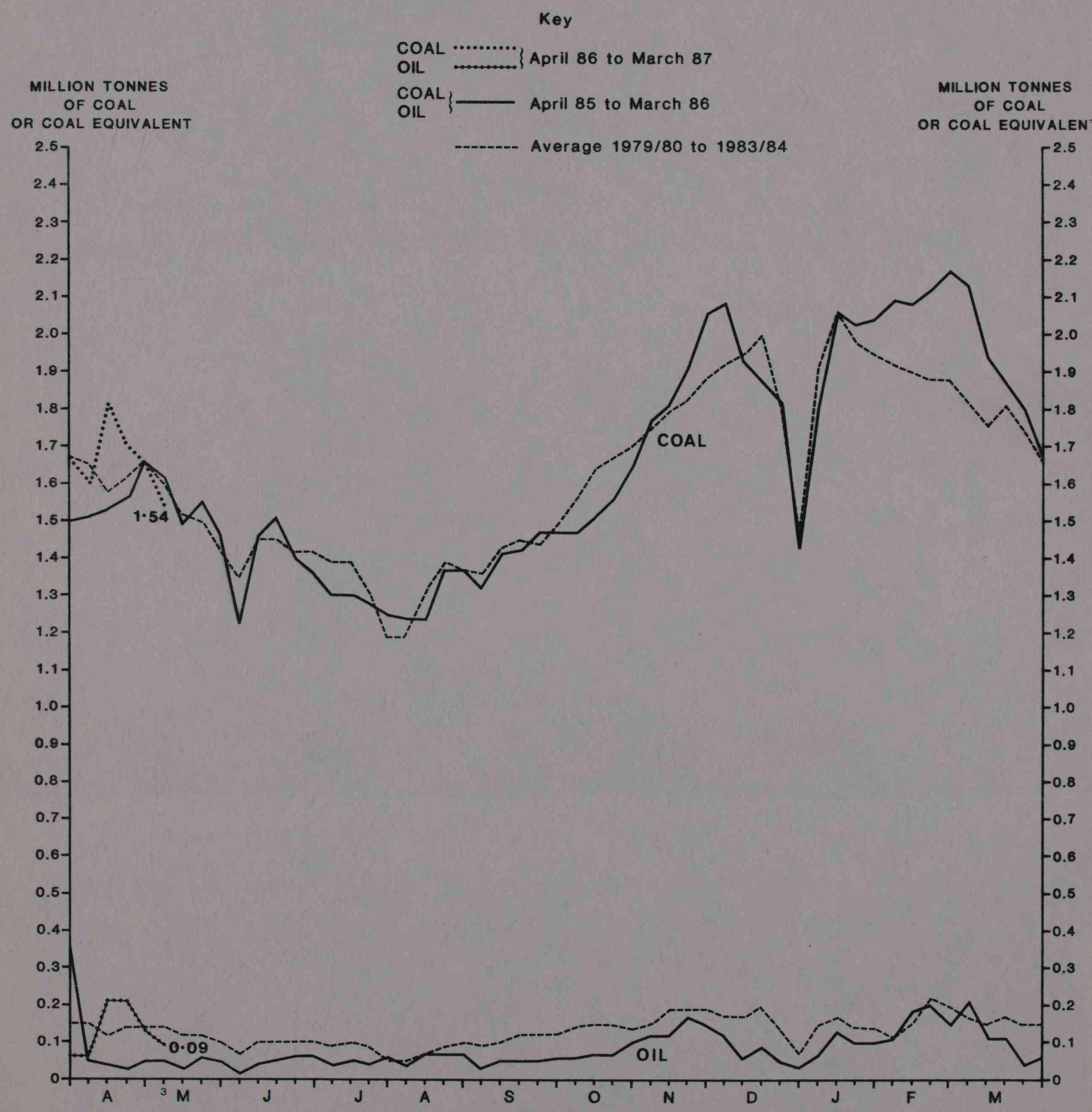
COAL CONSUMPTION AND OIL CONSUMPTION (OIL FIRED) AT PUBLIC SUPPLY POWER STATIONS IN GREAT BRITAIN



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P 02059

From: J B UNWIN
13 May 1986

NOTE FOR THE RECORD

cc Sir R Armstrong
Mr Wiggins
Mr Norgrove - No 10

COPY FOR

COAL AND ELECTRICITY PRICES

The Secretary of State for Energy was invited by E(A)86 12th Meeting to encourage the ESI and the NCB to negotiate an interim reduction in coal prices to reflect the fall in oil prices. Although no specific time period was set, Ministers had in mind an arrangement covering the summer months and the Energy Secretary himself talked in terms of a rebate of between £150 and £200 million.

2. According to Department of Energy senior officials, the present position (on which there have been recent press leaks) is as follows. The two Boards have drawn up an agreement, ad referendum to their Chairman , comprising specific arrangements to cover the next 12 months, and a longer term understanding. The Department do not yet know the details of the longer term arrangement; the deal for the next 12 months, however, is expected to add between £240 and £270 million to NCB costs, and to reduce electricity tariffs by 3% over the next 12 months. This reduction would initially be made through the Bulk Supply Tariff (BST) and would thus immediately benefit large industrial and commercial customers; it could then be expected to be passed on to domestic consumers when the next quarterly bills are presented.

3. The cost to the NCB is <u>before</u> taking account of savings by the NCB itself. I have reminded the Department that the Secretary of State was urged by E(A) to put the maximum pressure on the NCB to reduce their costs (particularly the capital investment programmme) in 1986-87.

4. Department of Energy officials are about to discuss the proposed arrangements with the Treasury. At first glance, they appear to be within the broad scope approved by E(A), although the 12 month agreement is a good deal longer than E(A) or the Secretary of State himself had envisaged (I understand, however, that it contains appropriate escape clauses related to the price of Heavy Fuel Oil).

5. I have asked the Department of Energy to ensure that the Secretary of State reports the outcome of these discussions to the Prime Minister and other members of E(A) as soon as the full details are known and discussions with the Treasury have been completed. I have been assured that there is no question of any public announcement before collective Ministerial endorsement has been obtained.

J B UNWIN

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WEEKLY COAL AND POWER STATION STATISTICS SUPPLEMENT (1)

EcS Division, Dept. of Energy, Thames House South,
Millbank, London SW1P 4QJ phone:01-211-4368

9 MAY 1986

	Week ending.....		27.4.85	5.4.86 (5)	12.4.86	19.4.86	26.4.86
COAL	PRODUCTION (m.tonnes)	deep mines+	1.67	1.34	1.98	1.96	1.97
		opencast+	0.36	0.09	0.30	0.29	0.29
		TOTAL	2.03	1.44	2.28	2.25	2.26
	PRODUCTIVITY(2) (tonnes/manshift)	'overall'	2.31	2.75	3.13	3.12	3.16
		'production'	10.35	12.57	13.84	13.78	14.09
	UNDISTRIBUTED STOCKS (m.tonnes)	deep mines:					
		England	5.37	2.33	2.35	2.33	2.28
		S.Wales	2.35	2.37	2.34	2.35	2.32
		Scotland	1.22	0.80	0.81	0.81	0.83
		opencast	8.80	2.70	2.72	2.72	2.77
		TOTAL	17.74	8.20	8.22	8.21	8.19
POWER STATIONS	COAL STOCKS (m.tonnes)	S.Eastern	1.04	1.47	1.43	1.37	1.36
		S.Western	1.07	1.82	1.80	1.76	1.77
		Midland	5.66	7.15	7.20	7.24	7.30
		N.Eastern	2.48	7.27	7.26	7.44	7.60
		N.Western	1.21	1.70	1.71	1.71	1.71
		TOTAL CEGB	11.45	19.42	19.40	19.53	19.74
		Scotland	0.87	1.45	1.46	1.43	1.43
		TOTAL Gt.Britain	12.33	20.86	20.86	20.96	21.17
	COAL CONSUMPTION (m.tonnes)	S.Eastern	0.13	0.13	0.15	0.12	0.12
		S.Western	0.18	0.16	0.22	0.23	0.20
		Midlands	0.71	0.65	0.73	0.72	0.70
		N.Eastern	0.41	0.46	0.50	0.37	0.41
		N.Western	0.09	0.12	0.13	0.14	0.14
		TOTAL CEGB	1.53	1.51	1.73	1.58	1.57
		Scotland	0.14	0.08	0.09	0.12	0.09
		TOTAL Gt.Britain	1.66	1.60	1.81	1.71	1.65
	COAL RECEIPTS (m.tonnes)	CEGB	1.79	1.19	1.72	1.71	1.77
		Scotland	0.20	0.08	0.09	0.10	0.09
		Gt.Britain	1.99	1.27	1.82	1.81	1.86
	OIL STOCKS(3) (m.tonnes)	CEGB	0.90	0.82	0.76	0.69	0.69
		Scotland	0.18	0.14	0.11	0.09	0.13
		Gt.Britain	1.07	0.96	0.87	0.78	0.81
	OIL CONSUMPTION (3) (m.tonnes)	CEGB	0.03	0.02	0.09	0.10	0.05
		Scotland	–	0.01	0.03	0.03	0.02
		Gt.Britain	0.03	0.04	0.12	0.13	0.08
	OIL RECEIPTS(3) (m.tonnes)	CEGB	0.01	0.15	0.03	0.03	0.05
		Scotland	–	–	–	–	0.06
		Gt.Britain	0.01	0.15	0.03	0.03	0.11
	GAS CONSUMPTION (m.therms)	CEGB	7	–	–	–	–
	ELECTRICITY(4) SUPPLIED (GWh)	Nuclear	916	902	854	865	848
		Other Steam	3,952	3,864	4,630	4,497	4,110
		TOTAL	4,868	4,765	5,484	5,362	4,958
		TOTAL, temperature corrected	4,544	4,469	5,017	4,967	4,741

(1) Great Britain unless otherwise stated. All latest figures are subject to revision. (2) NCB mines only. (3) Oil-fired boilers only. (4) Steam stations only. +includes licensed production. (5) Includes Easter Monday.

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WEEKLY COAL AND POWER STATION STATISTICS (1)

EcS Division, Dept. of Energy, Thames House South,
Millbank, London SW1P 4QJ phone 01-211-4368

9 MAY 1986

	Week ending.....		27.4.85	5.4.86 (5)	12.4.86	19.4.86	26.4.86
COAL	PRODUCTION (m.tonnes)	deep mines+	1.67	1.34	1.98	1.96	1.97
		opencast+	0.36	0.09	0.30	0.29	0.29
		TOTAL	2.03	1.44	2.28	2.25	2.26
	PRODUCTIVITY(2) (tonnes/manshift)	'overall'	2.31	2.75	3.13	3.12	3.16
		'production'	10.35	12.57	13.84	13.78	14.09
	UNDISTRIBUTED STOCKS (m.tonnes)	TOTAL	17.74	8.20	8.22	8.21	8.19
POWER STATIONS	COAL STOCKS	(m.tonnes)	12.33	20.86	20.86	20.96	21.17
	COAL CONSUMPTION	"	1.66	1.60	1.81	1.71	1.65
	COAL RECEIPTS	"	1.99	1.27	1.82	1.81	1.86
	OIL STOCKS(3)	"	1.07	0.96	0.87	0.78	0.81
	OIL CONSUMPTION(3	"	0.03	0.04	0.12	0.13	0.08
	OIL RECEIPTS(3)	"	0.01	0.15	0.03	0.03	0.11
	ELECTRICITY SUPPLIED(4)(GWh)						
	Nuclear	"	916	902	854	865	848
	Other Steam	"	3,952	3,864	4,630	4,497	4,110
	TOTAL	"	4,868	4,765	5,484	5,362	4,958
	TOTAL, temperature corrected	"	4,544	4,469	5,017	4,967	4,741

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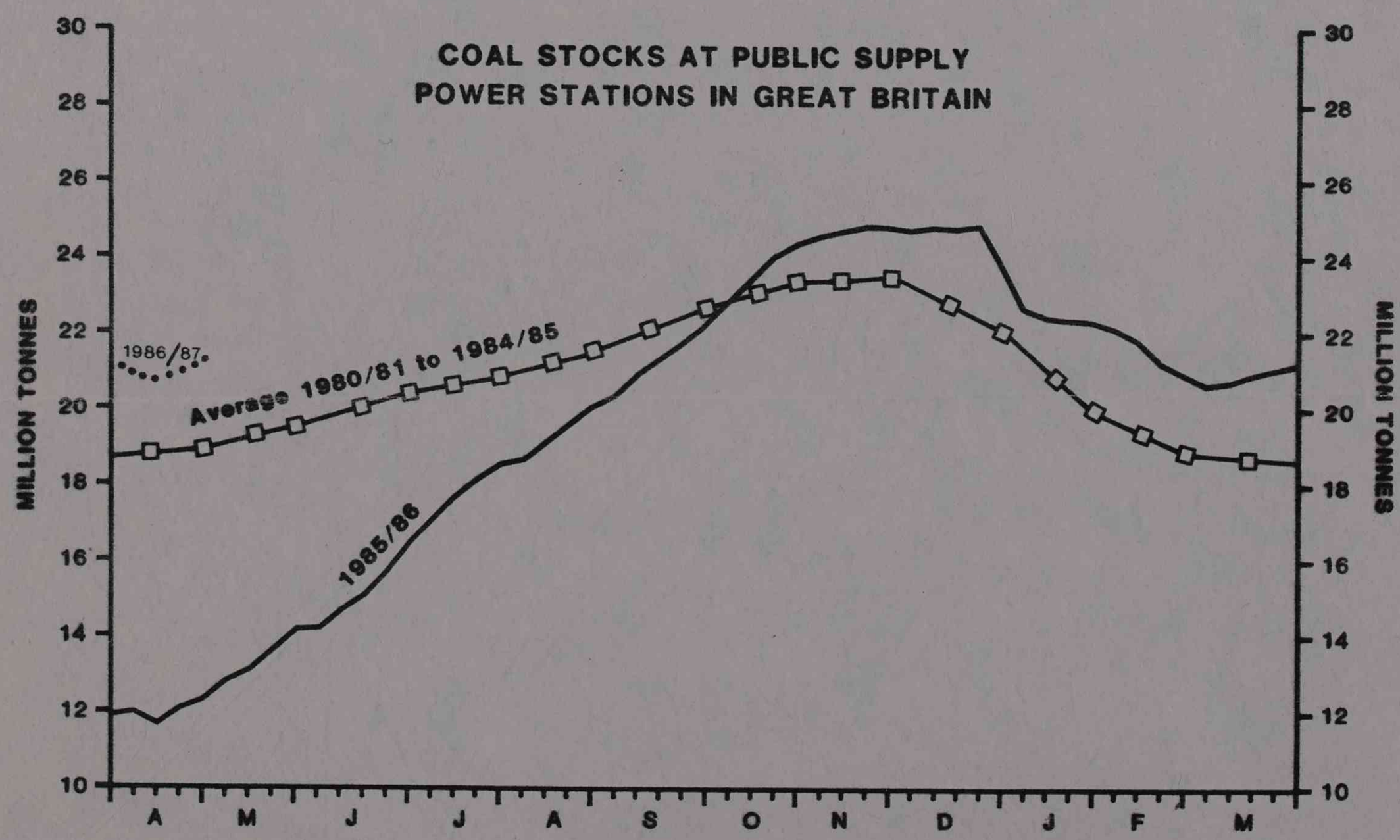

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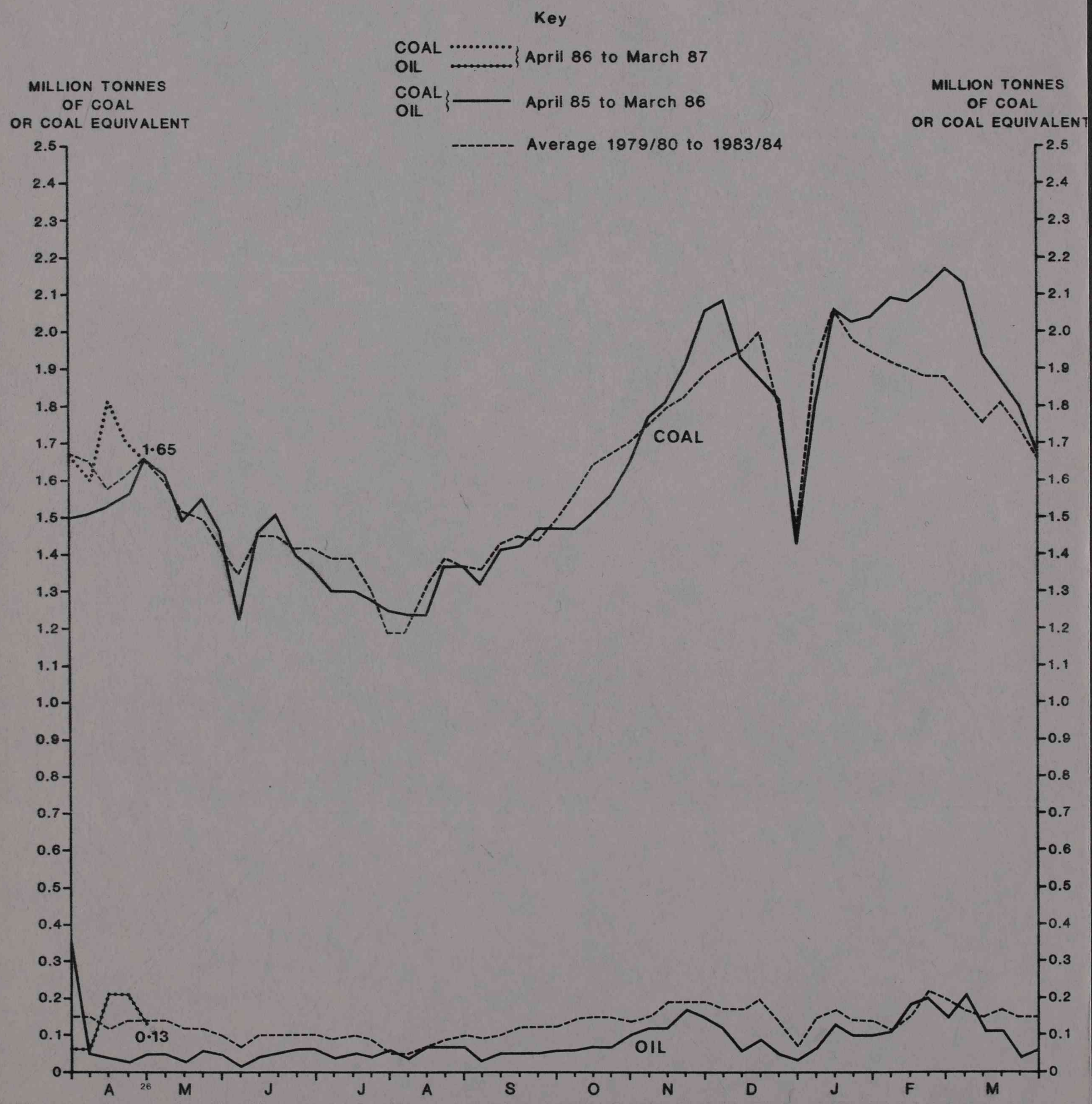
COAL CONSUMPTION AND OIL CONSUMPTION (OIL FIRED) AT PUBLIC SUPPLY POWER STATIONS IN GREAT BRITAIN



LONDON SW1A 2AA

9 May 1986

Thank you for your letter of 23 April to the Prime Minister.

The Prime Minister's diaries show no record of any meetings with Mr. MacGregor during 1983 except that he attended a buffet lunch at Chequers in December that year. The Prime Minister herself does not remember any meetings.

(DAVID NORGROVE)

Rodney Tyler, Esq.

SRWACS

E.R.

PRIME MINISTER

No best to let him - we just record for their records

MT

IAN MACGREGOR'S AUTOBIOGRAPHY

Mr. Rodney Tyler is ghosting Mr. MacGregor's autobiography. His letter, below, says that he cannot find out the dates of two meetings he believes you had with Mr. MacGregor in 1983, one around the time of the Election and the other in the late summer or early autumn. He would like help with the dates "for the sake of accuracy and in order not to give our enemies any ammunition".

On the facts, we have been unable to track down any meetings between you and Mr. MacGregor in 1983. The files show no record of any meetings and the daily confidential diaries also show no meetings. The only contact we have found is a buffet lunch at Chequers which Mr. MacGregor attended with 26 other people on 11 December 1983. (You may of course be able to remember the meetings which Mr. Tyler believes happened.)

There is a question whether you should give Mr. Tyler any help. First, it would look odd if Mr. Tyler has independent evidence of these meetings and yet we have no record of them. Secondly, is it desirable that you should be drawn into helping with the book in this way? There may be other questions to follow once we start down this road, and there is no telling how the book will come out in the end.

One possibility would be to answer him this time (having sought and received Mr. MacGregor's agreement), but to say that you would not be prepared to answer further questions, and that you would not wish this assistance to be acknowledged in the book. (The reason for this stipulation is that if it were, you would be appearing to give the book a seal of approval.) The difficulty with this course is that we cannot confirm the two meetings.

Agree to say that you feel unable to help with the preparation of the book, and that you hope he will understand this?

DRN

DAVID NORGROVE

7 May 1986

Prime Minister
Bernard knows that Tyler is a supporter of Jim's, but he is very wary of him and of the advanced publicity the book has already received.

N.L.W. 8.5

OIC

NBM.

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WEEKLY COAL AND POWER STATION STATISTICS SUPPLEMENT (1)

EcS Division, Dept. of Energy, Thames House South,
Millbank, London SW1P 4QJ phone:01-211-4368

2 MAY 1986

	Week ending.....		20.4.85	29.3.86 (5)	5.4.86 (6)	12.4.86	19.4.86
COAL	PRODUCTION (m.tonnes)	deep mines+	1.54	1.87	1.34	1.98	1.96
		opencast+	0.32	0.30	0.09	0.30	0.29
		TOTAL	1.86	2.17	1.44	2.28	2.25
	PRODUCTIVITY(2) (tonnes/manshift)	'overall'	2.15	2.97	2.75	3.13	3.12
		'production'	**9.87**	**13.23**	**12.57**	**13.84**	**13.78**
	UNDISTRIBUTED STOCKS (m.tonnes)	deep mines: England	5.58	2.44	2.33	2.35	2.33
		S.Wales	2.35	2.32	2.37	2.34	2.35
		Scotland	1.26	0.80	0.80	0.81	0.81
		opencast	9.01	2.74	2.70	2.72	2.72
		TOTAL	18.19	8.29	8.20	8.22	8.21
	COAL STOCKS (m.tonnes)	S.Eastern	1.00	1.53	1.47	1.43	1.37
		S.Western	1.01	1.82	1.82	1.80	1.76
		Midland	5.76	7.31	7.15	7.20	7.24
		N.Eastern	2.25	7.36	7.27	7.26	7.44
		N.Western	1.23	1.74	1.70	1.71	1.71
		TOTAL CEGB	11.25	19.76	19.42	19.40	19.53
		Scotland	0.81	1.45	1.45	1.46	1.43
		TOTAL Gt.Britain	12.05	21.21	20.86	20.86	20.96
POWER STATIONS	COAL CONSUMPTION (m.tonnes)	S.Eastern	0.15	0.10	0.13	0.15	0.12
		S.Western	0.16	0.16	0.16	0.22	0.23
		Midlands	0.68	0.71	0.65	0.73	0.72
		N.Eastern	0.40	0.48	0.46	0.50	0.37
		N.Western	0.08	0.10	0.12	0.13	0.14
		TOTAL CEGB	1.47	1.56	1.51	1.73	1.58
		Scotland	0.09	0.10	0.08	0.09	0.12
		TOTAL Gt.Britain	1.56	1.66	1.60	1.81	1.71
	COAL RECEIPTS (m.tonnes)	CEGB	1.67	1.68	1.19	1.72	1.71
		Scotland	0.18	0.11	0.08	0.09	0.10
		Gt.Britain	1.86	1.79	1.27	1.82	1.81
	OIL STOCKS(3) (m.tonnes)	CEGB	0.92	0.69	0.82	0.76	0.69
		Scotland	0.18	0.16	0.14	0.11	0.09
		Gt.Britain	1.10	0.84	0.96	0.87	0.78
	OIL CONSUMPTION (3) (m.tonnes)	CEGB	0.02	0.04	0.02	0.09	0.10
		Scotland	–	–	0.01	0.03	0.03
		Gt.Britain	0.02	0.04	0.04	0.12	0.13
	OIL RECEIPTS(3) (m.tonnes)	CEGB	0.01	0.14	0.15	0.03	0.03
		Scotland	–	–	–	–	–
		Gt.Britain	0.01	0.14	0.15	0.03	0.03
	GAS CONSUMPTION (m.therms)	CEGB	7	–	–	–	–
	ELECTRICITY(4) SUPPLIED (GWh)	Nuclear	1,025	1,020	902	854	865
		Other Steam	3,513	4,018	3,864	4,630	4,497
		TOTAL	4,538	5,038	4,765	5,484	5,362
		TOTAL, temperature corrected	4,621	4,968	4,469	5,017	4,967

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WEEKLY COAL AND POWER STATION STATISTICS (1)

EcS Division, Dept. of Energy, Thames House South,
Millbank, London SW1P 4QJ phone 01-211-4368

2 MAY 1986

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		opencast+	0.32	0.30	0.09	0.30	0.29
		TOTAL	1.86	2.17	1.44	2.28	2.25
	PRODUCTIVITY(2) (tonnes/manshift)	'overall'	2.15	2.97	2.75	3.13	3.12
		'production'	9.87	13.23	12.57	13.84	13.78
	UNDISTRIBUTED STOCKS (m.tonnes)	TOTAL	18.19	8.29	8.20	8.22	8.21
POWER STATIONS	COAL STOCKS	(m.tonnes)	12.05	21.21	20.86	20.86	20.96
	COAL CONSUMPTION	"	1.56	1.66	1.60	1.81	1.71
	COAL RECEIPTS	"	1.86	1.79	1.27	1.82	1.81
	OIL STOCKS(3)	"	1.10	0.84	0.96	0.87	0.78
	OIL CONSUMPTION(3	"	0.02	0.04	0.04	0.12	0.13
	OIL RECEIPTS(3)	"	0.01	0.14	0.15	0.03	0.03
	ELECTRICITY SUPPLIED(4)(GWh)						
	Nuclear	"	1,025	1,020	902	854	1,865
	Other Steam	"	3,513	4,018	3,864	4,630	4,497
	TOTAL	"	4,538	5,038	4,765	5,484	5,362
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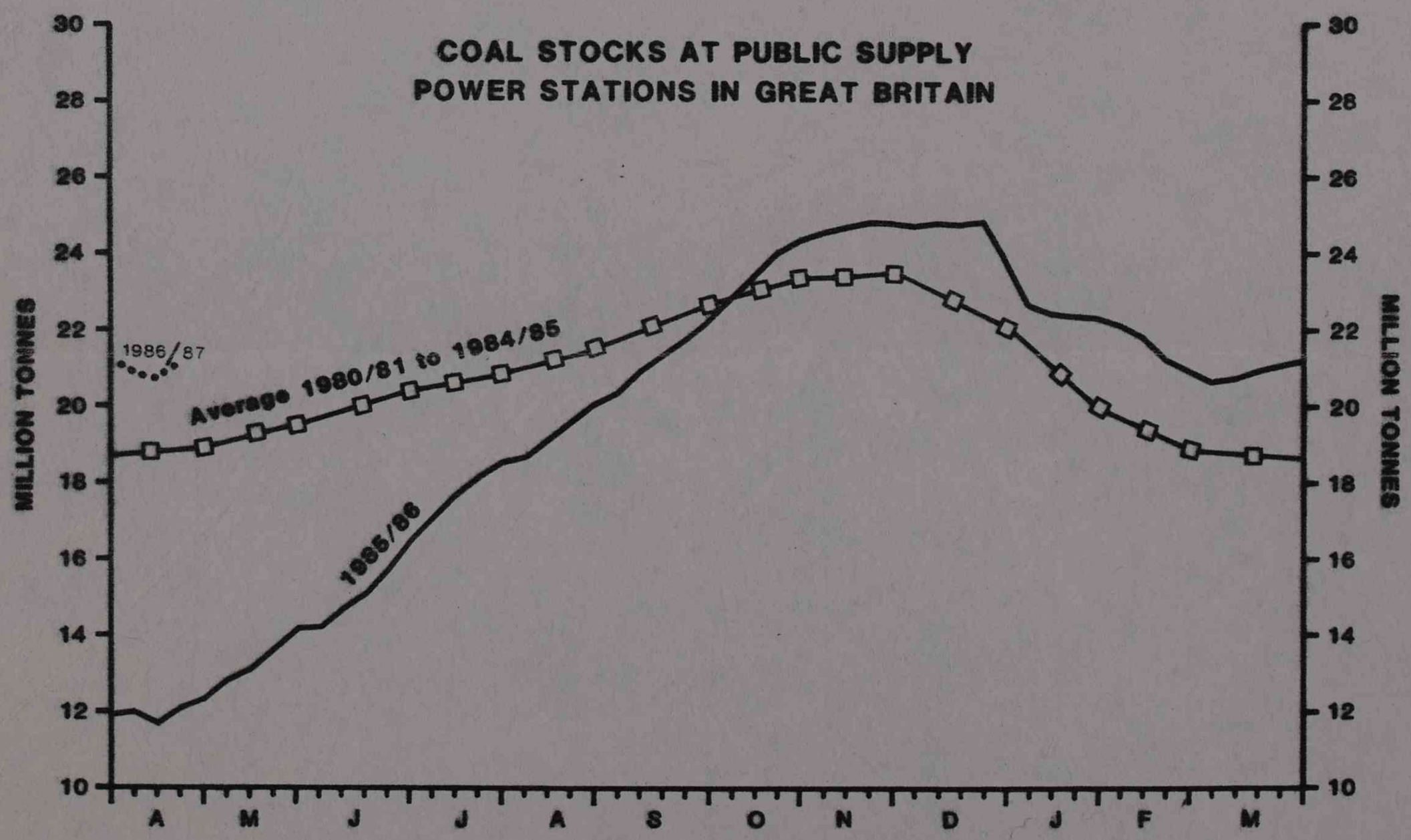

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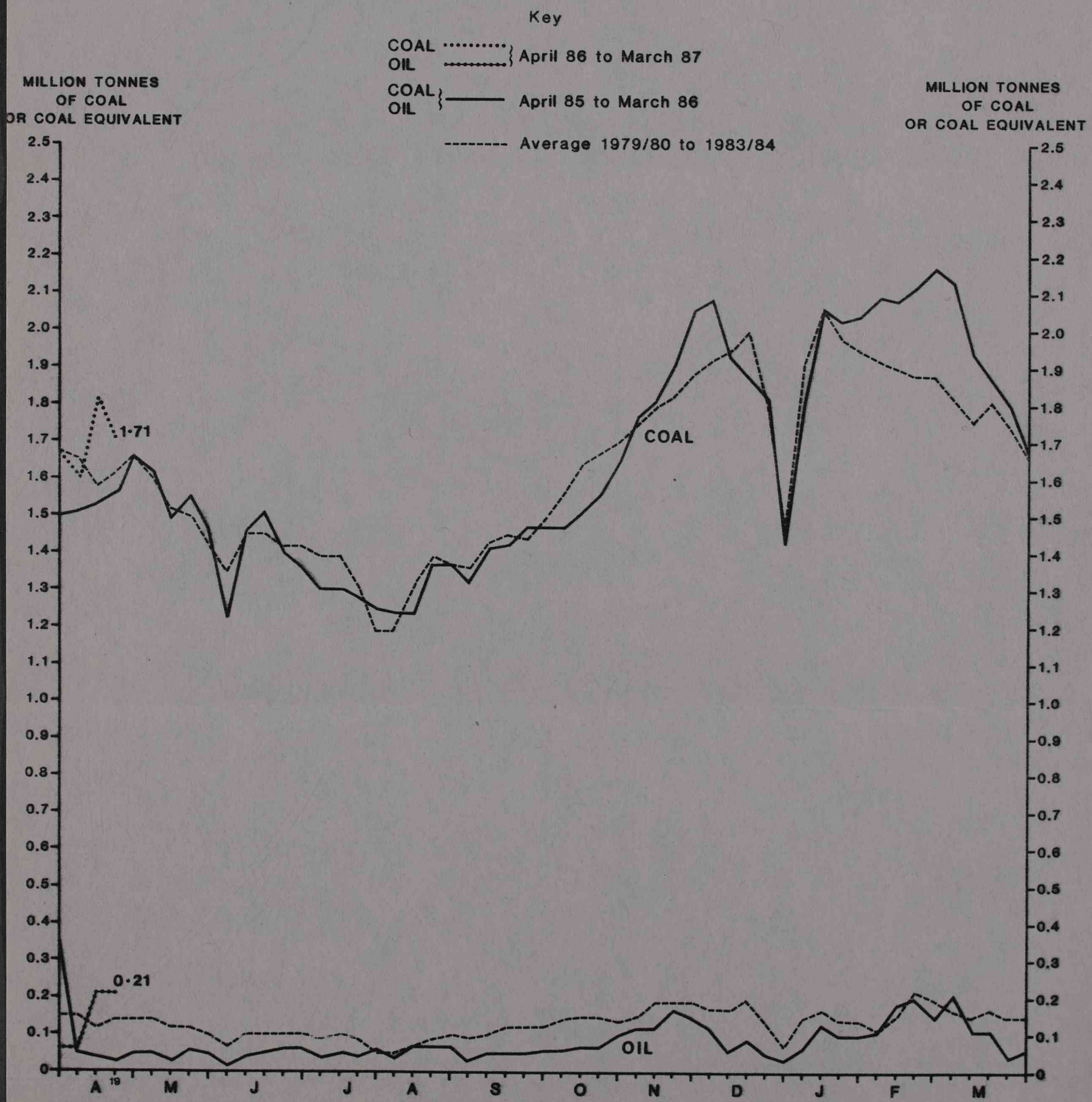
COAL CONSUMPTION AND OIL CONSUMPTION (OIL FIRED) AT PUBLIC SUPPLY POWER STATIONS IN GREAT BRITAIN



Pps please

CABINET OFFICE

With the compliments of

J. B. UNWIN

70 Whitehall, London SW1A 2AS
Telephone 01 233

263/4

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CC BG

c. Mr Norgrove (No 10)

Brigadier Budd

Y2014

COPY FILE

Mr Unwin

Coal Stocks at CEGB Power Stations

1. I have now spoken to Dr Heathcote (D/Energy) to enquire if the S of S for Energy was likely to report further to the Prime Minister about the prospects of achieving a power station stock level of 27 million tonnes by October this year - in view of the stocks at the end of March being some 2.5 million tonnes less than had been intended, due mainly to the very cold weather in the January-April period.

X 2. Dr Heathcote said that D.Energy believed that the target of 27 million tonnes by October was achievable and there was therefore no need to report again at this stage.

Y 3. He also pointed out that the future level of coal stocks was the subject of discussion in E(A) in relation to the recent large decrease in the price of oil and it's implications for the future of coal production. I am not aware of the details of E(A) discussions but it would seem that some of Misc 57's follow-up work on the miners' strike might have been taken up by E(A).

4. Could I please discuss this with you at some convenient time so that I avoid carrying out unnecessary work - or avoid inflicting unnecessary work on others.

BRIGADIER J A J BUDD
30 April 1986

Thank you. On X, I should be grateful if you would record this in writing to Dept of Energy & say that, if they had any reason to revise this view, an early report to No 10 would be necessary.

Y is nonsense. The subject was not discussed or even, to my recollection, raised at the E(A) meeting on oil & coal prices. We can continue to handle it separately.

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30/IV/86

NAT. IND — Coal Pt 19,

LONDON BUSINESS SCHOOL

Sussex Place, Regent's Park, London NW1 4SA Telephone 01-262 5050

CENTRE FOR ECONOMIC FORECASTING

FORECAST RELEASE

4

Volume 10 number 7 EMBARGO: 00.30 HOURS MONDAY 28 APRIL 1986 April 1986

THE COAL INDUSTRY AFTER OPEC III

BILL ROBINSON

Immediately after the year-long coal strike the prospects for the industry appeared remarkably bright. Normal production was resumed more quickly than expected. The fall in the exchange rate, especially against the dollar, had greatly lessened the threat from cheap imported coal. The number of miners employed in deep mines was quickly reduced from 180,000 to 140,000, and the closure of uneconomic pits enabled production in the new super-pits to be stepped up. The resulting sharp rise in productivity meant that the underlying position of the industry was close to break-even, and at the coal prices prevailing last year could even have made a modest profit.

The fall in the price of oil has plunged the industry into a new crisis. To preserve coal's market share, its price must follow oil prices downwards, which will drastically reduce the amount of coal that can be profitably produced in this country, with obvious implications for employment. In this Forecast Release *we present some calculations (using the approach we adopted in earlier articles published in October and December 1984) which show the scale of the required reductions, and consider the policy implications. We conclude that there is no case for constraining coal prices to remain above true market-clearing levels, since this amounts to a concealed tax on coal- (and hence electricity-) users which would hamper the employment-creating growth of manufacturing industry. There is however a strong case for allowing the coal industry to increase its borrowing to cover the deficits that result from keeping higher-cost pits in production in order to reduce future dependence on imported oil.*

Relative Prices and Market Share

The UK sterling oil price was fairly steady at around £20 per barrel in the period 1982-5 and coal prices have also been fairly constant over that period. Since December 1985 the price of oil on world markets has fallen from $26 per barrel to well under $15, with some trades occurring on the spot market at less than $10 per barrel. Under these circumstances the price of the major fuels which compete with oil must also – eventually – fall.

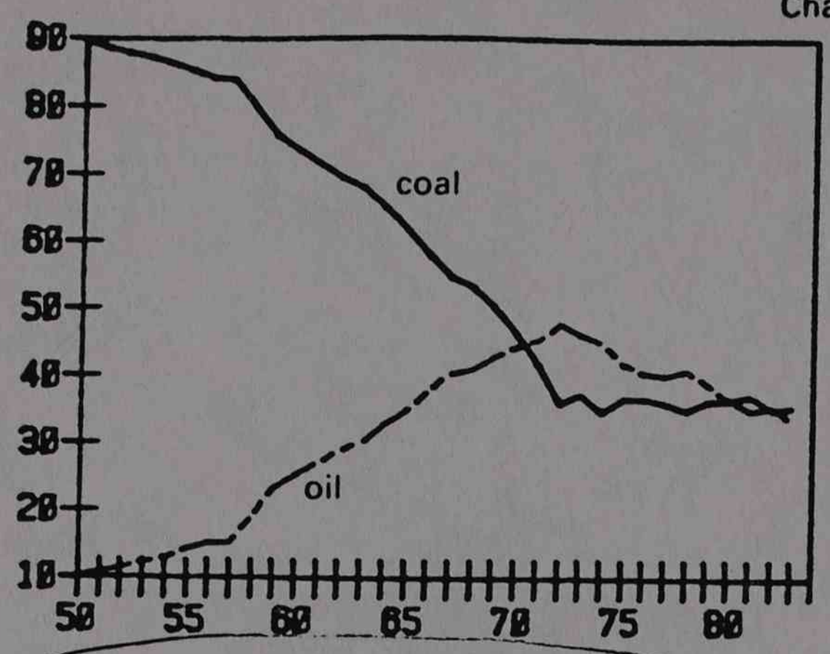
The fall is not immediate because buyers cannot switch quickly from one source of energy to another. Costs of conversion are large, so although gas is much cheaper per therm than either coal or oil, many of those with (for example) coal or oil-fired central heating continue to buy coal and oil rather than change their heating system. Moreover, the time taken for conversion between one source of energy and another means that the choice is not governed just by today's price. The key factor is the expected future price.

In the energy field, the most important set of price-determined choices are those between different types of power station to generate electricity. A power station takes fifteen or more years to build, so the choice between a new coal- or oil-fired station must depend on the relative prices of coal and oil in the year 2000 and for many years (the life of the station) thereafter. The fact that today's oil price is well below the coal price is not a compelling reason to switch from coal to oil, and the fact that the coal price has fallen far less than oil shows that demand for coal is holding up well and users are not (yet) switching.

These considerations suggest that the market share of different fuels will change fairly slowly in response to price movements. Chart 1 shows that such changes nevertheless occur, and Chart 2 suggests strongly that they are price related. As long as coal was priced at parity with oil on a pence-per-therm basis, it steadily lost market share because coal is a distinctly inferior fuel from the user's point of view – it is costly to transport, costly to store and creates costly waste. These disadvantages were sufficient to induce users to switch from coal to oil until the first oil shock in 1973. That event sharply increased the relative attraction of coal by giving it a 40-50 per cent price advantage. It also raised important questions about the long-term security of oil-supply, giving coal a potential non-price advantage subsequently eroded by the poor strike record of the industry.

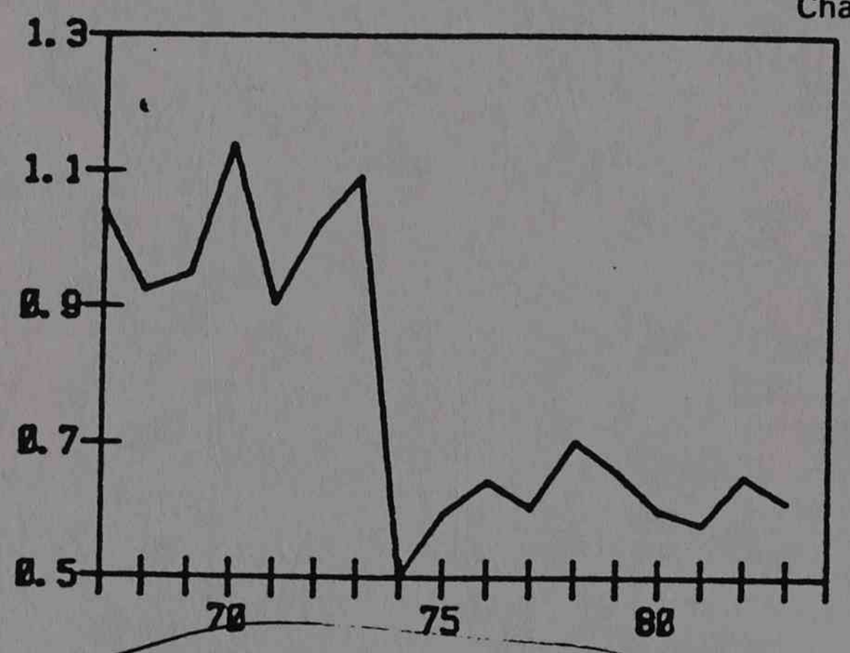
Since the mid-1970s the Coal Board has priced its coal so as to maintain a price advantage of around 35-40 per cent, and has with that policy succeeded in holding its market share. However, the dramatic fall in the price of oil threatens to push the coal-oil price ratio well above the levels prevailing in the 1960s. If the present ratio is maintained, the Coal Board must expect to start losing market share again, at the rate of about 3 percentage points per year. On that basis the industry would have shrunk to nothing before the year 2000.

Chart 1



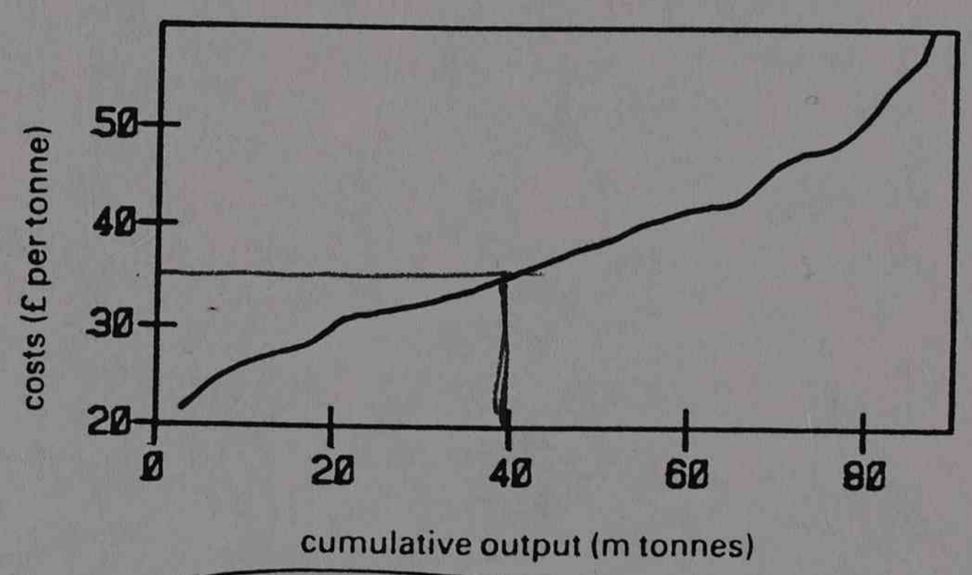
SHARES OF UK ENERGY MARKET
(per cent)

Chart 2



PRICE OF COAL RELATIVE TO OIL
(pence per therm)

Chart 3



THE SUPPLY CURVE FOR UK COAL

These facts have not escaped the Central Electricity Generating Board, which is currently negotiating a reduction in the price of coal. The CEGB's position is strengthened by its experience in using oil-fired generating stations during the coal strike. These stations, though uneconomical with oil at $25 per barrel, are commercially viable at present prices. The CEGB can thus, unusually, threaten an *immediate* switch from coal to oil unless prices come down. Given the strength of their position (and the enticing prospect of lower electricity prices, which is helping to win them government support) it seems likely that prices will soon start to come down.

The Consequences of a Lower Coal Price

If the price of coal does fall, what are the consequences for the industry? To assess this we have to look at the cost curve. This has been plotted in Chart 3, where each point represents a coal pit. The vertical axis shows the estimated cost of production in 1986-7 for each pit. The horizontal axis shows the total production that is possible at or below that cost. The chart has been constructed from data for 1981-2 supplied by the Coal Board to the Monopoly and Mergers Commission. It has been updated to 1986-7 by applying Coal Board data on aggregate wages and productivity to each pit and taking account of closures. It may therefore be inaccurate in detail since there are bound to be pits which diverge from the industry norm, but as an overall picture of the UK supply curve for coal it is unlikely to be seriously misleading.

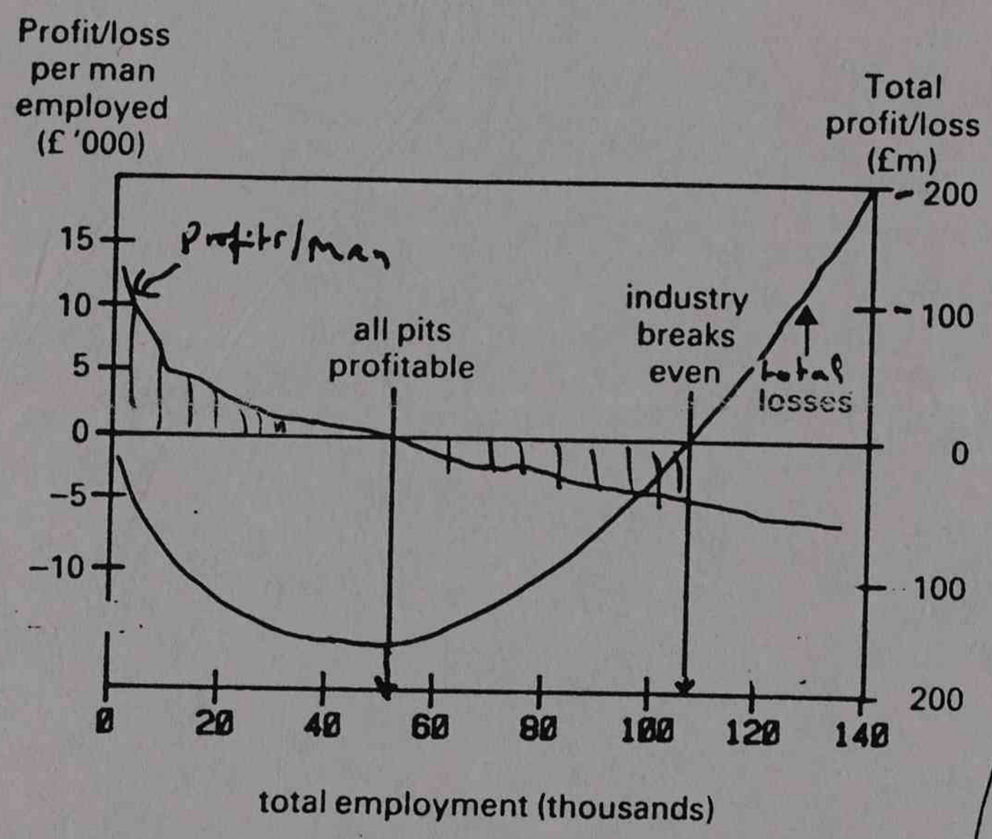
A crucial element in the calculation is the behaviour of productivity. In recent years output has fluctuated in the range 2.3-2.4 tonnes per man shift, but since the end of the strike, accelerated closure of uneconomic pits has enabled the Coal Board to step up the output from the more efficient pits. The result is a sharp increase in productivity, and if progress is maintained the average for 1986-7 could be in excess of 3.0 tonnes per manshift. We have used that figure in the calculations shown in the charts. (We also show below the consequences of making alternative assumptions.)

An important feature of Chart 3 is that the supply curve for coal is, over the critical range, very gently sloping – in other words there are a large number of pits with a similar cost structure close to the margin of profitability. This means that comparatively small changes in the price of coal make a large difference to the number of pits that are profitable. This has important implications for the debate on closures. It implies that a comparatively small fall in the price of coal can threaten a relatively large number of jobs in the pits that are close to the margin. But it also means that a comparatively small amount of subsidy or borrowing could secure a relatively large number of jobs.

Given the available information on costs, prices and employment in each pit, it is possible to calculate the implied cost per job of keeping loss-making pits open, and hence the cumulative subsidy to the industry associated with any level of employment. The results of these calculations are shown in Chart 4, which ~~again~~ has been computed on the basis of an average coal price of £35 and the wage and productivity assumptions described above. However Chart 4 takes into account, as Chart 3 did not, variations in the quality, and hence the selling price of coal from pit to pit. Chart 4 also

shows how it is possible to calculate, for any given coal price, both the level of employment associated with the requirement that all pits are profitable, and the level of employment that would result from meeting the less stringent requirement that the industry as a whole break even, with the profits from the efficient pits being used to subsidise the operations of the less efficient.

Chart 4



PROFITS AND EMPLOYMENT

The chart suggests that at the assumed wage, price and productivity levels prevailing this year, the industry will have to shrink from its current level of 140,000 men to only 110,000 in order to break even. If it is required that every pit be profitable, then there will only 53,000 jobs in the industry.

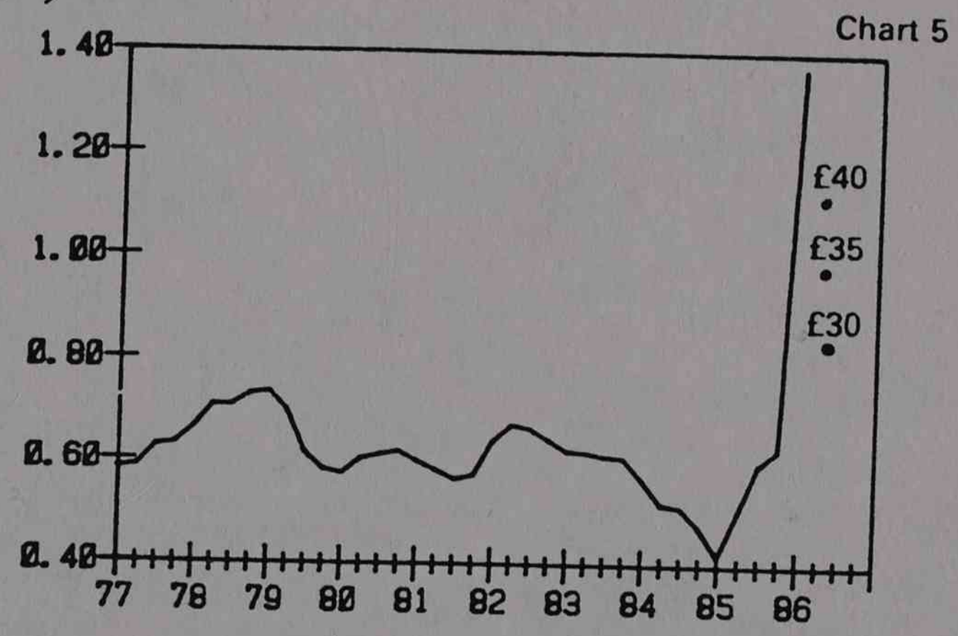
These estimates are surrounded with enormous uncertainty – uncertainty about official intentions (all pits break even or industry breakeven) uncertainty about productivity performance and, above all, uncertainty about the coal price. To illustrate these uncertainties Table 1 carries two simulations to show how the industry might have looked in the year just ended under two alternative productivity assumptions, and a further three simulations to illustrate prospects for the current year under three different price assumptions.

In 1985-6 productivity was still strike-affected, rising sharply during the year from below pre-strike levels to the new (much higher) post-strike norm. At the same time expectations about future coal prices were being progressively revised downwards. The figures nevertheless bring out very clearly the extent to which the industry has benefited from an improved productivity performance. With coal prices at £45 per tonne and productivity at 3 tonnes per manshift our calculations suggest that the future of the industry was more secure than for many years. This is borne out by recent reports that the South Wales area, for example, achieved a 45 per cent jump in productivity, and recorded a net profit in March, the first time it had done so since 1972.

The other side of the productivity improvements has been further reductions in employment, which had shrunk to 139,000 by the end of the 1985-6 financial year. If the coal price remained at last year's exceptional levels, there would be employment for a high proportion of these in profit-making pits, provided the recent productivity gains were maintained. If by contrast productivity fell back to pre-strike levels, there would be jobs for only 86,000 men in profitable pits – though the high coal price might make it possible for the industry as a whole to reach profitability at existing manning levels.

In fact it is highly unlikely that coal prices will remain much longer at their present levels, given the fall in the price of oil. The 50 per cent fall in the price of oil this year has as yet had surprisingly little effect on the price of coal, even in the spot market, and its relative price compared with oil is now at a historic and clearly unsustainable peak, as Chart 6 shows. But as long as low oil prices persist, the question is not whether the coal price will fall, but how soon and by how much.

Chart 5



Q2 estimates assume oil price at present levels and coal prices as shown (£ per tonne).

PRICE RATIO: COAL TO OIL (pence per therm)

We have considered the effects on the industry of a (conservative) fall in the coal price to £30-40 per tonne, which still leaves the relative price of coal at a historic high. Table 1 shows that even this effectively removes any hope of bringing the industry to the point where the current workforce all have secure jobs in profitable pits. With the price at the top of the illustrative range the number employed in profitable pits shrinks to 86,000. As the coal price falls below £38, the industry as a whole moves into deficit, raising the prospect of a new wave of pit closures in order to break even. At £35 the required closures match those which provoked the 1984-5 strike. If the price falls to £30 then profitable production is really only possible in a few "super-pits" and the industry shrinks to a small rump of some 30,000 miners, producing only a quarter of today's potential output.

The Policy Response

These gloomy prediction depend on the wage and productivity assumptions spelled out in Table 1. If there were no increase in wages (unlikely) or a much greater increase in productivity (quite possible), then the level of profitable employment and output would be greater. But the scale of the probable fall in the coal price is unlikely to be offset by wage restraint or productivity improvements. So if oil continues to trade at around $10-15 per barrel, the coal industry and its political masters face the following choices:

Strategy 1: Sell coal at current high price
This would enable the industry to stay, in the short term, at around its present size without a government subsidy. There would however be a concealed subsidy from energy users, mainly paid in the form of high electricity bills. And as long as the disparity between coal and oil prices persists, energy users would convert to oil. If oil prices remain low this would slowly but surely strangle the industry.

Strategy 2: Sell coal at competitive prices
With no incentive to convert to oil, domestic demand for coal would be maintained. But the industry would make a loss if it remained at its present size. This would imply a choice between a further round of pit closures – which might be bitterly regretted if the oil price subsequently recovered – and borrowing to keep open capacity which is currently uneconomic. This could be regarded as an investment, which would reap a return if and when oil prices rise again. Like all investments it would be kept under constant review and could be discontinued if ever the cost became excessive in relation to the prospective return.

In the present climate it seems likely that strategy 1 will be chosen. The government wants to eliminate the subsidy to the coal industry. The coal board would prefer the independence which it would then enjoy. It is not yet certain that oil prices will be low for ever, so that users will be slow to convert to oil even if coal prices remain high. These are good reasons for taking what is in any case the line of least resistance and hoping that the problem of low oil prices will disappear before too much damage is done.

The disadvantage of strategy 1 is that in the short term it places an arbitrary burden on coal users, handicapping energy-intensive industries which ought to flourish and create new jobs in a cheaper-energy world. In the longer term it condemns the industry to inexorable decline if oil prices do not rise again.

There is a good case for keeping open pits which are not profitable at *present* energy prices as an insurance against much higher energy prices in *future*. This will mean a loss for the Coal Board, but as long as the industry is obliged to charge a competitive price for its product (e.g. by allowing the CEGB to use cheap imported coal or oil as they wish) this does not distort the energy market. The External Financing Limits of the Coal Board ought to be extended to allow them to finance such a loss, which serves simply, at an explicit and transparent cost, to keep output and employment of the UK coal industry at a higher level than it would otherwise be. If the assumption that this will produce savings at some future date when energy prices rise again becomes patently unrealistic, the borrowing will become hard to finance, and can be discontinued.

For these reasons we believe strategy 2 would be in the long term interests both of the industry and the country at large, but its adoption would require jettisoning much idealogical baggage, both by the Coal Board and by the government. The outcome is likely, as so often, to be determined more by political expediency than economic rationality. The losers will be those who produce and consume coal.

Table 1
The Coal Industry: prices, wages and employment

	Coal price £/tonne	Productivity tonnes/man shift	Wages £/week	Coal Output (m tonnes) All pits profitable	Industry breakeven	Actual	Employment ('000s)(4) All pits profitable	Industry breakeven	Actual
1981-2	35.6	2.43	156.4	45	92	109	66	165	218
1984-5(1)	41.7	2.43	173.0	40	80	96	59	138	174
1985-6(2)	45.0	2.43	191.0	55	99		86	185	139
	45.0	3.00	191.0	87	–		151	–	
1986-7(3)	40.0	3.00	206.0	55	103		86	197	
	35.0	3.00	206.0	37	68		53	110	
	30.0	3.00	206.0	9	25		11	34	

(1) Estimates of underlying levels. Actuals are strike affected.
(2) Average conceals sharp changes through the year, with coal prices falling and productivity rising.
(3) Coal prices in likely range. Productivity assumption conservative.

(4) Estimates of profitable employment are generally overstated, because calculations ignore geological deterioration

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WEEKLY COAL AND POWER STATION STATISTICS SUPPLEMENT (1)

EcS Division, Dept. of Energy, Thames House South,
Millbank, London SW1P 4QJ phone:01-211-4368

24 APRIL 1986

			Week ending.....	13.4.85 (6)	22.3.86	29.3.86 (5)	5.4.86 (6)	12.4.86
COAL	PRODUCTION (m.tonnes)	deep mines+		1.01	2.01	1.87	1.34	1.98
		opencast+		0.05	0.31	0.30	0.09	0.30
		TOTAL		1.06	2.32	2.17	1.44	2.28
	PRODUCTIVITY(2) (tonnes/manshift)	'overall'		2.01	3.08	2.97	2.75	3.13
		'production'		9.22	13.66	13.23	12.57	13.84
	UNDISTRIBUTED STOCKS (m.tonnes)	deep mines:	England	5.64	2.56	2.44	2.33	2.35
			S.Wales	2.32	2.37	2.32	2.37	2.34
			Scotland	1.28	0.79	0.80	0.80	0.81
		opencast		9.27	2.73	2.74	2.70	2.72
		TOTAL		18.50	8.46	8.29	8.20	8.22
POWER STATIONS	COAL STOCKS (m.tonnes)	S.Eastern		0.98	1.53	1.53	1.47	1.43
		S.Western		0.93	1.81	1.82	1.82	1.80
		Midland		5.86	7.25	7.31	7.15	7.20
		N.Eastern		2.07	7.35	7.36	7.27	7.26
		N.Western		1.19	1.72	1.74	1.70	1.71
		TOTAL CEGB		11.03	19.66	19.76	19.42	19.40
		Scotland		0.71	1.44	1.45	1.45	1.46
		TOTAL Gt.Britain		11.74	21.10	21.21	20.86	20.86
	COAL CONSUMPTION (m.tonnes)	S.Eastern		0.12	0.14	0.10	0.13	0.15
		S.Western		0.18	0.18	0.16	0.16	0.22
		Midlands		0.68	0.75	0.71	0.65	0.73
		N.Eastern		0.36	0.51	0.48	0.46	0.50
		N.Western		0.08	0.12	0.10	0.12	0.13
		TOTAL CEGB		1.43	1.70	1.56	1.51	1.73
		Scotland		0.10	0.10	0.10	0.08	0.09
		TOTAL Gt.Britain		1.53	1.80	1.66	1.60	1.81
	COAL RECEIPTS (m.tonnes)	CEGB		1.11	1.84	1.68	1.19	1.72
		Scotland		0.17	0.12	0.11	0.08	0.09
		Gt.Britain		1.28	1.96	1.79	1.27	1.82
	OIL STOCKS(3) (m.tonnes)	CEGB		0.93	0.59	0.69	0.82	0.76
		Scotland		0.18	0.16	0.16	0.14	0.11
		Gt.Britain		1.11	0.75	0.84	0.96	0.87
	OIL CONSUMPTION (3) (m.tonnes)	CEGB		0.02	0.02	0.04	0.02	0.09
		Scotland		–	–	–	0.01	0.03
		Gt.Britain		0.02	0.02	0.04	0.04	0.12
	OIL RECEIPTS(3) (m.tonnes)	CEGB		0.01	0.14	0.14	0.15	0.03
		Scotland		–	0.02	–	–	–
		Gt.Britain		0.01	0.16	0.14	0.15	0.03
	GAS CONSUMPTION (m.therms)	CEGB		7	–	–	–	–
	ELECTRICITY(4) SUPPLIED (GWh)	Nuclear		1,077	1,012	1,020	902	854
		Other Steam		3,507	4,281	4,018	3,864	4,630
		TOTAL		4,584	5,294	5,038	4,765	5,484
		TOTAL, temperature corrected		4,542	5,318	4,968	4,469	5,017

(1) Great Britain unless otherwise stated. All latest figures are subject to revision. (2) NCB mines only. (3) Oil-fired boilers only. (4) Steam stations only. +includes licensed production. (5) Includes Good Friday. (6) Includes Easter Monday.

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EcS Division, Dept. of Energy, Thames House South,
Millbank, London SW1P 4QJ phone 01-211-4368

24 APRIL 1986

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	TOTAL	1.06	2.32	2.17	1.44	2.28
	PRODUCTIVITY(2) (tonnes/manshift) 'overall'	2.01	3.08	2.97	2.75	3.13
	'production'	9.22	13.66	13.23	12.57	13.84
	UNDISTRIBUTED STOCKS (m.tonnes) TOTAL	18.50	8.46	8.29	8.20	8.22
POWER STATIONS	COAL STOCKS (m.tonnes)	11.74	21.10	21.21	20.86	20.86
	COAL CONSUMPTION "	1.53	1.80	1.66	1.60	1.81
	COAL RECEIPTS "	1.28	1.96	1.79	1.27	1.82
	OIL STOCKS(3) "	1.11	0.75	0.84	0.96	0.87
	OIL CONSUMPTION(3 "	0.02	0.02	0.04	0.04	0.12
	OIL RECEIPTS(3) "	0.01	0.16	0.14	0.15	0.03
	ELECTRICITY SUPPLIED(4)(GWh)					
	Nuclear "	1,077	1,012	1,020	902	854
	Other Steam "	3,507	4,281	4,018	3,864	4,630
	TOTAL "	4,584	5,294	5,038	4,765	5,484
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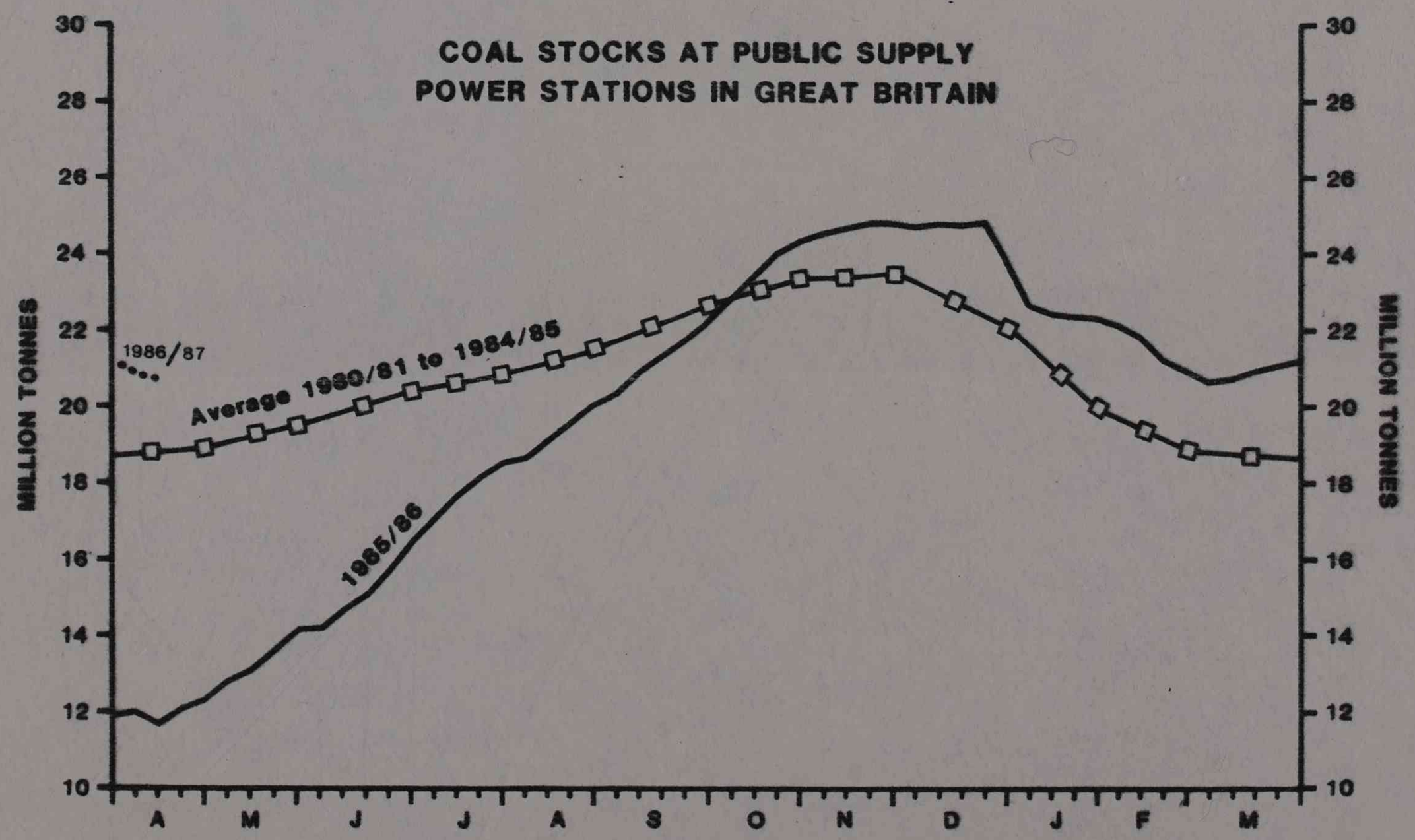

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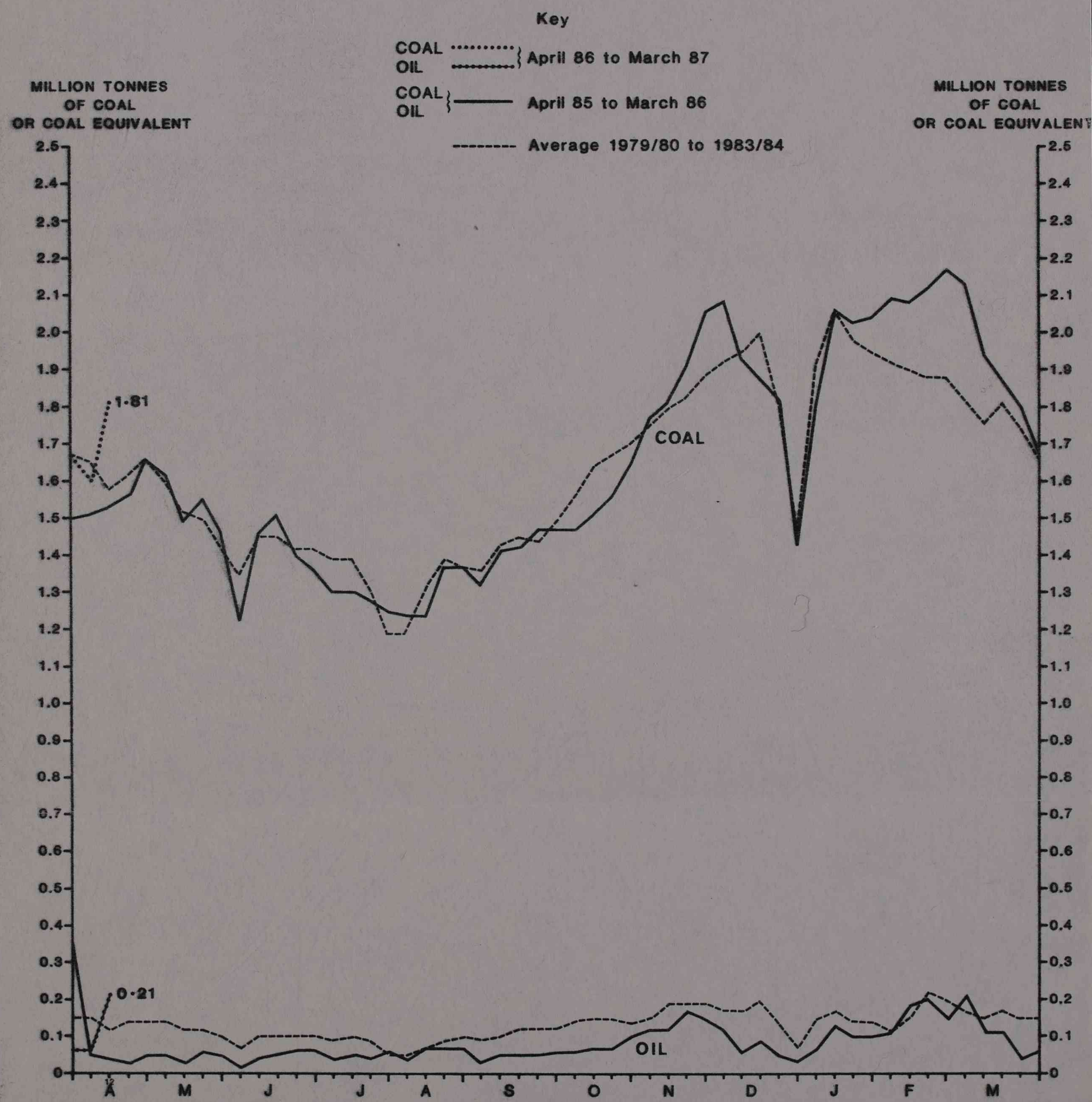
COAL CONSUMPTION AND OIL CONSUMPTION (OIL FIRED) AT PUBLIC SUPPLY POWER STATIONS IN GREAT BRITAIN



David Wagner.
Titchfield will need to consider this request, in consultation with Press Office.
MCA 29/4

Pls please

Rodney Tyler
Ardefour Farmhouse
Duntrune
Argyll
SCOTLAND PA31 8QH.
Ph. 05465 271.

The Rt. Hon Mrs Margaret Thatcher,
10, Downing Street.
London S.W.1.

23rd April 1986. Ackd 30/4

Dear Prime Minister,

I am sorry to bother you with such a trivial matter - especially when you are so busy. In fact I hope you can simply pass this letter on to Caroline Ryder without further ado.

My problem is this: As you no doubt know I am writing Ian MacGregor's autobiography, advance reports of which are, needless-to-say, totally erroneous. In preparing the manuscript I have run into a difficulty over the dates of two meetings I believe you had with him in 1983 - his diary for the period between Steel and Coal is very largely incomplete. I believe one of these meeting was around the time of the election and the other in the late summer or early autumn.

public knowledge?

Obviously, for the sake of accuracy and in order not to give our enemies any ammunition, I would like to be able to get details like this absolutely right. I wonder, therefore, if you would be so kind as to authorise Caroline, when she has a moment, to look up the records for me.

Thankyou in advance

Regards

Rodney

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CC BS

DN tsc.

NBPM at this stage

01 211 6402

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

18 April 1986

Dear Nigel.

1986 COAL INDUSTRY BILL

You will recall that it is agreed that a Coal Industry Bill should be introduced in November at the outset of the next session of Parliament. The primary purpose of this will be financial, to provide for a continuing power to make payments in the areas of redundancy and social costs, and to avoid a position in which the Board would be unable to continue trading after the present power to pay deficit grant expires at the end of the NCB's 1986/7 financial year. The purpose of this letter is to seek your agreement in principle on the provisions I propose to include.

I am satisfied that there is no prospect of the Board being able to take over the substantial continuing liabilities in relation to redundancies prior to March 1987. However I accept that we will not be in a position to make final decisions on the extent of necessary support to the Board in relation to costs and events after that date until we are clearer on their business prospects. Given current uncertainties over the future price of oil and negotiations with the electricity supply industry, this may not be for some time. Parliamentary Counsel has however advised that he needs drafting instructions in June. Against this background I envisage the best way to proceed with drafting the Bill is in terms which will provide a flexible framework of powers designed so far as possible to enable central decisions on the amount of support to be made nearer the time.

I outline my proposals below.

CONTINUED PAYMENT OF EXISTING SOCIAL GRANTS AND RMPS BENEFITS IN RELATION TO REDUNDANCIES PRIOR TO MARCH 1987

Redundant Mineworkers Payments Scheme

The ending of the Redundant Mineworkers Payments Scheme for new redundants after 28 March 1987 was announced on 24 March 1986. There will remain, however, a substantial liablity for continuing weekly payments to those who will have left prior to that date. These payments are likely to exceed £200m per year in the early years, with a total liability approaching £1 billion by the time of the final payment in 2002. In my view it is quite unrealistic to suppose that we could transfer these liabilities to the NCB; the Bill will therefore need to amend the 1977 Act to provide the power for continued payments.

Social Grants

There are also substantial liabilities in relation to redundancies prior to March 1987 which fall to the NCB but which we currently fund to varying degrees through social grant. These include the costs of premature and enhanced pensions to redundants, the provision of concessionary coal to redundants and other continuing expenditure on earlier transfers related to pit closures. The vast bulk of these liabilities (in excess of £1 billion over the 10 years 1987/8-1996/7) represent staged funding of grant which the Board has already accrued to its accounts in earlier years and which Government are committed to meeting. The Bill will need to amend the 1977 Act to permit payments to the NCB arising from these earlier costs and the continued provision of concessionary coal.

SOCIAL GRANTS IN RELATION TO COSTS AND EVENTS AFTER 1987

Power to make Schemes

Even taking a reasonably optimistic view of the Board's financial prospects, it appears most unlikely that they will be able to achieve and maintain viability without some degree of social grant support in relation to costs accruing after March 1987. I propose, therefore, that the Bill should contain provisions giving me the power to introduce, within certain broadly defined areas, schemes enabling me to reimburse relevant costs of the NCB. The Schemes would be introduced by affirmative Order, would each be for one financial year only, and would specify more closely the areas of expenditure to which I may contribute and the maximum amount or percentage of the Board's relevant costs which may be reimbursed.

I envisage the power to make Schemes covering the making of grant in such of the areas specified in the Bill as will assist with the restructuring of the coal industry and which contribute towards costs incurred in a financial year in which the Board is re-deploying or reducing its employees with a view to bringing its output or its costs into line with the market. This reference to restructuring should mesh well with the expected forthcoming ECSC decision on pensionable state aids to the coal industry.

The prime purpose of the Bill will be to enable me if necessary to introduce schemes to enable Government to contribute to costs arising from redundancies and closures. I judge that, in addition to the financial arguments, the taking of such a power is essential in order to help us defend the ending of RMPS. The power will also need to cover certain other costs to the Board which are increased by closures and manpower rundown and to which we currently contribute through pit closure grants, and to hold open the possibility of continuing Government contribution to the cost of the Board's enterprise initiative (including retraining of redundant mineworkers) after the power to pay deficit grant ends. I therefore propose that the areas specified in the Bill should be:

- redundancy and early retirement costs (including concessionary coal to redundants)
- relocation and disturbance costs
- the cost of maintaining existing concessionary coal arrangements for retired miners and miners widows
- the cost of maintaining existing social welfare provisions
- NCB costs towards creating new job opportunities in coal mining areas and retraining of redundant mineworkers.

Although I think it essential to include these last two areas within the Bill, I am still considering the case for including any such costs in the first Scheme. More generally, the precise areas to be covered in the first Scheme and the limits on support will remain to be determined nearer the time.

I propose that this power to make Schemes be limited to 5 years, and in aggregate expenditure, but with the latter capable of being increased by Order. The appropriate financial limits will also need to be determined nearer the time.

Deficit Grant to the NCB

My original proposals for the Bill included a financial reconstruction for the Board, to ensure that they will be in a position to continue trading once the power to pay deficit grant expires. However neither I nor the Chairman now feel that the time is yet right for this.

Whilst the Board's financial prospects remain so uncertain, we can no longer be confident that the Board will be in a position to continue trading if the power to pay deficit grant ends in March 1987. A decision to maintain the power to pay deficit grant may ultimately be unavoidable. For the moment I see no alternative therefore to asking parliamentary Counsel to draft the fairly simple provisions necessary to maintain this power. We can decide nearer the time of introduction whether the provision is to be included in the Bill, and if so for how long the powers should be taken. I will of course consult you further on those points in due course.

Copies of this letter go to those on the attached list.

PETER WALKER

Prime Minister

Other Members of E(A)

Lord President

Chief Whip

Sir Robert Armstrong

Cool or Parliament

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WEEKLY COAL AND POWER STATION STATISTICS SUPPLEMENT (1)

EcS Division, Dept. of Energy, Thames House South,
Millbank, London SW1P 4QJ phone:01-211-4368

18 APRIL 1986

	Week ending.....		6.4.85	15.3.86	22.3.86	29.3.86 (5)	5.4.86 (6)
COAL	PRODUCTION (m.tonnes)	deep mines+	1.28	1.99	2.01	1.87	1.34
		opencast+	0.27	0.30	0.31	0.30	0.09
		TOTAL	1.55	2.29	2.32	2.17	1.44
	PRODUCTIVITY(2) (tonnes/manshift)	'overall'	1.93	3.06	3.08	2.97	2.75
		'production'	**8.91**	**13.58**	**13.66**	**13.23**	**12.57**
	UNDISTRIBUTED STOCKS (m.tonnes)	deep mines:					
		England	5.76	2.63	2.56	2.44	2.33
		S.Wales	2.48	2.38	2.37	2.32	2.37
		Scotland	1.32	0.78	0.79	0.80	0.80
		opencast	9.54	2.77	2.73	2.74	2.70
		TOTAL	19.10	8.56	8.46	8.29	8.19
	COAL STOCKS (m.tonnes)	S.Eastern	0.90	1.54	1.53	1.53	1.47
		S.Western	0.97	1.79	1.81	1.82	1.82
		Midland	6.20	7.18	7.25	7.31	7.15
		N.Eastern	2.09	7.31	7.35	7.36	7.27
		N.Western	1.20	1.71	1.72	1.74	1.70
		TOTAL CEGB	11.36	19.53	19.66	19.76	19.42
		Scotland	0.64	1.41	1.44	1.45	1.45
		TOTAL Gt.Britain	12.00	20.94	21.10	21.21	20.76
POWER STATIONS	COAL CONSUMPTION (m.tonnes)	S.Eastern	0.11	0.17	0.14	0.10	0.13
		S.Western	0.17	0.21	0.18	0.16	0.16
		Midlands	0.68	0.75	0.75	0.71	0.65
		N.Eastern	0.34	0.51	0.51	0.48	0.46
		N.Western	0.09	0.13	0.12	0.10	0.12
		TOTAL CEGB	1.40	1.77	1.70	1.56	1.51
		Scotland	0.11	0.11	0.10	0.10	0.08
		TOTAL Gt.Britain	1.51	1.87	1.80	1.66	1.60
	COAL RECEIPTS (m.tonnes)	CEGB	1.41	1.89	1.84	1.68	1.19
		Scotland	0.20	0.14	0.12	0.11	0.08
		Gt.Britain	1.61	2.03	1.96	1.79	1.27
	OIL STOCKS(3) (m.tonnes)	CEGB	0.94	0.47	0.59	0.69	0.82
		Scotland	0.18	0.13	0.16	0.16	0.14
		Gt.Britain	1.12	0.61	0.75	0.84	0.96
	OIL CONSUMPTION (3) (m.tonnes)	CEGB	0.03	0.06	0.02	0.04	0.02
		Scotland	0.01	–	–	–	0.01
		Gt.Britain	0.03	0.06	0.02	0.04	0.04
	OIL RECEIPTS(3) (m.tonnes)	CEGB	0.02	0.06	0.14	0.14	0.15
		Scotland	–	–	0.02	–	–
		Gt.Britain	0.02	0.06	0.16	0.14	0.15
	GAS CONSUMPTION (m.therms)	CEGB	7	–	–	–	–
	ELECTRICITY(4) SUPPLIED (GWh)	Nuclear	1,123	981	1,012	1,020	902
		Other Steam	3,510	4,563	4,281	4,018	3,864
		TOTAL	4,633	5,544	5,294	5,038	4,765
		TOTAL, temperature corrected	4,984	5,455	5,318	4,968	4,469

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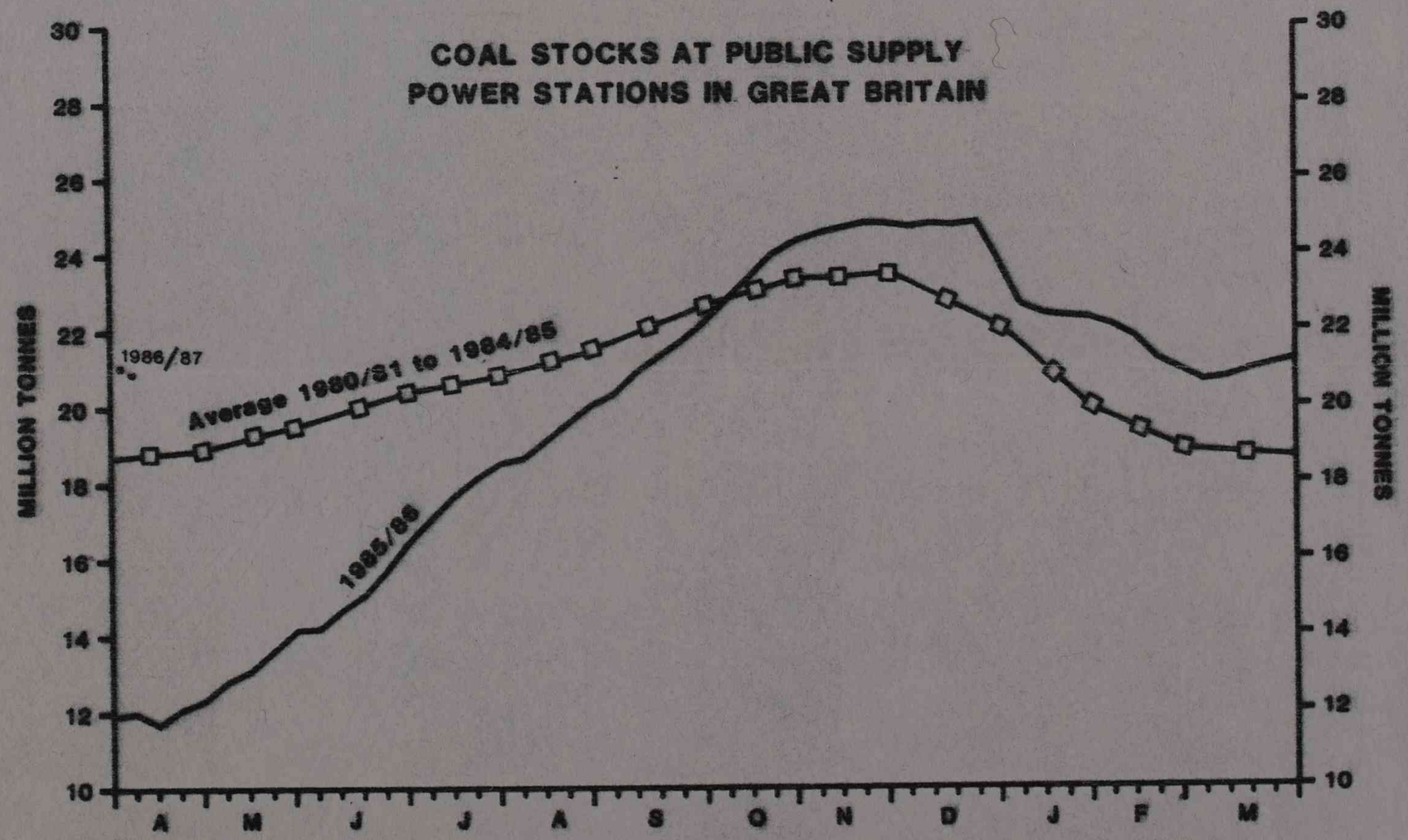
	PRODUCTIVITY(2) (tonnes/manshift)	'overall'	1.93	3.06	3.08	2.97	2.75
		'production'	8.91	13.58	13.66	13.23	12.57
	UNDISTRIBUTED STOCKS (m.tonnes)	TOTAL	19.10	8.56	8.46	8.29	8.19
POWER STATIONS	COAL STOCKS	(m.tonnes)	12.00	20.94	21.10	21.21	20.76
	COAL CONSUMPTION	"	1.51	1.87	1.80	1.66	1.60
	COAL RECEIPTS	"	1.61	2.03	1.96	1.79	1.27
	OIL STOCKS(3)	"	1.12	0.61	0.75	0.84	0.96
	OIL CONSUMPTION(3	"	0.03	0.06	0.02	0.04	0.04
	OIL RECEIPTS(3)	"	0.02	0.06	0.16	0.14	0.15
	ELECTRICITY SUPPLIED(4)	(GWh)					
	Nuclear	"	1,123	981	1,012	1,020	902
	Other Steam	"	3,510	4,563	4,281	4,018	3,864
	TOTAL	"	4,633	5,544	5,294	5,038	4,765
	TOTAL, temperature corrected	"	4,984	5,455	5,318	4,968	4,469

(1) Great Britain unless otherwise stated. All latest figures are subject to revision. (2) NCB mines only. (3) Oil-fired boilers only. (4) Steam stations only. +includes licensed production. (5) Includes Good Friday. (6) Includes Easter Monday



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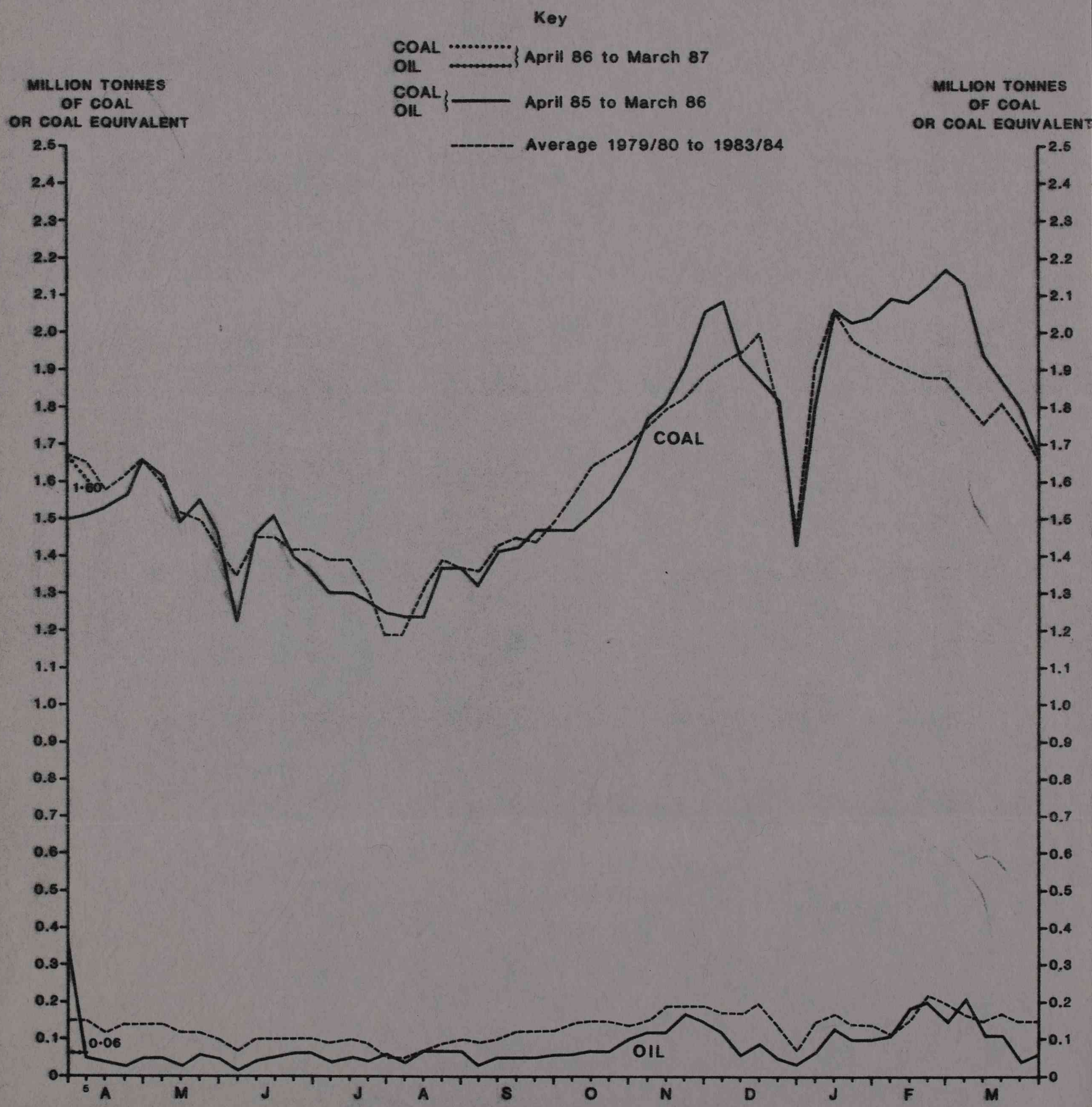
COAL CONSUMPTION AND OIL CONSUMPTION (OIL FIRED) AT PUBLIC SUPPLY POWER STATIONS IN GREAT BRITAIN



Nat Ind. Goa

CONFIDENTIAL

WEEKLY COAL AND POWER STATION STATISTICS SUPPLEMENT (1)

EcS Division, Dept. of Energy, Thames House South,
Millbank, London SW1P 4QJ phone:01-211-4368

10 APRIL 1986

			Week ending..... 31.3.84	30.3.85	8.3.86	15.3.86	22.3.86	29.3.86 (5)
COAL	PRODUCTION (m.tonnes)	deep mines+	0.46	1.22	2.03	1.99	2.01	1.87
		opencast+	0.35	0.38	0.28	0.30	0.31	0.30
		TOTAL	0.81	1.60	2.32	2.29	2.32	2.17
	PRODUCTIVITY(2) (tonnes/manshift)	'overall'	2.08	1.74	3.11	3.06	3.08	2.97
		'production'	10.30	8.47	13.75	13.58	13.66	13.23
	UNDISTRIBUTED STOCKS (m.tonnes)	deep mines: England	12.98	6.32	2.78	2.63	2.56	2.44
		S.Wales	2.56	2.48	2.37	2.38	2.37	2.32
		Scotland	1.41	1.36	0.78	0.78	0.79	0.80
		opencast	4.77	9.78	2.81	2.77	2.73	2.74
		TOTAL	21.72	19.94	8.74	8.56	8.46	8.29
POWER STATIONS	COAL STOCKS (m.tonnes)	S.Eastern	2.40	0.86	1.57	1.54	1.53	1.53
		S.Western	1.16	0.92	1.80	1.79	1.81	1.82
		Midland	8.68	6.36	7.08	7.18	7.25	7.31
		N.Eastern	6.17	2.03	7.26	7.31	7.35	7.36
		N.Western	2.21	1.20	1.71	1.71	1.72	1.74
		TOTAL CEGB	20.62	11.36	19.41	19.53	19.66	19.76
		Scotland	2.39	0.55	1.38	1.41	1.44	1.45
		TOTAL Gt.Britain	23.01	11.92	20.79	20.94	21.10	21.21
	COAL CONSUMPTION (m.tonnes)	S.Eastern	0.13	0.13	0.17	0.17	0.14	0.10
		S.Western	0.12	0.21	0.21	0.21	0.18	0.16
		Midlands	0.68	0.68	0.73	0.75	0.75	0.71
		N.Eastern	0.51	0.26	0.52	0.51	0.51	0.48
		N.Western	0.11	0.11	0.14	0.13	0.12	0.10
		TOTAL CEGB	1.54	1.39	1.78	1.77	1.70	1.56
		Scotland	0.10	0.11	0.15	0.11	0.10	0.10
		TOTAL Gt.Britain	1.64	1.50	1.94	1.87	1.80	1.66
	COAL RECEIPTS (m.tonnes)	CEGB	0.52	1.46	1.85	1.89	1.84	1.68
		Scotland	0.13	0.17	0.15	0.14	0.12	0.11
		Gt.Britain	0.65	1.63	2.01	2.03	1.96	1.79
	OIL STOCKS(3) (m.tonnes)	CEGB	0.98	0.95	0.48	0.47	0.59	1.69
		Scotland	0.17	0.18	0.13	0.13	0.16	0.16
		Gt.Britain	1.14	1.13	0.61	0.61	0.75	0.84
	OIL CONSUMPTION (3) (m.tonnes)	CEGB	0.13	0.17	0.06	0.06	0.02	0.04
		Scotland	0.03	0.04	0.01	–	–	–
		Gt.Britain	0.16	0.20	0.06	0.06	0.02	0.04
	OIL RECEIPTS(3) (m.tonnes)	CEGB	0.10	0.22	0.05	0.06	0.14	0.14
		Scotland	0.03	–	–	–	0.02	–
		Gt.Britain	0.13	0.22	0.05	0.06	0.16	0.14
	GAS CONSUMPTION (m.therms)	CEGB	–	7	–	–	–	–
	ELECTRICITY(4) SUPPLIED (GWh)	Nuclear	814	1,048	1,041	981	1,012	1,020
		Other Steam	4,351	4,200	4,708	4,563	4,281	4,018
		TOTAL	5,165	5,248	5,749	5,544	5,294	5,038
		TOTAL, temperature corrected	4,939	5,103	5,551	5,455	5,318	4,968

(1) Great Britain unless otherwise stated. All latest figures are subject to revision. (2) NCB mines only. (3) Oil-fired boilers only. (4) Steam stations only. +includes licensed production. (5) Includes Good Friday.

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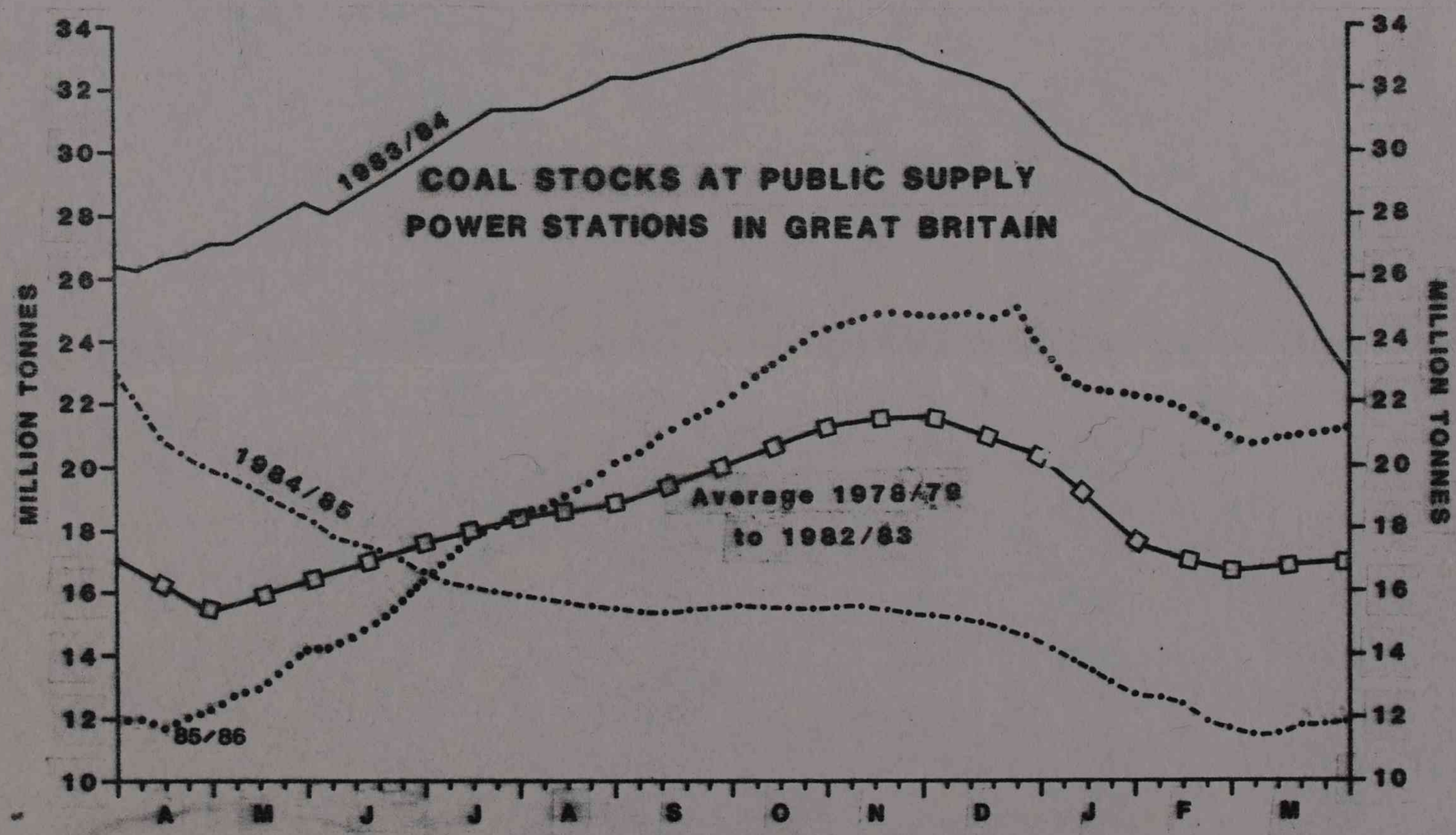
WEEKLY COAL AND POWER STATION STATISTICS (1)

EcS Division, Dept. of Energy, Thames House South,
Millbank, London SW1P 4QJ phone 01-211-4368

10 APRIL 1986

	Week ending.....		31.3.84	30.3.85	8.3.86	15.3.86	22.3.86	29.3.86 (5)
COAL	PRODUCTION (m.tonnes)	deep mines+	0.46	1.22	2.03	1.99	2.01	1.87
		opencast+	0.35	0.38	0.28	0.30	0.31	0.30
		TOTAL	0.81	1.60	2.32	2.29	2.32	2.17
	PRODUCTIVITY(2) (tonnes/manshift)	'overall'	2.08	1.74	3.11	3.06	3.08	2.97
		'production'	10.30	8.47	13.75	13.58	13.66	13.23
	UNDISTRIBUTED STOCKS (m.tonnes)	TOTAL	21.72	19.94	8.74	8.56	8.46	8.29
POWER STATIONS	COAL STOCKS	(m.tonnes)	23.01	11.92	20.79	20.94	21.10	21.21
	COAL CONSUMPTION	"	1.64	1.50	1.94	1.87	1.80	1.66
	COAL RECEIPTS	"	0.65	1.63	2.01	2.03	1.96	1.79
	OIL STOCKS(3)	"	1.14	1.13	0.61	0.61	0.75	0.84
	OIL CONSUMPTION(3)	"	0.16	0.20	0.06	0.06	0.02	0.04
	OIL RECEIPTS(3)	"	0.13	0.22	0.05	0.06	0.16	0.14
	ELECTRICITY SUPPLIED(4)	(GWh)						
	Nuclear	"	814	1,048	1,041	981	1,012	1,020
	Other Steam	"	4,351	4,200	4,708	4,563	4,281	4,018
	TOTAL	"	5,165	5,248	5,749	5,544	5,294	5,038
	TOTAL, temperature corrected	"	4,939	5,103	5,551	5,455	5,318	4,968

(1) Great Britain unless otherwise stated. All latest figures are subject to revision. (2) NCB mines only. (3) Oil-fired boilers only. (4) Steam stations only. +includes licensed production. (5) Includes Good Friday.



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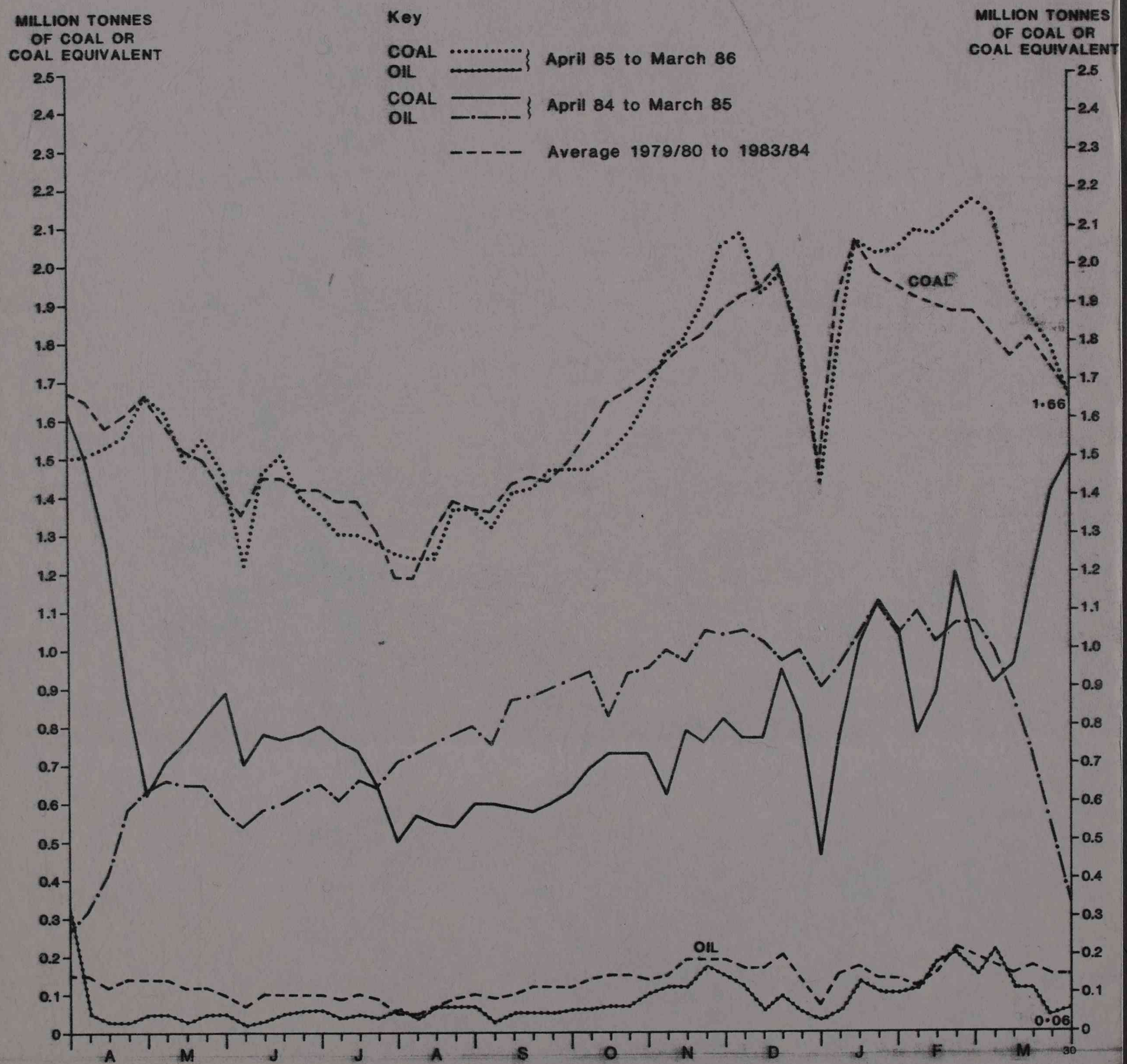
COAL CONSUMPTION AND OIL CONSUMPTION (OIL FIRED) AT PUBLIC SUPPLY POWER STATIONS IN GREAT BRITAIN



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WEEKLY COAL AND POWER STATION STATISTICS SUPPLEMENT (1)

EcS Division, Dept. of Energy, Thames House South,
Millbank, London SW1P 4QJ phone:01-211-4368

26 MARCH 1986

			Week ending..... 17.3.84	16.3.85	22.2.86	1.3.86	8.3.86	15.3.86
COAL	PRODUCTION (m.tonnes)	deep mines+	0.44	1.01	2.06	2.02	2.03	1.99
		opencast+	0.30	0.33	0.32	0.28	0.28	0.30
		TOTAL	0.74	1.34	2.38	2.30	2.32	2.29
	PRODUCTIVITY(2) (tonnes/manshift)	'overall'	1.72	1.42	3.13	3.07	3.11	3.06
		'production'	8.28	8.46	13.44	13.40	13.75	13.58
	UNDISTRIBUTED STOCKS (m.tonnes)	deep mines:						
		England	13.24	6.64	2.96	2.90	2.78	2.63
		S.Wales	2.56	2.45	2.25	2.32	2.37	2.38
		Scotland	1.56	1.43	0.78	0.79	0.78	0.78
		opencast	4.60	10.24	2.90	2.87	2.81	2.77
		TOTAL	21.97	20.76	8.89	8.87	8.74	8.56
	COAL STOCKS (m.tonnes)	S.Eastern	2.70	0.79	1.67	1.59	1.57	1.54
		S.Western	1.38	0.91	1.98	1.83	1.80	1.79
		Midland	9.29	6.64	6.98	7.00	7.08	7.18
		N.Eastern	7.16	1.69	7.22	7.19	7.26	7.31
		N.Western	2.29	1.19	1.72	1.72	1.71	1.71
		TOTAL CEGB	22.82	11.22	19.57	19.33	19.41	19.53
		Scotland	2.47	0.45	1.42	1.37	1.38	1.41
		TOTAL Gt.Britain	25.29	11.67	20.99	20.70	20.79	20.94
POWER STATIONS	COAL CONSUMPTION (m.tonnes)	S.Eastern	0.18	0.08	0.18	0.19	0.17	0.17
		S.Western	0.20	0.12	0.24	0.25	0.21	0.21
		Midlands	0.79	0.72	0.83	0.78	0.73	0.75
		N.Eastern	0.47	0.08	0.60	0.59	0.52	0.51
		N.Western	0.20	0.07	0.15	0.14	0.14	0.13
		TOTAL CEGB	1.84	1.07	2.00	1.95	1.78	1.77
		Scotland	0.10	0.12	0.17	0.18	0.15	0.11
		TOTAL Gt.Britain	1.94	1.19	2.17	2.13	1.94	1.87
	COAL RECEIPTS (m.tonnes)	CEGB	0.67	1.23	1.71	1.69	1.85	1.89
		Scotland	0.04	0.14	0.14	0.14	0.15	0.14
		Gt.Britain	0.71	1.37	1.85	1.83	2.01	2.03
	OIL STOCKS(3) (m.tonnes)	CEGB	0.97	0.98	0.54	0.48	0.48	0.47
		Scotland	0.17	0.25	0.14	0.14	0.13	0.13
		Gt.Britain	1.14	1.23	0.69	0.62	0.61	0.61
	OIL CONSUMPTION (3) (m.tonnes)	CEGB	0.05	0.40	0.09	0.12	0.06	0.06
		Scotland	0.03	0.03	-	-	0.01	-
		Gt.Britain	0.08	0.43	0.09	0.12	0.06	0.06
	OIL RECEIPTS(3) (m.tonnes)	CEGB	0.03	0.37	0.02	0.06	0.05	0.06
		Scotland	0.03	0.04	-	-	-	-
		Gt.Britain	0.06	0.41	0.02	0.06	0.05	0.06
	GAS CONSUMPTION (m.therms)	CEGB	-	7	-	-	-	-
	ELECTRICITY(4) SUPPLIED (GWh)	Nuclear	835	1,065	1,082	1,034	1,041	981
		Other Steam	4,494	4,287	5,305	5,373	4,708	4,563
		TOTAL	5,329	5,352	6,387	6,406	5,749	5,544
		TOTAL, temperature corrected	5,109	5,155	5,726	*5,566	5,551	5,455

(1) Great Britain unless otherwise stated. All latest figures are subject to revision. (2) NCB mines only. (3) Oil-fired boilers only. (4) Steam stations only. +includes licensed production.
* Abnormally large correction - this figure should be treated with caution.

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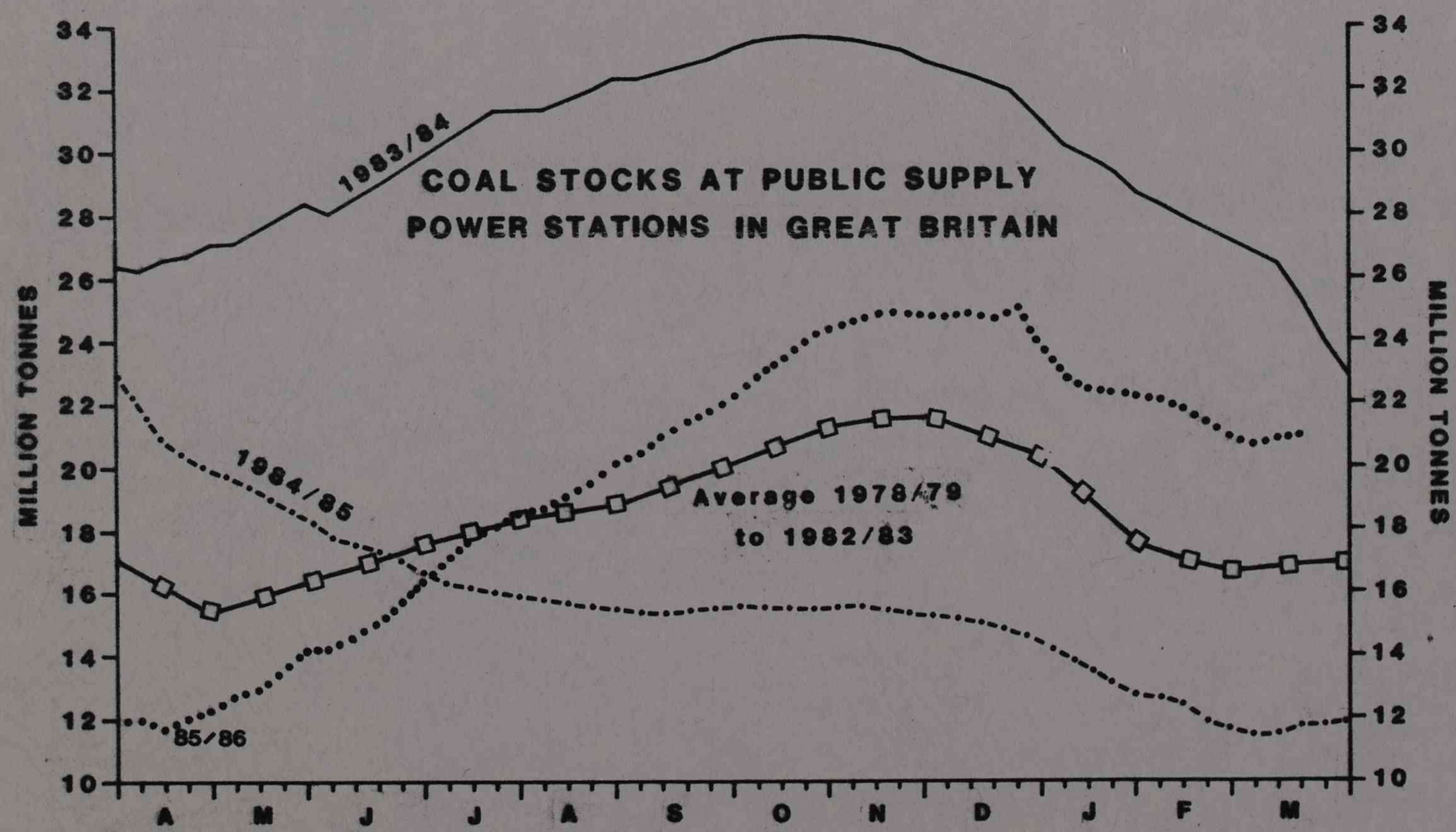
WEEKLY COAL AND POWER STATION STATISTICS (1)

EcS Division, Dept. of Energy, Thames House South,
Millbank, London SW1P 4QJ phone 01-211-4368

26 MARCH 1986

	Week ending.....		17.3.84	16.3.85	22.2.86	1.3.86	8.3.86	15.3.86
COAL	PRODUCTION (m.tonnes)	deep mines+	0.44	1.01	2.06	2.02	2.03	1.99
		opencast+	0.30	0.33	0.32	0.28	0.28	0.30
	TOTAL		0.74	1.34	2.38	2.30	2.32	2.29
	PRODUCTIVITY(2) (tonnes/manshift)	'overall'	1.72	1.42	3.13	3.07	3.11	3.06
		'production'	8.28	8.46	13.44	13.40	13.75	13.58
	UNDISTRIBUTED STOCKS (m.tonnes) TOTAL		21.97	20.76	8.89	8.87	8.74	8.56
POWER STATIONS	COAL STOCKS	(m.tonnes)	25.29	11.67	20.99	20.70	20.79	20.94
	COAL CONSUMPTION	"	1.94	1.19	2.17	2.13	1.94	1.87
	COAL RECEIPTS	"	0.71	1.37	1.85	1.83	2.01	2.03
	OIL STOCKS(3)	"	1.14	1.23	0.69	0.62	0.61	0.61
	OIL CONSUMPTION(3)	"	0.08	0.43	0.09	0.12	0.06	0.06
	OIL RECEIPTS(3)	"	0.06	0.41	0.02	0.06	0.05	0.06
	ELECTRICITY SUPPLIED(4)	(GWh)						
	Nuclear	"	835	1,065	1,082	1,034	1,041	981
	Other Steam	"	4,494	4,287	5,305	5,373	4,708	4,563
	TOTAL	"	5,329	5,352	6,387	6,406	5,749	5,544
	TOTAL, temperature corrected	"	5,109	5,155	5,726	*5,566	5,551	5,455

(1) Great Britain unless otherwise stated. All latest figures are subject to revision. (2) NCB mines only. (3) Oil-fired boilers only. (4) Steam stations only. +includes licensed production.
* Abnormally large correction - this figure should be treated with caution.



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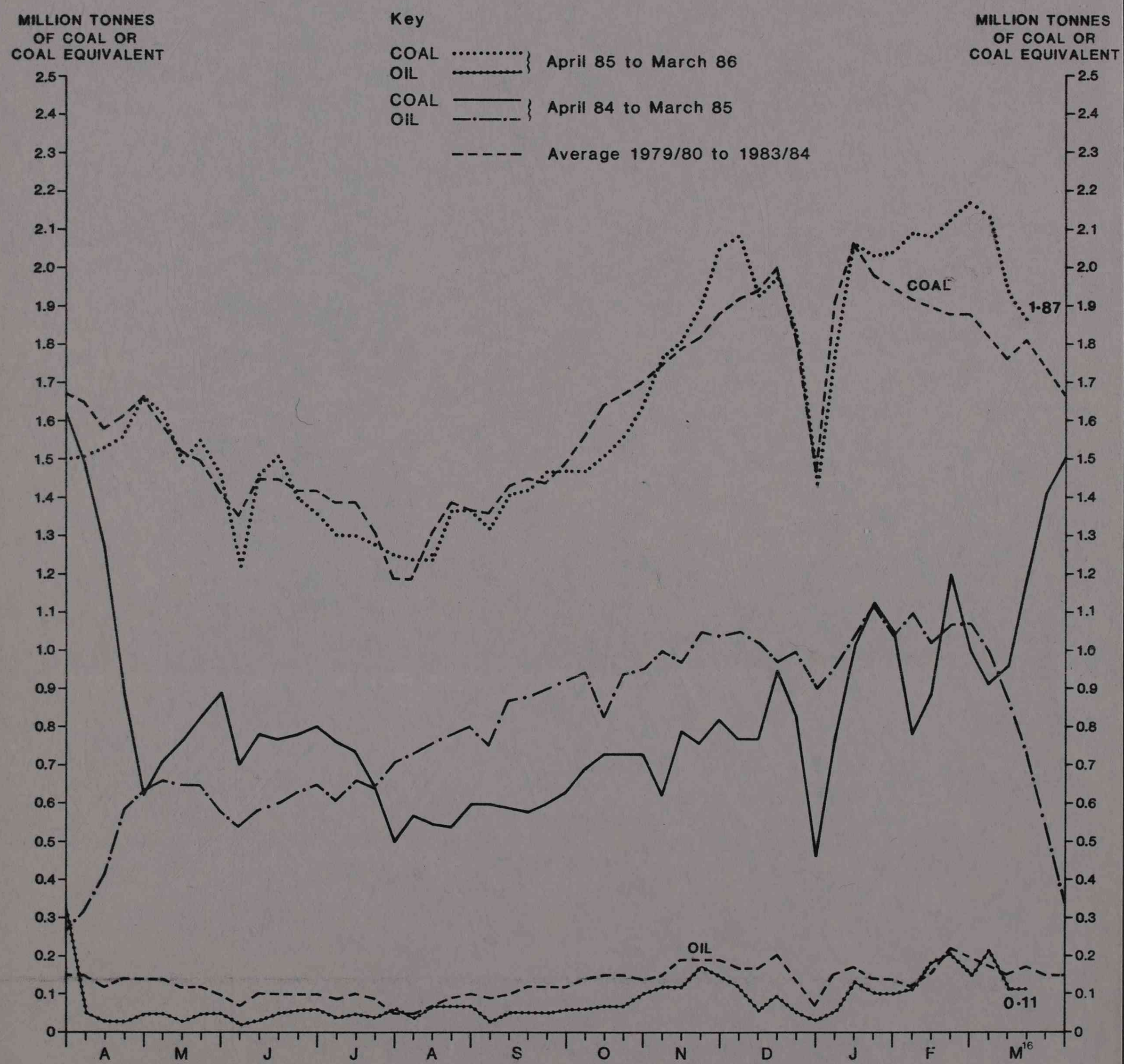
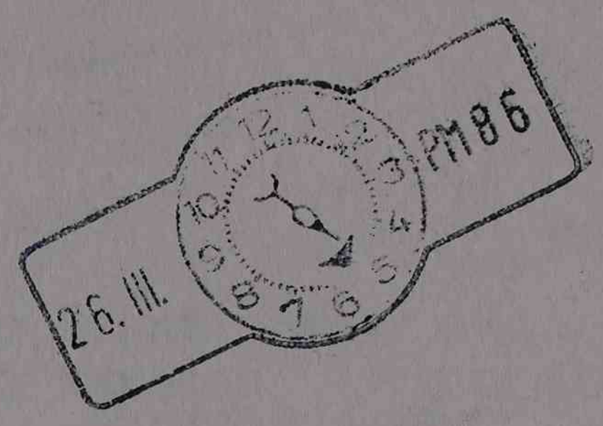
COAL CONSUMPTION AND OIL CONSUMPTION (OIL FIRED) AT PUBLIC SUPPLY POWER STATIONS IN GREAT BRITAIN

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CONFIDENTIAL

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Peter Walker MBE MP
Secretary of State for Energy
Department of Energy
Thames House South
Millbank
London
SW1P 4QJ

Dear Peter,

24 March 1986

REDUNDANT MINEWORKERS' PAYMENTS SCHEME

Thank you for your letter of ~~18~~ March. WILL REQUEST IF REQUIRED

I should welcome a statement in the debate on the RMPS Order clarifying our intentions about financing the Scheme. While I understand the sensitivity of the coal industry to the oil price, I wonder whether the cautious wording of your proposed statement would not be just as likely to excite speculation as dampen it. I think it would be preferable to avoid this by deleting the word "present" in the second sentence.

I should hope that you could stall on enquiries about what your statement actually means. You can draw attention to the uncertainties in the energy market and the unwisdom of jumping to hasty conclusions about the detail of the new financial regime for the NCB from 1987-88. We shall in any case have to reach conclusions about the content of the forthcoming Coal Industry Bill over the next few months, so the stalling period would not be protracted.

With that in mind, I hope that your answers to questions about existing entitlement to benefit could leave open the possibility of transferring to the NCB the Government's liability to pay continued benefits. This too is something we shall have to settle over the next few months. This could be achieved by deleting the words "as provided under the relevant statutory instrument" and "entitlement to".

CONFIDENTIAL

I am copying this letter to the Prime Minister, Norman Fowler, David Young, Paul Channon, Nicholas Ridley, Malcolm Rifkind, Nicholas Edwards, John Biffen and to Sir Robert Armstrong.

Yours ever,

JOHN MacGREGOR

TMB

MISS HOLT

COAL STRIKE

Ian MacGregor is writing a book, or having it ghost-written. This will cover at least his period as Chairman of the NCB.

There has already been some controversy about the book: there were stories that it was going to accuse the Prime Minister of, among other things, fomenting the strike.

It would be useful, as preparation for the publication of the book, if CF could put together an annotated diary of contacts between the Prime Minister and Mr. MacGregor, whether face-to-face or in writing, or contacts which took the form of No.10 asking Department of Energy to issue instructions or advice to the NCB.

This is potentially a formidable undertaking, and I envisage that the discussion of contacts through the Department of Energy category would be selective.

It would save time if the references were flagged up on the file as the diary was prepared. We have no timetable for publication of the book, but it seems unlikely that it will be published before Mr. MacGregor ceases to be Chairman of the NCB (his departure date from the NCB is 31 August 1986). The annotated diary could be prepared as time allows.

You may find it helpful to talk this through with me before starting work.

DRN

David Norgrove

24 March 1986

CONFIDENTIAL

WEEKLY COAL AND POWER STATION STATISTICS SUPPLEMENT (1)

EcS Division, Dept. of Energy, Thames House South,
Millbank, London SW1P 4QJ phone:01-211-4368

20 MARCH 1986

			Week ending..... 10.3.84	9.3.85	15.2.86	22.2.86	1.3.86	8.3.86
COAL	PRODUCTION (m.tonnes)	deep mines+	1.43	0.87	1.98	2.06	2.02	2.03
		opencast+	0.32	0.31	0.30	0.32	0.28	0.28
		TOTAL	1.75	1.18	2.28	2.38	2.30	2.32
	PRODUCTIVITY(2) (tonnes/manshift)	'overall'	2.25	1.43	3.05	3.13	3.07	3.11
		'production'	9.53	8.76	13.56	13.44	13.40	13.75
	UNDISTRIBUTED STOCKS (m.tonnes)	deep mines:						
		England	13.57	6.93	2.91	2.96	2.90	2.78
		S.Wales	2.56	2.45	2.24	2.25	2.32	2.37
		Scotland	1.56	1.45	0.81	0.78	0.79	0.78
		opencast	4.61	10.34	2.94	2.90	2.87	2.81
		TOTAL	22.31	21.17	8.90	8.89	8.87	8.74
POWER STATIONS	COAL STOCKS (m.tonnes)	S.Eastern	2.78	0.73	1.71	1.67	1.59	1.57
		S.Western	1.53	0.84	2.09	1.98	1.83	1.80
		Midland	9.70	6.77	7.05	6.98	7.00	7.08
		N.Eastern	7.56	1.54	7.29	7.22	7.19	7.26
		N.Western	2.35	1.18	1.72	1.72	1.72	1.71
		TOTAL CEGB	23.92	11.06	19.86	19.57	19.33	19.41
		Scotland	2.53	0.43	1.45	1.42	1.37	1.38
		TOTAL Gt.Britain	26.45	11.48	21.30	20.99	20.70	20.79
	COAL CONSUMPTION (m.tonnes)	S.Eastern	0.15	0.03	0.18	0.18	0.19	0.17
		S.Western	0.22	0.03	0.22	0.24	0.25	0.21
		Midlands	0.78	0.66	0.84	0.83	0.78	0.73
		N.Eastern	0.46	0.08	0.56	0.60	0.59	0.52
		N.Western	0.14	0.06	0.12	0.15	0.14	0.14
		TOTAL CEGB	1.74	0.86	1.93	2.00	1.95	1.78
		Scotland	0.11	0.10	0.19	0.17	0.18	0.15
		TOTAL Gt.Britain	1.85	0.96	2.12	2.17	2.13	1.94
	COAL RECEIPTS (m.tonnes)	CEGB	1.37	0.96	1.41	1.71	1.69	1.85
		Scotland	0.11	0.06	0.14	0.14	0.14	0.15
		Gt.Britain	1.48	1.02	1.56	1.85	1.83	2.01
	OIL STOCKS(3) (m.tonnes)	CEGB	0.99	0.97	0.61	0.54	0.48	0.48
		Scotland	0.17	0.25	0.14	0.14	0.14	0.13
		Gt.Britain	1.16	1.22	0.76	0.69	0.62	0.61
	OIL CONSUMPTION (3) (m.tonnes)	CEGB	0.03	0.48	0.11	0.09	0.12	0.06
		Scotland	0.03	0.03	–	–	–	0.01
		Gt.Britain	0.05	0.51	0.12	0.09	0.12	0.06
	OIL RECEIPTS(3) (m.tonnes)	CEGB	0.01	0.44	0.03	0.02	0.06	0.05
		Scotland	0.03	–	–	–	–	–
		Gt.Britain	0.04	0.44	0.03	0.02	0.06	0.05
	GAS CONSUMPTION (m.therms)	CEGB	–	7	–	–	–	–
	ELECTRICITY(4) SUPPLIED (GWh)	Nuclear	776	1,011	899	1,082	1,034	1,041
		Other Steam	4,358	4,205	5,294	5,305	5,373	4,708
		TOTAL	5,134	5,216	6,192	6,387	6,406	5,749
		TOTAL, temperature corrected	5,229	5,288	*5,452	5,726	*5,566	5,551

(1) Great Britain unless otherwise stated. All latest figures are subject to revision. (2) NCB mines only. (3) Oil-fired boilers only. (4) Steam stations only. +includes licensed production.
* Abnormally large correction - this figure should be treated with caution.

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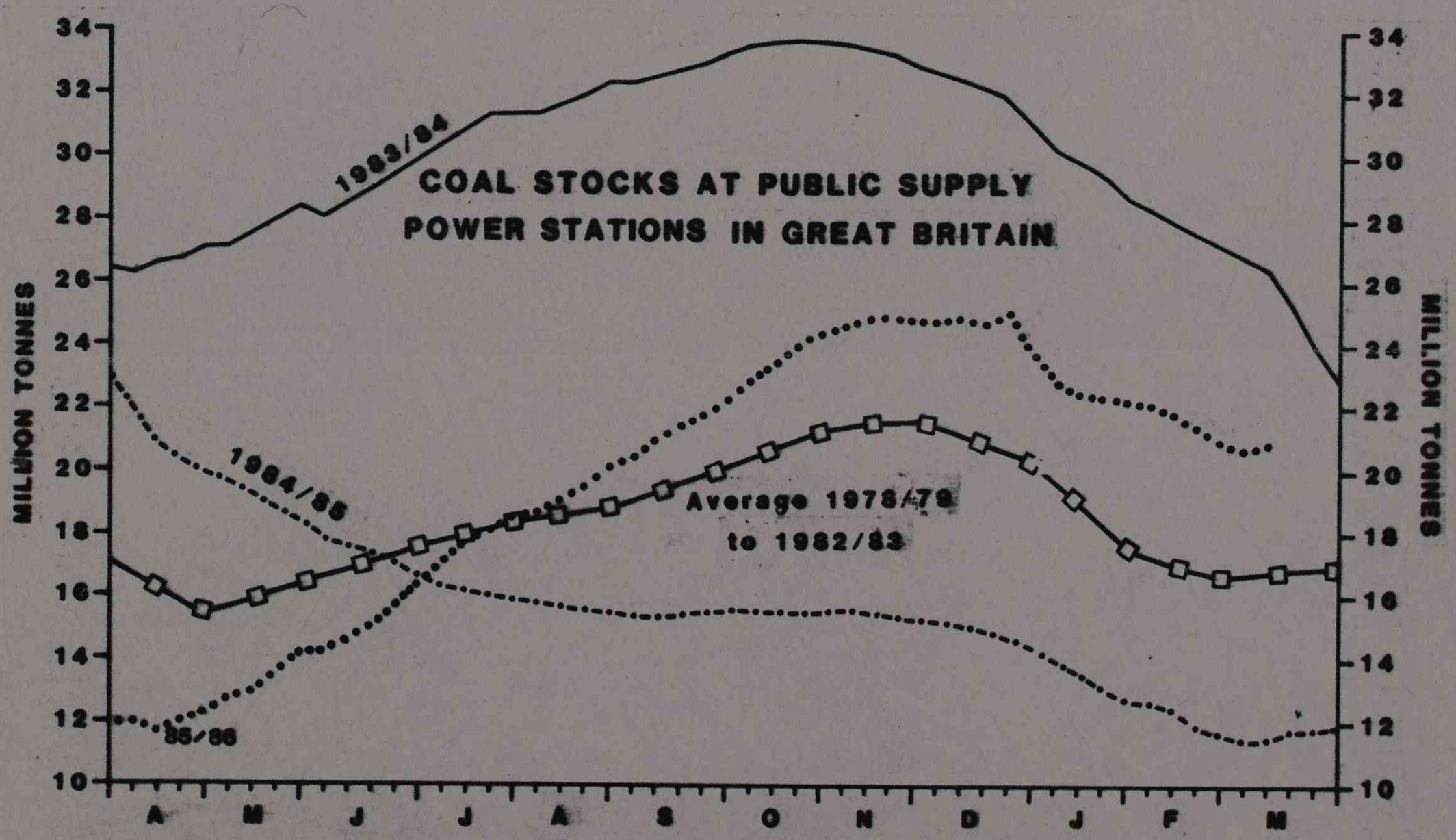
WEEKLY COAL AND POWER STATION STATISTICS (1)

EcS Division, Dept. of Energy, Thames House South,
Millbank, London SW1P 4QJ phone 01-211-4368

20 MARCH 1986

			Week ending.....	10.3.84	9.3.85	15.2.86	22.2.86	1.3.86	8.3.86
COAL	PRODUCTION (m.tonnes)	deep mines+		1.43	0.87	1.98	2.06	2.02	2.03
		opencast+		0.32	0.31	0.30	0.32	0.28	0.28
		TOTAL		1.75	1.18	2.28	2.38	2.30	2.32
	PRODUCTIVITY(2) (tonnes/manshift)	'overall'		2.25	1.43	3.05	3.13	3.07	3.11
		'production'		9.53	8.76	13.56	13.44	13.40	13.75
	UNDISTRIBUTED STOCKS (m.tonnes)	TOTAL		22.31	21.17	8.90	8.89	8.87	8.74
POWER STATIONS	COAL STOCKS	(m.tonnes)		26.45	11.48	21.30	20.99	20.70	20.79
	COAL CONSUMPTION	"		1.85	0.96	2.12	2.17	2.13	1.94
	COAL RECEIPTS	"		1.48	1.02	1.56	1.85	1.83	2.01
	OIL STOCKS(3)	"		1.16	1.22	0.76	0.69	0.62	0.61
	OIL CONSUMPTION(3)	"		0.05	0.51	0.12	0.09	0.12	0.06
	OIL RECEIPTS(3)	"		0.04	0.44	0.03	0.02	0.06	0.05
	ELECTRICITY SUPPLIED(4)	(GWh)							
	Nuclear	"		776	1,011	899	1,082	1,034	1,041
	Other Steam	"		4,358	4,205	5,294	5,305	5,373	4,708
	TOTAL	"		5,134	5,216	6,192	6,387	6,406	5,749
	TOTAL, temperature corrected	"		5,229	5,288	*5,452	5,726	*5,566	5,551

(1) Great Britain unless otherwise stated. All latest figures are subject to revision. (2) NCB mines only. (3) Oil-fired boilers only. (4) Steam stations only. +includes licensed production.
* Abnormally large correction - this figure should be treated with caution.



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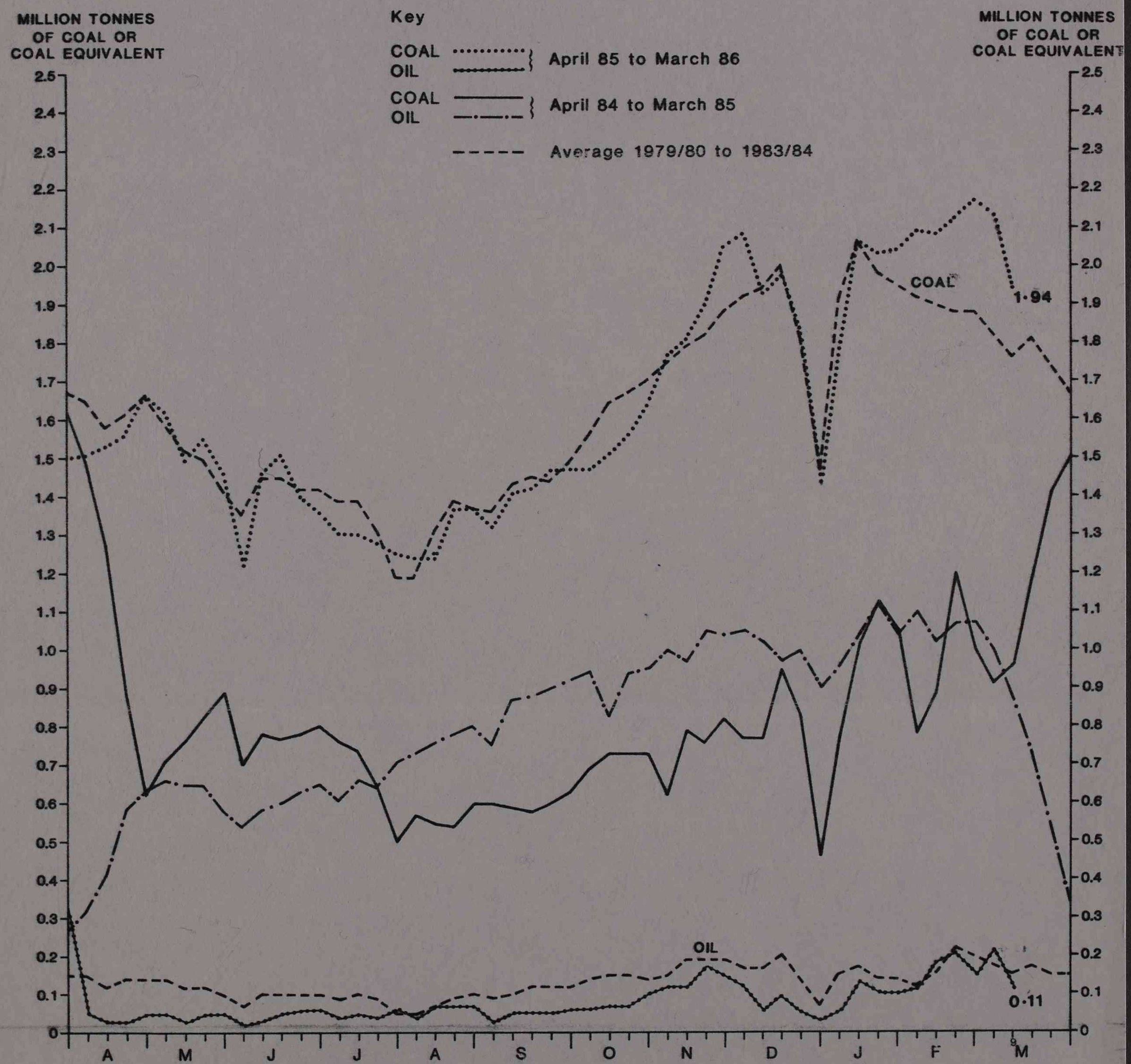
COAL CONSUMPTION AND OIL CONSUMPTION (OIL FIRED) AT PUBLIC SUPPLY POWER STATIONS IN GREAT BRITAIN



CONFIDENTIAL

cc BG

Prime Minister 2
DAN
21/3.

01 211 6402

Could I have a more detailed explanation but

The Rt Hon John MacGregor OBE MP
Chief Secretary
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

18 March 1986

Dear Chief Secretary,

REDUNDANT MINEWORKERS' PAYMENTS SCHEME

Thank you for your letter of 13 February.

The treatment of accumulated liabilities on RMPS and Social Costs is a matter we will need to settle for the Coal Industry Bill in the light of the Board's financial projections. I must point out, however, that the sums involved are substantial. Moreover, they include significant elements of 'staged funding' of capital sums already credited, with our agreement, to the Board's accounts for earlier years. We could not refuse to pay further instalments without a breach of faith.

I propose that the announcement of the ending of RMPS for redundancies after March 1987 should be made during the debate introducing the draft 1986 RMPS Order (likely to be on 25 or 26 March). This should be unambiguous; but given the uncertainties created by the oil price collapse I feel it would be better at the present time not to play up the point in a way which would provoke speculation on likely numbers of closures and redundancies after that date. I propose, therefore, that this should so far as possible be limited to including within the opening statement remarks to the effect that:

> "The Scheme introduced by the 1986 RMPS Order will be effective to the end of the National Coal Board's 1986/7 financial year, when the power to make Schemes under the 1977 Coal Industry Act expires. It is not the Government's present intention to introduce new legislation extending beyond that date the power to make Schemes".

If pressed on what this means for beneficiaries under earlier Orders we would take the line that:

> "It will not affect the entitlement to continuing benefits, as provided under the relevant statutory instrument, of those who left the industry before 29 March 1987".

Copies of this go to the recipients of your letter.

Yours sincerely, PP

(Approved by the SOS but signed in his absence.)

PP **PETER WALKER**

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NAT IND: Coal: Pt 19.

Seen by DN

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WEEKLY COAL AND POWER STATION STATISTICS SUPPLEMENT (1)

EcS Division, Dept. of Energy, Thames House South,
Millbank, London SW1P 4QJ phone:01-211-4368

13 MARCH 1986

			Week ending.....	3.3.84	2.3.85	8.2.86	15.2.86	22.2.86	1.3.86
COAL	PRODUCTION (m.tonnes)	deep mines+		1.65	0.80	1.96	1.98	2.06	2.02
		opencast+		0.30	0.31	0.26	0.30	0.32	0.28
		TOTAL		1.95	1.11	2.22	2.28	2.38	2.30
	PRODUCTIVITY(2) (tonnes/manshift)	'overall'		2.34	2.08	2.98	3.05	3.13	3.07
		'production'		9.89	11.34	12.98	13.56	13.44	13.40
	UNDISTRIBUTED STOCKS (m.tonnes)	deep mines:	England	13.80	6.84	2.62	2.91	2.96	2.90
			S.Wales	2.57	2.46	2.24	2.24	2.25	2.32
			Scotland	1.56	1.45	0.77	0.81	0.78	0.79
		opencast		4.66	10.33	2.98	2.94	2.90	2.87
		TOTAL		22.60	21.08	8.62	8.90	8.89	8.87
	COAL STOCKS (m.tonnes)	S.Eastern		2.80	0.63	1.75	1.71	1.67	1.59
		S.Western		1.57	0.72	2.22	2.09	1.98	1.83
		Midland		9.92	6.87	7.19	7.05	6.98	7.00
		N.Eastern		7.65	1.55	7.48	7.29	7.22	7.19
		N.Western		2.35	1.18	1.73	1.72	1.72	1.72
		TOTAL CEGB		24.30	10.96	20.37	19.86	19.57	19.33
		Scotland		2.53	0.47	1.50	1.45	1.42	1.37
		TOTAL Gt.Britain		26.82	11.42	21.87	21.30	20.99	20.70
POWER STATIONS	COAL CONSUMPTION (m.tonnes)	S.Eastern		0.18	0.02	0.17	0.18	0.18	0.19
		S.Western		0.23	0.06	0.22	0.22	0.24	0.25
		Midlands		0.81	0.68	0.80	0.84	0.83	0.78
		N.Eastern		0.43	0.08	0.57	0.56	0.60	0.59
		N.Western		0.14	0.06	0.16	0.12	0.15	0.14
		TOTAL CEGB		1.79	0.89	1.92	1.93	2.00	1.95
		Scotland		0.13	0.02	0.16	0.19	0.17	0.18
		TOTAL Gt.Britain		1.92	0.91	2.08	2.12	2.17	2.13
	COAL RECEIPTS (m.tonnes)	CEGB		1.47	0.73	1.62	1.41	1.71	1.69
		Scotland		0.11	-	0.13	0.14	0.14	0.14
		Gt.Britain		1.57	0.73	1.75	1.56	1.85	1.83
	OIL STOCKS(3) (m.tonnes)	CEGB		1.00	0.99	0.70	0.61	0.54	0.48
		Scotland		0.17	0.28	0.15	0.14	0.14	0.14
		Gt.Britain		1.17	1.27	0.85	0.76	0.69	0.62
	OIL CONSUMPTION (3) (m.tonnes)	CEGB		0.06	0.50	0.10	0.11	0.09	0.12
		Scotland		0.03	0.09	-	-	-	-
		Gt.Britain		0.09	0.59	0.10	0.12	0.09	0.12
	OIL RECEIPTS(3) (m.tonnes)	CEGB		0.02	0.59	0.04	0.03	0.02	0.06
		Scotland		0.03	0.19	-	-	-	-
		Gt.Britain		0.05	0.78	0.04	0.03	0.02	0.06
	GAS CONSUMPTION (m.therms)	CEGB		-	7	-	-	-	-
	ELECTRICITY(4) SUPPLIED (GWh)	Nuclear		830	1,023	1,107	899	1,082	1,034
		Other Steam		4,623	4,347	5,153	5,294	5,305	5,373
		TOTAL		5,453	5,370	6,260	6,192	6,387	6,406
		TOTAL, temperature corrected		5,277	5,395	5,756	*5,452	5,726	5,566

(1) Great Britain unless otherwise stated. All latest figures are subject to revision. (2) NCB mines only. (3) Oil-fired boilers only. (4) Steam stations only. +includes licensed production.
* Abnormally large correction - this figure should be treated with caution.

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WEEKLY COAL AND POWER STATION STATISTICS (1)

EcS Division, Dept. of Energy, Thames House South,
Millbank, London SW1P 4QJ phone 01-211-4368

13 MARCH 1986

	Week ending.....		3.3.84	2.3.85	8.2.86	15.2.86	22.2.86	1.3.86
COAL	PRODUCTION (m.tonnes)	deep mines+	1.65	0.80	1.96	1.98	2.06	2.02
		opencast+	0.30	0.31	0.26	0.30	0.32	0.28
	TOTAL		1.95	1.11	2.22	2.28	2.38	2.21
	PRODUCTIVITY(2) (tonnes/manshift)	'overall'	2.34	2.08	2.98	3.05	3.13	3.07
		'production'	9.89	11.34	12.98	13.56	13.44	13.40
	UNDISTRIBUTED STOCKS (m.tonnes) TOTAL		22.60	21.08	8.62	8.90	8.89	8.87
POWER STATIONS	COAL STOCKS	(m.tonnes)	26.82	11.42	21.87	21.30	20.99	20.70
	COAL CONSUMPTION	"	1.92	0.91	2.08	2.12	2.17	2.13
	COAL RECEIPTS	"	1.57	0.73	1.75	1.56	1.85	1.83
	OIL STOCKS(3)	"	1.17	1.27	0.85	0.76	0.69	0.62
	OIL CONSUMPTION(3)	"	0.09	0.59	0.10	0.12	0.09	0.12
	OIL RECEIPTS(3)	"	0.05	0.78	0.04	0.03	0.02	0.06
	ELECTRICITY SUPPLIED(4)(GWh)							
	Nuclear	"	830	1,023	1,107	899	1,082	1,034
	Other Steam	"	4,623	4,347	5,153	5,294	5,305	5,373
	TOTAL	"	5,453	5,370	6,260	6,192	6,387	6,406
	TOTAL, temperature corrected	"	5,277	5,395	5,756	*5,452	5,726	5,566

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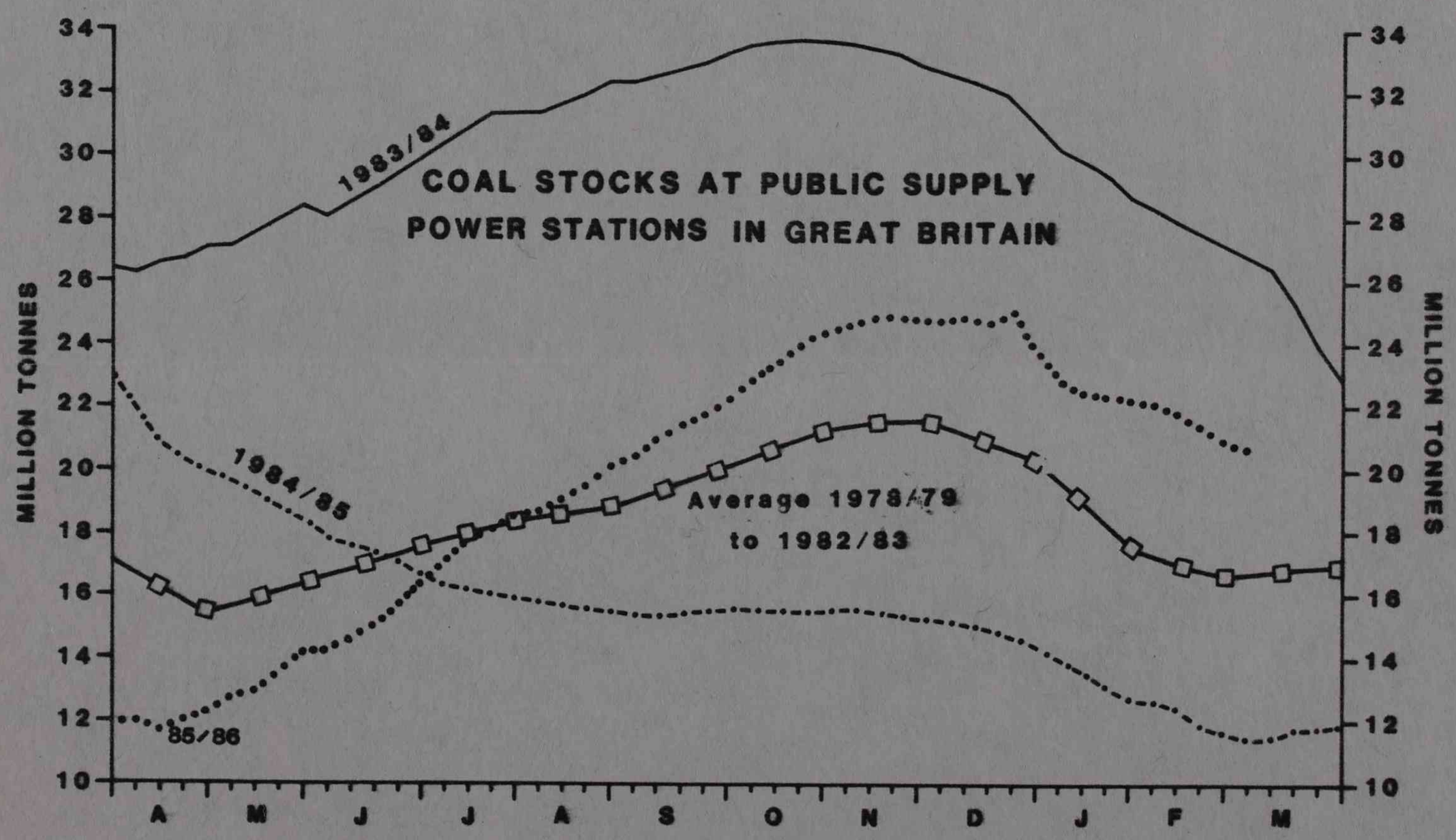
* Abnormally large correction - this figure should be treated with caution.



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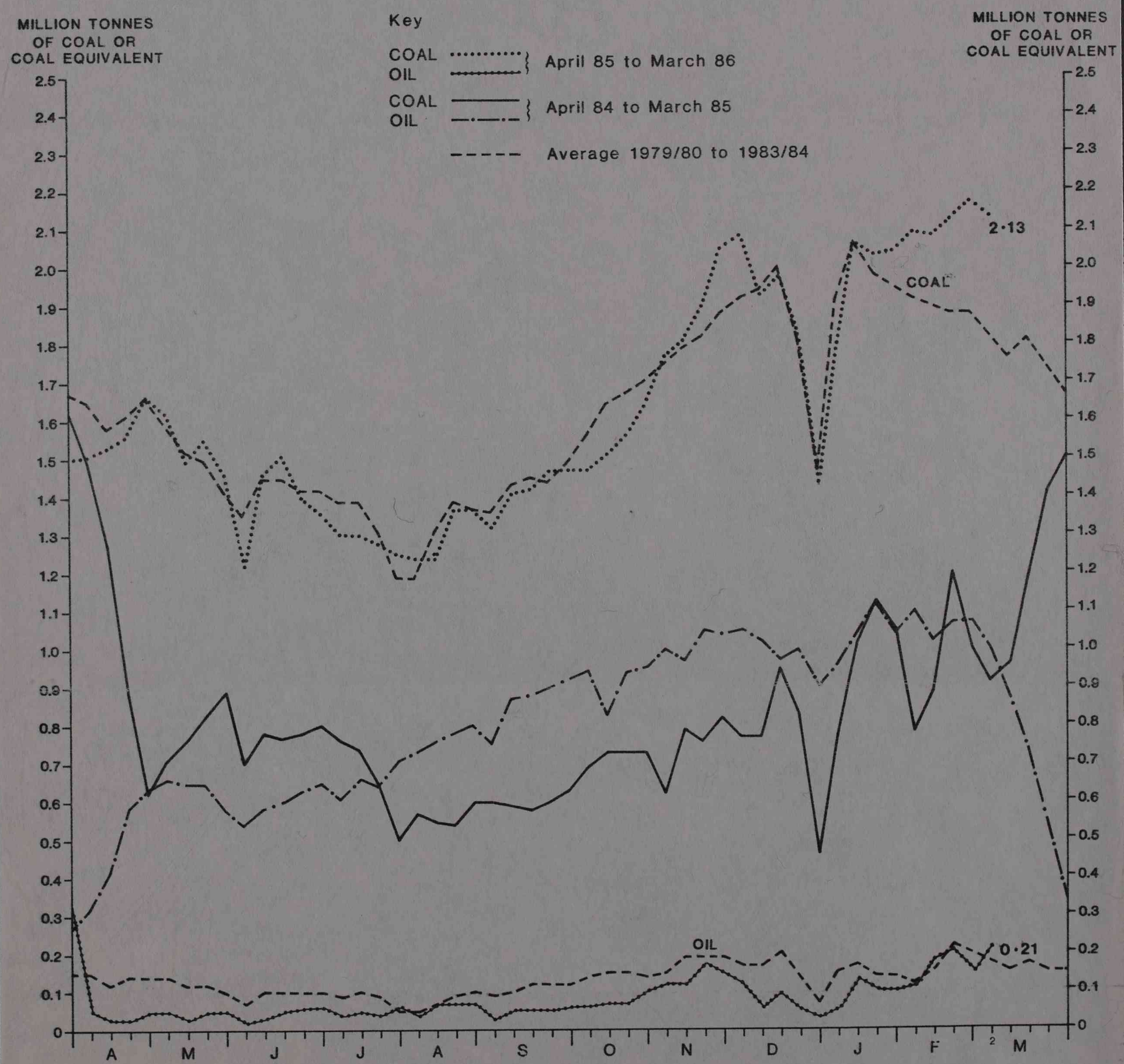
COAL CONSUMPTION AND OIL CONSUMPTION (OIL FIRED) AT PUBLIC SUPPLY POWER STATIONS IN GREAT BRITAIN



10 DOWNING STREET

Prime Minister

I'm agreed at the weekend that 27mt should remain the objective, and the CEGB say they see no difficulty in reaching it.

Discuss when you see Mr Walker and the Chancellor about electricity prices?

DRN
11/3.

Yes

24

COPY NO 1 OF 9

Prime Minister 2

DRN 10/3

PRIME MINISTER

COAL STOCKS AT CEGB POWER STATIONS

with DRN

My minute to you of 27 February reported that it was likely that we should be some 1 mt short of the planned end-March stock target of 22 mt of coal at CEGB power stations because of the recent bad weather. However, the continuation of the severe cold spell into early March has continued to affect consumption and to disrupt the coal delivery programme. In the last four weeks alone consumption, which had earlier been below forecast, increased to some 0.5 mt above forecast while at the same time the snow and freezing conditions cut back deliveries by over 1 mt. In view of this, the CEGB have advised me that their present central estimate for the end-March stock figure is some 20 mt ie a shortfall of 2 mt. Depending on the weather for the rest of the month the final figure should be within ± 0.5 mt of this.

It is not surprising, given the second worst February this century, that the position is not as good as we would have liked. However, the CEGB have confirmed that they still see no difficulty in rebuilding stocks during the summer to achieve the October target of 27 mt.

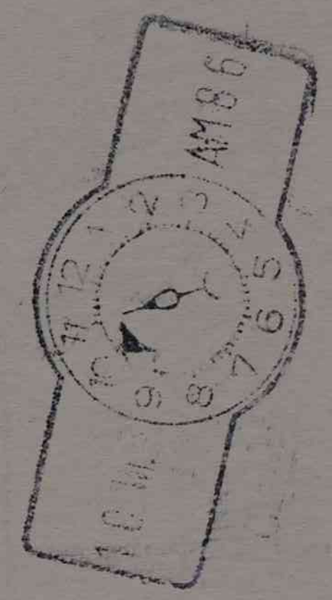
I am copying this minute to Nigel Lawson, Paul Channon, Malcolm Rifkind and Sir Robert Armstrong.

Is it worth trying oil for 4 weeks?

Secretary of State for Energy

10 March 1986

Energy - Oil Prices.



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WEEKLY COAL AND POWER STATION STATISTICS SUPPLEMENT (1)

EcS Division, Dept. of Energy, Thames House South,
Millbank, London SW1P 4QJ phone:01-211-4368

6 MARCH 1986

		Week ending.....	25.2.84	23.2.85	1.2.86	8.2.86	15.2.86	22.2.86
COAL	PRODUCTION (m.tonnes)	deep mines+	1.64	0.78	1.97	1.96	1.98	2.05
		opencast+	0.29	0.36	0.24	0.26	0.30	0.30
		TOTAL	1.93	1.15	2.21	2.22	2.28	2.35
	PRODUCTIVITY(2) (tonnes/manshift)	'overall'	2.29	2.23	3.02	2.98	3.05	3.13
		'production'	9.64	11.24	13.01	12.98	13.56	13.44
	UNDISTRIBUTED STOCKS (m.tonnes)	deep mines:						
		England	13.81	7.10	2.57	2.62	2.91	2.96
		S.Wales	2.58	2.33	2.20	2.24	2.24	2.25
		Scotland	1.57	1.44	0.78	0.77	0.81	0.78
		opencast	4.71	10.24	3.07	2.98	2.94	2.90
		TOTAL	22.67	21.11	8.62	8.62	8.90	8.89
	COAL STOCKS (m.tonnes)	S.Eastern	2.83	0.62	1.80	1.75	1.71	1.67
		S.Western	1.63	0.68	2.29	2.22	2.09	1.98
		Midland	10.11	7.00	7.26	7.19	7.05	6.98
		N.Eastern	7.68	1.63	7.57	7.48	7.29	7.22
		N.Western	2.38	1.18	1.75	1.73	1.72	1.72
		TOTAL CEGB	24.62	11.12	20.66	20.37	19.86	19.57
		Scotland	2.54	0.49	1.53	1.50	1.45	1.42
		TOTAL Gt.Britain	27.16	11.61	22.19	21.87	21.30	20.99
POWER STATIONS	COAL CONSUMPTION (m.tonnes)	S.Eastern	0.15	0.04	0.17	0.17	0.18	0.18
		S.Western	0.23	0.07	0.24	0.22	0.22	0.24
		Midlands	0.81	0.71	0.79	0.80	0.84	0.83
		N.Eastern	0.45	0.09	0.59	0.57	0.56	0.60
		N.Western	0.14	0.07	0.15	0.16	0.12	0.15
		TOTAL CEGB	1.77	0.98	1.94	1.92	1.93	2.00
		Scotland	0.13	0.02	0.16	0.16	0.19	0.17
		TOTAL Gt.Britain	1.90	1.00	2.09	2.08	2.12	2.17
	COAL RECEIPTS (m.tonnes)	CEGB	1.40	0.73	1.77	1.62	1.41	1.71
		Scotland	0.10	–	0.13	0.13	0.14	0.14
		Gt.Britain	1.50	0.73	1.90	1.75	1.56	1.85
	OIL STOCKS(3) (m.tonnes)	CEGB	1.04	0.86	0.76	0.70	0.61	0.54
		Scotland	0.17	0.18	0.15	0.15	0.14	0.14
		Gt.Britain	1.21	1.04	0.91	0.85	0.76	0.69
	OIL CONSUMPTION (3) (m.tonnes)	CEGB	0.05	0.54	0.06	0.10	0.11	0.09
		Scotland	0.03	0.10	–	–	–	–
		Gt.Britain	0.08	0.63	0.07	0.10	0.12	0.09
	OIL RECEIPTS(3) (m.tonnes)	CEGB	0.01	0.52	0.02	0.04	0.03	0.02
		Scotland	0.03	0.07	–	–	–	–
		Gt.Britain	0.04	0.58	0.02	0.04	0.03	0.02
	GAS CONSUMPTION (m.therms)	CEGB	–	7	–	–	–	–
	ELECTRICITY(4) SUPPLIED (GWh)	Nuclear	940	1,117	1,087	1,107	899	1,082
		Other Steam	4,619	4,674	5,023	5,153	5,294	5,305
		TOTAL	5,560	5,791	6,110	6,260	6,192	6,387
		TOTAL, temperature corrected	5,432	5,538	5,773	5,756	*5,452	5,726

(1) Great Britain unless otherwise stated. All latest figures are subject to revision. (2) NCB mines only. (3) Oil-fired boilers only. (4) Steam stations only. +includes licensed production.
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WEEKLY COAL AND POWER STATION STATISTICS (1)

EcS Division, Dept. of Energy, Thames House South,
Millbank, London SW1P 4QJ phone 01-211-4368

6 MARCH 1986

	Week ending.....		25.2.84	23.2.85	1.2.86	8.2.86	15.2.86	22.2.86
COAL	PRODUCTION (m.tonnes)	deep mines+	1.64	0.78	1.97	1.96	1.98	2.05
		opencast+	0.29	0.36	0.24	0.26	0.30	0.30
		TOTAL	1.93	1.15	2.21	2.22	2.28	2.35
	PRODUCTIVITY(2) (tonnes/manshift)	'overall'	2.29	2.23	3.02	2.98	3.05	3.13
		'production'	9.64	11.24	13.01	12.98	13.56	13.44
	UNDISTRIBUTED STOCKS (m.tonnes)	TOTAL	22.67	21.11	8.62	8.62	8.90	8.89
POWER STATIONS	COAL STOCKS	(m.tonnes)	27.16	11.61	22.19	21.87	21.30	20.99
	COAL CONSUMPTION	"	1.90	1.00	2.09	2.08	2.12	2.17
	COAL RECEIPTS	"	1.50	0.73	1.90	1.75	1.56	1.85
	OIL STOCKS(3)	"	1.21	1.04	0.91	0.85	0.76	0.69
	OIL CONSUMPTION(3)	"	0.08	0.63	0.07	0.10	0.12	0.09
	OIL RECEIPTS(3)	"	0.04	0.58	0.02	0.04	0.03	0.02
	ELECTRICITY SUPPLIED(4)	(GWh)						
	Nuclear	"	940	1,117	1,087	1,107	899	1,082
	Other Steam	"	4,619	4,674	5,023	5,153	5,294	5,305
	TOTAL	"	5,560	5,791	6,110	6,260	6,192	6,387
	TOTAL, temperature corrected	"	5,432	5,538	5,773	5,756	*5,452	5,726

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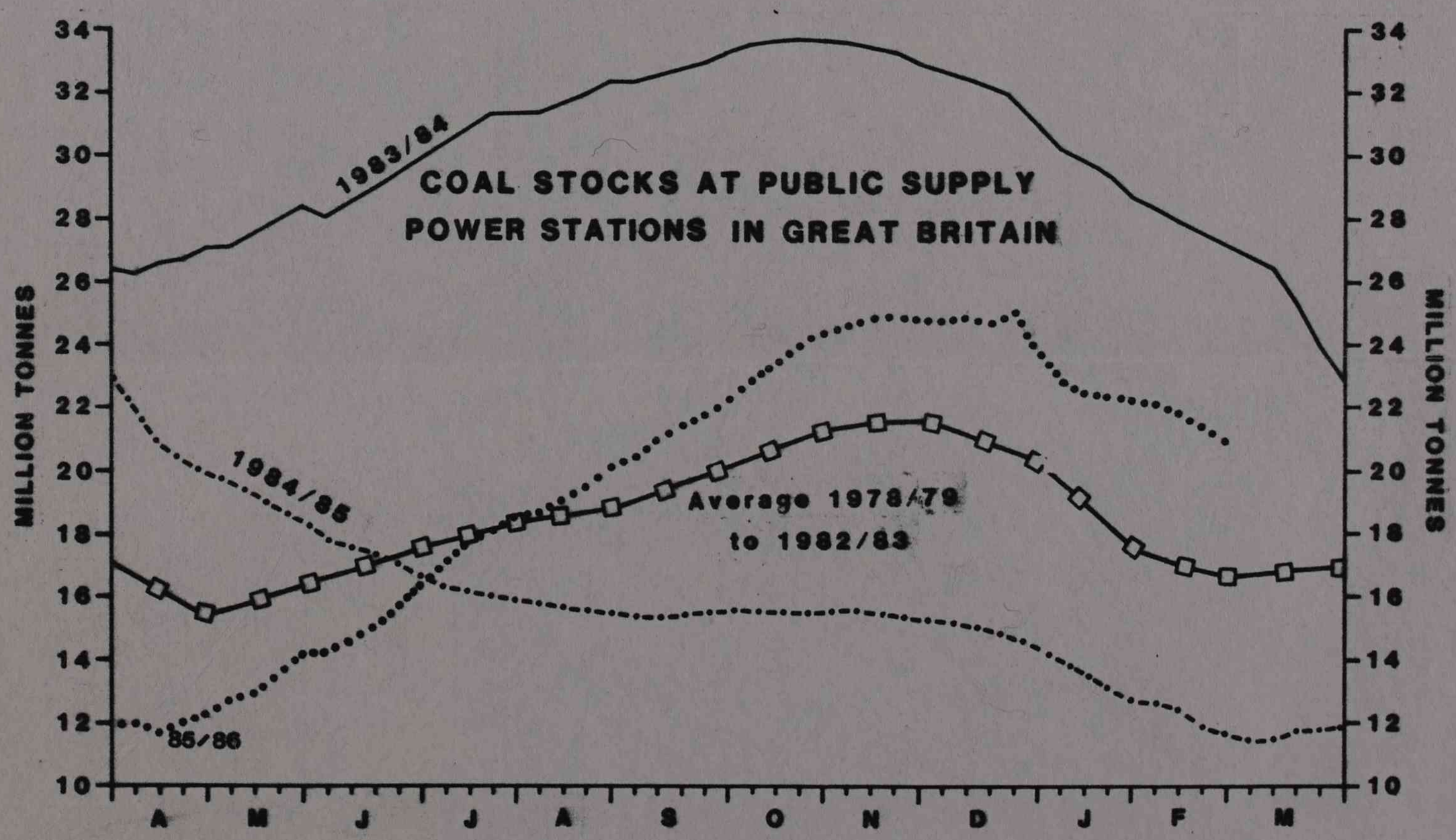

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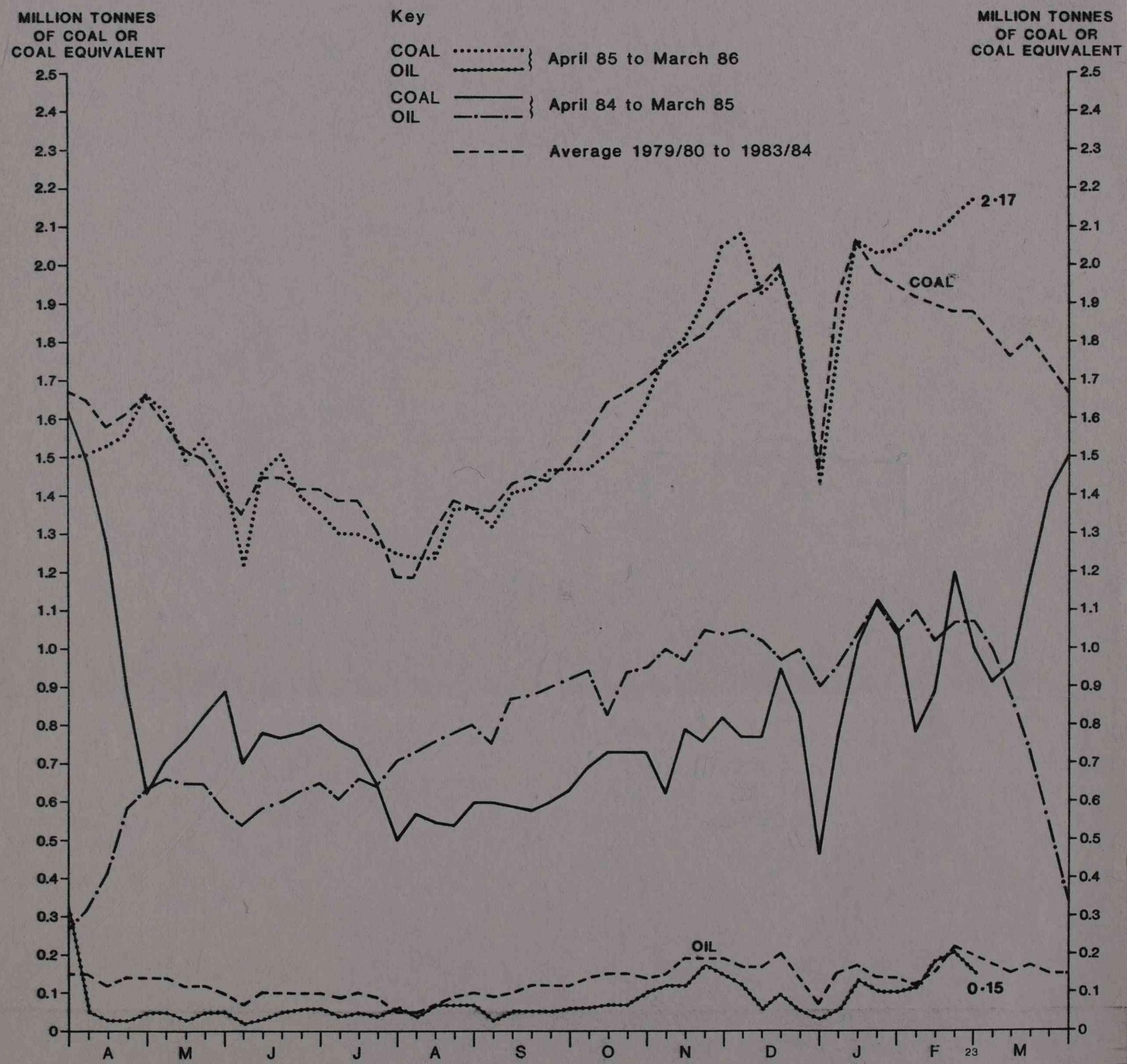
COAL CONSUMPTION AND OIL CONSUMPTION (OIL FIRED) AT PUBLIC SUPPLY POWER STATIONS IN GREAT BRITAIN



NW

MR. IAN MACGREGOR REPLIES TO 'ILL-INFORMED SPECULATION'

Book on NUM Strike Not Yet Finished

Mr. Ian MacGregor, Chairman of the National Coal Board, said today (Friday):

"There has been ill-informed speculation about the contents of the book I am writing on the coal strike.

"This appears to be based on a garbled and mis-quoted leak to a magazine on a proposed synopsis of the book - which has been further garbled in today's newspapers.

"I would like to make three points clear:

" 1. The book is not yet finished. When it is and is published, then will be the time to comment on its contents.

" 2. It will not contain an attack on the Prime Minister's leadership during that period. For example, at no stage did she lose her nerve during the NACODS' dispute.

" 3. It will not suggest that the Prime Minister planned for the coal strike to happen, merely that precautions were taken should there be an industrial dispute."

Press Office (2/60)

28 February 1986

The National Archives

DEPARTMENT/SERIES PREM 19 PIECE/ITEM 1865 (one piece/item number)	Date and sign
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Use black or blue pen to complete form.

Use the card for one piece or for each extract removed from a different place within a piece.

Enter the department and series,
eg. HO 405, J 82.

Enter the piece and item references, .
eg. 28, 1079, 84/1, 107/3

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WEEKLY COAL AND POWER STATION STATISTICS SUPPLEMENT (1)

EcS Division, Dept. of Energy, Thames House South,
Millbank, London SW1P 4QJ phone:01-211-4368

27 FEBRUARY 1986

			Week ending.....	18.2.84	16.2.85	25.1.86	1.2.86	8.2.86	15.2.86
COAL	PRODUCTION (m.tonnes)	deep mines+		1.64	0.74	2.00	1.97	1.96	1.98
		opencast+		0.30	0.30	0.28	0.24	0.26	0.30
		TOTAL		1.94	1.04	2.27	2.21	2.22	2.28
	PRODUCTIVITY(2) (tonnes/manshift)	'overall'		2.29	2.15	3.04	3.02	2.98	3.05
		'production'		9.79	10.97	13.23	13.01	12.98	13.56
	UNDISTRIBUTED STOCKS (m.tonnes)	deep mines:							
			England	14.01	6.74	2.60	2.57	2.62	2.91
			S.Wales	2.64	2.46	2.19	2.20	2.24	2.24
			Scotland	1.57	1.43	0.78	0.78	0.77	0.81
		opencast		4.75	10.12	3.19	3.07	2.98	2.94
		TOTAL		22.98	20.74	8.75	8.62	8.62	8.90
	COAL STOCKS (m.tonnes)	S.Eastern		2.86	0.63	1.82	1.80	1.75	1.71
		S.Western		1.68	0.67	2.34	2.29	2.22	2.09
		Midland		10.35	7.15	7.32	7.26	7.19	7.05
		N.Eastern		7.72	1.72	7.61	7.57	7.48	7.29
		N.Western		2.39	1.20	1.75	1.75	1.73	1.72
		TOTAL CEGB		25.00	11.37	20.83	20.66	20.37	19.86
		Scotland		2.56	0.51	1.55	1.53	1.50	1.45
		TOTAL Gt.Britain		27.56	11.87	22.39	22.19	21.87	21.30
POWER STATIONS	COAL CONSUMPTION (m.tonnes)	S.Eastern		0.14	0.07	0.17	0.17	0.17	0.18
		S.Western		0.22	0.07	0.22	0.24	0.22	0.22
		Midlands		0.81	0.79	0.79	0.79	0.80	0.84
		N.Eastern		0.48	0.14	0.56	0.59	0.57	0.56
		N.Western		0.12	0.08	0.14	0.15	0.16	0.12
		TOTAL CEGB		1.77	1.15	1.88	1.94	1.92	1.93
		Scotland		0.13	0.05	0.16	0.16	0.16	0.19
		TOTAL Gt.Britain		1.89	1.20	2.04	2.09	2.08	2.12
	COAL RECEIPTS (m.tonnes)	CEGB		1.36	0.62	1.86	1.77	1.62	1.41
		Scotland		0.10	–	0.14	0.13	0.13	0.14
		Gt.Britain		1.46	0.62	2.00	1.90	1.75	1.56
	OIL STOCKS(3) (m.tonnes)	CEGB		1.08	0.84	0.80	0.76	0.70	0.61
		Scotland		0.17	0.21	0.16	0.15	0.15	0.14
		Gt.Britain		1.25	1.05	0.95	0.91	0.85	0.76
	OIL CONSUMPTION (3) (m.tonnes)	CEGB		0.06	0.53	0.05	0.06	0.10	0.11
		Scotland		0.03	0.10	–	–	–	–
		Gt.Britain		0.09	0.63	0.06	0.07	0.10	0.12
	OIL RECEIPTS(3) (m.tonnes)	CEGB		0.01	0.48	0.01	0.02	0.04	0.03
		Scotland		0.02	0.06	–	–	–	–
		Gt.Britain		0.03	0.54	0.01	0.02	0.04	0.03
	GAS CONSUMPTION (m.therms)	CEGB		–	1	–	–	–	–
	ELECTRICITY(4) SUPPLIED (GWh)	Nuclear		934	1,113	921	1,087	1,107	899
		Other Steam		4,566	5,100	4,880	5,023	5,153	5,294
		TOTAL		5,500	6,213	5,801	6,110	6,260	6,192
		TOTAL, temperature corrected		5,285	*5370	5,921	5,773	5,756	*5381

(1) Great Britain unless otherwise stated. All latest figures are subject to revision. (2) NCB mines only. (3) Oil-fired boilers only. (4) Steam stations only. +includes licensed production.
* Abnormally large correction – this figure should be treated with caution.

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WEEKLY COAL AND POWER STATION STATISTICS (1)

EcS Division, Dept. of Energy, Thames House South,
Millbank, London SW1P 4QJ phone 01-211-4368

27 FEBRUARY 1986

	Week ending.....		18.2.84	16.2.85	25.1.86	1.2.86	8.2.86	15.2.86
COAL	PRODUCTION (m.tonnes)	deep mines+	1.64	0.74	2.00	1.97	1.96	1.98
		opencast+	0.30	0.30	0.28	0.24	0.26	0.30
		TOTAL	1.94	1.04	2.27	2.21	2.22	2.28
	PRODUCTIVITY(2) (tonnes/manshift)	'overall'	2.29	2.15	3.04	3.02	2.98	3.05
		'production'	9.79	10.97	13.23	13.01	12.98	13.56
	UNDISTRIBUTED STOCKS (m.tonnes)	TOTAL	22.98	20.74	8.75	8.62	8.62	8.90
POWER STATIONS	COAL STOCKS	(m.tonnes)	27.56	11.87	22.39	22.19	21.87	21.30
	COAL CONSUMPTION	"	1.89	1.20	2.04	2.09	2.08	2.12
	COAL RECEIPTS	"	1.46	0.62	2.00	1.90	1.75	1.56
	OIL STOCKS(3)	"	1.25	1.05	0.95	0.91	0.85	0.76
	OIL CONSUMPTION(3)	"	0.09	0.63	0.06	0.07	0.10	0.12
	OIL RECEIPTS(3)	"	0.03	0.54	0.01	0.02	0.04	0.03
	ELECTRICITY SUPPLIED(4)	(GWh)						
	Nuclear	"	934	1,113	921	1,087	1,107	899
	Other Steam	"	4,566	5,100	4,880	5,023	5,153	5,294
	TOTAL	"	5,500	6,213	5,801	6,110	6,260	6,192
	TOTAL, temperature corrected	"	5,285	*5370	5,921	5,773	5,756	*5381

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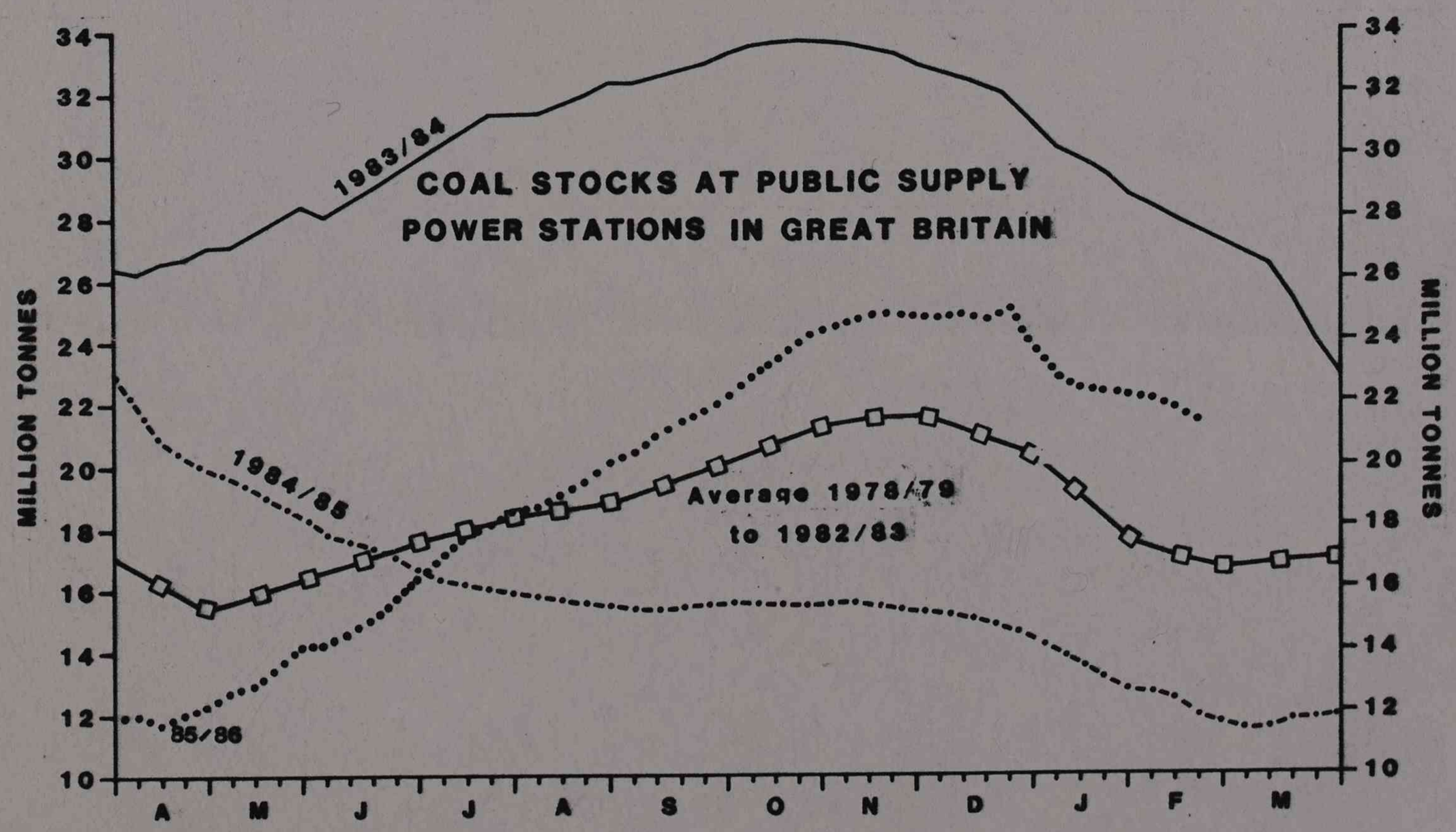

CONFIDENTIAL

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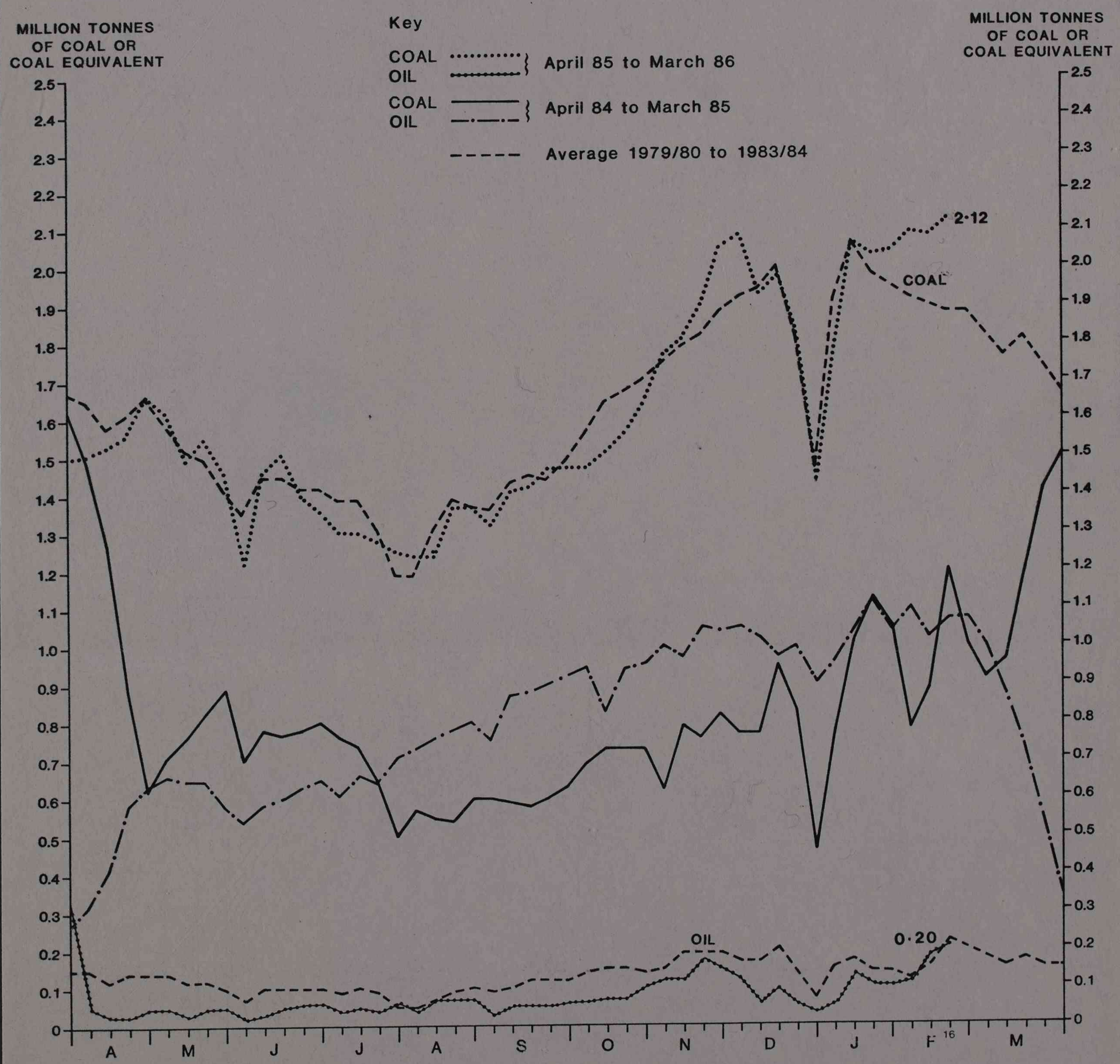

cc PG

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET
Telephone (Direct dialling) 01-215) 5422
GTN 215)
(Switchboard) 01-215 7877

Secretary of State for Trade and Industry

JU486

21 February 1986

CONFIDENTIAL

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
London
SW1P 3AG

NBPM

Dear Nigel,

Peter Walker copied to me his letter of 13 February to you about the NCB's proposal to adopt the business name "British Coal" and, subject to legislation, to change its statutory name to "British Coal Corporation".

as flop

As you know, there are limitations on the use of the word "British" in business and company names, but the present case is clearly one where I can give my formal approval without further enquiry.

I am copying this to the Prime Minister, Willie Whitelaw, Peter Walker and Sir Robert Armstrong.

Yours,

Paul

PAUL CHANNON

1786 1986 BOARD OF TRADE BICENTENARY

999-1

NAT IND

Coal PT19

WEEKLY COAL AND POWER STATION STATISTICS SUPPLEMENT (1)

EcS Division, Dept. of Energy, Thames House South,
Millbank, London SW1P 4QJ phone:01-211-4368

20 FEBRUARY 1986

	Week ending.....		11.2.84	9.2.85	18.1.86	25.1.86	1.2.86	8.2.86
COAL	PRODUCTION (m.tonnes)	deep mines+	1.68	0.80	1.99	2.00	1.97	1.96
		opencast+	0.24	0.29	0.27	0.28	0.24	0.26
		TOTAL	1.92	1.09	2.26	2.27	2.21	2.22
	PRODUCTIVITY(2) (tonnes/manshift)	'overall'	2.29	2.23	3.02	3.04	3.02	2.98
		'production'	9.88	11.45	13.11	13.23	13.01	12.98
	UNDISTRIBUTED STOCKS (m.tonnes)	deep mines:						
		England	14.23	6.72	2.68	2.67	2.57	2.62
		S.Wales	2.60	2.46	2.24	2.19	2.20	2.24
		Scotland	1.58	1.42	0.79	0.78	0.78	0.77
		opencast	4.77	10.01	3.30	3.20	3.07	2.98
		TOTAL	23.19	20.61	9.01	8.84	8.62	8.62
POWER STATIONS	COAL STOCKS (m.tonnes)	S.Eastern	2.89	0.68	1.84	1.82	1.80	1.75
		S.Western	1.73	0.68	2.38	2.34	2.29	2.22
		Midland	10.59	7.46	7.32	7.32	7.26	7.19
		N.Eastern	7.79	1.85	7.57	7.61	7.57	7.48
		N.Western	2.40	1.22	1.74	1.75	1.75	1.73
		TOTAL CEGB	25.40	11.89	20.85	20.83	20.66	20.37
		Scotland	2.59	0.55	1.57	1.55	1.53	1.50
		TOTAL Gt.Britain	27.99	12.45	22.42	22.39	22.19	21.87
	COAL CONSUMPTION (m.tonnes)	S.Eastern	0.14	0.04	0.17	0.17	0.17	0.17
		S.Western	0.21	0.05	0.23	0.22	0.24	0.22
		Midlands	0.76	0.64	0.78	0.79	0.79	0.80
		N.Eastern	0.48	0.10	0.56	0.56	0.59	0.57
		N.Western	0.13	0.06	0.14	0.14	0.15	0.16
		TOTAL CEGB	1.73	0.89	1.87	1.88	1.94	1.92
		Scotland	0.14	–	0.16	0.16	0.16	0.16
		TOTAL Gt.Britain	1.87	0.89	2.03	2.04	2.09	2.08
	COAL RECEIPTS (m.tonnes)	CEGB	1.39	0.66	1.82	1.86	1.77	1.62
		Scotland	0.10	–	0.15	0.14	0.13	0.13
		Gt.Britain	1.49	0.66	1.97	2.00	1.90	1.75
	OIL STOCKS(3) (m.tonnes)	CEGB	1.14	0.84	0.84	0.80	0.76	0.70
		Scotland	0.17	0.24	0.16	0.16	0.15	0.15
		Gt.Britain	1.31	1.08	1.00	0.95	0.91	0.85
	OIL CONSUMPTION (3) (m.tonnes)	CEGB	0.03	0.51	0.06	0.05	0.06	0.10
		Scotland	0.03	0.09	–	–	–	–
		Gt.Britain	0.06	0.60	0.06	0.06	0.07	0.10
	OIL RECEIPTS(3) (m.tonnes)	CEGB	0.03	0.47	0.05	0.01	0.02	0.04
		Scotland	0.03	0.10	–	–	–	–
		Gt.Britain	0.06	0.57	0.05	0.01	0.02	0.04
	GAS CONSUMPTION (m.therms)	CEGB	–	7	–	–	–	–
	ELECTRICITY(4) SUPPLIED (GWh)	Nuclear	926	1,140	901	921	1,087	1,107
		Other Steam	4,466	4,477	4,866	4,880	5,023	5,153
		TOTAL	5,392	5,617	5,766	5,801	6,110	6,260
		TOTAL, temperature corrected	5,504	5,617	5,859	5,921	5,773	5,756

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20 FEBRUARY 1986

	Week ending.....		11.2.84	9.2.85	18.1.86	25.1.86	1.2.86	8.2.86
COAL	PRODUCTION (m.tonnes)	deep mines+	1.68	0.80	1.99	2.00	1.97	1.96
		opencast+	0.24	0.29	0.27	0.28	0.24	0.26
	TOTAL		1.92	1.09	2.26	2.27	2.21	2.22
	PRODUCTIVITY(2) (tonnes/manshift)	'overall'	2.29	2.23	3.02	3.04	3.02	2.98
		'production'	9.88	11.45	13.11	13.23	13.01	12.98
	UNDISTRIBUTED STOCKS (m.tonnes) TOTAL		23.19	20.61	9.01	8.84	8.62	8.62
POWER STATIONS	COAL STOCKS	(m.tonnes)	27.99	12.45	22.42	22.39	22.19	21.87
	COAL CONSUMPTION	"	1.87	0.89	2.03	2.04	2.09	2.08
	COAL RECEIPTS	"	1.49	0.66	1.97	2.00	1.90	1.75
	OIL STOCKS(3)	"	1.31	1.08	1.00	0.95	0.91	0.85
	OIL CONSUMPTION(3)	"	0.06	0.60	0.06	0.06	0.07	0.10
	OIL RECEIPTS(3)	"	0.06	0.57	0.05	0.01	0.02	0.04
	ELECTRICITY SUPPLIED(4)	(GWh)						
	Nuclear	"	926	1,140	901	921	1,087	1,107
	Other Steam	"	4,466	4,477	4,866	4,880	5,023	5,153
	TOTAL	"	5,392	5,617	5,766	5,801	6,110	6,260
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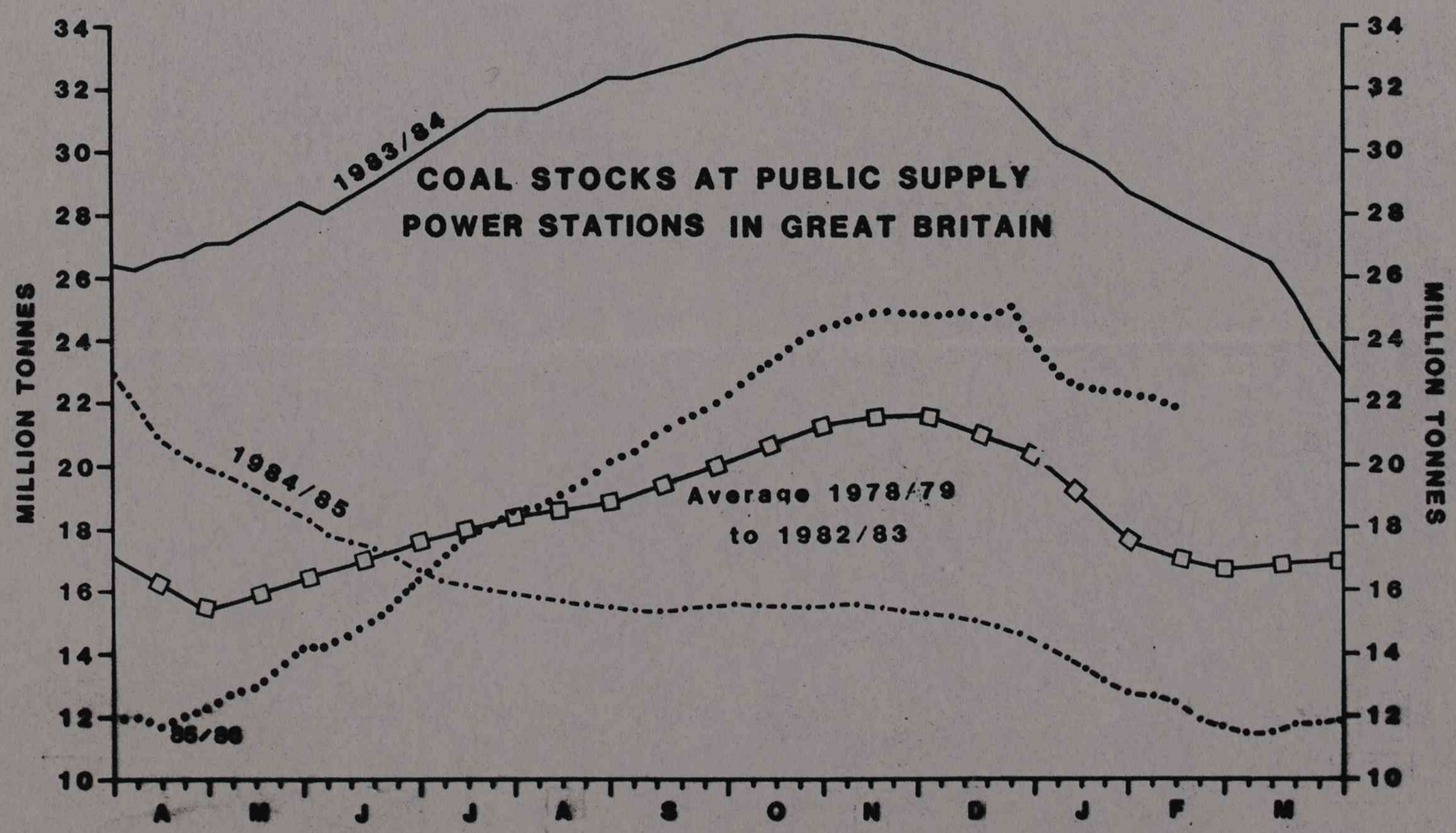

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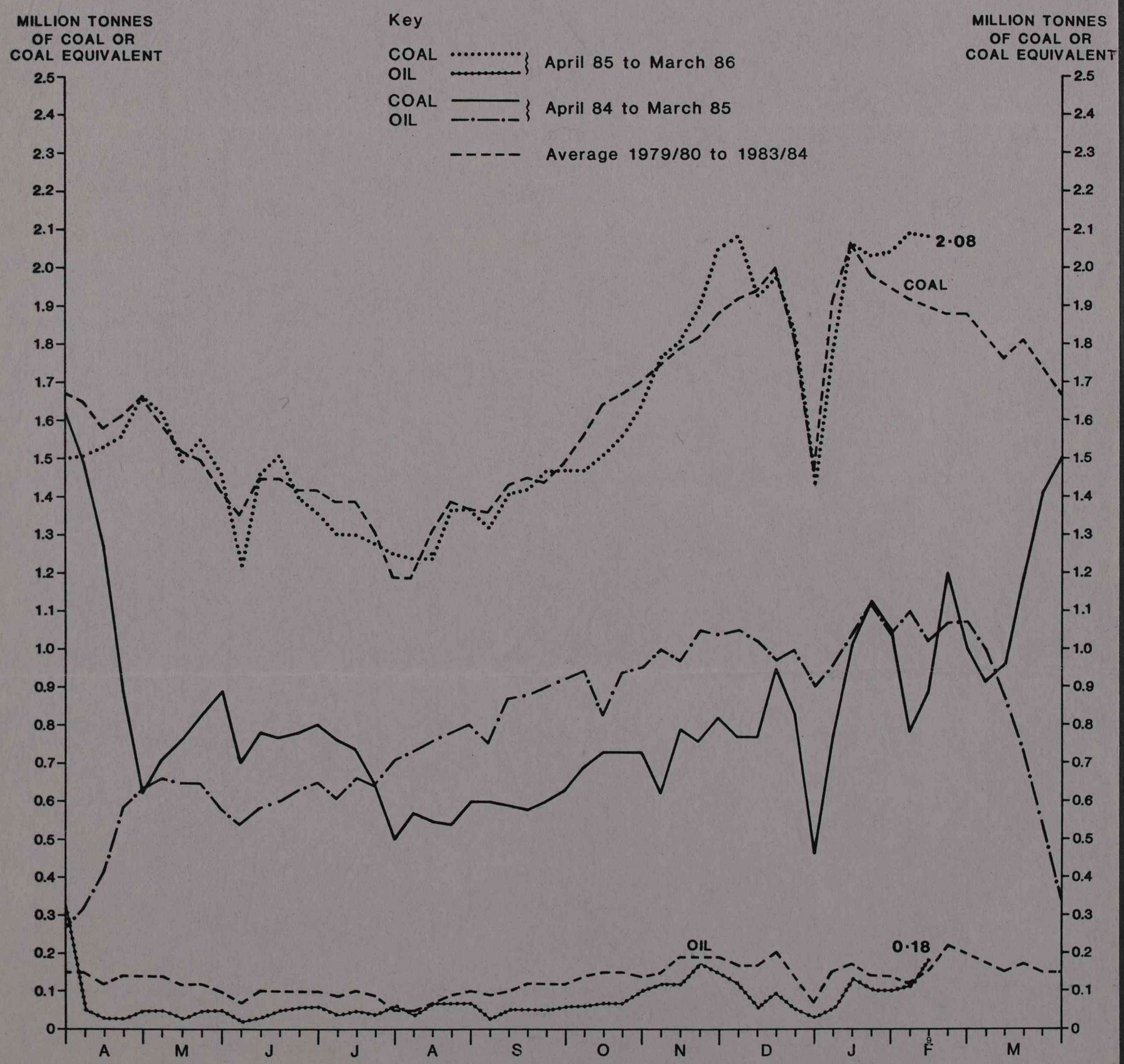
COAL CONSUMPTION AND OIL CONSUMPTION (OIL FIRED) AT PUBLIC SUPPLY POWER STATIONS IN GREAT BRITAIN



RT4.90 **CONFIDENTIAL**

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

19 February 1986

The Rt. Hon. Peter Walker MBE MP
Secretary of State for Energy

NCB'S BUSINESS NAME

Thank you for your letter of 13 February supporting Ian MacGregor's suggestion that the NCB might adopt the name "British Coal". This can clearly do no harm, and might even do some good.

I am copying this letter to the Prime Minister, Willie Whitelaw and Paul Channon, and to Sir Robert Armstrong.

NIGEL LAWSON

NAT IND : Coal : Pt 19

SECRET

MT (21)

23

file

10 DOWNING STREET

From the Private Secretary

18 February 1986

ENERGY PRICES

With the fall in oil prices the Prime Minister has asked that further consideration should be given to the objective for coal stocks: increased oil burn at the lower prices could allow a higher target for stockpiling coal. You told me that the Department of Energy have in preparation a paper on the effect of lower oil prices on the price and quantity of coal supplied by the NCB to the ESI, and that the Prime Minister's request would be covered in this. I expect that the Prime Minister will wish to hold an early discussion.

I am copying this letter to Richard Broadbent (Chief Secretary's Office).

David Norgrove

Geoff Dart Esq
Department of Energy

MT

10 DOWNING STREET

Prime Minister

The effect of lower oil prices on the NCB and CEGB this year and next is something you might like to discuss with the Chancellor at a bilateral.

DRN
14/2

I think he should write to Peter Walker. The low oil prices would give us the chance to state enough coal (do not circumvent coal) to see us through

MT: what about subsidies, mg

PRIME MINISTER 14 February 1986

ENERGY PRICES - THE NEW LANDSCAPE

The £3.5 billion pa contract, under which some 75 million tonnes pa of coal is supplied by the NCB to the CEGB, is said to be the world's largest commercial contract. Over 70% of our electricity is generated from NCB coal.

The recent decline of the oil market has transformed the landscape of fuel prices surrounding the NCB/CEGB contract. This time the upheaval has not been offset by the weakening of sterling against the dollar. With the spot market for heavy fuel oil around $85 per tonne and still falling, CEGB could already be making large savings by switching from baseload coal-burn to baseload oil-burn. Meanwhile, the Rotterdam spot price for South African steam coal has slumped to £25 per tonne - less than 60% of the price for the bulk of NCB coal.

On a narrow, short-term view, the implications for Ian MacGregor and his colleagues are cruel. CEGB has the flexibility to substitute some 28 million tonnes pa of coal (worth £1.3 billion) with heavy fuel oil. Ironically, the NCB has recently been making strenuous efforts in the right direction. Since the strike, manpower has been reduced from 171,000 to 140,000. Pit closures are proceeding apace. In December, productivity averaged 3 tonnes per man-shift - well up on the 1982/3 record of 2.4 tpms. Production has almost reached pre-strike levels, but with 20% fewer miners. Some

improvements have been spectacular; the troubled Kent pits recently doubled productivity, supposedly pulling back from the brink of closure.

Ian MacGregor recognises clearly enough the realities of the market. This week, he has stated that the NCB will have to aim for "a new benchmark" of 5 tpms, compared with the recently-attained 3 tpms. Hitherto, his colleagues have regarded the strategic objective of closing all pits not capable of producing coal for less than £38-39 per tonne as challenging enough. This is the basis for the NCB's imminent new Business Plan.

Meanwhile, the electricity industry has a statutory duty to act commercially. If oil prices look like settling at the current low levels, the CEGB face the option of switching to maximum oil-burn at a saving of a few hundred million pounds per year - and a devastating annual cost to the NCB of £1.3 billion. The NCB's recent "modest" coal price concessions, which have attracted publicity this week, may be sufficient as a short-term expedient, but no more.

Soon, the Government, the CEGB and the NCB will have to face some tough strategic decisions. They will need to take a view on whether the new landscape of energy prices is a long-term feature of the economy. I believe that it is relatively short-term. Indeed, the landscape of energy prices in the 1990s could well be the inverse of today's: with coal prices comparatively low and stable; gas prices rising steadily in

real terms, driven by increasing production costs; and oil prices - again under the thumb of a few key Middle East exporters - high and likely to remain so. In summary, the basis for this prognosis is as follows:

1. Coal

World coal reserves are 6-7 times greater than those of oil or gas. Abundant reserves of low-cost, surface-mineable coal are available for international trade. The structure of the world's coal industry precludes the prospect of an OPEC-like cartel. On current trends, particularly if spurred by international coal competition, the NCB can look forward to producing deep-mined coal at an average cost of the order of £35 per tonne.

2. Nuclear Energy

Nuclear fuel is competitive with cheap coal as the fuel for new power stations, and there is a strategic advantage in diversifying the base of the electricity industry. However, the shift towards more nuclear power would have little impact on the 1990s.

3. Natural Gas

The average cost of gas to BGC has been rising steadily in real terms, and is projected to go on rising as the contribution of the large, low-cost southern North Sea fields

declines, and is replaced by smaller and more more expensive developments.

Large cheap gas imports are not realistically in prospect. The huge Siberian gas reserves are as far away from Western Europe as those in the Middle East. The transportation costs for both are formidable; likewise, the cost of developing the next generation of large, northern North Sea gas fields - like the Troll Field in Norway.

4. Oil

Finding oil in substantial quantities is proving ever more difficult, in spite of record levels of exploration activity in recent years and considerable advances in the technology of exploration. No major new oil provinces have been discovered since the North Sea and Alaska - 15 years ago. It becomes increasingly evident that the abundance of oil around the Arabian gulf (60% of world reserves) is a unique phenomenon. In the late 1950s and early 1960s, the oil industry was discovering the equivalent of two North Sea provinces every year, the majority around the Arabian gulf. Now, three quarters of the non-Communist world's known oil reserves are located in OPEC countries - dominantly Saudi Arabia, Iraq, Iran and Kuwait.

Oil still meets over 40% of the world's energy requirements. Each year, the world is consuming the equivalent of the original North Sea oil reserves, but only

about half that quantity is being replenished. Moreover, in spite of the dominance of OPEC reserves, the rate of non-OPEC production is currently twice that of OPEC.

What is not widely appreciated is that oil production capacity is not a constant factor like, say, shipping capacity. It declines naturally as oil wells deplete. Production potential can only be sustained by continued investment and drilling. Yet here the trend is sharply downwards. The number of rigs drilling in the US is now less than 1,700, compared with a peak of 4,500 in 1981. US oil companies, which still comprise a large part of the industry, are expected to reduce their investment by 40% this year; hardly surprising, when they have been spending an average of $12 to find a barrel of new oil.

Non-OPEC production - long sustained by high oil prices - looks like declining just as oil demand begins to respond to the stimulus of low prices. The large cushion of surplus production potential which has overhung the market and eventually driven the price down could well disappear in the next few years. The key Middle East exporters will then be back in the driving seat - and it may be an uncomfortable ride for the world's oil consumers. Next time round there are unlikely to be new oil provinces like the North Sea and Alaska waiting to be developed in competition with over-priced OPEC oil.

Conclusion

Politics apart, it would be wrong to react in haste to the new landscape of energy prices. We are likely to value a healthy, competitive coal industry in the 1990s - not to mention our strong remaining oil and gas reserves. However, nursing the coal industry through the next few years will be more difficult than we had expected.

JW

JOHN WYBREW

Mr. Norgrove.

FUEL FOR ELECTRICITY

David,

We spoke. Here are one or two papers you might find helpful.

You will see that in 1983/4, CEGB used:

77 mt. coal
5 mt coal equiv of oil
13½ mt " " nuclear

You will see from Ivor Manley's note that the NCB component of 85/86 coal consumption is estimated to be 74 mt. Now first tranche price is proposed as nearly £47 per tonne (cf £44 p.t. at present). I am still finding out how this constrained CEGB's freedom is as regards the Joint Understanding with the NCB.

JMW.

TABLE 5
FUEL CONSUMED BY POWER STATIONS

		1980/81	1981/82	1982/83	1983/84	1984/85
Quantity						
1 Coal	Mt	79.68	76.97	75.34	77.21	40.49
2 Oil	Mt	4.54	4.49	3.03	2.77	22.78
3 Gas	kt	–	–	1	1	367
4 Net uranium burn-up for generation	t	663.57	667.74	830.72	817.43	853.91
Coal equivalent						
5 Coal	Mt	79.68	76.97	75.34	77.21	40.49
6 Oil	Mtce	8.17	7.85	5.30	4.76	39.90
7 Gas	Mtce	–	–	–	–	0.81
8 Nuclear fuel	Mtce	9.77	10.07	12.50	13.49	16.03
9 **Total fuel**	Mtce	97.62	94.89	93.14	95.46	97.23
Production of steam for sale						
10 Fossil fuel burnt for producing steam for sale (included in line 9)	Mtce	0.24	0.21	0.11	0.04	0.03
Calorific value of fossil fuels						
11 Average calorific value	GJ/t	23.961	24.265	23.992	23.881	29.242

TABLE 6
ELECTRICITY SUPPLIED BY POWER STATIONS: ANALYSIS BY TYPE OF PLANT

	1980/81		1981/82		1982/83		1983/84		1984/85	
	TW h	per cent	TW h	per cent	TW h	per cent	TW h	per cent	TW h	per cent
1 Coal	174.1	82.3	174.2	82.8	170.5	82.5	175.1	82.3	94.9	44.4
2 Oil	14.7	7.0	12.7	6.0	7.1	3.4	6.6	3.1	80.9	37.9
3 Gas	–	–	–	–	–	–	–	–	1.4	0.7
4 Nuclear fuel	22.7	10.7	23.4	11.1	29.1	14.1	31.3	14.7	36.9	17.3
5 Hydro (less net energy used in pumped-storage)	0.1	*	*	*	*	*	(0.3)	(0.1)	(0.5)	(0.2)
6 **Total electricity supplied**	211.6	100.0	210.3	100.0	206.7	100.0	212.7	100.0	213.7	100.0

*Less than 0.1

TABLE 7
SOURCES OF COAL DELIVERED TO POWER STATIONS: IN MILLION TONNES

	1980/81	1981/82	1982/83	1983/84	1984/85
NCB Region					
1 Scotland	–	–	–	–	–
2 North Eastern	10	9	10	8	1
3 Yorkshire	24	22	25	21	1
4 North Midlands	22	22	23	21	15
5 South Midlands	6	6	7	7	6
6 Western	10	11	11	10	6
7 South Wales	3	4	3	3	–
8 **Total NCB**	75	74	79	70	29
9 NCB licensed and other UK coals	2	3	4	3	2
10 Foreign coals	4	1	1	1	–
11 **Total**	81	78	84	74	31

THE MINERS' STRIKE

51 Throughout 1984/85 the Board's operations were affected by a shortfall of coal supplies from the National Coal Board as a result of industrial action by the National Union of Mineworkers (NUM). Deliveries of NCB coal to the CEGB were 29 million tonnes in the year, compared with 70 Mt in 1983/84. There were no deliveries of imported coal to the power stations until the last two weeks of March 1985, after the strike had ended.

52 The NUM imposed an overtime ban in support of its pay claim from midnight on 31 October 1983. On 8 March 1984 the NUM Executive endorsed the decision of the Yorkshire NUM to strike in opposition to pit closures and gave blanket endorsement to any other area which decided to strike in support. By 17 March 1984 a total stoppage of deep-mined coal production had been achieved in the Yorkshire, South Wales, North East, North Derbyshire and Kent Areas. However, support for the strike was not total elsewhere—production continued in the Midlands and Western Areas which could supply coal to power stations in the CEGB's North Western and Midlands Regions. There was a complete return to work by miners in early March 1985.

53 Power stations were picketed, but normally the number of pickets was low, and only occasionally was the free flow of deliveries impeded.

54 Selective action by some employees of the British Railways Board disrupted the free movement of coal by rail: only 36 per cent of coal was delivered by rail during the year, compared with 76 per cent in 1983/84. The CEGB compensated for the lost rail movements by the increased use of road haulage, and it took all possible steps to minimize the environmental effects of these operations.

SYSTEM MANAGEMENT

55 The Board's objective during the strike was to ensure that electricity supplies to consumers were maintained as far as possible. To meet daily requirements, coal-fired power stations were selected for operation with due regard to their available coal stocks and expected deliveries, and the operation of power stations not receiving deliveries was minimized. An important contribution was made by coal-fired power stations in the Midlands which received coal deliveries by road virtually amounting to their normal requirements.

56 The reduced output from coal-firing was offset by increased outputs from oil-firing and from gas-turbines, and by the growth in nuclear output. Valuable contributions were made by the three new AGR stations (see Paragraph 85). High outputs were achieved by the three new oil-fired stations, Grain, Ince and Littlebrook, which together supplied 38.8 TW h, and some 742 MW of reserve oil-fired plant was kept in service to provide additional capacity. The CEGB operated throughout the strike in close liaison with the two Scottish Electricity Boards.

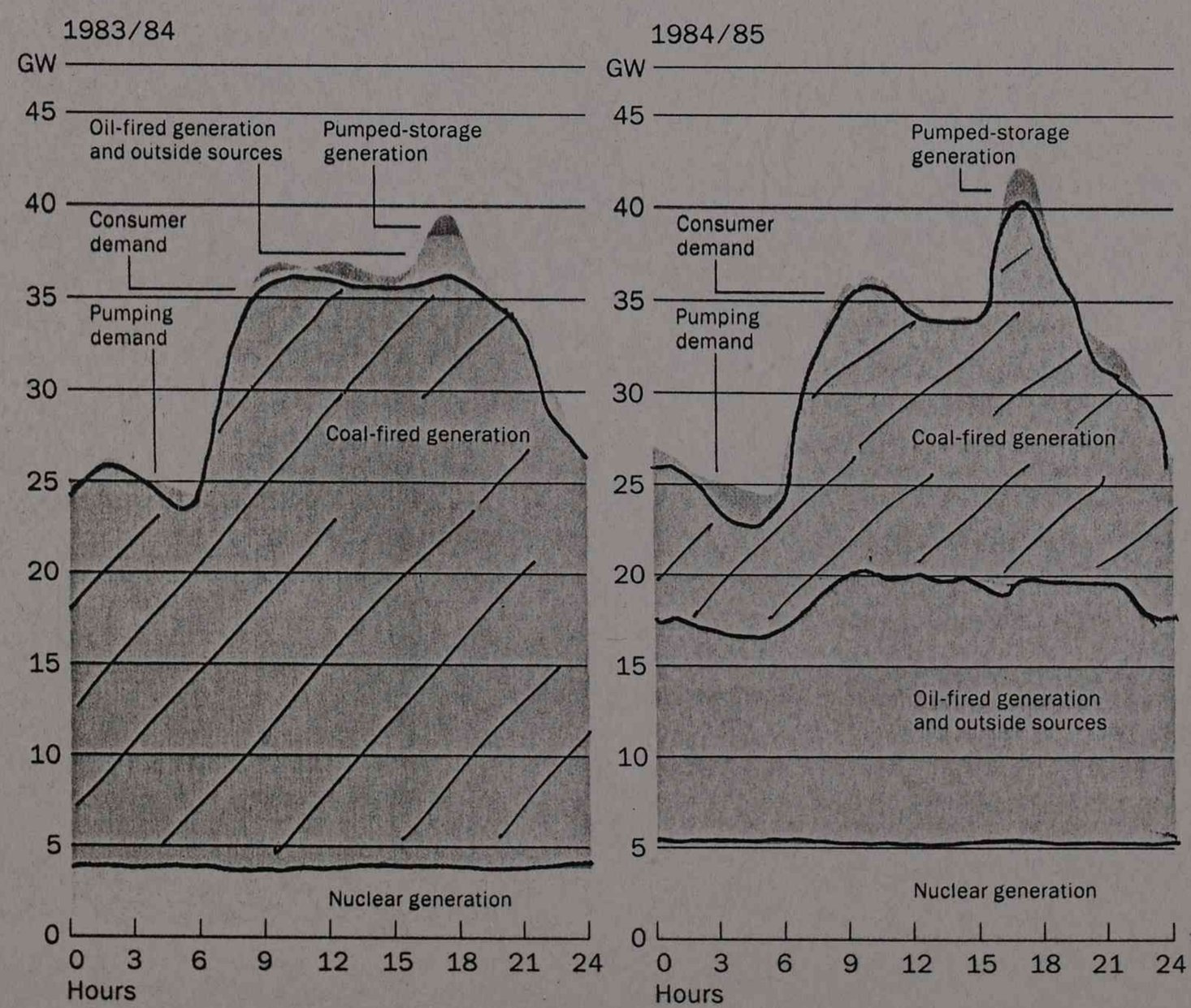


Figure 3
Plant contributions on typical winter days in 1983/84 (left) and 1984/85, illustrating the system's fuel flexibility in meeting the abnormal operating conditions caused by the miners' strike.

I. T. MANLEY CB
DEPUTY SECRETARY

DEPARTMENT OF ENERGY
THAMES HOUSE SOUTH
MILLBANK
LONDON SW1P 4QJ
01 - 211 7301 / 3220

6 February 1986

David Moore Esq
HM Treasury
Parliament Street
LONDON
SW1P 3AG

Dear David,

ELECTRICITY PRICES TO INTENSIVE USERS

1 You may, very reasonably, have been wondering what has happened to the proposals for a scheme to help large intensive users of electricity.

2 During the latter part of last year, as you will recall, the Interdepartmental Working Group considered in some detail the NCB's and the ESI's proposal for a 'Third Tranche Scheme'. Under this, a separate tranche of coal would have been made available by the NCB to the CEGB, outside the Joint Understanding, to allow electricity prices to be reduced to the largest industrial consumers. We recognised, in the Working Group, that we required detailed information from the industries on certain aspects. I have now heard that in view of the difficulties inherent in the approach then being considered, which became evident as they sought to answer our detailed questions, the industries do not now wish to pursue it.

3 However, it is still the judgement of both industries that they face severe risks of losing sales in the future if nothing is done to moderate electricity prices to intensive users. They have devised a commercial arrangement, within the Joint Understanding, which they judge would help to reduce these risks.

4 The nature of what is proposed is as follows. The CEGB's best estimate of coalburn from NCB supplies in coal year 1985-1986 is 74m tonnes. It is agreed between the CEGB and the NCB that the price for first tranche coal under the formula in the Joint Understanding is £46.88 per tonne. The range within which the second tranche price might have fallen is wide. Import prices range from a minimum of about £28 per tonne (based on spot supplies of relatively small cargoes of South African or Australian coal) to upwards of £34 a tonne

5 The Joint Understanding would formally have limited the size of the second tranche to 6.25m tonnes. On this basis, the CEGB would have insisted on a price towards the bottom end of the range. Neither Board, however, thought it right to link second tranche prices too closely to the price of small cargoes of coal from countries with currencies that are probably untypically weak at present. They have therefore agreed to set the second tranche price at £33 per tonne, but to increase the amount of coal to which it applies (9m tonnes out of the 74m). Thus, the arrangements have the effect of increasing the amount of coal made available at prices directly related to import prices.

6 Of the 9m tonnes, the NCB and the CEGB have agreed to treat 2m tonnes (relating to the second half of the coal year 1985/86) as dedicated to specific categories of intensive users of electricity. This will enable the unit rate for the largest industrial consumers (essentially those taking over 100 mkWhrs a year) to be reduced to reflect the price of second tranche coal. The ESI are satisfied that they could defend this arrangement as not involving any undue preference, to the detriment of other consumers. The arrangements would be financially neutral to the ESI. The two industries envisage that the NCB would provide coal on the basis that existing consumers of electricity who fall within the ambit of the scheme would be eligible for a three year rolling contract, with the possibility of an initial five year agreement for any new facilities. This would imply that the level of "dedicated coal" would be 4m tonnes in the full coal year 1986/87. A few other details need to be agreed, such as the possibility of aggregating a number of sites where total take would exceed 100 mkWhrs, but the basic arrangements now seem to be agreed.

7 These arrangements have been negotiated between the two industries; the NCB and ESI are prepared to defend them as being within their commercial discretion and in their commercial interests. Our view, which I hope you will share, is that these arrangements are attractive, in that they should succeed in solving some of the difficulties on prices to intensive users. They accommodate an inevitable downward pressure on coal prices, in the light of a softening coal market, but within the general terms of the Joint Understanding, and in a way which desirably extends import-related pricing.

8 Unlike the earlier proposals, we believe that these arrangements should be accepted as within the discretion of the two industries. In our view, they do not require the approval of the Government;

indeed our approval, as such, is not being sought by the ESI or the NCB. My Secretary of State intends to describe the proposals to his colleagues in that spirit, but I thought it right to describe them to you and other colleagues first, at official level.

9 If it would be helpful to have a discussion, I would be happy to arrange one. I am copying this letter to DTI, the Scottish office, the Cabinet Office and to the No. 10 Policy Unit.

Yours,

Ian Manley

I T MANLEY

003/112

cc 5G

Prime Minister 2

DRW 13/2

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Peter Walker MBE MP
Secretary of State
Department of Energy
Thames House South
London
SW1P 4QJ

13th February 1986

Dear Peter,

REDUNDANT MINEWORKERS' PAYMENT SCHEME

Thank you for your letter of 28 January at tiap. I have also seen Malcolm Rifkind's letter of 11 February.

I agree that it is vital to keep up the pressure on the coal industry to reduce capacity in line with market demand. As you know, I had hoped to end direct Government support for this strategy through the RMPS quickly, so that the industry could make its future closure plans flexibly.

However, I accept that keeping the scheme open for only the first part of 1986-87 could be counter-productive if redundancies and the necessary manpower transfers cannot be matched efficiently to the necessary closure patterns. Inevitably it is a matter of judgment how the NCB's objectives on capacity can best be achieved. I am reluctantly prepared to go along with Ian MacGregor's advice that we should do better to hold the scheme open for the whole of 1986-87.

Naturally I still retain some reservations about this course. It would be more satisfactory to judge its effectiveness in helping to achieve a more viable coal industry in the light of the NCB's corporate plan. Yet I appreciate that you need to introduce a statutory instrument to implement the new RMPS terms shortly. But in view of the uncertainties about the future of the coal industry, I think we must defer a decision on how the accumulated liabilities of RMPS and social costs are to be financed. We shall be better able to see how far they can be borne by the NCB when we evaluate the corporate plan.

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Cont PT19

I must therefore ask that your statement on ending the RMPS leaves our options open on this crucial financing point. I should accordingly be grateful if you could agree its terms with me first.

I am copying this letter to the Prime Minister, Norman Fowler, David Young, Paul Channon, Nicholas Ridley, Malcolm Rifkind, Nicholas Edwards, John Biffen and to Sir Robert Armstrong.

Yours ever,

JM

JOHN MacGREGOR

Prime Minister?

01 211 6402

13/2

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
LONDON
SW1P 3AG

13 February 1986

NCB'S BUSINESS NAME

Ian MacGregor has sought my support for the Board's proposal to adopt the business name "British Coal", a style which the Board are already using for marketing purposes.

The Board see the proposed change as helping to modernise the industry's image and as signalling a break with the past. They would like to announce their intention in late April when they announce good provisional results for 1985/86. They naturally envisage my wishing to inform Parliament, and hope that I shall also be prepared to say that the Government envisages legislation in due course to change the NCB's statutory name to "British Coal Corporation". The Board are well aware of the necessary steps towards a change of business name, including checking the Companies Register.

I see the Board's proposals for a new business name as having clear commercial and motivational attractions. A change of trading name, for which there are many precedents in the public and private sectors, is within the Board's discretion. I strongly support the proposal, and have given the Board a very sympathetic initial reaction.

Once this change goes through, it would make sense to bring the industry's trading and statutory names into line. I should be glad to know your views on this. The Board would like to see appropriate amending legislation included in this Autumn's Coal Industry Bill, although obviously we will need to be clearer on the likely shape of this autumn's Bill and any timetabling constraints, before agreeing to include such provisions.

I am copying this letter to the Prime Minister, William Whitelaw, Paul Channon and Sir Robert Armstrong.

PETER WALKER

13. II. PM 8 6

CONFIDENTIAL

DN
Sean

WEEKLY COAL AND POWER STATION STATISTICS SUPPLEMENT (1)

EcS Division, Dept. of Energy, Thames House South,
Millbank, London SW1P 4QJ phone:01-211-4368 13 FEBRUARY 1986

			Week ending.....	4.2.84	2.2.85	11.1.86	18.1.86	25.1.86	1.2.86
COAL	PRODUCTION (m.tonnes)	deep mines+		1.68	0.73	1.95	1.99	2.00	1.97
		opencast+		0.25	0.27	0.23	0.27	0.28	0.24
		TOTAL		1.92	1.01	2.18	2.26	2.27	2.20
	PRODUCTIVITY(2) (tonnes/manshift)	'overall'		2.28	2.27	2.95	3.02	3.04	3.02
		'production'		9.69	11.10	12.84	13.11	13.23	13.01
	UNDISTRIBUTED STOCKS (m.tonnes)	deep mines:	England	14.33	6.74	2.76	2.68	2.67	2.57
			S.Wales	2.61	2.46	2.20	2.24	2.19	2.20
			Scotland	1.57	1.41	0.80	0.79	0.78	0.78
		opencast		4.85	9.93	3.41	3.30	3.20	3.07
		TOTAL		23.37	20.53	9.17	9.01	8.84	8.62
	COAL STOCKS (m.tonnes)	S.Eastern		2.90	0.70	1.89	1.84	1.82	1.80
		S.Western		1.79	0.67	2.43	2.38	2.34	2.29
		Midland		10.78	7.59	7.31	7.32	7.32	7.26
		N.Eastern		7.87	1.95	7.54	7.57	7.61	7.57
		N.Western		2.41	1.21	1.73	1.74	1.75	1.75
		TOTAL CEGB		25.75	12.12	20.89	20.85	20.83	20.66
		Scotland		2.62	0.56	1.58	1.57	1.55	1.53
		TOTAL Gt.Britain		28.37	12.68	22.48	22.42	22.39	22.19
POWER STATIONS	COAL CONSUMPTION (m.tonnes)	S.Eastern		0.17	0.02	0.16	0.17	0.17	0.17
		S.Western		0.20	0.05	0.23	0.23	0.22	0.24
		Midlands		0.72	0.56	0.76	0.78	0.79	0.79
		N.Eastern		0.55	0.06	0.60	0.56	0.56	0.59
		N.Western		0.14	0.06	0.14	0.14	0.14	0.15
		TOTAL CEGB		1.77	0.76	1.88	1.87	1.88	1.94
		Scotland		0.14	0.02	0.18	0.16	0.16	0.16
		TOTAL Gt.Britain		1.91	0.78	2.06	2.03	2.04	2.09
	COAL RECEIPTS (m.tonnes)	CEGB		1.40	0.65	1.68	1.82	1.86	1.77
		Scotland		0.11	–	0.13	0.15	0.14	0.13
		Gt.Britain		1.51	0.65	1.81	1.97	2.00	1.90
	OIL STOCKS(3) (m.tonnes)	CEGB		1.14	0.84	0.84	0.84	0.80	0.76
		Scotland		0.17	0.23	0.16	0.16	0.16	0.15
		Gt.Britain		1.31	1.07	1.00	1.00	0.95	0.91
	OIL CONSUMPTION (3) (m.tonnes)	CEGB		0.03	0.55	0.07	0.06	0.05	0.06
		Scotland		0.03	0.10	–	–	–	–
		Gt.Britain		0.06	0.65	0.07	0.06	0.06	0.07
	OIL RECEIPTS(3) (m.tonnes)	CEGB		0.05	0.44	0.06	0.05	0.01	0.02
		Scotland		0.03	0.11	–	–	–	–
		Gt.Britain		0.08	0.55	0.06	0.05	0.01	0.02
	GAS CONSUMPTION (m.therms)	CEGB		–	7	–	–	–	–
	ELECTRICITY(4) SUPPLIED (GWh)	Nuclear		980	1,213	991	901	921	1,087
		Other Steam		4,504	4,348	5,006	4,866	4,880	5,023
		TOTAL		5,484	5,561	5,997	5,766	5,801	6,110
		TOTAL, temperature corrected		5,585	5,778	5,859	5,859	5,921	5,773

(1) Great Britain unless otherwise stated. All latest figures are subject to revision. (2) NCB mines only. (3) Oil-fired boilers only. (4) Steam stations only. +includes licensed production.

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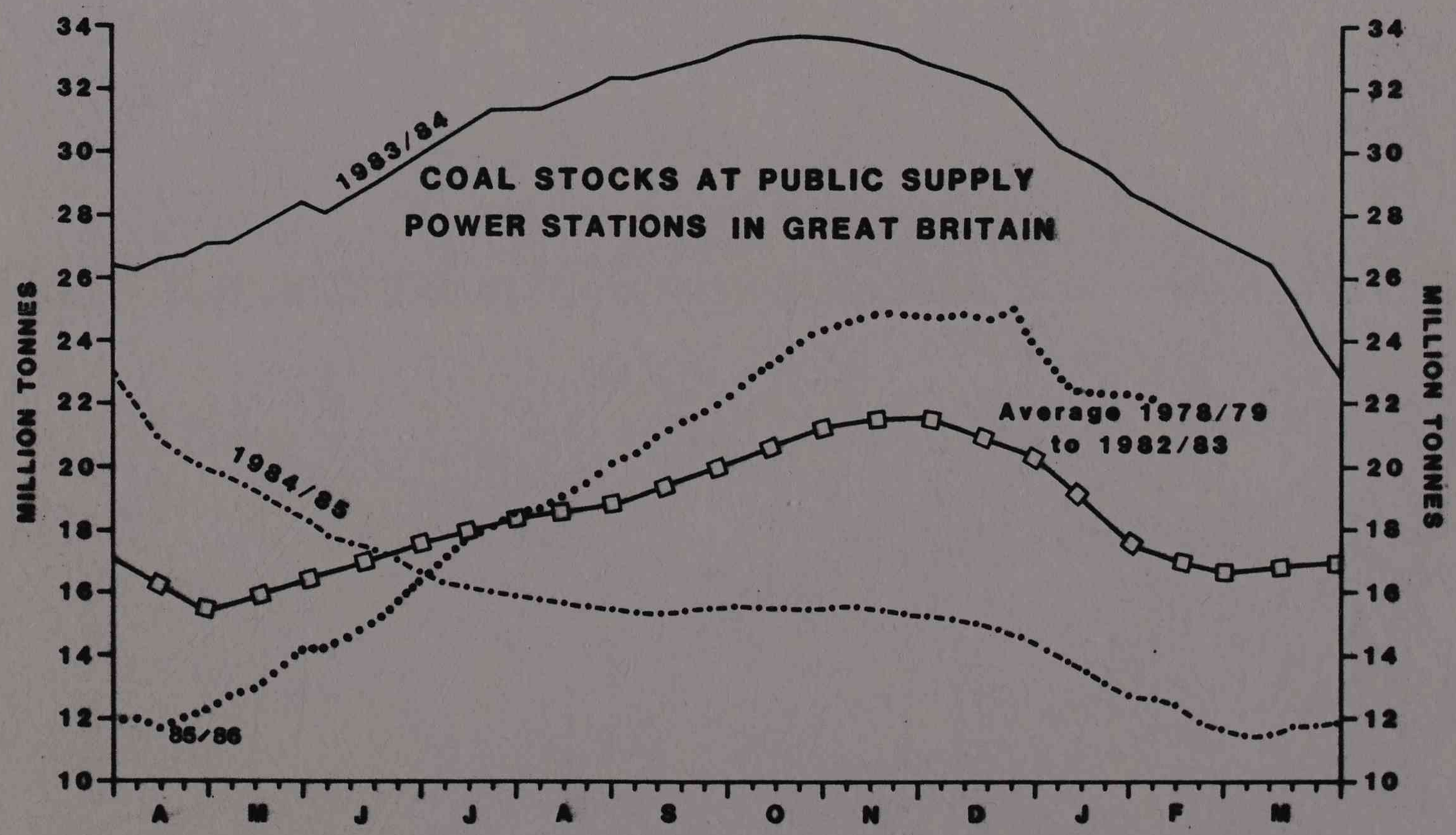
WEEKLY COAL AND POWER STATION STATISTICS (1)

EcS Division, Dept. of Energy, Thames House South,
Millbank, London SW1P 4QJ phone 01-211-4368 13 FEBRUARY 1986

	Week ending.....		4.2.84	2.2.85	11.1.86	18.1.86	25.1.86	1.2.86
COAL	PRODUCTION (m.tonnes)	deep mines+	1.68	0.73	1.95	1.99	2.00	1.97
		opencast+	0.25	0.27	0.23	0.27	0.28	0.24
		TOTAL	1.92	1.01	2.18	2.26	2.27	2.20
	PRODUCTIVITY(2) (tonnes/manshift)	'overall'	2.28	2.27	2.95	3.02	3.04	3.02
		'production'	9.69	11.10	12.84	13.11	13.23	13.01
	UNDISTRIBUTED STOCKS (m.tonnes)	TOTAL	23.37	20.53	9.17	9.01	8.84	8.62
POWER STATIONS	COAL STOCKS	(m.tonnes)	28.37	12.68	22.48	22.42	22.39	22.19
	COAL CONSUMPTION	"	1.91	0.78	2.06	2.03	2.04	2.09
	COAL RECEIPTS	"	1.51	0.65	1.81	1.97	2.00	1.90
	OIL STOCKS(3)	"	1.31	1.07	1.00	1.00	0.95	0.91
	OIL CONSUMPTION(3)	"	0.06	0.65	0.07	0.06	0.06	0.07
	OIL RECEIPTS(3)	"	0.08	0.55	0.06	0.05	0.01	0.02
	ELECTRICITY SUPPLIED(4)	(GWh)						
	Nuclear	"	980	1,213	991	901	921	1,087
	Other Steam	"	4,504	4,348	5,006	4,866	4,880	5,023
	TOTAL	"	5,484	5,561	5,997	5,766	5,801	6,110
	TOTAL, temperature corrected	"	5,585	5,778	5,859	5,859	5,921	5,773

(1) Great Britain unless otherwise stated. All latest figures are subject to revision. (2) NCB mines only. (3) Oil-fired boilers only. (4) Steam stations only. +includes licensed production.



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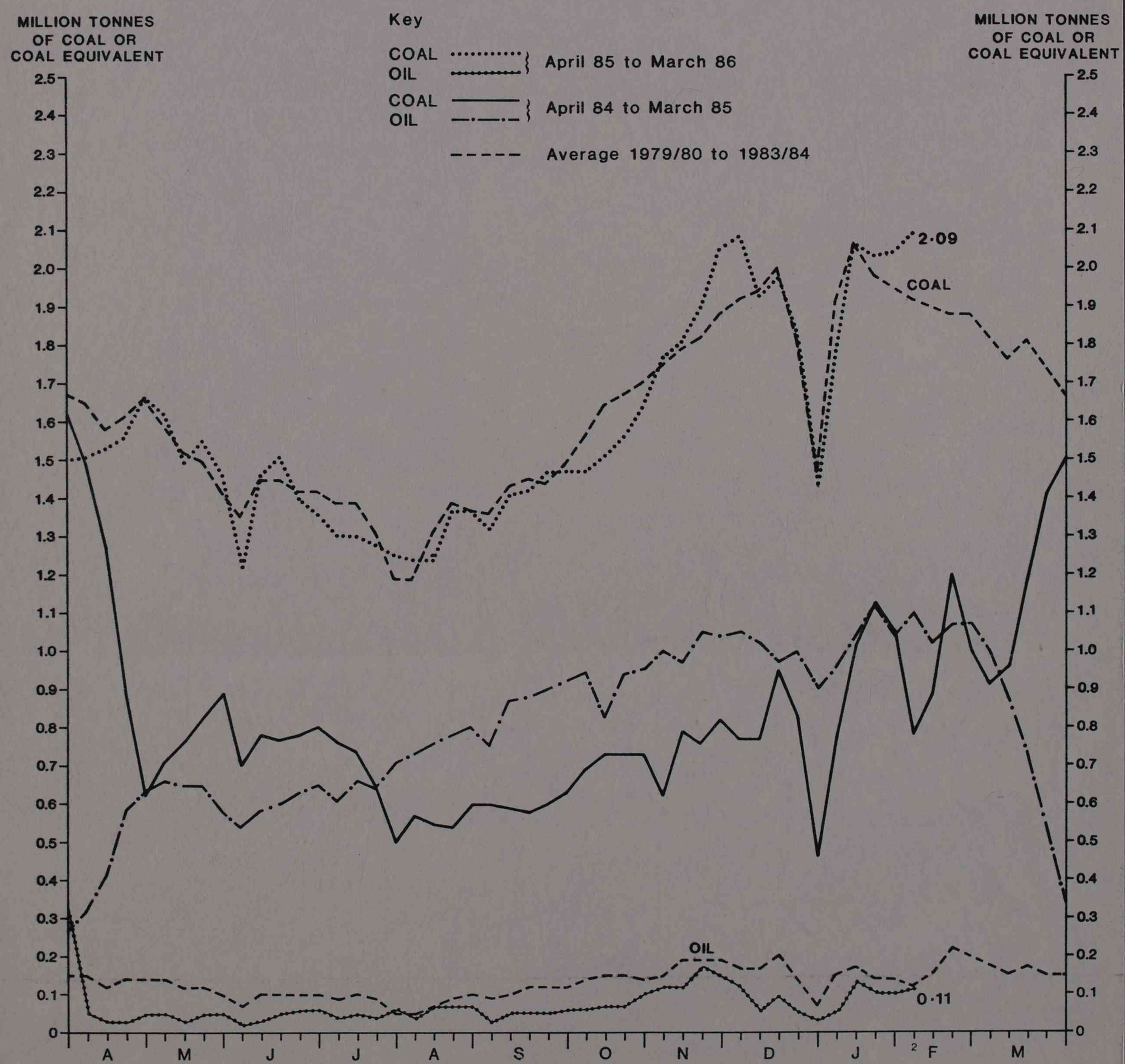
COAL CONSUMPTION AND OIL CONSUMPTION (OIL FIRED) AT PUBLIC SUPPLY POWER STATIONS IN GREAT BRITAIN



cc PG

NEW ST. ANDREW'S HOUSE
ST. JAMES CENTRE
EDINBURGH EH1 3SX

CONFIDENTIAL

The Rt Hon John MacGregor OBE MP
Chief Secretary
HM Treasury
Parliament Street
LONDON
SW1P 3AG

11 February 1986

N BPM

Dear John,

REDUNDANT MINEWORKERS' PAYMENT SCHEME

I have seen Peter Walker's letter of 28 January and write to register my support for his view of March 1987 as the more appropriate operative date for the NCB taking over the Redundant Mineworkers' Payment Scheme.

A generally more realistic and rational view is being taken by the unions of the future of the coal industry and it does not seem particularly useful to put this at risk by appearing to introduce an unduly short deadline for further closures and redundancies.

Copies of this go to the Prime Minister, Peter Walker, Norman Fowler, David Young, Paul Channon, Nicholas Ridley, Nicholas Edwards, John Biffen and Sir Robert Armstrong.

Yours ever,

Malcolm

MALCOLM RIFKIND

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Coal.

SECRET AND PERSONAL

cc BG

22

10 DOWNING STREET

From the Private Secretary

7 February 1986

Dear Susan,

SECOND REPORT ON LESSONS OF THE MINERS' STRIKE

The Prime Minister has seen your letter to Michael Stark of 5 February and has noted that the Paymaster General is considering the possibilities for further legislation on trades union ballots.

I am copying this letter to Joan MacNaughton (Lord President's Office), Rachel Lomax (HM Treasury), Stephen Boys Smith (Home Office), Geoff Dart (Department of Energy), Richard Mottram (Ministry of Defence), Robert Gordon (Scottish Office), Colin Williams (Welsh Office), Richard Allan (Department of Transport), Michael Saunders (Attorney General's office) and Michael Stark (Cabinet Office).

Yours sincerely,

David Norgrove

DAVID NORGROVE

Miss Susan Chappell,
Department of Employment.

SECRET AND PERSONAL

CONFIDENTIAL

WEEKLY COAL AND POWER STATION STATISTICS SUPPLEMENT (1)

EcS Di[illegible]ion, Dept. of Energy, Thames House South,
Millbank, London SW1P 4QJ phone:01-211-4368

6 FEBRUARY 1986

		Week ending.....	28.1.84	26.1.85	4.1.86	11.1.86	18.1.86	25.1.86
COAL	PRODUCTION (m.tonnes)	deep mines+	1.63	0.68	0.65	1.95	1.99	2.00
		opencast+	0.22	0.29	0.01	0.23	0.27	0.27
		TOTAL	1.85	0.97	0.67	2.18	2.26	2.27
	PRODUCTIVITY(2) (tonnes/manshift)	'overall'	2.26	2.07	2.14	2.95	3.02	3.04
		'production'	9.59	10.64	10.87	12.84	13.11	13.23
	UNDISTRIBUTED (m.tonnes)	deep mines:						
		England	14.39	6.84	2.73	2.76	2.68	2.67
		S.Wales	2.61	2.46	2.20	2.20	2.24	2.19
		Scotland	1.58	1.40	0.81	0.80	0.79	0.78
		opencast	4.92	9.88	3.50	3.43	3.31	3.20
		TOTAL	23.51	20.57	9.24	9.19	9.03	8.84
	COAL STOCKS (m.tonnes)	S.Eastern	2.92	0.69	1.92	1.89	1.84	1.82
		S.Western	1.84	0.66	2.49	2.43	2.38	2.34
		Midland	10.90	7.66	7.39	7.31	7.32	7.32
		N.Eastern	8.02	2.01	7.58	7.54	7.57	7.61
		N.Western	2.43	1.20	1.73	1.73	1.74	1.75
		TOTAL CEGB	26.12	12.22	21.10	20.89	20.85	20.83
		Scotland	2.66	0.58	1.63	1.58	1.57	1.55
		TOTAL Gt.Britain	28.78	12.80	22.73	22.48	22.42	22.39
POWER STATIONS	COAL CONSUMPTION (m.tonnes)	S.Eastern	0.18	0.04	0.10	0.16	0.17	0.17
		S.Western	0.20	0.07	0.18	0.23	0.23	0.22
		Midlands	0.76	0.72	0.73	0.76	0.78	0.79
		N.Eastern	0.52	0.09	0.52	0.60	0.56	0.56
		N.Western	0.13	0.08	0.13	0.14	0.14	0.14
		TOTAL CEGB	1.79	1.00	1.66	1.88	1.87	1.88
		Scotland	0.18	0.05	0.14	0.18	0.16	0.16
		TOTAL Gt.Britain	1.98	1.05	1.80	2.06	2.03	2.04
	COAL RECEIPTS (m.tonnes)	CEGB	1.24	0.66	0.59	1.68	1.82	1.86
		Scotland	0.09	-	-	0.13	0.15	0.14
		Gt.Britain	1.33	0.66	0.60	1.81	1.97	2.00
	OIL STOCKS(3) (m.tonnes)	CEGB	1.12	0.88	0.85	0.84	0.84	0.80
		Scotland	0.17	0.22	0.16	0.16	0.16	0.16
		Gt.Britain	1.29	1.11	1.01	1.00	1.00	0.95
	OIL CONSUMPTION (3) (m.tonnes)	CEGB	0.06	0.51	0.03	0.07	0.06	0.05
		Scotland	0.03	0.10	-	-	-	-
		Gt.Britain	0.09	0.61	0.03	0.07	0.06	0.06
	OIL RECEIPTS(3) (m.tonnes)	CEGB	0.03	0.39	0.11	0.06	0.05	0.01
		Scotland	0.03	0.11	-	-	-	-
		Gt.Britain	0.06	0.50	0.11	0.06	0.05	0.01
	GAS CONSUMPTION (m.therms)	CEGB	-	7	-	-	-	-
	ELECTRICITY(4) SUPPLIED (GWh)	Nuclear	882	1,170	982	991	901	921
		Other Steam	4,749	4,742	4,217	5,006	4,866	4,880
		TOTAL	5,631	5,912	5,199	5,997	5,766	5,801
		TOTAL, temperature corrected	5,372	5,667	4,852	5,776	5,793	5,908

(1) Great Britain unless otherwise stated. All latest figures are subject to revision. (2) NCB mines only. (3) Oil-fired boilers only. (4) Steam stations only. +includes licensed production.

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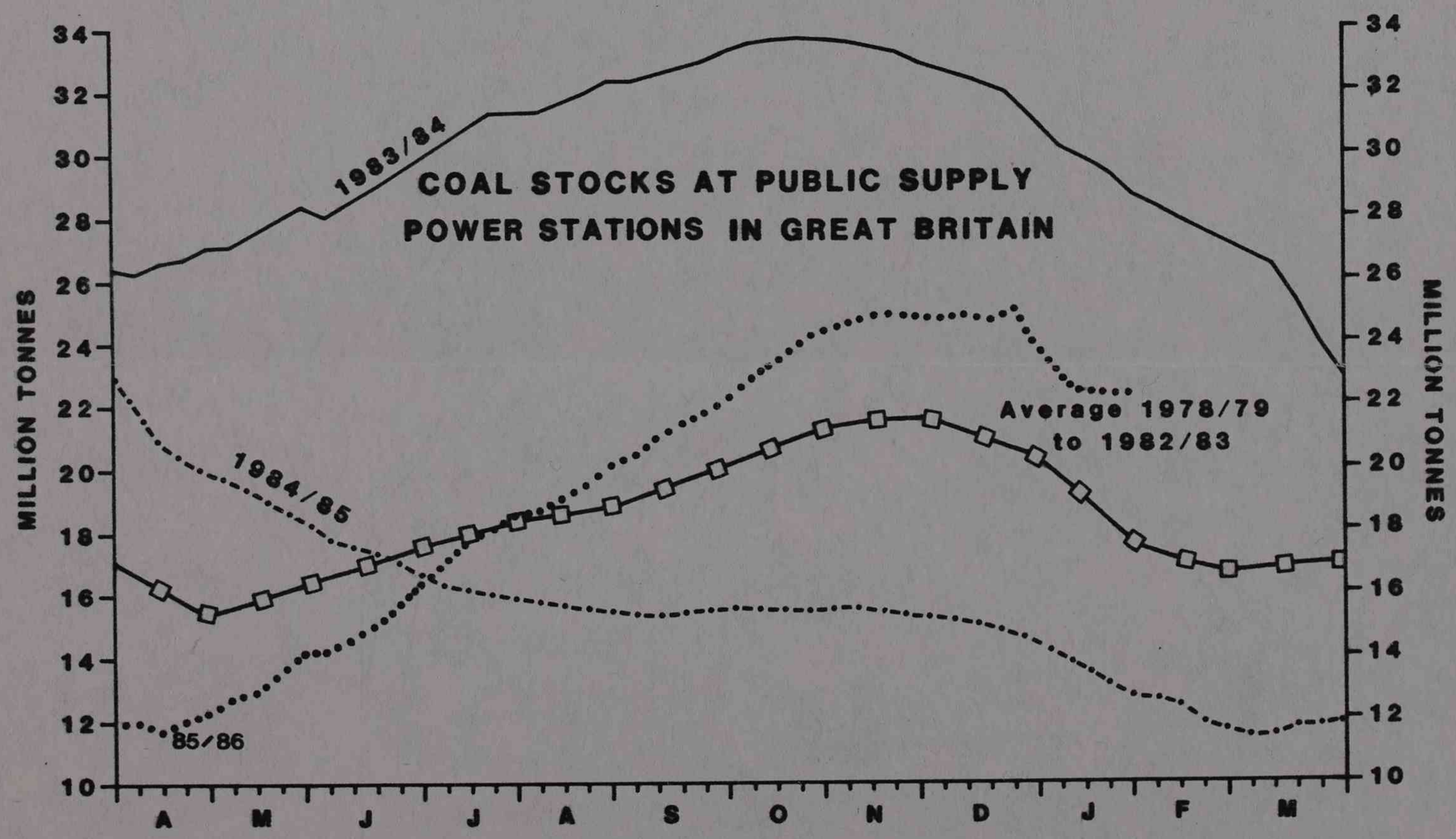
WEEKLY COAL AND POWER STATION STATISTICS (1)

EcS Division, Dept. of Energy, Thames House South,
Millbank, London SW1P 4QJ phone 01-211-4368

6 FEBRUARY 1986

	Week ending.....		28.1.84	26.1.85	4.1.86	11.1.86	18.1.86	25.1.86
COAL	PRODUCTION (m.tonnes)	deep mines+	1.63	0.68	0.65	1.95	1.99	2.00
		opencast+	0.22	0.29	0.01	0.23	0.27	0.27
		TOTAL	1.85	0.97	0.67	2.18	2.26	2.27
	PRODUCTIVITY(2) (tonnes/manshift)	'overall'	2.26	2.07	2.14	2.95	3.02	3.04
		'production'	9.59	10.64	10.87	12.84	13.11	13.23
	UNDISTRIBUTED STOCK (m.tonnes)	TOTAL	23.51	20.57	9.24	9.19	9.03	8.84
POWER STATIONS	COAL STOCKS	(m.tonnes)	28.78	12.80	22.73	22.48	22.42	22.39
	COAL CONSUMPTION	"	1.98	1.05	1.80	2.06	2.03	2.04
	COAL RECEIPTS	"	1.33	0.66	0.60	1.81	1.97	2.00
	OIL STOCKS(3)	"	1.29	1.11	1.01	1.00	1.00	0.95
	OIL CONSUMPTION(3)	"	0.09	0.61	0.03	0.07	0.06	0.06
	OIL RECEIPTS(3)	"	0.06	0.50	0.11	0.06	0.05	0.01
	ELECTRICITY SUPPLIED(4)	(GWh)						
	Nuclear	"	882	1,170	982	991	901	921
	Other Steam	"	4,749	4,742	4,217	5,006	4,866	4,880
	TOTAL	"	5,631	5,912	5,199	5,997	5,766	5,801
	TOTAL, temperature corrected	"	5,372	5,667	4,852	5,776	5,793	5,908

(1) Great Britain unless otherwise stated. All latest figures are subject to revision. (2) NCB mines only. (3) Oil-fired boilers only. (4) Steam stations only. +includes licensed production.



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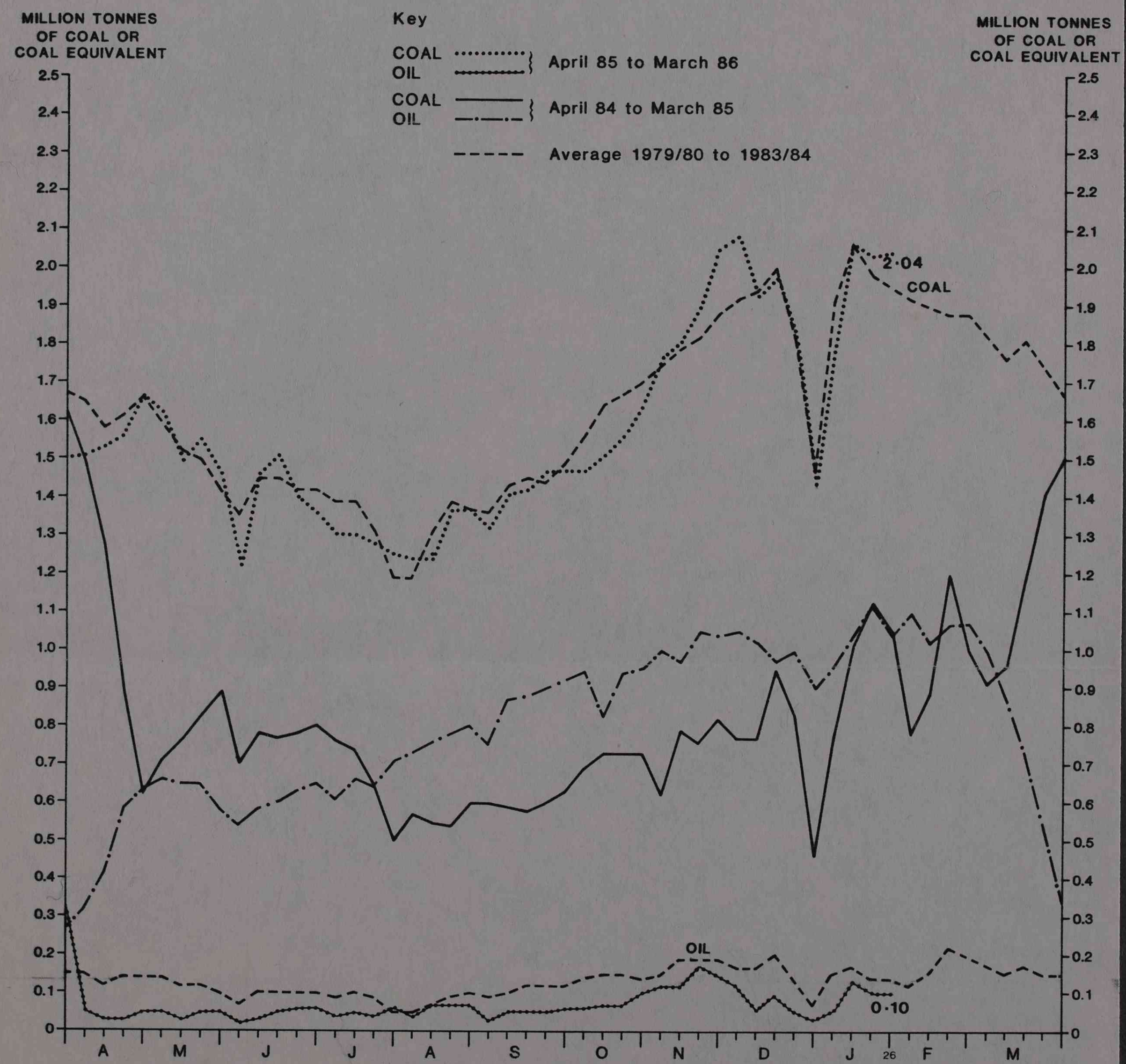
COAL CONSUMPTION AND OIL CONSUMPTION (OIL FIRED) AT PUBLIC SUPPLY POWER STATIONS IN GREAT BRITAIN



SK/7

SECRET AND PERSONAL

21

Department of Employment
Caxton House Tothill Street London SW1H 9NF
Telephone Direct Line 01-213 5949
Switchboard 01-213 3000

Prime Minister 2
DLW
6/2

Michael Stark Esq
Private Secretary to
the Secretary of the Cabinet
Cabinet Office
70 Whitehall
LONDON
SW1

5 February 1986

Dear Michael

SECOND REPORT ON LESSONS OF THE MINERS' STRIKE

The Paymaster General has now had the opportunity of considering the question of multi-issue ballots to which this report referred and on which both the Prime Minister (David Norgrove's minute of 20 December) and the Attorney General (Anthony Inglese's letter of 17 January) commented.

Changes to the strike ballot provisions in the Trade Union Act 1984 can only be effected by primary legislation and there is no appropriate Bill this Session which could provide a vehicle for pre-emptive action. The Paymaster General is however now actively considering the possibilities for further legislation in this field for the next legislative opportunity. He will carefully consider the framing of additional requirements for strike ballots.

I am copying this letter to David Norgrove (No 10), the Private Secretaries to the Lord President, the Chancellor of the Exchequer, the Home Secretary, the Secretaries of State for Energy, Defence, Scotland, Wales and Transport and the Attorney General.

Yours sincerely

Susan Chappell

SUSAN CHAPPELL

SECRET AND PERSONAL

NAT. IND: Coal: Pt 19

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cc BG.

10 DOWNING STREET

From the Private Secretary

3 February 1986

SECOND REPORT ON LESSONS OF THE MINERS' STRIKE

The Prime Minister has seen your letter to me of 29 January about the role of magistrates' courts during the miners' dispute.

The Prime Minister is glad to have the reassurances you give about magisterial capacity and courtrooms and staffing.

(David Norgrove)

William Fittall, Esq.,
Home Office

CONFIDENTIAL

6

MARK

A Mr Downey, Fed 1696, has phoned asking if we have any comments on the attached draft.

CJF

I do not keep corres. between Ministers.

Monica
31 1 86

JR 4/2

I have signed D/ER

AGREE that we would not intervene. The PM simply said that the Cabinet would do what it wanted.

MCA 31/1

NBPM at this stage
(PW's letter is
already in the box.)

MR NORGROVE 30 January 1986

REDUNDANT MINEWORKERS' PAYMENT SCHEME

In his letter of 28 January, Peter Walker seeks Treasury support for an early announcement that the Government-financed RMPS will cease at the end of the financial year 1986/7. So far, the Treasury have reserved the option to advance this termination date by 6 months. In this case, we agree with Peter Walker.

Pending more radical restructuring of the UK coal industry, we need the NCB rapidly to become a market-responsive, commercially-sound business, motivated solely by business objectives and no longer dependent on Government subsidy. Inter alia, this entails the rapid execution of a programme to close surplus uneconomic capacity and shed redundant manpower, and the phasing out of Government financial support.

But there is, at present, a potential conflict between these two objectives. It would be counter-productive to constrain the closure/manpower reduction programme by prematurely terminating the RMPS - particularly now that NCB management appear to accept the business logic of terminating RMPS from March 1987. We should not overlook the psychological impact of Peter Walker's proposed announcement on mineworkers contemplating voluntary redundancy. It is important that the NCB should derive maximum benefit from the momentum behind the closure programme and the surge of voluntary redundancies which is likely to precede the termination of RMPS.

JOHN WYBREW

OLD

DN seen

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WEEKLY COAL AND POWER STATION STATISTICS SUPPLEMENT (1)

EcS Division, Dept. of Energy, Thames House South,
Millbank, London SW1P 4QJ phone:01-211-4368

30 JANUARY 1986

	Week ending.....		21.1.84	19.1.85	28.12.85	4.1.86	11.1.86	18.1.8
COAL	PRODUCTION (m.tonnes)	deep mines+	1.72	0.65	0.22	0.65	1.95	1.99
		opencast+	0.30	0.28	0.01	0.01	0.23	0.27
		TOTAL	2.02	0.93	0.23	0.67	2.18	2.26
	PRODUCTIVITY(2) (tonnes/manshift)	'overall'	2.28	2.10	1.57	2.14	2.95	3.02
		'production'	9.82	10.37	8.66	10.87	12.84	13.11
	UNDISTRIBUTED (m.tonnes)	deep mines: England	14.34	6.85	2.75	2.73	2.76	2.68
		S.Wales	2.67	2.46	2.14	2.20	2.20	2.24
		Scotland	1.59	1.39	0.81	0.81	0.80	0.79
		opencast	4.98	9.81	3.52	3.50	3.43	3.31
		TOTAL	23.58	20.51	9.21	9.24	9.19	9.03
	COAL STOCKS (m.tonnes)	S.Eastern	2.98	0.71	1.91	1.92	1.89	1.84
		S.Western	1.88	0.69	2.59	2.49	2.43	2.38
		Midland	11.14	7.85	7.92	7.39	7.31	7.32
		N.Eastern	8.22	2.10	7.96	7.58	7.54	7.57
		N.Western	2.45	1.21	1.80	1.73	1.73	1.74
		TOTAL CEGB	26.67	12.55	22.18	21.10	20.89	20.85
		Scotland	2.75	0.63	1.76	1.63	1.58	1.57
		TOTAL Gt.Britain	29.42	13.18	23.94	22.73	22.48	22.42
POWER STATIONS	COAL CONSUMPTION (m.tonnes)	S.Eastern	0.17	0.04	0.03	0.10	0.16	0.17
		S.Western	0.21	0.06	0.12	0.18	0.23	0.23
		Midlands	0.82	0.76	0.64	0.73	0.76	0.78
		N.Eastern	0.48	0.14	0.44	0.52	0.60	0.56
		N.Western	0.15	0.08	0.12	0.13	0.14	0.14
		TOTAL CEGB	1.84	1.09	1.35	1.66	1.88	1.87
		Scotland	0.17	0.04	0.08	0.14	0.18	0.16
		TOTAL Gt.Britain	2.01	1.13	1.43	1.80	2.06	2.03
	COAL RECEIPTS (m.tonnes)	CEGB	1.42	0.61	0.36	0.59	1.68	1.82
		Scotland	0.11	-	0.08	-	0.13	0.15
		Gt.Britain	1.53	0.61	0.44	0.60	1.81	1.97
	OIL STOCKS(3) (m.tonnes)	CEGB	1.14	0.94	0.77	0.85	0.84	0.84
		Scotland	0.17	0.21	0.16	0.16	0.16	0.16
		Gt.Britain	1.32	1.15	0.93	1.01	1.00	1.00
	OIL CONSUMPTION (3) (m.tonnes)	CEGB	0.05	0.56	0.02	0.03	0.07	0.06
		Scotland	0.03	0.10	-	-	-	-
		Gt.Britain	0.08	0.66	0.02	0.03	0.07	0.06
	OIL RECEIPTS(3) (m.tonnes)	CEGB	0.02	0.43	0.06	0.11	0.06	0.05
		Scotland	0.03	0.12	-	-	-	-
		Gt.Britain	0.05	0.55	0.06	0.11	0.06	0.05
	GAS CONSUMPTION (m.therms)	CEGB	-	3	-	-	-	-
	ELECTRICITY(4) SUPPLIED (GWh)	Nuclear	835	1,146	1,027	982	991	901
		Other Steam	4,854	4,930	3,189	4,217	5,006	4,866
		TOTAL	5,689	6,076	4,216	5,199	5,997	5,766
		TOTAL, temperature corrected	5,362	5,294	4,100	4,852	5,776	5,793

(1) Great Britain unless otherwise stated. All latest figures are subject to revision. (2) NCB mines only. (3) Oil-fired boilers only. (4) Steam stations only. +includes licensed production.

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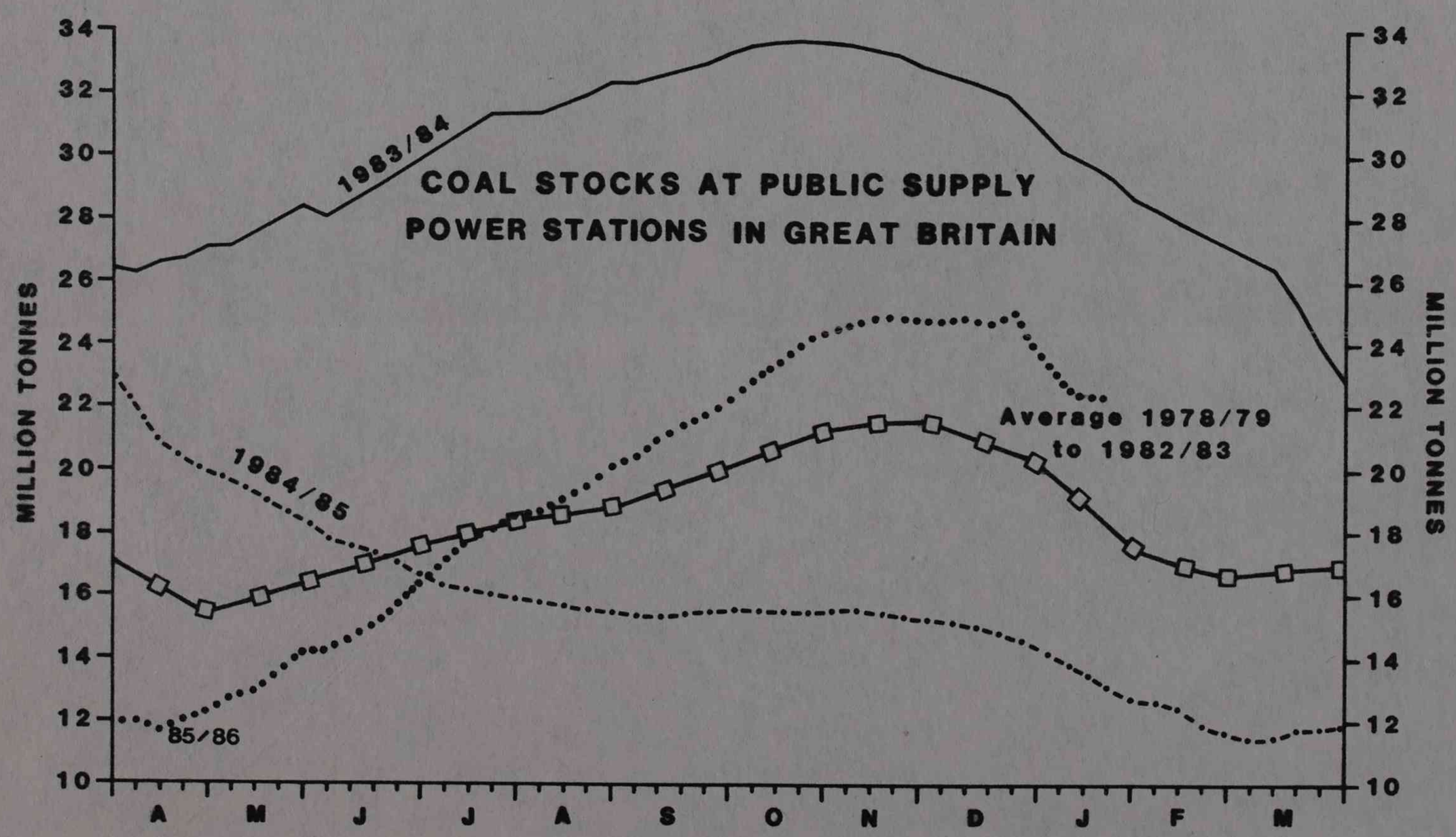
WEEKLY COAL AND POWER STATION STATISTICS (1)

EcS Division, Dept. of Energy, Thames House South,
Millbank, London SW1P 4QJ phone 01-211-4368

30 JANUARY 1986

	Week ending.....		21.1.84	19.1.85	28.12.85	4.1.86	11.1.86	18.1.86
COAL	PRODUCTION (m.tonnes)	deep mines+	1.72	0.65	0.22	0.65	1.95	1.99
		opencast+	0.30	0.28	0.01	0.01	0.23	0.27
	TOTAL		2.02	0.93	0.23	0.67	2.18	2.26
	PRODUCTIVITY(2) (tonnes/manshift)	'overall'	2.28	2.10	1.57	2.14	2.95	3.02
		'production'	9.82	10.37	8.66	10.87	12.84	13.11
	UNDISTRIBUTED STOCK (m.tonnes) TOTAL		23.58	20.51	9.21	9.24	9.19	9.03
POWER STATIONS	COAL STOCKS	(m.tonnes)	29.42	13.18	23.94	22.73	22.48	22.42
	COAL CONSUMPTION	"	2.01	1.13	1.43	1.80	2.06	2.03
	COAL RECEIPTS	"	1.53	0.61	0.44	0.60	1.81	1.97
	OIL STOCKS(3)	"	1.32	1.15	0.93	1.01	1.00	1.00
	OIL CONSUMPTION(3)	"	0.08	0.66	0.02	0.03	0.07	0.06
	OIL RECEIPTS(3)	"	0.05	0.55	0.06	0.11	0.06	0.05
	ELECTRICITY SUPPLIED(4)	(GWh)						
	Nuclear	"	835	1,146	1,027	982	991	901
	Other Steam	"	4,854	4,930	3,189	4,217	5,006	4,866
	TOTAL	"	5,689	6,076	4,216	5,199	5,997	5,766
	TOTAL, temperature corrected	"	5,362	5,294	4,100	4,852	5,776	5,793

(1) Great Britain unless otherwise stated. All latest figures are subject to revision. (2) NCB mines only. (3) Oil-fired boilers only. (4) Steam stations only. +includes licensed production.



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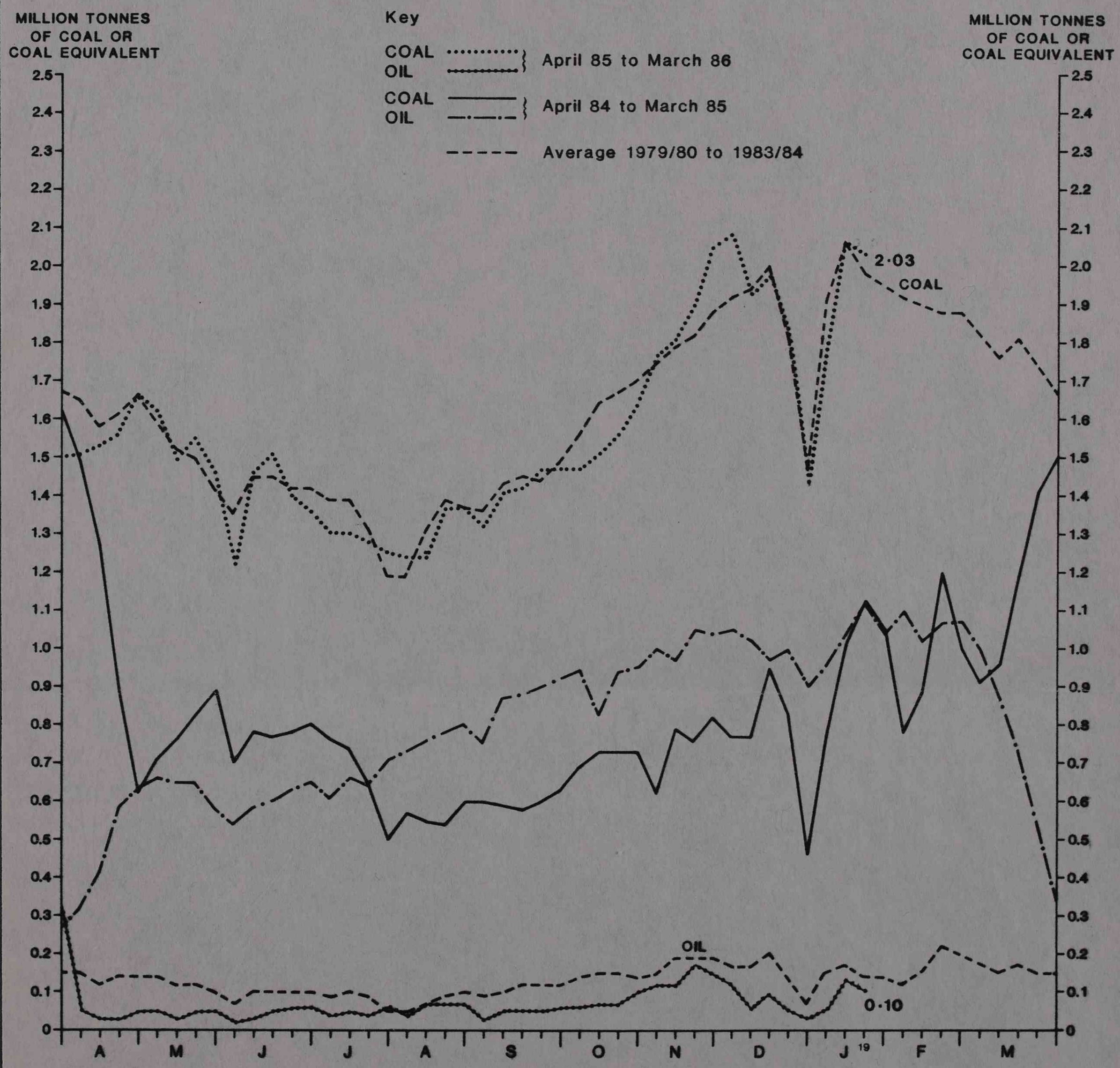
COAL CONSUMPTION AND OIL CONSUMPTION (OIL FIRED) AT PUBLIC SUPPLY POWER STATIONS IN GREAT BRITAIN



DEPARTMENT OF ENERGY
THAMES HOUSE SOUTH
MILLBANK
LONDON SW1P 4QJ

Direct Line 01-211 3932
Switchboard 01-211 3000

PARLIAMENTARY UNDER
SECRETARY OF STATE

The Hon William Waldegrave MP
Minister of State for the
Environment
Department of the Environment
2 Marsham Street
LONDON
SW1P 3EB

29th January 1986

Dear William

THE OAKTHORPE FIRE

Thank you for your letter of 29 January covering a draft reply which you intend to send to the Leicestershire County Council. I am grateful that you are replying to the points of concern to the local authorities and I have no objections to your writing in the terms which you suggest.

I am copying this letter to the Prime Minister and to John MacGregor, as you did yours.

Yours ever

DAVID HUNT

David

GR

Ecclestone?

MCA 30/1

Tim Flesher

You'll want to see the Waldegrave letter, attached.

MCA 30/1

From: THE PRIVATE SECRETARY

HOME OFFICE
QUEEN ANNE'S GATE
LONDON SWIH 9AT

29 January 1986

Prime Minister

Agree to welcome these reassurances?

Yes

DRN
30/1

Dear David

SECOND REPORT ON LESSONS OF THE MINERS' STRIKE

Thank you for sending me a copy of your letter of 20 December to Geoff Dart. I am writing in accordance with the Home Secretary's recorded undertaking to pursue questions regarding the role of magistrates' courts in the dispute.

Your first reference is to "difficulties caused by local magistrates who were members of the NUM". We have consulted the Lord Chancellor's Department on the point since the Lord Chancellor is responsible for the appointment of magistrates and connected matters. It would have been in line with settled practice, under which magistrates do not sit in cases in which they have or might appear to have an interest, for magistrates who were members of the NUM to have stepped down from adjudicating in cases arising from the miners' strike. We have no reason to believe that this did not happen, and neither we nor the Lord Chancellor's Department are aware of any allegations of impropriety against magistrates with NUM connections. A related question is whether the withdrawal of such magistrates from mining dispute cases adversely affected the ability of courts to cope with the cases coming before them. Our information is that it did not to any degree. Nottinghamshire clerks to justices, for instance, told us at the height of the dispute that they had enough magistrates, discounting a fair number disqualified through mining connections, to deal with the bulk of cases. Where courts called upon the services of stipendiaries it was mainly to deal with multiple committals, lasting several days, for which lay justices would always have difficulty in sparing time.

We do not, therefore, see lack of magisterial capacity as among the main factors affecting the speed with which magistrates' courts dealt with dispute cases. Some of these factors lay outside the courts' power to control: e.g. delay of prosecution and defence in preparing for trial; a higher proportion than normal of not guilty pleas and of defendants not accepting summary trial in either way cases; and difficulties in securing the attendance of police witnesses, in particular where they came from forces outside the area where prosecutions were brought.

Your second point concerned difficulties over courtrooms and staffing. Some local difficulties were encountered in the early part of the dispute. They were overcome by taking temporary courtrooms into use, and by instituting co-operative arrangements among courts - including the loan of staff - in order to relieve those which were the most hard-pressed. In the light of that experience, the Justices' Clerks' Society

I issued confidential guidance to its members on the kind of arrangements that should be made when special court sittings are required to deal with a large number of arrested persons. Copies of the confidential guidance have been made available to the Magistrates' Association for information. The guidance is comprehensive, and emphasises the need for a written contingency plan, based on consultation with the interested parties and tailored to take account of the availability of local resources. The guidance is for the confidential use of members of the Society and is not to be given wider circulation. But copies have been made available to the Home Office, and we are satisfied that the need for contingency planning in the light of experience has been fully considered by those responsible.

Yours sincerely

W R FITTALL

D Norgrove, Esq.

Minister of State for the Environment,
Countryside and Local Government

Department of the Environment
2 Marsham Street London SW1P 3EB
Telephone 01-212 3434

PPS – TF Lankester

29 January 1986

F30/1

Dear David,

UNDERGROUND FIRE AT OAKTHORPE, LEICESTERSHIRE

Thank you for your letter of 16 January with which you enclosed copies of your correspondence with Mr Jones of Leicestershire County Council. You asked me to write direct to the Council on matters of local authority finance.

My officials have now looked at whether we might assist in this case and have kept in close touch with yours. It may be possible with the approval of Treasury colleagues, to treat the fire as an emergency. In this case, there is an agreed formula under which we can grant-aid emergency related expenditure over a certain threshold. We should, however, first need to decide that the fire does constitute an emergency and then establish that the threshold has been reached. To do that, we need considerably more information on the extent of the problem and likely expenditure.

As you say, there is a question of liability here which must, ultimately, be for the courts to decide. It is arguable, that this is a route that should be taken before the Government considers stepping in with special assistance. In addition, there is an issue over the extent to which private insurance covers damage caused to buildings in this situation and it would certainly be right for that possibility to be full explored before we decide whether we can assist.

I therefore propose to write to Leicestershire County Council in terms of the attached draft (which your officials have seen). I think we must establish the facts more fully before we can make a judgement about this. I thought you might like to see this before it goes.

In view of her exchange with David Ashby MP in the House on 16 January, I am copying this to the Prime Minister in case she has comments. A copy also goes to John MacGregor, as advance warning of a possible emergency.

cols 1207

Yours

WILLIAM WALDEGRAVE

David Hunt Esq MBE MP

3
CC BG
CB1

Prime Minister 2

DRN
29/1

01 211 6402

The Rt Hon John MacGregor OBE MP
Chief Secretary
H M Treasury
Parliament Street
London
SW1P 3AG

28 January 1986

REDUNDANT MINEWORKERS' PAYMENT SCHEME

When we last discussed the above you and I agreed that at a future date it would be correct for the National Coal Board to take on the financial responsibility for the redundancy terms paid to mineworkers. As you know a major readjustment of the industry is successfully taking place. More than 30 pits have either been closed or are going through closure procedures and by the end of the current financial year, if the present progress continues, we will be well on the way to achieving the major adjustment of the industry that is necessary.

I have had long and detailed discussions with Ian MacGregor. He strongly believes that the correct strategy is to achieve a major closure programme during the coming financial year, and to make it clear long before March 1987 that the present Redundant Mineworkers Payment Scheme will end then and that from that date there will be no Government finance scheme and any benefits paid for subsequent redundancies will be determined by the resources of the National Coal Board itself.

In your letter of 16th December you suggested that we should review whether or not the scheme could cease after six months. Both Ian MacGregor and myself are convinced that this would be inadvisable and indeed would not save you money. There would then have to be an attempt to get through the redundancies needed within that six months but this would not be possible without mobilising considerable hostility and without giving the time necessary to strategically deal with the modified procedures that were agreed during the dispute. Ian Macgregor is doing well with his closure programme and I think we must accept his judgement that the best way is to complete the closures in an efficient manner between now and March 1987. I would therefore like your permission to announce

in the near future that the Scheme will come to a final end in March 1987 so that the whole industry will be aware of this fact.

I am sending copies of this letter to recipients of your earlier correspondence.

PETER WALKER

NAT IND

COAL

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DW seen.

WEEKLY COAL AND POWER STATION STATISTICS SUPPLEMENT (1)

EcS Division, Dept. of Energy, Thames House South,
Millbank, London SW1P 4QJ phone:01-211-4368

23 JANUARY 1986

	Week ending.....		14.1.84	12.1.85	21.12.85	28.12.85	4.1.86	11.1.86
COAL	PRODUCTION (m.tonnes)	deep mines+	1.79	0.66	1.97	0.22	0.65	1.95
		opencast+	0.32	0.27	0.28	0.01	0.01	0.23
		TOTAL	2.11	0.93	2.24	0.23	0.67	2.18
	PRODUCTIVITY(2) (tonnes/manshift)	'overall'	2.35	2.19	3.00	1.57	2.14	2.95
		'production'	9.88	11.28	13.47	8.66	10.87	12.84
	UNDISTRIBUTED (m.tonnes)	deep mines:						
		England	14.62	6.89	2.85	2.75	2.73	2.76
		S.Wales	2.63	2.46	2.11	2.14	2.20	2.20
		Scotland	1.59	1.39	0.82	0.81	0.81	0.80
		opencast	5.03	9.76	3.52	3.52	3.50	3.43
		TOTAL	23.86	20.50	9.30	9.21	9.24	9.19
POWER STATIONS	COAL STOCKS (m.tonnes)	S.Eastern	3.02	0.73	1.79	1.91	1.92	1.89
		S.Western	1.94	0.72	2.68	2.59	2.49	2.43
		Midland	11.34	8.12	8.46	7.92	7.39	7.31
		N.Eastern	8.29	2.24	8.35	7.96	7.58	7.54
		N.Western	2.50	1.21	1.89	1.80	1.73	1.73
		TOTAL CEGB	27.09	13.03	23.17	22.18	21.10	20.89
		Scotland	2.82	0.67	1.76	1.76	1.63	1.58
		TOTAL Gt.Britain	29.91	13.70	24.93	23.94	22.73	22.48
	COAL CONSUMPTION (m.tonnes)	S.Eastern	0.15	0.03	0.12	0.03	0.10	0.16
		S.Western	0.23	0.03	0.20	0.12	0.18	0.23
		Midlands	0.80	0.73	0.75	0.64	0.73	0.76
		N.Eastern	0.47	0.11	0.49	0.44	0.52	0.60
		N.Western	0.14	0.09	0.14	0.12	0.13	0.14
		TOTAL CEGB	1.79	0.99	1.70	1.35	1.66	1.88
		Scotland	0.12	0.02	0.12	0.08	0.14	0.18
		TOTAL Gt.Britain	1.91	1.01	1.82	1.43	1.80	2.06
	COAL RECEIPTS (m.tonnes)	CEGB	1.46	0.69	1.72	0.36	0.59	1.68
		Scotland	0.12	–	0.17	0.08	–	0.13
		Gt.Britain	1.58	0.69	1.89	0.44	0.60	1.81
	OIL STOCKS(3) (m.tonnes)	CEGB	1.18	1.01	0.74	0.77	0.85	0.84
		Scotland	0.17	0.20	0.16	0.16	0.16	0.16
		Gt.Britain	1.35	1.21	0.89	0.93	1.01	1.00
	OIL CONSUMPTION (3) (m.tonnes)	CEGB	0.03	0.51	0.03	0.02	0.03	0.07
		Scotland	0.03	0.10	–	–	–	–
		Gt.Britain	0.06	0.61	0.03	0.02	0.03	0.07
	OIL RECEIPTS(3) (m.tonnes)	CEGB	0.03	0.34	0.08	0.06	0.11	0.06
		Scotland	0.03	–	–	–	–	–
		Gt.Britain	0.05	0.34	0.08	0.06	0.11	0.06
	GAS CONSUMPTION (m.therms)	CEGB	–	7	–	–	–	–
	ELECTRICITY(4) SUPPLIED (GWh)	Nuclear	928	1,220	1,051	1,027	982	991
		Other Steam	4,520	4,740	4,078	3,189	4,217	5,006
		TOTAL	5,447	5,959	5,128	4,216	5,199	5,997
		TOTAL, temperature corrected	5,585	5,521	5,565	4,100	4,852	5,776

(1) Great Britain unless otherwise stated. All latest figures are subject to revision. (2) NCB mines only. (3) Oil-fired boilers only. (4) Steam stations only. +includes licensed production.

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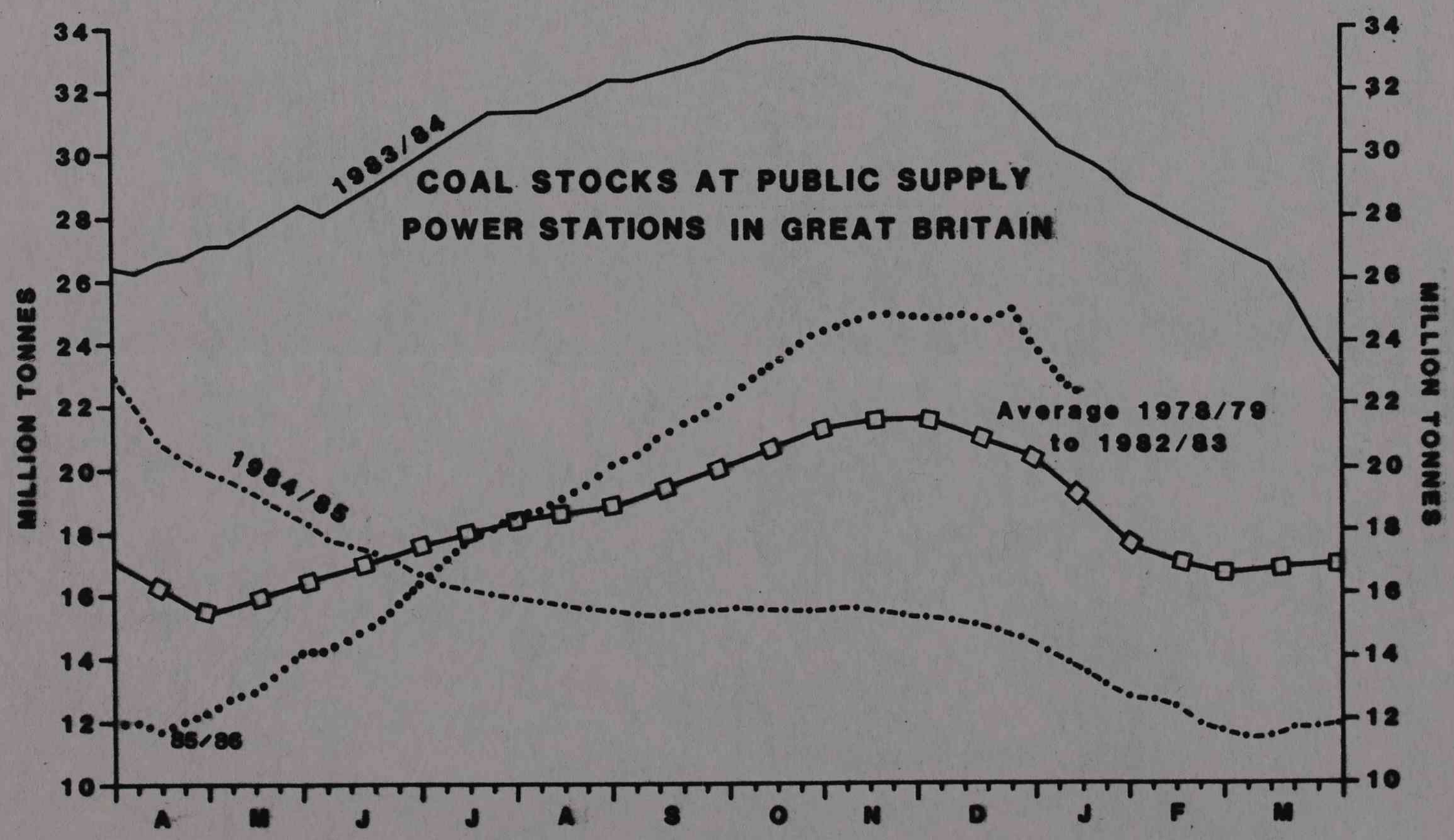
WEEKLY COAL AND POWER STATION STATISTICS (1)

EcS Division, Dept. of Energy, Thames House South,
Millbank, London SW1P 4QJ phone 01-211-4368

23 JANUARY 1986

	Week ending.....		14.1.84	12.1.85	21.12.85	28.12.85	4.1.86	11.1.86
COAL	PRODUCTION (m.tonnes)	deep mines+	1.79	0.66	1.97	0.22	0.65	1.95
		opencast+	0.32	0.27	0.28	0.01	0.01	0.23
		TOTAL	2.11	0.93	2.24	0.23	0.67	2.18
	PRODUCTIVITY(2) (tonnes/manshift)	'overall'	2.35	2.19	3.00	1.57	2.14	2.95
		'production'	9.88	11.28	13.47	8.66	10.87	12.84
	UNDISTRIBUTED STOCK (m.tonnes)	TOTAL	23.86	20.50	9.30	9.21	9.24	9.19
POWER STATIONS	COAL STOCKS	(m.tonnes)	29.91	13.70	24.93	23.94	22.73	22.48
	COAL CONSUMPTION	"	1.91	1.01	1.82	1.43	1.80	2.06
	COAL RECEIPTS	"	1.58	0.69	1.89	0.44	0.60	1.81
	OIL STOCKS(3)	"	1.35	1.21	0.89	0.93	1.01	1.00
	OIL CONSUMPTION(3)	"	0.06	0.61	0.03	0.02	0.03	0.07
	OIL RECEIPTS(3)	"	0.05	0.34	0.08	0.06	0.11	0.06
	ELECTRICITY SUPPLIED(4)	(GWh)						
	Nuclear	"	928	1,220	1,051	1,027	982	991
	Other Steam	"	4,520	4,740	4,078	3,189	4,217	5,006
	TOTAL	"	5,447	5,959	5,128	4,216	5,199	5,997
	TOTAL, temperature corrected	"	5,585	5,521	5,565	4,100	4,852	5,776

(1) Great Britain unless otherwise stated. All latest figures are subject to revision. (2) NCB mines only. (3) Oil-fired boilers only. (4) Steam stations only. +includes licensed production.



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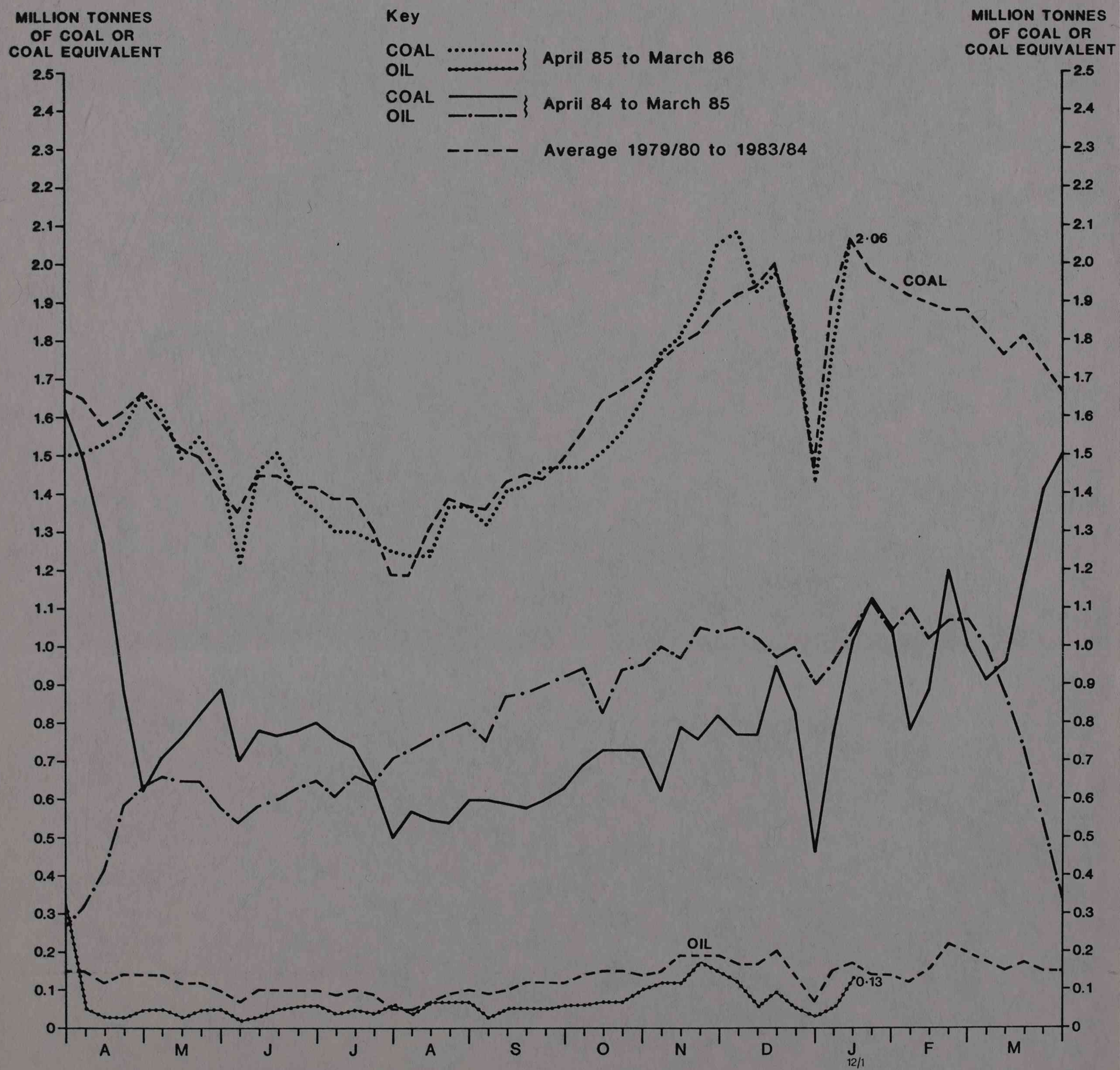
COAL CONSUMPTION AND OIL CONSUMPTION (OIL FIRED) AT PUBLIC SUPPLY POWER STATIONS IN GREAT BRITAIN



SECRET AND PERSONAL

01-405 7641 ext. 936:6782

Communications on this subject should be addressed to
The Legal Secretary
Attorney General's Chambers

ATTORNEY GENERAL'S CHAMBERS
LAW OFFICERS' DEPARTMENT
ROYAL COURTS OF JUSTICE
LONDON, W.C.2

20

The Private Secretary to the
Secretary of the Cabinet
Cabinet Office
70 Whitehall
London SW1

17 January, 1986

NBPM.

Dear Private Secretary,

SECOND REPORT ON LESSONS OF THE MINERS' STRIKE

The Attorney General has considered the second report on lessons of the miners' strike with Sir Robert Armstrong's minute of 25 November to the Prime Minister. He has commented that the multi-issue ballot should be prevented if possible.

I am copying this letter to the Private Secretaries to the Prime Minister, the Lord President, the Secretary of State for Trade and Industry, the Chancellor of the Exchequer, the Home Secretary, the Secretaries of State for Energy, Defence, Scotland and Wales, the Chancellor of the Duchy of Lancaster, and the Secretaries of State for Transport and Employment.

Yours sincerely

Anthony Inglese

A M C INGLESE

SECRET AND PERSONAL

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WEEKLY COAL AND POWER STATION STATISTICS SUPPLEMENT (1)

EcS Division, Dept. of Energy, Thames House South,
Millbank, London SW1P 4QJ phone:01-211-4368

17 JANUARY 1986

			Week ending..... 7.1.84	5.1.85	14.12.85	21.12.85	28.12.85	4.1.86
COAL	PRODUCTION (m.tonnes)	deep mines+	1.29	0.34	2.09	1.97	0.22	0.65
		opencast+	0.02	0.02	0.29	0.28	0.01	0.01
		TOTAL	1.31	0.36	2.39	2.24	0.23	0.67
	PRODUCTIVITY(2) (tonnes/manshift)	'overall'	2.19	1.90	3.03	3.00	1.57	2.14
		'production'	9.40	10.57	13.53	13.47	8.66	10.87
	UNDISTRIBUTED (m.tonnes)	deep mines:						
		England	14.64	6.99	2.89	2.85	2.75	2.73
		S.Wales	2.64	2.46	2.16	2.11	2.14	2.20
		Scotland	1.58	1.38	0.83	0.82	0.81	0.81
		opencast	5.01	9.72	3.66	3.52	3.50	3.50
		TOTAL	23.88	20.55	9.53	9.30	9.19	9.24
	COAL STOCKS (m.tonnes)	S.Eastern	3.04	0.74	1.76	1.79	1.91	1.92
		S.Western	2.01	0.72	2.70	2.68	2.59	2.49
		Midland	11.53	8.29	8.42	8.46	7.92	7.39
		N.Eastern	8.32	2.35	8.36	8.35	7.96	7.58
		N.Western	2.52	1.23	1.90	1.89	1.80	1.73
		TOTAL CEGB	27.41	13.32	23.14	23.17	22.18	21.10
		Scotland	2.82	0.69	1.72	1.76	1.76	1.63
		TOTAL Gt.Britain	30.23	14.01	24.85	24.93	23.94	22.73
POWER STATIONS	COAL CONSUMPTION (m.tonnes)	S.Eastern	0.13	0.02	0.15	0.12	0.03	0.10
		S.Western	0.17	0.03	0.19	0.20	0.12	0.18
		Midlands	0.75	0.58	0.79	0.75	0.64	0.73
		N.Eastern	0.50	0.07	0.55	0.49	0.44	0.52
		N.Western	0.12	0.06	0.13	0.14	0.12	0.13
		TOTAL CEGB	1.68	0.77	1.82	1.70	1.35	1.66
		Scotland	0.07	–	0.15	0.12	0.08	0.14
		TOTAL Gt.Britain	1.75	0.77	1.97	1.82	1.43	1.80
	COAL RECEIPTS (m.tonnes)	CEGB	1.06	0.37	1.78	1.72	0.36	0.59
		Scotland	–	–	0.16	0.17	0.08	–
		Gt.Britain	1.07	0.37	1.95	1.89	0.44	0.60
	OIL STOCKS(3) (m.tonnes)	CEGB	1.18	1.14	0.69	0.74	0.77	0.85
		Scotland	0.17	0.29	0.16	0.16	0.16	0.16
		Gt.Britain	1.35	1.43	0.85	0.89	0.93	1.01
	OIL CONSUMPTION (3) (m.tonnes)	CEGB	0.03	0.48	0.05	0.03	0.02	0.03
		Scotland	0.02	0.08	–	–	–	–
		Gt.Britain	0.05	0.56	0.05	0.03	0.02	0.03
	OIL RECEIPTS(3) (m.tonnes)	CEGB	0.03	0.42	0.04	0.08	0.06	0.11
		Scotland	0.02	0.18	–	–	–	–
		Gt.Britain	0.05	0.60	0.04	0.08	0.06	0.11
	GAS CONSUMPTION (m.therms)	CEGB	–	7	–	–	–	–
	ELECTRICITY(4) SUPPLIED (GWh)	Nuclear	923	1,184	948	1,051	1,027	982
		Other Steam	4,077	3,877	4,664	4,078	3,189	4,217
		TOTAL	5,000	5,061	5,612	5,128	4,216	5,199
		TOTAL, temperature corrected	5,218	5,218	5,612	5,565	4,100	4,852

(1) Great Britain unless otherwise stated. All latest figures are subject to revision. (2) NCB mines only. (3) Oil-fired boilers only. (4) Steam stations only. +includes licensed production.

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WEEKLY COAL AND POWER STATION STATISTICS (1)

EcS Division, Dept. of Energy, Thames House South,
Millbank, London SW1P 4QJ phone 01-211-4368

17 JANUARY 1986

	Week ending.....		7.1.84	5.1.85	14.12.85	21.12.85	28.12.85	4.1.86
COAL	PRODUCTION (m.tonnes)	deep mines+	1.29	0.34	2.09	1.97	0.22	0.65
		opencast+	0.02	0.02	0.29	0.28	0.01	0.01
	TOTAL		1.31	0.36	2.39	2.24	0.23	0.67
	PRODUCTIVITY(2) (tonnes/manshift)	'overall'	2.19	1.90	3.03	3.00	1.57	2.14
		'production'	9.40	10.57	13.53	13.47	8.66	10.87
	UNDISTRIBUTED STOCK (m.tonnes) TOTAL		23.88	20.55	9.53	9.30	9.19	9.24
POWER STATIONS	COAL STOCKS	(m.tonnes)	30.23	14.01	24.85	24.93	23.94	22.73
	COAL CONSUMPTION	"	1.75	0.77	1.97	1.82	1.43	1.80
	COAL RECEIPTS	"	1.07	0.37	1.95	1.89	0.44	0.60
	OIL STOCKS(3)	"	1.35	1.43	0.85	0.89	0.93	1.01
	OIL CONSUMPTION(3)	"	0.05	0.56	0.05	0.03	0.02	0.03
	OIL RECEIPTS(3)	"	0.05	0.60	0.04	0.08	0.06	0.11
	ELECTRICITY SUPPLIED(4)	(GWh)						
	Nuclear	"	923	1,184	948	1,051	1,027	982
	Other Steam	"	4,077	3,877	4,664	4,078	3,189	4,217
	TOTAL	"	5,000	5,061	5,612	5,128	4,216	5,199
	TOTAL, temperature corrected	"	5,218	5,218	5,612	5,565	4,100	4,852

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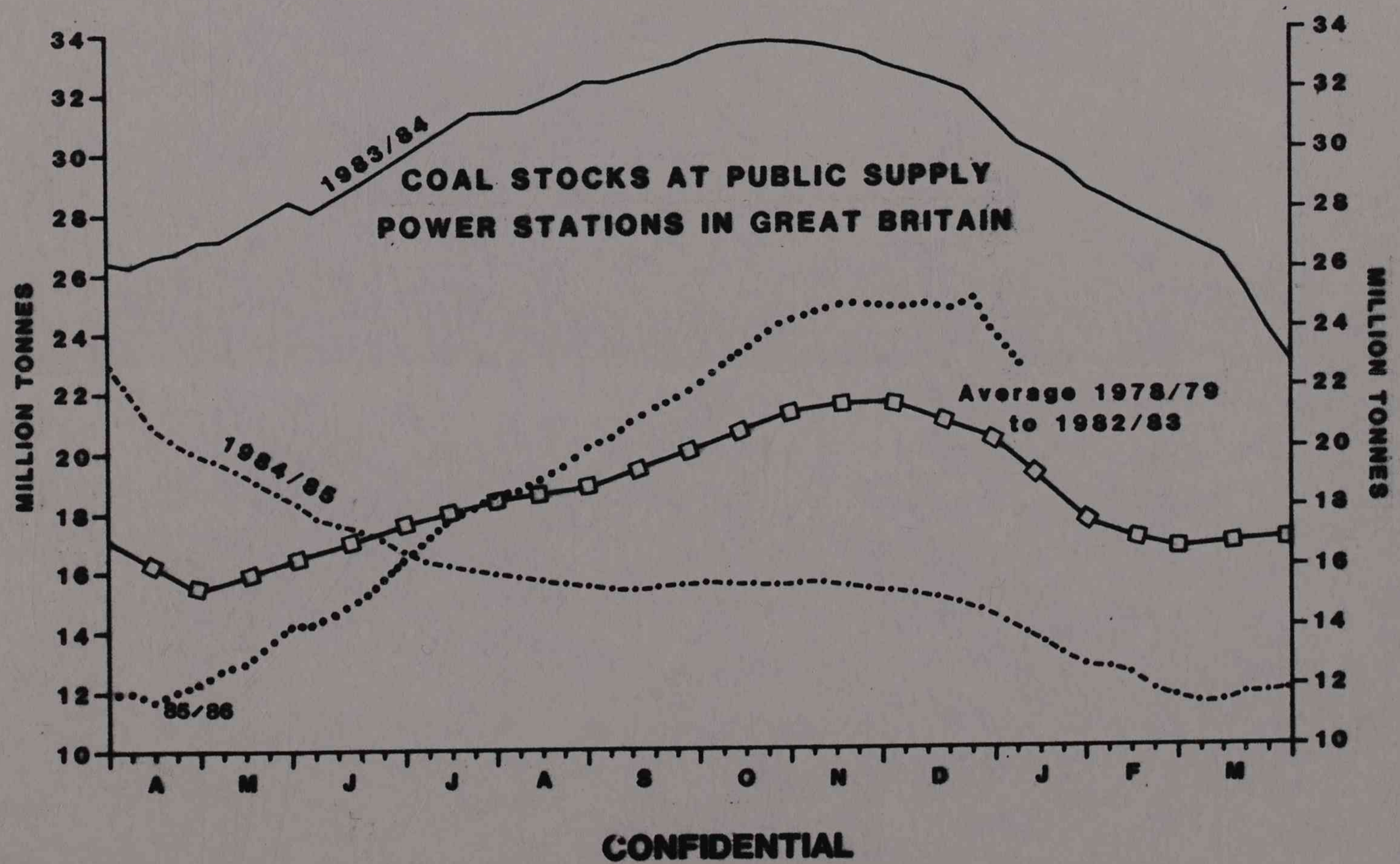

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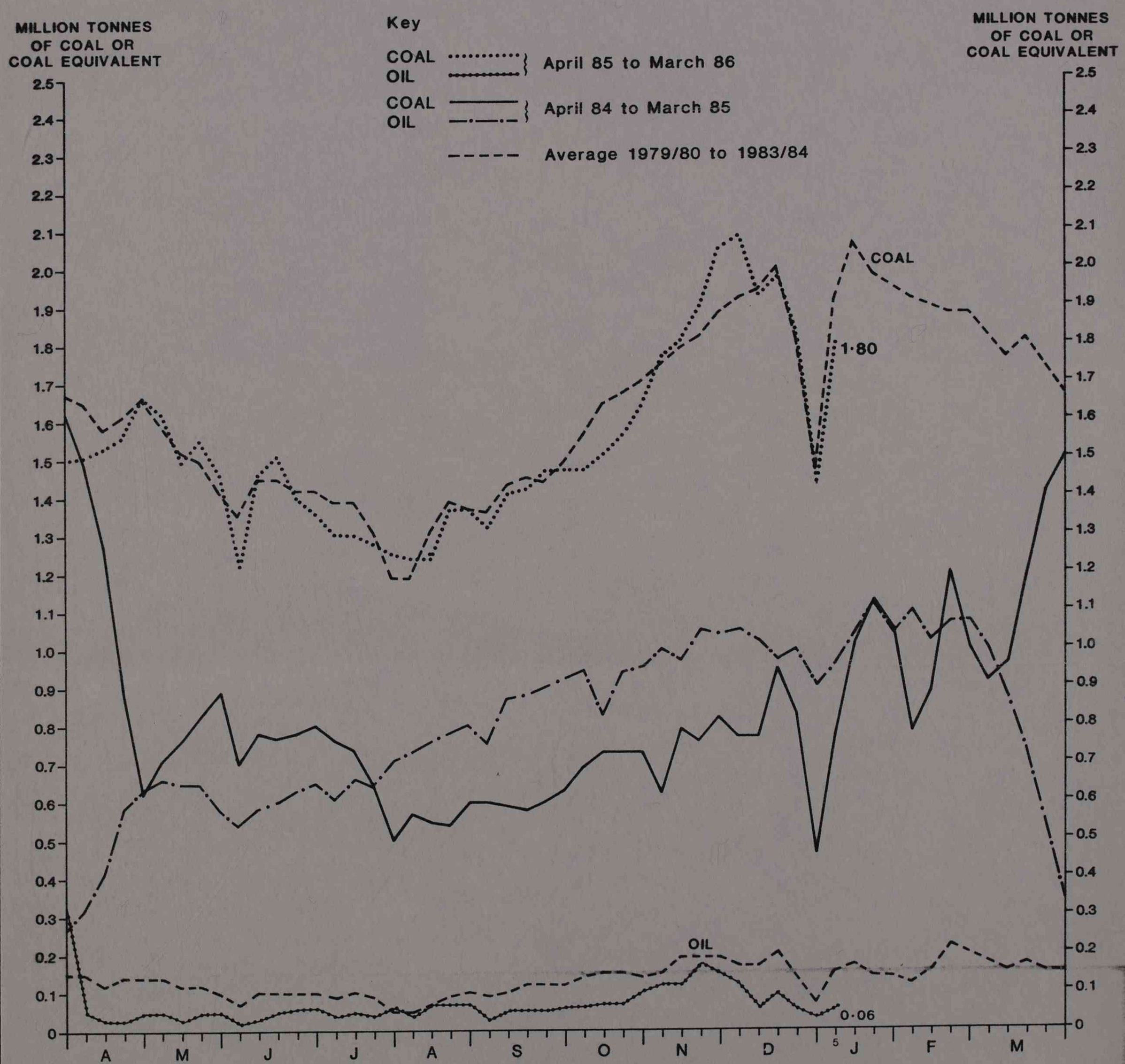
COAL CONSUMPTION AND OIL CONSUMPTION (OIL FIRED) AT PUBLIC SUPPLY POWER STATIONS IN GREAT BRITAIN



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WEEKLY COAL AND POWER STATION STATISTICS SUPPLEMENT (1)

EcS Division, Dept. of Energy, Thames House South,
Millbank, London SW1P 4QJ phone:01-211-4368

13 JANUARY 1986

			Week ending..... 31.12.83	29.12.84	7.12.85	14.12.85	21.12.85	28.12.85
COAL	PRODUCTION (m.tonnes)	deep mines+	0.13	0.04	2.08	2.09	1.97	0.22
		opencast+	0.01	0.05	0.29	0.29	0.28	-
		TOTAL	0.14	0.09	2.37	2.39	2.24	0.22
	PRODUCTIVITY(2) (tonnes/manshift)	'overall'	1.84	1.36	3.03	3.03	3.00	1.57
		'production'	7.84	10.27	13.50	13.53	13.47	8.66
	UNDISTRIBUTED (m.tonnes)	deep mines:						
		England	14.55	7.13	2.82	2.89	2.85	2.75
		S.Wales	2.70	2.46	2.19	2.16	2.11	2.14
		Scotland	1.58	1.38	0.84	0.83	0.82	0.81
		opencast	5.08	9.78	3.75	3.66	3.52	3.50
		TOTAL	23.92	20.75	9.60	9.53	9.30	9.19
	COAL STOCKS (m.tonnes)	S.Eastern	3.02	0.76	1.77	1.76	1.79	1.91
		S.Western	2.06	0.72	2.71	2.70	2.68	2.59
		Midland	11.85	8.56	8.42	8.42	8.46	7.92
		N.Eastern	8.52	2.42	8.40	8.36	8.35	7.96
		N.Western	2.56	1.26	1.89	1.90	1.89	1.80
		TOTAL CEGB	28.02	13.71	23.18	23.14	23.17	22.18
		Scotland	2.89	0.69	1.70	1.72	1.76	1.76
		TOTAL Gt.Britain	30.90	14.40	24.88	24.85	24.93	23.94
POWER STATIONS	COAL CONSUMPTION (m.tonnes)	S.Eastern	0.05	0.01	0.17	0.15	0.12	0.03
		S.Western	0.09	-	0.20	0.19	0.20	0.12
		Midlands	0.60	0.37	0.74	0.79	0.75	0.64
		N.Eastern	0.40	0.02	0.52	0.55	0.49	0.44
		N.Western	0.07	0.04	0.14	0.13	0.14	0.12
		TOTAL CEGB	1.21	0.46	1.77	1.82	1.70	1.35
		Scotland	0.03	0.01	0.16	0.15	0.12	0.08
		TOTAL Gt.Britain	1.24	0.46	1.93	1.97	1.82	1.43
	COAL RECEIPTS (m.tonnes)	CEGB	0.16	0.06	1.84	1.78	1.72	0.36
		Scotland	0.08	-	0.17	0.16	0.17	0.08
		Gt.Britain	0.24	0.06	2.00	1.95	1.89	0.44
	OIL STOCKS(3) (m.tonnes)	CEGB	1.18	1.15	0.70	0.69	0.74	0.77
		Scotland	0.17	0.20	0.16	0.16	0.16	0.16
		Gt.Britain	1.35	1.35	0.86	0.85	0.89	0.93
	OIL CONSUMPTION (3) (m.tonnes)	CEGB	0.01	0.45	0.03	0.05	0.03	0.02
		Scotland	0.02	0.08	-	-	-	-
		Gt.Britain	0.03	0.53	0.03	0.05	0.03	0.02
	OIL RECEIPTS(3) (m.tonnes)	CEGB	0.04	0.47	0.01	0.04	0.08	0.06
		Scotland	0.02	0.03	-	-	-	-
		Gt.Britain	0.06	0.50	0.01	0.04	0.08	0.06
	GAS CONSUMPTION (m.therms)	CEGB	-	7	-	-	-	-
	ELECTRICITY(4) SUPPLIED (GWh)	Nuclear	951	1,098	899	948	1,051	1,027
		Other Steam	2,957	3,195	4,535	4,664	4,078	3,189
		TOTAL	3,909	4,293	5,434	5,612	5,128	4,216
		TOTAL, temperature corrected	4,196	4,185	5,921	5,612	5,565	4,100

(1) Great Britain unless otherwise stated. All latest figures are subject to revision. (2) NCB mines only. (3) Oil-fired boilers only. (4) Steam stations only. +includes licensed production.

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WEEKLY COAL AND POWER STATION STATISTICS (1)

EcS Division, Dept. of Energy, Thames House South,
Millbank, London SW1P 4QJ phone 01-211-4368

13 JANUARY 1986

	Week ending.....		31.12.83	29.12.84	7.12.85	14.12.85	21.12.85	28.12.85
COAL	PRODUCTION (m.tonnes)	deep mines+	0.13	0.04	2.08	2.09	1.97	0.22
		opencast+	0.01	0.05	0.29	0.29	0.28	0.00
	TOTAL		0.14	0.09	2.37	2.39	2.24	0.22
	PRODUCTIVITY(2) (tonnes/manshift)	'overall'	1.84	1.36	3.03	3.03	3.00	1.57
		'production'	7.84	10.27	13.50	13.53	13.47	8.66
	UNDISTRIBUTED STOCK (m.tonnes)	TOTAL	23.92	20.75	9.60	9.53	9.30	9.19
POWER STATIONS	COAL STOCKS	(m.tonnes)	30.90	14.40	24.88	24.85	24.93	23.94
	COAL CONSUMPTION	"	1.24	0.46	1.93	1.97	1.82	1.43
	COAL RECEIPTS	"	0.24	0.06	2.00	1.95	1.89	0.44
	OIL STOCKS(3)	"	1.35	1.35	0.86	0.85	0.89	0.93
	OIL CONSUMPTION(3)	"	0.03	0.53	0.03	0.05	0.03	0.02
	OIL RECEIPTS(3)	"	0.06	0.50	0.01	0.04	0.08	0.06
	ELECTRICITY SUPPLIED(4)	(GWh)						
	Nuclear	"	951	1,098	899	948	1,051	1,027
	Other Steam	"	2,957	3,195	4,535	4,664	4,078	3,189
	TOTAL	"	3,909	4,293	5,434	5,612	5,128	4,216
	TOTAL, temperature corrected	"	4,196	4,185	5,921	5,612	5,565	4,100

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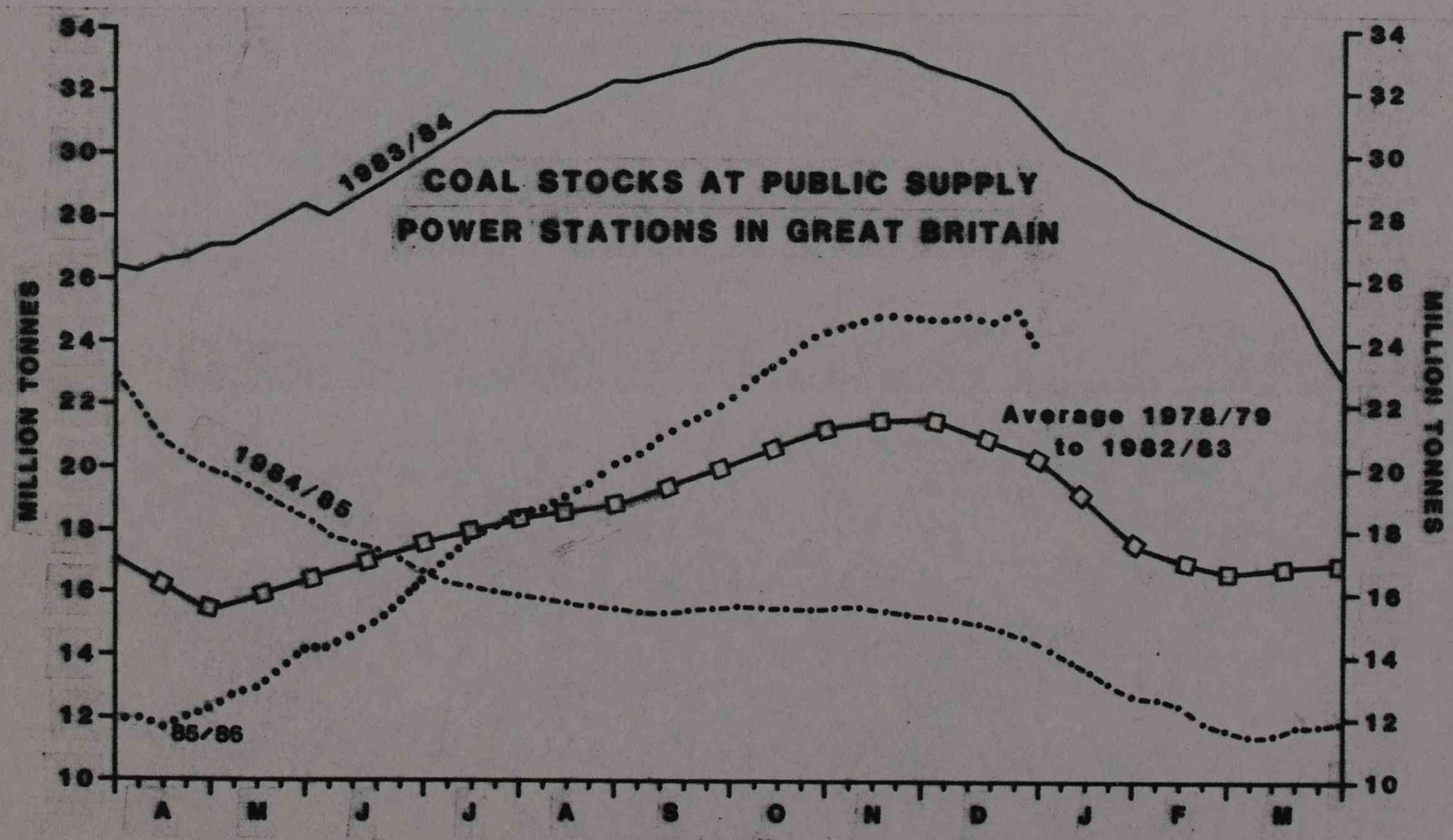

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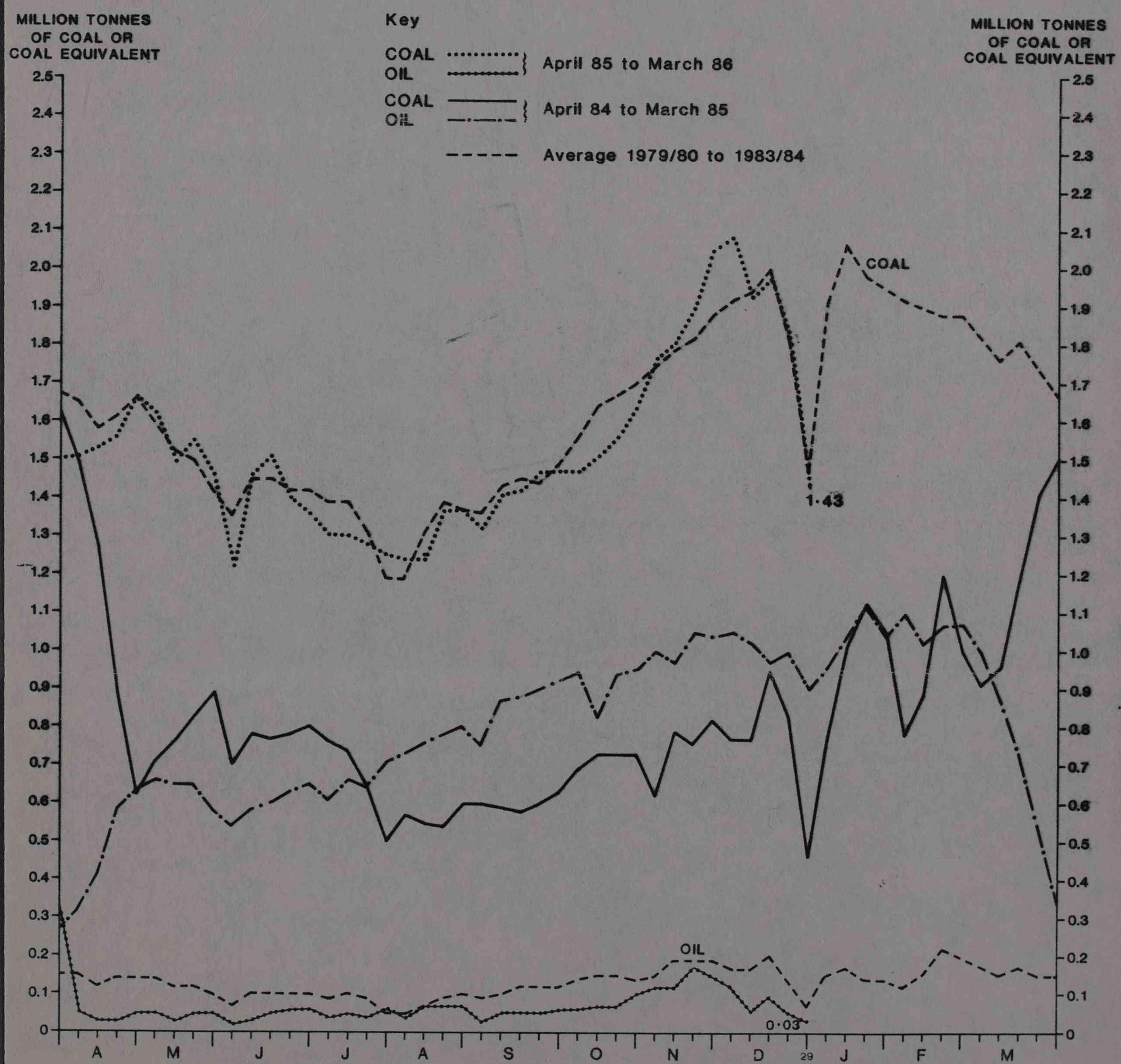
COAL CONSUMPTION AND OIL CONSUMPTION (OIL FIRED) AT PUBLIC SUPPLY POWER STATIONS IN GREAT BRITAIN



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WEEKLY COAL AND POWER STATION STATISTICS SUPPLEMENT (1)

EcS Division, Dept. of Energy, Thames House South,
Millbank, London SW1P 4QJ phone:01-211-4368

8 JANUARY 1986

			Week ending..... 24.12.83	22.12.84	30.11.85	7.12.85	14.12.85	21.12.85
COAL	PRODUCTION (m.tonnes)	deep mines+	1.62	0.59	2.06	2.08	2.09	1.97
		opencast+	0.26	0.28	0.33	0.29	0.29	0.28
		TOTAL	1.89	0.86	2.39	2.37	2.39	2.24
	PRODUCTIVITY(2) (tonnes/manshift)	'overall'	2.31	2.13	2.97	3.03	3.03	3.00
		'production'	9.72	11.16	13.09	13.50	13.53	13.33
	UNDISTRIBUTED (m.tonnes)	deep mines:						
		England	14.62	7.09	2.83	2.82	2.89	2.88
		S.Wales	2.70	2.46	2.14	2.19	2.16	2.11
		Scotland	1.59	1.38	0.85	0.84	0.83	0.83
		opencast	5.09	9.81	3.87	3.75	3.66	3.52
		TOTAL	24.00	20.74	9.69	9.60	9.53	9.35
POWER STATIONS	COAL STOCKS (m.tonnes)	S.Eastern	2.97	0.77	1.78	1.77	1.76	1.79
		S.Western	2.13	0.70	2.74	2.71	2.70	2.68
		Midland	12.43	8.91	8.36	8.42	8.42	8.46
		N.Eastern	8.91	2.44	8.35	8.40	8.36	8.35
		N.Western	2.63	1.30	1.88	1.89	1.90	1.89
		TOTAL CEGB	29.07	14.11	23.10	23.18	23.14	23.17
		Scotland	2.84	0.70	1.70	1.70	1.72	1.76
		TOTAL Gt.Britain	31.91	14.81	24.80	24.88	24.85	24.93
	COAL CONSUMPTION (m.tonnes)	S.Eastern	0.13	0.02	0.20	0.17	0.15	0.12
		S.Western	0.18	0.03	0.22	0.20	0.19	0.20
		Midlands	0.73	0.60	0.75	0.74	0.79	0.75
		N.Eastern	0.46	0.08	0.56	0.52	0.55	0.49
		N.Western	0.13	0.07	0.14	0.14	0.13	0.14
		TOTAL CEGB	1.63	0.81	1.88	1.77	1.82	1.70
		Scotland	0.13	0.02	0.20	0.16	0.15	0.12
		TOTAL Gt.Britain	1.76	0.83	2.08	1.93	1.97	1.82
	COAL RECEIPTS (m.tonnes)	CEGB	1.36	0.66	1.86	1.84	1.78	1.72
		Scotland	0.13	–	0.14	0.17	0.16	0.17
		Gt.Britain	1.49	0.66	2.00	2.00	1.95	1.89
	OIL STOCKS(3) (m.tonnes)	CEGB	1.14	1.09	0.72	0.70	0.69	0.74
		Scotland	0.17	0.24	0.16	0.16	0.16	0.16
		Gt.Britain	1.31	1.33	0.88	0.86	0.85	0.89
	OIL CONSUMPTION (3) (m.tonnes)	CEGB	0.02	0.50	0.07	0.03	0.05	0.03
		Scotland	0.03	0.10	–	–	–	–
		Gt.Britain	0.05	0.59	0.07	0.03	0.05	0.03
	OIL RECEIPTS(3) (m.tonnes)	CEGB	0.03	0.53	0.03	0.01	0.04	0.08
		Scotland	0.03	0.14	–	–	–	–
		Gt.Britain	0.06	0.68	0.03	0.01	0.04	0.08
	GAS CONSUMPTION (m.therms)	CEGB	–	7	–	–	–	–
	ELECTRICITY(4) SUPPLIED (GWh)	Nuclear	949	1,105	951	899	948	1,051
		Other Steam	4,078	4,214	4,975	4,535	4,664	4,078
		TOTAL	5,027	5,319	5,926	5,434	5,612	5,129
		TOTAL, temperature corrected	5,235	5,319	5,340	5,921	5,612	5,565

(1) Great Britain unless otherwise stated. All latest figures are subject to revision. (2) NCB mines only. (3) Oil-fired boilers only. (4) Steam stations only. +includes licensed production.

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WEEKLY COAL AND POWER STATION STATISTICS (1)

EcS Division, Dept. of Energy, Thames House South,
Millbank, London SW1P 4QJ phone 01-211-4368

8 JANUARY 1986

	Week ending.....		24.12.83	22.12.84	30.11.85	7.12.85	14.12.85	21.12.85
COAL	PRODUCTION (m.tonnes)	deep mines+	1.62	0.59	2.06	2.08	2.09	1.97
		opencast+	0.26	0.28	0.33	0.29	0.29	0.28
		TOTAL	1.89	0.86	2.39	2.37	2.39	2.24
	PRODUCTIVITY(2) (tonnes/manshift)	'overall'	2.31	2.13	2.97	3.03	3.03	3.00
		'production'	9.72	11.16	13.09	13.50	13.53	13.33
	UNDISTRIBUTED STOCK (m.tonnes)	TOTAL	24.00	20.74	9.69	9.60	9.53	9.35
POWER STATIONS	COAL STOCKS	(m.tonnes)	31.91	14.81	24.80	24.88	24.85	24.93
	COAL CONSUMPTION	"	1.76	0.83	2.08	1.93	1.97	1.82
	COAL RECEIPTS	"	1.49	0.66	2.00	2.00	1.95	1.89
	OIL STOCKS(3)	"	1.31	1.33	0.88	0.86	0.85	0.89
	OIL CONSUMPTION(3)	"	0.05	0.59	0.07	0.03	0.05	0.03
	OIL RECEIPTS(3)	"	0.06	0.68	0.03	0.01	0.04	0.08
	ELECTRICITY SUPPLIED(4) (GWh)							
	Nuclear	"	949	1,105	951	899	948	1,051
	Other Steam	"	4,078	4,214	4,975	4,535	4,664	4,078
	TOTAL	"	5,027	5,319	5,926	5,434	5,612	5,129
	TOTAL, temperature corrected	"	5,235	5,319	5,340	5,921	5,612	5,565

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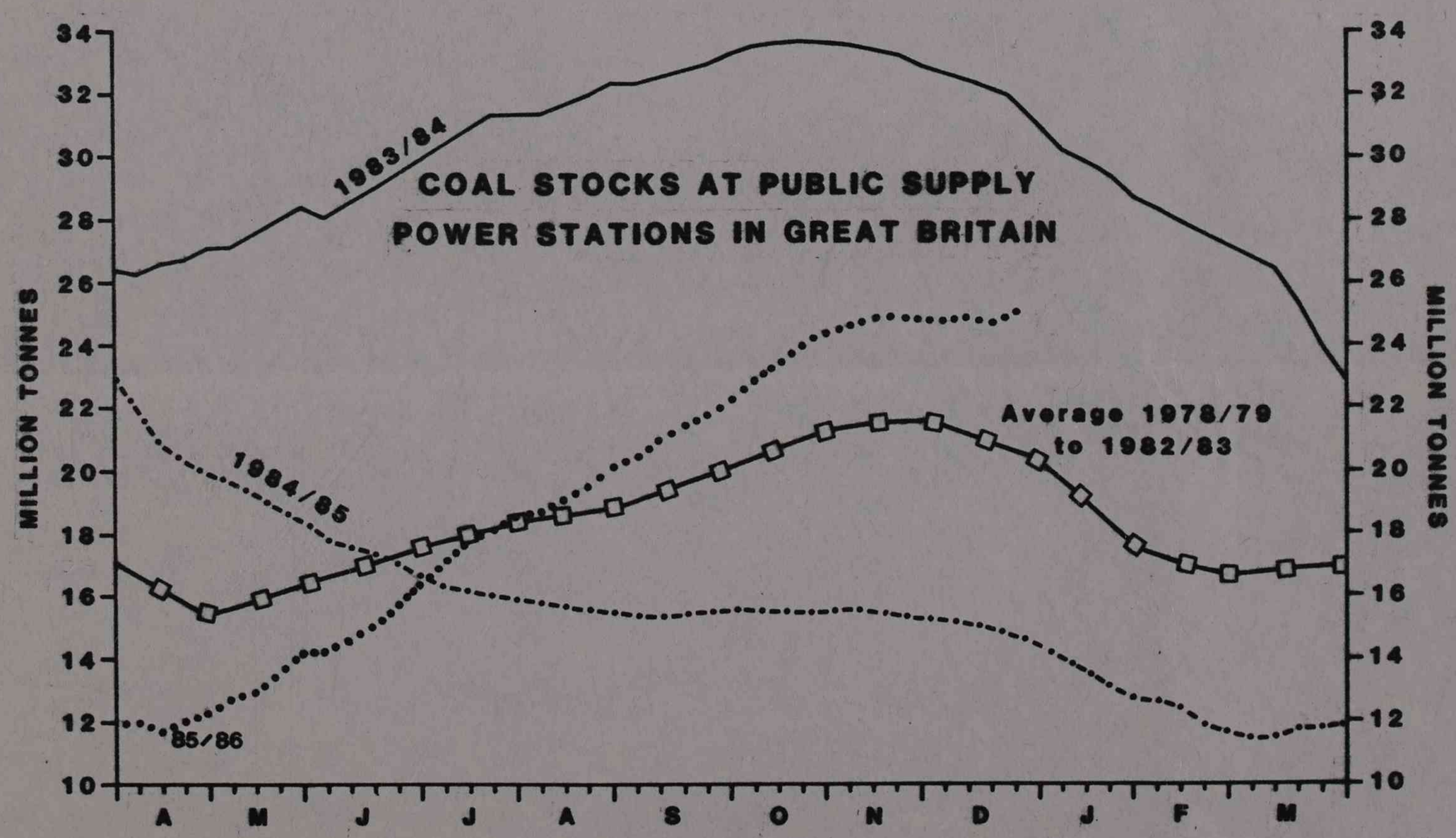

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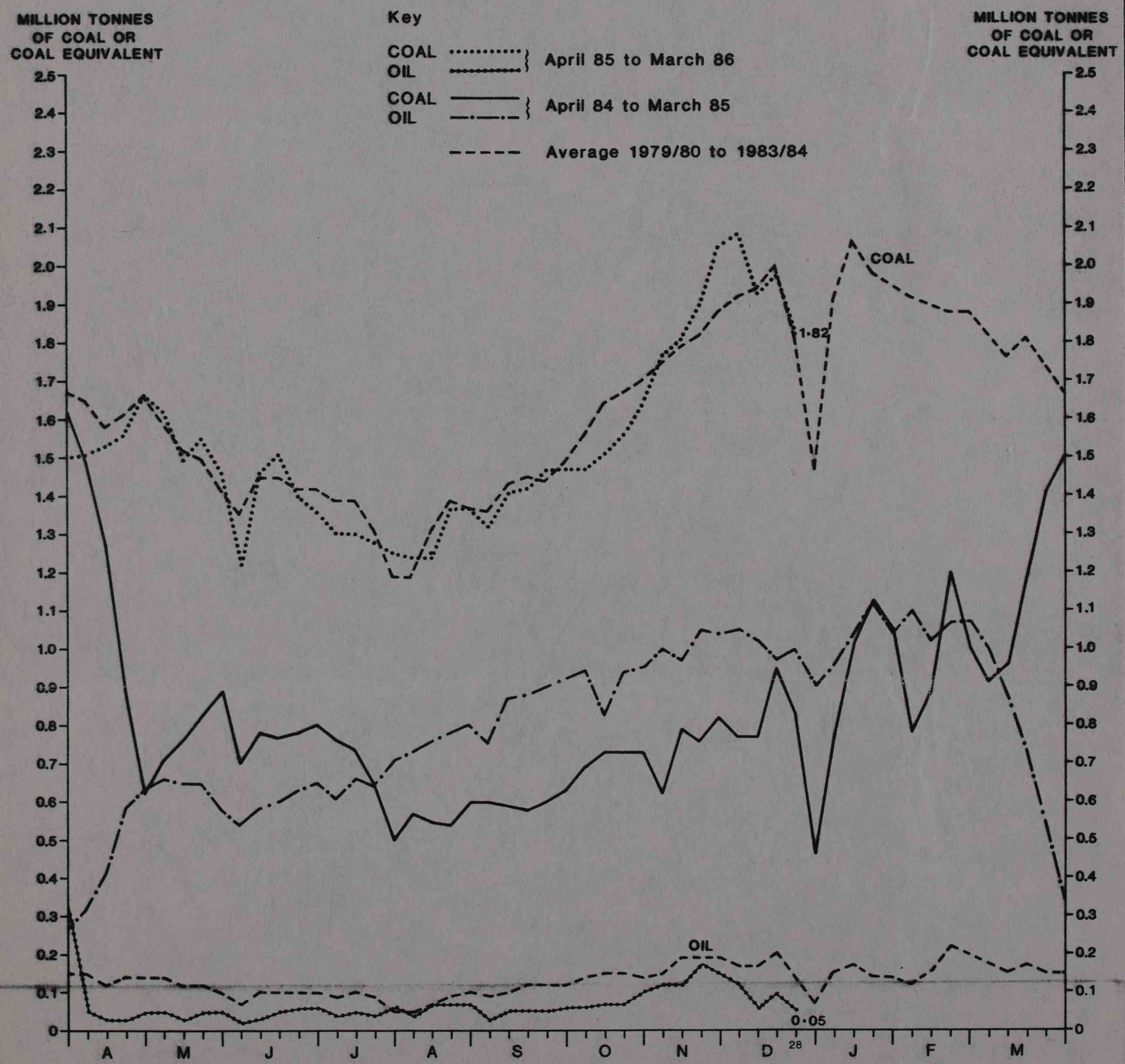
COAL CONSUMPTION AND OIL CONSUMPTION (OIL FIRED) AT PUBLIC SUPPLY POWER STATIONS IN GREAT BRITAIN



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cc PS

HOME SECRETARY

QUEEN ANNE'S GATE LONDON SWIH 9AT

2 January 1986

Prime Minister 2

DRS
2/1

Dear Leon.

LESSONS OF THE MINERS' STRIKE: INTIMIDATION

Thank you for sending me a copy of your letter of 12 December to Peter Walker. You asked if I felt that all had been done that needed to be done regarding criminal acts against working and early-returning miners who have stayed in their communities.

I have had enquiries made of a number of Chief Constables whose force areas were most affected by the dispute. Generally speaking, conditions seem on the surface to have returned to normality, and in the last two or three months very few incidents of intimidation have come to the notice of the police. There have been isolated cases of damage to cars and of window-breaking, but evidence on which to base prosecutions is hard to come by, and no doubt there are incidents which are not reported to the police. I am assured that the police do continue to take reports of intimidation very seriously indeed.

I am sending copies of this letter to the Prime Minister, the Lord President, the Chancellor of the Exchquer, the Secretaries of State for Energy, Defence, Scotland, Wales, Transport and Employment, the Chancellor of the Duchy of Lancaster and the Attorney General, and to Sir Robert Armstrong.

Yours,

Douglas.

The Rt Hon Leon Brittan, QC., MP.

NAT. IND Pt 19
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18

AND PERSONAL

10 DOWNING STREET

20 December 1985

From the Private Secretary

Dear Geoff

SECOND REPORT ON LESSONS OF THE MINERS' STRIKE

The Prime Minister yesterday held a meeting with your Secretary of State, the Chancellor of the Exchequer, the Home Secretary and the Chancellor of the Duchy of Lancaster to discuss the second report on lessons of the miners' strike and your Secretary of State's minute of 12 December about coal stocks at CEGB power stations.

The meeting first discussed coal stocks. Your Secretary of State explained the position along the lines of his minute. With a "normal" coal purchase profile for the next financial year, coal stocks would increase to around 27 mt by the end of October 1986 without any special action, and at no cost to the P.S.B.R.. This would give 9 months endurance even if the U.D.M. were to join the N.U.M. in a strike. If the U.D.M. continued to work there would be stocks for 27 months endurance. In discussion it was recognised that in any further N.U.M. strike Mr Scargill would have to win a ballot and in that event deliveries of coal would probably be stopped more effectively than they had been in the 1984/85 strike. It was, however, agreed that stocks of 27 mt in October 1986 would provide adequate security. As proposed by your Secretary of State the position should be kept under close review so that the decision could be reconsidered if the industrial relations climate were to worsen over the coming months.

Two points arose in further discussion, both relating to the role of magistrates courts during the last dispute: first, the difficulties caused by local magistrates who were members of the N.U.M., and secondly difficulties caused by the way in which local benches had to arrange for court rooms and their staffing. The Home Secretary agreed to pursue these points.

On other matters, your Secretary of State described the position on miners' pay along the lines of his letter of 19 December; he referred to the expense of bringing the AGR power stations up to design capacity; he described the improvements in planning procedures for open cast coal mining and mentioned the difficulty of ensuring free movement of open cast coal in the event of another dispute;

VC JB

AND PERSONAL

he outlined the position on pit closures; and in a brief discussion of policing, the Home Secretary said he was strongly against the creation of a separate police force trained specially to deal with severe disturbances.

The Prime Minister throughout emphasised the need to prepare for the worst case. The Government could not afford to be complacent about the risks of another dispute. The Prime Minister also urged that the greatest possible concern should continue to be shown to protect working miners and their families.

I am recording separately the Prime Minister's other comments on the second report on the miners' strike for the wider group to whom that report was copied.

I am copying this letter to the Private Secretaries to the Chancellor of the Exchequer, the Home Secretary, the Chancellor of the Duchy of Lancaster and to Michael Stark (Cabinet Office).

Yours ever

David.

DAVID NORGROVE

Geoff Dart, Esq.,
Department of Energy.

CAT

17

file

10 DOWNING STREET

From the Private Secretary

SIR ROBERT ARMSTRONG

SECOND REPORT ON LESSONS OF THE MINERS' STRIKE

The Prime Minister was grateful for your minute of 25 November, covering the second report on lessons of the miners'strike. She has noted that other colleagues are content with its conclusions.

The Prime Minister has two comments.

First, the report refers to the problems which might be caused by multi-issue ballots and cites the NACODS ballot of September 1984. The Prime Minister believes there is a risk that a multi-issue ballot might be used again with the intention deliberately to confuse, and has asked whether action could be taken in advance to stop this.

Secondly, the report says the Widdicombe Inquiry is expected to report in late spring next year on matters relevant to local authorities' scope to provide financial assistance to strikers and their families. The Prime Minister has asked whether the Government should anyway be looking towards legislation on this early in the 1986/87 session.

The Prime Minister is otherwise content.

I am copying this minute to the Private Secretaries to the Lord President, Secretary of State for Trade and Industry, Chancellor of the Exchequer, Home Secretary, Secretaries of

State for Energy, Defence, Scotland and Wales, the Chancellor of the Duchy of Lancaster, Secretaries of State for Transport and Employment, and the Attorney General.

DRN

DAVID NORGROVE

20 December 1985

NBPA

01 211 6402

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
LODNON
SW1P 3AG

19 December 1985

Dear Nigel

COALMINERS' PAY NEGOTIATIONS

I am sorry not to have been able to let you and other colleagues know in advance how the NCB intended to play their meeting on 17 December with the NUM to discuss this year's pay settlement. In fairness, the need to consider the effect of their tactics on the position of the UDM does complicate the Board's task.

As reported in the press, the Board offered the NUM the same settlement as the UDM have accepted: £5.50 a week on grade rates, 50p a shift on the standard level of incentive bonus, and the possible later introduction of new incentive bonus arrangements. They had already announced that the 30p a shift retrospective attendance allowance was to be paid to all mineworkers who qualified for it.

However, the offer is conditional on the NUM's accepting changes in the rules of the Mineworkers'Pension Scheme. As you know, although there is doubt about the exact legal position it is arguable that the existing rules entitle members to benefits for the period during which they were on strike even though they paid no employee contributions. The Board regard this as clearly inequitable. They have proposed to the NUM that the rules of the MPS should be changed so as to allow unpaid employees' contributions to be made good over 5 years; those who did not avail themselves of this option would probably qualify for slightly lower benefits.

On merits, the Board have a very strong case. Even their current proposal is a great deal more generous than virtually any other pension scheme would permit; and it averts the risk that the Board could ultimately have to make good unpaid employees' contributions, at a cost of about £60m. Nevertheless, it will need careful presentation if Mr Scargill is not to be given an issue on which he could command significant support among NUM members, and perhaps more widely. I have emphasised to Mr MacGregor the importance of presentation.

I understand that the NUM received the Board's proposals quietly: press reports to the effect that the negotiations have "broken down" are exaggerated. The NUM tried to separate the pay and pension proposals, arguing that the legal doubts about the exact effect of the rules of the MPS should be resolved by the courts before that issue was taken further. However, the Board refused to accept this separation; and the NUM now face a difficult tactical judgement, since the longer they delay accepting the pay offer - and they must realise that there is no possibility of the NCB offering them more - the greater the inroads the UDM are likely to make into their membership. No date has yet been fixed for another meeting.

I am sending copies of this letter to the Prime Minister, the members of E(PSP) and the Secretary of the Cabinet.

Yours ever

PETER WALKER

030/106

cc BG

16

SECRET

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Peter Walker MP
Secretary of State for Energy
Department of Energy
Thames House South
Millbank
London
SW1P 4QJ

NBPM

18 December 1985

Dear Peter,

REDUNDANT MINEWORKERS' PAYMENT SCHEME

Thank you for your letter of 18 December.

It is helpful that your draft statement avoids committing the Government to funding the RMPS for all of 1986-87. I had hoped that you would also be able to agree to make the changes in the scheme cost neutral. But in expectation of satisfactory agreement on miners' redundancy terms for the future, I am prepared to go along with what you suggest.

On a minor presentational point, I suggest that your draft answer might make it clear that strikers will not be better off than non-strikers-that is, that the Government is in no way making up national insurance contributions not paid during the strike.

Copies of this letter are being sent to the Prime Minister, Norman Fowler, David Young, Leon Brittan, Nicholas Ridley, George Younger, Nicholas Edwards, John Biffen and to Sir Robert Armstrong.

Yours ever,

JM

JOHN MacGREGOR

SECRET

NAT IND: Coal: Pt 19

SECRET

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COPY NO 1 OF 3

15

SECRETARY OF STATE FOR ENERGY
THAMES HOUSE SOUTH
MILLBANK LONDON SW1P 4QJ

01 211 6402

David Norgrove Esq
10 Downing Street
LONDON SW1

18 December 1985

Dear David,

LESSONS OF THE MINERS' STRIKE: PIT CLOSURES

In preparation for the Prime Minister's meeting on 19 December you asked for information on the rate of pit closures since the strike, compared with what would have happened if there had been no strike.

Since the strike, 24 pits have closed, all by local agreement; a further three are agreed for closure, and five are within the Colliery Review Procedure. Total capacity closed so far is 7.18 mt a year; this will be increased by a further 1.23 mt a year when those agreed for closure close; and it will be increased by a further 2.454 mt if those within the appeal procedure close, thus making a total reduction in capacity of 10.757 mt. Full details are set out in the Annex to this letter.

It is obviously impossible to know what would have happened if there had been no strike. As the MISC 57 report shows, the average number of closures over the five years 1979/80 to 1983/84 was about 10 or 11. In the summer of 1983 this Department considered a number of strategies for pit closure. The two central cases involved closures of 5 mt a year over the 5 years 1983/84 to 1987/88; the case with the most drastic rundown envisaged a reduction of 20 mt over the two years 1983/84 and 1984/85, with a further 10 mt reduction by 1988/89. The rate of closure so far since the strike - allowing for the delay which the strike caused - is at least as rapid as this; and there is no reason why the pace should not be maintained, provided that satisfactory redundancy terms are available.

Yours ever,

Geoff

G S DART
Private Secretary

SECRET

PITS CLOSED SINCE THE END OF THE STRIKE

	000 tonnes	(1982/83 tonnages)
Herrington	256	
Sacriston	68	
Brenkley	314	
Acton Hall	578	
Savile	236	
Yorkshire Main	722	
Cortonwood	281	
Brookhouse	207	
Fryston	528	
Emley Moor	91	
Moorgreen	674	
Pye Hill	840	
Wolstanton	447	
Bold	507	
Haig	306	
Bedwas	179	
Celynen South	114	
Markham	179	
Treforgan	7	(Dev only)
Penrikyber	129	
Aberpergwm	82	
Abertillery	84	
St Johns	212	
Garw	139	
	7180	

PITS AGREED FOR CLOSURE

	000 tonnes	(1982/83 tonnages)
Glasshoughton	286	
Ledston Lock	382	
Whitwick/Sth Leicester	555	
	1123	

PITS WITHIN APPEAL PROCEDURE

	000 tonnes (1982/83 tonnages)
Bates	799
Horden	574
Kinsley	551
Polkemmet	335
Tilmanstone	195
	2454

Total tonnage closed, agreed or proposed for closure since the end of the strike:

7,180,000
1,123,000
2,454,000
10,757,000

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WEEKLY COAL AND POWER STATION STATISTICS SUPPLEMENT (1)

EcS Division, Dept. of Energy, Thames House South,
Millbank, London SW1P 4QJ phone:01-211-4368

18 DECEMBER 1985

			Week ending..... 10.12.83	8.12.84	16.11.85	23.11.85	30.11.85	7.12.85
COAL	PRODUCTION (m.tonnes)	deep mines+	1.89	0.63	2.03	2.06	2.06	2.08
		opencast+	0.32	0.29	0.31	0.34	0.33	0.29
		TOTAL	2.21	0.92	2.34	2.40	2.39	2.37
	PRODUCTIVITY(2) (tonnes/manshift)	'overall'	2.45	2.19	2.93	2.95	2.97	3.03
		'production'	10.12	11.57	12.88	13.01	13.09	13.50
	UNDISTRIBUTED (m.tonnes)	deep mines:						
		England	14.88	7.36	2.81	2.79	2.83	2.82
		S.Wales	2.70	2.46	2.15	2.11	2.14	2.19
		Scotland	1.61	1.38	0.88	0.86	0.85	0.84
		opencast	5.14	9.65	4.01	3.94	3.87	3.75
		TOTAL	24.32	20.84	9.85	9.70	9.69	9.60
POWER STATIONS	COAL STOCKS (m.tonnes)	S.Eastern	3.02	0.81	1.87	1.84	1.78	1.77
		S.Western	2.21	0.65	2.78	2.75	2.74	2.71
		Midland	12.67	9.04	8.24	8.31	8.36	8.42
		N.Eastern	9.09	2.63	8.37	8.35	8.35	8.40
		N.Western	2.66	1.34	1.86	1.87	1.88	1.89
		TOTAL CEGB	29.65	14.47	23.12	23.12	23.10	23.18
		Scotland	2.86	0.73	1.78	1.76	1.70	1.70
		TOTAL Gt.Britain	32.51	15.20	24.90	24.87	24.80	24.88
	COAL CONSUMPTION (m.tonnes)	S.Eastern	0.19	0.02	0.14	0.17	0.20	0.17
		S.Western	0.22	0.01	0.21	0.23	0.22	0.20
		Midlands	0.76	0.56	0.73	0.75	0.75	0.74
		N.Eastern	0.48	0.09	0.49	0.57	0.56	0.52
		N.Western	0.13	0.07	0.15	0.14	0.14	0.14
		TOTAL CEGB	1.78	0.76	1.72	1.85	1.88	1.77
		Scotland	0.14	0.01	0.18	0.19	0.20	0.16
		TOTAL Gt.Britain	1.92	0.77	1.91	2.05	2.08	1.93
	COAL RECEIPTS (m.tonnes)	CEGB	1.57	0.70	1.83	1.85	1.86	1.84
		Scotland	0.13	–	0.17	0.17	0.14	0.17
		Gt.Britain	1.70	0.70	2.00	2.02	2.00	2.00
	OIL STOCKS(3) (m.tonnes)	CEGB	1.14	0.96	0.76	0.75	0.72	0.70
		Scotland	0.17	0.21	0.17	0.17	0.16	0.16
		Gt.Britain	1.31	1.17	0.93	0.92	0.88	0.86
	OIL CONSUMPTION (3) (m.tonnes)	CEGB	0.05	0.52	0.09	0.09	0.07	0.03
		Scotland	0.02	0.09	0.01	–	–	–
		Gt.Britain	0.07	0.60	0.10	0.09	0.07	0.03
	OIL RECEIPTS(3) (m.tonnes)	CEGB	0.02	0.39	0.05	0.08	0.03	0.01
		Scotland	0.02	0.15	–	–	–	–
		Gt.Britain	0.04	0.54	0.05	0.08	0.03	0.01
	GAS CONSUMPTION (m.therms)	CEGB	–	7	–	–	–	–
	ELECTRICITY(4) SUPPLIED (GWh)	Nuclear	866	1,033	873	838	951	899
		Other Steam	4,588	4,140	4,720	4,829	4,975	4,535
		TOTAL	5,454	5,172	5,593	5,667	5,926	5,434
		TOTAL, temperature corrected	5,366	5,398	5,066	5,211	5,340	5,921

(1) Great Britain unless otherwise stated. All latest figures are subject to revision. (2) NCB mines only. (3) Oil-fired boilers only. (4) Steam stations only. +includes licensed production.

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WEEKLY COAL AND POWER STATION STATISTICS (1)

EcS Division, Dept. of Energy, Thames House South,
Millbank, London SW1P 4QJ phone 01-211-4368

18 DECEMBER 1985

	Week ending.....		10.12.83	8.12.84	16.11.85	23.11.85	30.11.85	7.12.85
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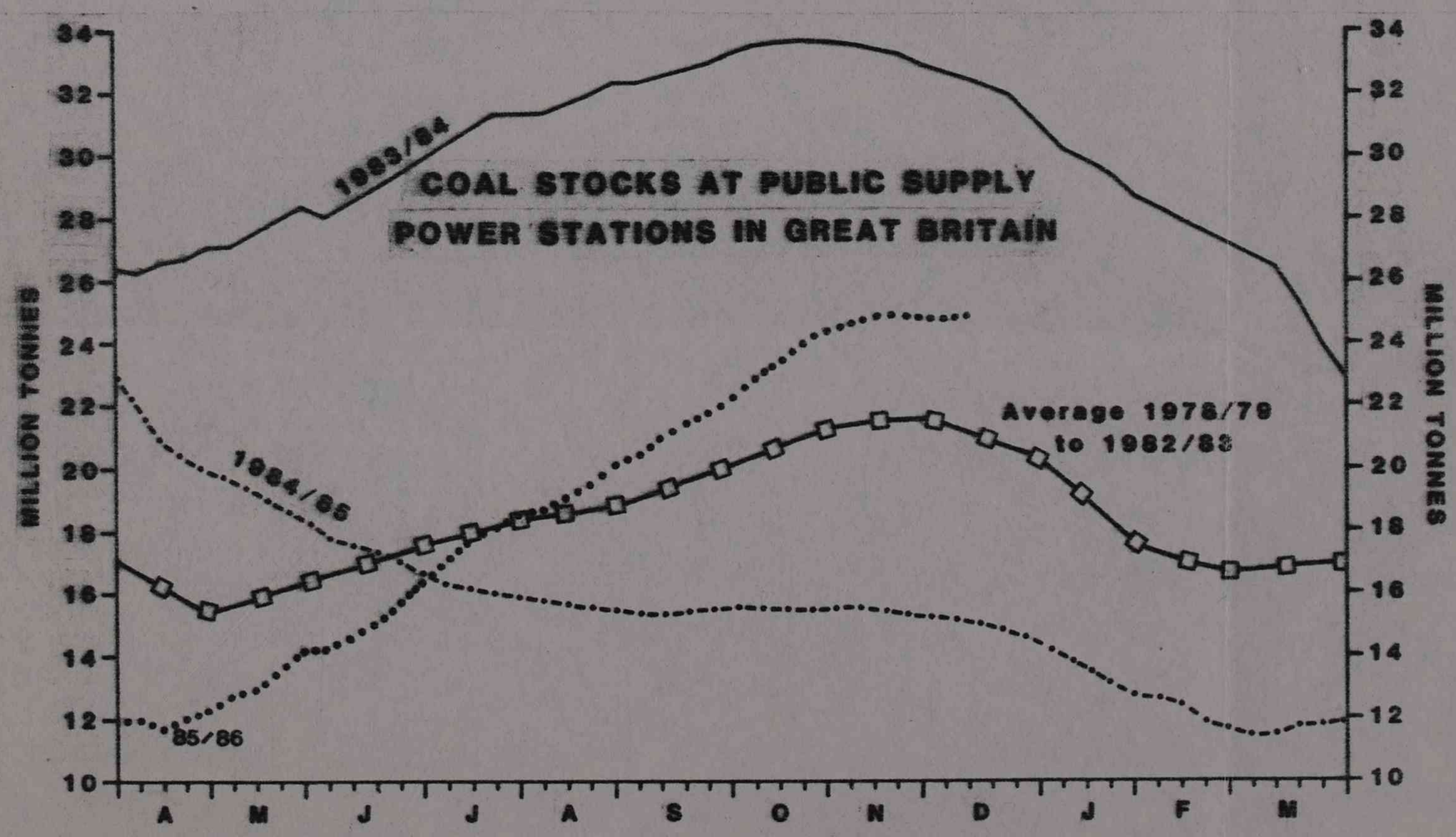
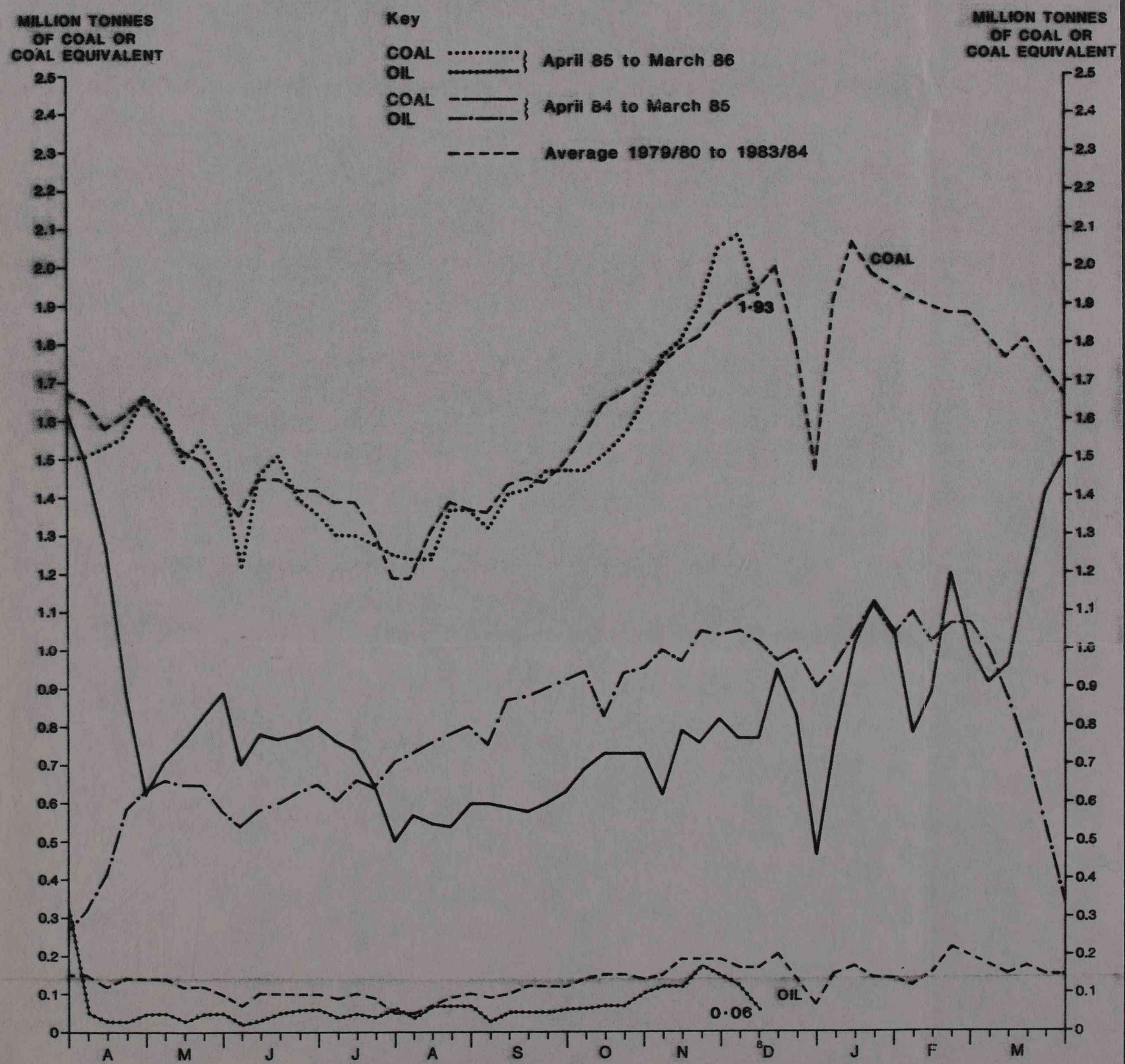
		opencast+	0.32	0.29	0.31	0.34	0.33	0.29
		TOTAL	2.21	0.92	2.34	2.40	2.39	2.37
	PRODUCTIVITY(2) (tonnes/manshift)	'overall'	2.45	2.19	2.93	2.95	2.97	2.03
		'production'	10.12	11.57	12.88	13.01	13.09	13.50
	UNDISTRIBUTED STOCK (m.tonnes)	TOTAL	24.32	20.84	9.85	9.70	9.69	9.60
POWER STATIONS	COAL STOCKS	(m.tonnes)	32.51	15.20	24.90	24.87	24.80	24.88
	COAL CONSUMPTION	"	1.92	0.77	1.91	2.05	2.08	1.93
	COAL RECEIPTS	"	1.70	0.70	2.00	2.02	2.00	2.00
	OIL STOCKS(3)	"	1.31	1.17	0.93	0.92	0.88	0.86
	OIL CONSUMPTION(3)	"	0.07	0.60	0.10	0.09	0.07	0.03
	OIL RECEIPTS(3)	"	0.04	0.54	0.05	0.08	0.03	0.01
	ELECTRICITY SUPPLIED(4)	(GWh)						
	Nuclear	"	866	1,033	873	838	951	899
	Other Steam	"	4,588	4,140	4,720	4,829	4,975	4,535
	TOTAL	"	5,454	5,172	5,593	5,667	5,926	5,434
	TOTAL, temperature corrected	"	5,366	5,398	5,066	5,211	5,340	5,921

(1) Great Britain unless otherwise stated. All latest figures are subject to revision. (2) NCB mines only. (3) Oil-fired boilers only. (4) Steam stations only. +includes licensed production.



CONFIDENTIAL

COAL CONSUMPTION AND OIL CONSUMPTION (OIL FIRED) AT PUBLIC SUPPLY POWER STATIONS IN GREAT BRITAIN



cc BG

14

NBPM.

01 211 6402

The Rt Hon John MacGregor OBE MP
Chief Secretary
HM Treasury
Parliament Street
LONDON
SW1P 3AG

Copy No 2 of 12

18 December 1985

REDUNDANCY TERMS FOR MINEWORKERS

FILE WITH DRAFT

Thank you for your letter of 16 December.

It is very difficult to deal with points of this nature when they are raised so shortly before the deadline for the announcement which it is essential for me to make, and without proper prior discussion between officials. However, I have considered carefully what I can do to meet them.

I am bound to say that I doubt very much whether it would be sensible to set up a scheme to run for only 6 months as you suggest. Indeed, in practice, because of the periods of notice required under employment legislation, it might well enable the NCB to proceedd with voluntary redundancies under its terms only until the end of June 1987. However, I am willing to hold the point over for later discussion, and to frame the terms of my announcement so as to avoid any commitment on the period for which the new scheme will run.

You also suggest that the announcement should say that responsibility for redundancy payments will be trasnferred to the NCB from 1987/88. I must say in passing that I do not understand why it should be impossible to decide how we should deal with redundancy payments in 1986/87 before we have seen the NCB's business plan, but possible to take decisions now for 1987/88 and later years. I have some sympathy with the substance of the point that you are making and have warned Mr MacGregor that it is something that I shall want to discuss with him in due course. However, it is not something which would possible be announced now as a firm decision. We should discuss it in the light of the NCB's business plan. If the timetable permits, a decision could be announced during the debate on the RMPS Order (which will also, of course, have to state the period for which the new scheme is to run).

Finally, I am afraid that I cannot accept your suggestion of an arbitrary reduction in lump sums paid to older men. The proposal in my letter of 29 November can be justified on the grounds of equity between those with and those without a full national insurance contribution record; yours cannot. The sums at stake are small in the context of expenditure on the RMPS, which is anyway currently forecast to be within the eixsting public expenditure provision for 1986/87. The point must be made clear in my announcement so that the NCB can counsel those considering accepting redundancy.

I enclose a copy of the statement in the form in which I intend to make it tomorrow.

I am sending copies of this letter to the Prime Ministr, Norman Fowler, David Young, Leon Brittan, Nicholas Ridley, George Younger, Nicholas Edwards, John Biffen and to Sir Robert Armstrong.

Yours

PETER WALKER

CONFIDENTIAL

DRAFT QUESTION AND ANSWER ON THE REDUNDANT MINEWORKERS PAYMENT SCHEME

Q. To ask the Secretary of State for Energy whether he will make a statement on redundancy terms for mineworkers following expiry of the present Redundant Mineworkers Payments Scheme on 29 March 1986?

A. The generous benefits available under the Redundant Mineworkers Payments Scheme have enabled the National Coal Board to maintain their policy of not making redundant men who wish to continue to work in the coal industry, while carrying through the extensive restructuring that is needed to secure the industry's future viability. The coalminers' dispute, in addition to the other damage which it inflicted on the industry, delayed that necessary restructuring. Against this background, I have concluded that it would be right for the present to maintain broadly the present level of scheme benefits. I have also concluded that it would be right to make available additional weekly benefits to men aged 50 or over on redundancy whose total weekly benefits would otherwise be seriously reduced by their failure, through deficient National Insurance contribution records in 1984-85, to qualify for unemployment benefit or sickness benefit at the standard rate. Men who receive this additional weekly benefit will, however, have their lump sum benefits under the Scheme reduced in recognition of their having failed to pay full National Insurance contribution.

In summary, my proposals are as follows.

- Weekly basic benefit and pension supplement paid to men aged 50 or over on redundancy will continue as under the present Scheme; there will be a new basic benefit table, calculated as in previous years. It will continue to be a condition for receipt of these benefits that the beneficiary is unemployed or sick; but it will no longer be a requirement that he qualifies for unemployment benefit or sickness benefit.

- Redundant mineworkers who qualify for less than the standard rate of unemployment benefit or sickness benefit as a result of a deficient national insurance contribution record for 1984/85 will, subject to certain conditions, be eligible for a sum equal to the difference between benefit at the standard rate and the benefit, if any, to which they are actually entitled. The equivalent of unemployment benefit will continue to be paid under existing rules to men aged 50 or over on redundancy after they have exhausted their entitlement to unemployment benefit.

- Lump sums payable to men aged 50 or over will be calculated as under the present Scheme. But they will be reduced by £600 for those who qualify under the new provisions outlined above for additional weekly Scheme benefits at the standard rate of unemployment benefit or sickness benefit, and by £550 for those who qualify for additional weekly Scheme benefits at a lower rate.

- Lump sums payable to men aged under 50 on redundancy will continue to be calculated as under the present Scheme.

- Entitlement to contributory benefits under social security legislation or to statutory redundancy payments under employment legislation will not be affected by these proposals.

I shall in due course lay before the House for approval a draft Order incorporating these proposals. They do not affect the operation of the present Scheme, which expires on 29th March 1986.

NAT IND

COAL

PT 19

13.

SECRET

P 01852

PRIME MINISTER

Power Station Endurance

Meeting on Thursday 19 December at 4.30 pm

INTRODUCTION

The main purpose of this meeting is to decide on the October 1986 level of power station coal stocks needed to withstand any industrial action by coal industry unions during the winter 1986/87. The Secretary of State for Energy's minute of 12 December provides a basis for discussion.

2. I understand you also wish to pursue some questions arising from the second report on the lessons of the 1984/85 miners' strike which have been put to Mr Walker (Mr Norgrove's letter of 2 December and by telephone on 17 December)* and to some of which replies were given on 11 December (Mr Dart's letter to Mr Norgrove).*

FLAG A

FLAG B

* Only the Cabinet Office have seen this correspondence.

3. It is possible that the Chancellor of the Exchequer will raise the question of recovering the additional cost of achieving power station coal stocks of 22m tonnes by March 1986.

Coal Stocks

FLAG C

4. In his minute of 12 December, Mr Walker argues that:

- the industrial relations climate in the coal industry is much more favourable than seemed possible in July; the new Union of Democratic Mineworkers (UDM) is officially registered; Mr Scargill's damaged authority has suffered further significant reverses; the weakest point is continuing poor relations between the National Coal Board (NCB) and the National Association of Colliery Overmen Deputies and

Shotfirers (NACODS) but industrial action by NACODS, even if supported by the National Union of Mineworkers (NUM), is thought likely to be short lived in UDM dominated areas (from which 400K tonnes of coal should be produced each week);

- the build up of stocks reached 23m tonnes by early November and prospects of having 22m tonnes in stock at power stations in March 1986 are bright, provided that this winter's weather is not exceptionally severe;

- a normal summer delivery programme to end of October 1986 should achieve power station coal stocks of 27m tonnes (equivalent to nine months endurance even if no new coal were to be delivered) without additional cost to the PSBR;

- there would be a number of options to achieve higher stock levels by October 1986 - none of them easy and most of them expensive - a burden that the Electrical Supply Industry (ESI) would refuse to accept;

- on balance a stock level of 27 m tonnes by the end of October 1986 should prove adequate to withstand industrial action during the winter 1986/87 particularly as there is sufficient capacity for accelerating deliveries, increasing imports and increasing oil burn to achieve a higher level of security if the industrial relations climate should worsen during the next six months.

5. Mr Walker's case for planning at this stage for 27m tonnes seems a reasonable one and would put the Government in a much stronger position than at the beginning of the last coal strike (when stocks were 24m tonnes). More power should also be available this time from the French Interconnector and the 400,000 tonnes of coal a week that the UDM areas are expected to produce. But before you accept Mr Walker's case you will at the least wish to assure yourself that:

- Mr Walker's assessment of the industrial relations climate - particularly in relation to the improbability of Mr Scargill, alone or together with NACODS, or even the UDM, mounting a long strike anytime in the next 18 months - is credible;

- that the NCB really are now in a position to avoid provoking their unions, particularly NACODS, into strike action during the next two winters, (the change of Chairman next year could be seen by Mr Scargill as an opportunity to recoup lost ground);

- that the Department of Energy will make ~~aequate~~ adequate monitoring arrangements so that early warning will be available about any problems that might require the desired stock level to be reassessed;

- that if any reassessment proved necessary, it would be possible quickly to switch to a higher stock target.

Other Lessons of the Miners' Strike

6. You have asked further questions about:
- the progress on pit closure programmes;
- the treatment of working miners; (Mr Brittan has raised this separately with Mr Walker, as well)
- breakaway unions - particularly the UDM;
- performance incentives;
- the position of NACODS;
- the handover next year between Mr McGregor and Sir Robert Haslam;
- prospects for obtaining more coal from open cast mines.

N.U.M.
U.D.M.

7. Answers to the first five questions were given by Mr Walker's private secretary in his letter of 11 December to Mr Norgrove. You will wish to probe Mr Walker's answers to ensure that all possible action is being taken with the utmost urgency, while not risking a set-back to the current favourable trends on the industrial relations front. Specifically:

- On the question of local management and cases of intimidation, are perpetrators being caught and dealt with either by the police or through NCB disciplinary procedures?

- how much time will be needed to work out the details of performance incentive schemes and are those responsible working flat out to complete the task?

- are any problems anticipated when the unions realise that attendance bonuses might lead to job losses?

- how quickly can those ways of reducing NACODS monopoly which do not require legislation by introduced? Can target completion dates be set?

- what arrangements does Mr Walker propose to ensure that any problems that might arise during the change of NCB chairman next year are resolved quickly and without weakening the position of the Board viz-a-viz their unions?

8. We have not yet received Mr Walker's answers to the remaining questions (on pit closures and open cast mining). However:

letter below

this is best taken up at the meeting.

- details of completed and proposed pit closures since the end of the strike (and for the preceding 12 years) were given in paragraph 5d of the Second Report on Lessons of the Miners' Strike. You will wish to ask Mr Walker to update this year's figures and describe future plans;

- you may also wish to ask about the recently announced cancellation of the closure of Bettshanger Colliery in Kent - reportedly because productivity has improved so much that the pit is now economic. There are obvious dangers in raising miners' hopes of retaining pits and jobs by improving productivity if the overall outcome is production of more coal than can be sold;

- you will wish to ask Mr Walker to report the latest position on progress in adapting the planning consents for open cast pits to ensure easier movement of coal during any future dispute (paragraph 7B of the Second Report of Lessons of the Miners' Strike refers).

Recovering Additional Costs

9. In approving the Secretary of State for Energy's request for an adjustment to the ESIs 1985/86 EFLs, to finance power station coal stocks to 22m tonnes in March 1986, the Chancellor of the Exchequer suggested that the additional costs should be recovered through higher electricity prices. I understand the Chancellor may seek to raise this point again orally tomorrow. This does not, however, seem to be the right forum to resolve this. The relevant facts are not on the table. Higher electricity prices for next year have already been publicised, but it is not clear to what extent, if any, these prices would need to be increased further to recover the relevant costs. If, therefore, the Chancellor does raise this, I suggest you ask him and the Secretary of State for Energy to resolve the problem bilaterally or, if that proves impossible, to prepare a suitable paper setting out the issues for wider Ministerial consideration.

HANDLING

10. You will wish to deal with the level of power station coal stocks in October 1986 first, inviting the Secretary of State for Energy to

lead, with other Ministers contributing as appropriate. The Secretary of State for Energy should also be invited to lead on other lessons of the miners' strike and the Chancellor of the Exchequer on recovery of additional costs if he wishes to raise it.

CONCLUSION

11. You will wish to decide:

a. whether to accept at this stage that power station coal stocks of 27m tonnes in October 1986 will provide adequate security for withstanding any industrial action during the winter 1986/87 and on arrangements for close monitoring and reporting of progress;

b. whether any further action is needed on other lessons of the miners' strike set out in paragraphs 6-8 above;

c. the action to be put in hand if the Chancellor of the Exchequer raises the question of recovering additional costs of high power station coal stocks.

J B UNWIN

18 December 1985
Cabinet Office

PRIME MINISTER

COAL

This meeting is to be attended by Mr. Walker, the Chancellor, Mr. Younger, Mr. Hurd and Mr. Tebbit.

Two other points.

Paragraph 6 of Brian Unwin's brief refers to further questions about lessons of the miners' strike. There were two others which you agreed to leave over until other Ministers had commented on the Cabinet Office report. These were:

- the report refers to the problems caused by multi-issue ballots and questions NACODS' of September 1984, but argues that this has been the only such case. But why should it not be done again deliberately and action be taken to stop it?

- It says that the Widdicombe inquiry is expected to report in late spring 1986 on matters relevant to local authorities' scope for providing financial assistance to strikers and their families. Should the Government anyway be looking towards legislation on this early in the 1986/87 session?

The Ministers concerned with these questions will not be at the meeting. If the occasion arises you could mention them, to be taken up by the Cabinet Office. Otherwise I shall minute them out.

Secondly, Department of Energy and Treasury have been wrangling about the terms of the redundant mineworkers payment scheme next year. Department of Energy intend to announce tomorrow afternoon that it will be extended, but without giving details. This is something they need to sort out between them, at least initially.

Julie Bowers

pp DAVID NORGROVE

17 December 1985

VC3AJB

1645/003

SECRET

(12)

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Peter Walker MBE MP
Secretary of State
Department of Energy
Thames House South
Millbank
London
SW1P 4QJ

16 December 1985

Dear Peter,

REDUNDANT MINEWORKERS' PAYMENT SCHEME

Thank you for your letter of 29 November with proposals for the RMPS in 1986-87. You said that you wanted to have a word about it but in the event we seem to have been unable to do so although I know our offices have been in touch.

As you say, it is important that the NCB can continue to make miners redundant and shut pits. That is the only way that they can achieve a viable coal industry. They still need relatively generous redundancy terms to bribe the men to go. So I agree that we must continue the RMPS for 1986-87 with benefits high enough to get the men to leave.

It is disappointing, however, that we cannot take the important decisions on the shape of next year's RMPS scheme in the context of the NCB's business plan. When Peter Rees agreed to the terms of the 1985-86 scheme he made it quite clear that he expected the recovery strategy and future redundancy policy to be planned alongside one another.

Yet I accept that right now we need to set up the 1986-87 scheme so as to avoid lengthening the hiatus in redundancies which will inevitably happen in the first quarter of 1986. We therefore need an interim scheme, say for 6 months. That way we leave our options open in planning the scheme for the remainder of 1986-87 alongside the Board's business plan. A shorter scheme will have the advantage of continuing to bolster the Board's policy of fostering redundancies by creating uncertainty about the future of redundancy payments on their current generous scale.

SECRET

In addition, I think we must also make it clear that we do not intend to continue statutory funding of redundancies beyond 1986-87 when the present primary powers expire. It is irrational for the industry not to take full financial responsibility for the whole range of its investment decisions, including redundancies. By 1987-88 the NCB should have achieved break-even and will need to continue through the recovery strategy to reach profitability. In doing so it may need scope for more accurate focussing of redundancy offers to negotiate closures in difficult areas. So I think your statement should make it quite clear that, whatever the decision about funding redundancy payments in the second half of 1986-87, the responsibility will be the NCB's from 1987-88.

The details of the scheme you suggest for 1986-87 are broadly satisfactory. I accept that the qualification rules need to be weakened to ensure that strikers are still willing to come forward for redundancy in the first part of the year. It makes no sense to give them an incentive for delay. I can also see the case for making up weekly RMPS payments to older men to compensate for lost unemployment or sickness benefit. But I am not convinced that we should do so without adjusting lump sums in full, thus avoiding the extra £4m cost you mention in your letter.

Copies of this letter go to the Prime Minister, Norman Fowler, David Young, Leon Brittan, Nicholas Ridley, George Younger, Nicholas Edwards, John Biffen, and to Sir Robert Armstrong.

Yours ever,

JM

JOHN MacGREGOR

11 CCBG

SECRET

P 01835

From: J B UNWIN

13 December 1985

NBPM.

MR NORGROVE - No 10

cc Brig Budd

COAL STOCKS AT CEGB POWER STATIONS

With DN?

As foreshadowed in my minute of yesterday to Brigadier Budd, the Energy Secretary has now minuted to the Prime Minister (his minute of 12 December) recommending that there is no justification in the present industrial relations climate for aiming at a greater level of security than stocks of 27 mt by the end of October 1986. The minute also contends that raising stocks to 27 mt would not entail any PSBR cost.

2. The decision at the Prime Minister's meeting on 24 July was that the intermediate objective should be to achieve stocks of about 22 mt by March 1986. This would keep open the option of moving to 31 mt (representing about 1 year's endurance), on which a decision should be taken this month. The Prime Minister herself was inclined to favour 31 mt; the Chancellor, largely because of the then estimates of additional costs, argued for not going beyond 22 mt (6 months endurance).

3. I understand that the Treasury endorse Mr Walker's assessment of the industrial relations situation. There preliminary view also is that Mr Walker's numbers are right (ie building up to some 27 mt would not add to the PSBR). Unless, therefore, the Prime Minister does not herself accept the assessment of the likelihood of renewed industrial action next winter, or she still feels that it would be right now to set a target of stocks of 32 mt (12 months endurance) by October 1986, I should not have thought that the proposed meeting next Thursday (19 December) was necessary. It is worth bearing in mind also that, as Mr Walker's minute makes clear, the options for building up to the higher figure, should the industrial relations prospects worsen during the next few months, will remain open, and it should be possible to take a decision at short notice to increase the build up. Stocks of 27 mt will also be higher than those (24 mt) at the beginning of the last coal strike; and more power should be available this time from the French Interconnector and the availability of some 400 kt of coal a week that the UDM areas are expected to be able to produce.

4. You will, of course, wish to take the Prime Minister's view on this. But subject to that, and to confirming on Monday with the Treasury that they are content

with the figures, I suggest that you might dispense with the planned meeting. In reply to Mr Walker, however, the Prime Minister would no doubt want to stress the need to keep the industrial relations position under close and continued scrutiny, so that the decision on stocks could be reviewed very quickly if the prospect worsened.

J B UNWIN

Cabinet Office

10D

SECRET

PRIME MINISTER 13 December 1985

COAL STOCKS AT CEGB POWER STATIONS

For once, Energy and Treasury are at one, and we would support them in aiming for 27 million tonnes of coal stocks at CEGB power stations prior to the Winter of 1986/87.

On current plans, the NCB will maintain a high rate of coal deliveries to the CEGB over this Winter. That creates the option next Spring, either to prepare for the worst, or drop back to a normal mode of operation. Barring a rapid deterioration of the industrial relations climate - against all the trends - Peter Walker wants to revert to a normal pattern of coal deliveries from next Spring.

This implies 9 months' power station endurance, assuming siege conditions from the start of next Winter. More realistically, in the gloomiest scenario we might encounter, NACODS/NUM would initially pull out the UDM, but would then lose their grip as UDM members put pressure on their colleagues in NACODS and return to work. In that case, the endurance would be over 2 years from the start of next Winter.

Peter Walker's proposal has the virtue of being PSBR neutral. Moreover, there are good reasons against departing from the normal pattern of coal deliveries to power stations - either up or down. To lower the rate of deliveries next Summer means dropping our guard with no net benefit to the

PSBR. To raise it, would create difficulties over funding the additional working capital. Moreover, there is the arguable point that, to go on building coal stocks beyond a certain prudent level, could give the wrong signal to the UDM. Certainly, if they saw it as an implied threat, the exercise would be counterproductive.

We can take further comfort from the operational changes and engineering modifications made since the coal strike to increase power station flexibility and endurance. Apart from directly enhancing endurance, they increase the ability rapidly to build coal stocks once trouble is foreseen.

We support Peter Walker's coal restocking policy. It may still be worth meeting to reach and record a clear understanding on the conclusions of the report on the lessons from the coal strike.

JOHN WYBREW

SL2AEB

SECRET

10C

PRIME MINISTER

COAL

A meeting is scheduled for next Thursday to discuss endurance. Mr Walker's minute (Flag A) argues that the risk of an all-out stoppage next winter involving both the NUM and UDM is small and that there is no need to rebuild stocks beyond 27mt. Treasury officials agree with this, but I do not know the Chancellor's views. There would be no PSBR costs. The Policy Unit comment is at Flag B.

Mr Walker would personally like not to have a meeting next week and the Cabinet Office also see no need for one. The Chancellor is likely to agree.

Separately, the Department of Energy have now replied to your questions about lessons of the miners' strike, (my letter at Flag C; their reply Flag D). Energy take the view that everything that can be done is being done. However, without knowing of your concern, Mr Brittan is also concerned about intimidation of working miners (Flag E).

Questions:

(i) do you want the meeting to stand?

(ii) if not, are you content with Mr Walker's proposals, subject to the views of colleagues?

(iii) do you have any supplementary questions on the Energy letter about lessons of the miners' strike?

A meeting next week would help to show that you believe there is no room for complacency on this. The alternative is to wait until we have the Corporate Plan due in the next couple of months.

D R NORGROVE

13 December 1985

SECRET

SECRET & PERSONAL

10B

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET
TELEPHONE DIRECT LINE 01-215 5422
SWITCHBOARD 01-215 7877

Secretary of State for Trade and Industry

12 December 1985

SECRET & PERSONAL

The Rt Hon Peter Walker MP
Secretary of State for Energy
Department of Energy
Thames House South
Millbank
LONDON
SW1

Dear Peter,

LESSONS OF THE MINERS STRIKE : INTIMIDATION

My office has already indicated to No 10 that I am generally content with the conclusions of the Second Report on Lessons of the Miners Strike, circulated with Sir Robert Armstrong's minute of 25 November. There is however one point which I wanted to follow up with you, arising in part out of non-Departmental correspondence which you have seen. This concerns the problem of intimidation of working or early-returning miners.

2 You have already written to me saying that you have asked Ian MacGregor for his comments on letters sent to me by one of our past candidates in South Wales concerning the treatment received by working miners in South Wales from the area NCB. I am content that the details of the particular case should be followed up between us in the normal way. But unless the claims are shown to be unfounded, or a completely isolated instance - neither of which seem to me likely, knowing my correspondent - I remain very concerned about the implications of what seems to be continuing victimisation of working miners, allegedly with at least the acquiescence of the National Coal Board at local level.

3 There are undoubtedly difficult questions. The report by officials noted (at paragraph 5b) the difficulties that would have attended wholesale tranfer of working miners away from militant areas. But the tone of the report, suggests that, after a perhaps inevitable initial period of attrition the incidence of intimidation had quite quickly fallen away, and that transfers had been arranged for remaining hard cases. I obviously do not want to build too much upon one report, however well attested. But if significant problems do remain, there are two powerful reasons why we need to be sure that they can be resolved.

DW4AHO

SECRET & PERSONAL

999-1

4 The first is the simple humanitarian point that the Government and the nation benefitted considerably by these individuals' action, which we obviously encouraged at the time. They presumably did what they did in the knowledge that there would be at least considerable social pressures on them as a result, and probably worse. The Government could not have sought to guarantee them against future difficulties - any more than we could step in with financial help to business affected by the miners' strike action. But we and the NCB must have some continuing responsibility for alleviating the worst cases.

5 The second point is clearly identified in the officials' report : the readiness of individuals in any future dispute to act as many did last time, and as we should want them to, could well be affected by others' experience after this dispute. This could in turn affect the seriousness of any future industrial difficulties. And short of that eventuality, unresolved problems could perhaps harden moderate opinion within the more militant areas.

6 I should be glad to know how you see this, and in particular whether you and Douglas Hurd feel that all has been done that needs to be regarding the transfer of remaining difficult cases and action against those responsible for criminal acts against those staying in their communities.

7 I am copying this letter to the Prime Minister, the Lord President, the Chancellor of the Exchequer, the Home Secretary, the Secretaries of State for Defence, Scotland, Wales, Employment and Transport, the Chancellor of the Duchy of Lancaster, the Attorney General and Sir Robert Armstrong.

Yours,

Leon

LEON BRITTAN

DW4AHO

NAT IND : Coal : Pt 10

10A.2
CC BG
cc Home off
cc Chx's off

PRIME MINISTER

Copy No 1 of 8

COAL STOCKS AT CEGB POWER STATIONS

At our meeting in July we agreed to ask the NCB and the electricity supply industry (ESI) to aim to maintain coal deliveries at the maximum rate throughout the winter of 1985/86 to provide a stock level of some 22mt by the end of March 1986. That level of stocks in the Spring would enable stocks to be built up subsequently so as to give even higher levels of endurance, if the situation warranted it. We agreed to review the situation in December and are meeting on 19 December for that purpose.

THE INDUSTRIAL RELATIONS SITUATION

The general climate now looks much more favourable than it did in July. The summer delivery programme proceeded smoothly and successfully with stocks reaching over 23mt by early November. No difficulties are seen at present in being able to achieve the planned target of 22mt by the end of March 1986, provided that the weather is not exceptionally severe this winter. The coal fields are returning to normal and productivity is increasing markedly. There is no problem with the availability of coal for the CEGB.

What level of stocks to aim at beyond March 1986, requires a careful assessment of the likely risks of major industrial action in the coal industry. At present, the risks seem less than for some time. Scargill's authority has clearly been damaged by the outcome of the strike and its aftermath. The establishment of the UDM (which was registered on 6 December) and its prospects for further growth are encouraging. Even within the NUM, Scargill has suffered significant reverses. While the risks cannot be completely discounted, my judgement

is that Scargill will not, in the near term, be able to rally his members for industrial action if there is no prospect of other support in the coal fields e.g. from the UDM or NACODS.

As far as the UDM is concerned there is no issue on the horizon over which they and the NCB should fall out and it should be within the power of the Board to ensure that this remains the case. I therefore judge the risk of an all-out stoppage involving both the NUM and UDM over next winter as small.

The position with NACODS is not so clear cut. General relations between the Board and NACODS are poor and a dispute could arise either over pay or some aspect of the closure programme. The NUM might be prepared to make common cause with NACODS which could lead to industrial action. However, it seems likely that UDM members would not support such action and therefore that the deputies in the Midlands and Nottinghamshire would come under intense local pressure to return to work. So, even a NACODS inspired stoppage seems likely to be patchy and probably short lived.

It is vital that nothing is done to provoke the UDM into joining with the other unions in some major stoppage. But the Management have that very much in mind, as should we, in considering our posture on coal stocks. The UDM areas should be able to produce 400kt of coal a week and this makes a very significant contribution to endurance.

COAL PRODUCTION AND PIT CLOSURES

The NCB has made good progress in bringing about pit closures since the strike. But much still remains to be done if they are to break even by 1987/88. We await their fully worked business plan. However, in building up coal stocks, we would not want to adopt a coal delivery programme that would mean delaying the closure of uneconomic pits that ought to be closed.

Assuming you agree that the risk of a strike next winter is low.

COAL STOCKS

A range of options is open to us, but the starting point should be that programme of coal delivery and stocks which minimises the cost to the PSBR and can be sustained by NCB production at a level that avoids delaying pit closures.

If we assume a stock of 22mt at the end of March 1986, a "normal" summer delivery programme to the end of October might consist of 41mt from the NCB and 2mt from non-vested production and contracted imports. Against this the CEGB might be expected to burn 38mt, leaving a total stockbuild of up to 5mt. Such a programme should be comfortably possible without any effect on the NCB's present plans. Thus, at no cost to the PSRB, a "normal" coal purchase profile for the next financial year would raise stocks to around 27mt by the end of October. This would represent some nine months' endurance assuming no coal deliveries; 400kt a week, from UDM areas, would extend the endurance to the first quarter of 1989.

There are options to build up the level of stocks more rapidly from March 1986 onwards. For example, stocks of 32mt and endurance of 12 months (even with no coal deliveries) would require a further 5mt to be delivered during the summer of 1986. NCB might, with difficulty, be able to deliver an extra 2 - 3mt. The balance would need to be met by non-vested suppliers (say up to 1mt at an increased cost of £32m to the PSBR) and by imports (say 1 - 2mt at a cost of £37m - £47m).

Getting to the same target by means of oil burn would be more costly in PSBR terms than the £69 - 106m suggested above.

An intermediate target about 27mt but below 32mt could, however, be achieved at no cost to the PSBR, but only if the NCB can meet the higher production required and maintain quality. The CEGB doubt whether this is achievable.

THE ESI'S FINANCES

In addition to the PSBR implications we must consider the effect on the ESI's financial position. So far the industry has been prepared to build stocks up to the 22mt target by end-March 1986 on the understanding that EFLs are adjusted to take account of this. This is being done for the 1985/86 EFL, but the outcome of the IFR discussions already makes it difficult for them to meet the extra costs involved in the IFR years. A stockbuild to 32mt by the end of October implies stocks of around 27mt at the end of the 1986/87 F.Y. (i.e a net stock build in the financial year of 5mt). It is clear that the industry will refuse to accept the financial burden of such additional stocks and will press for special payment arrangements or some other form of Government financial assistance.

CONCLUSION

It is for decision, therefore, what level of stocks we ask the two industries to plan for in October 1986. Subject to your, and colleagues', views my judgement is that there is no justification in the present climate for aiming at a greater level of security than would be obtained by stocks of 27mt at the end of October on the basis of no net stockbuild in 1986/87. Sufficient flexibility would remain in the system to move towards a higher level of security by accelerated deliveries, imports, or even oil burn, if the industrial relations climate worsened perceptively over the next six months or so.

I am copying this to Nigel Lawson, George Younger and Sir Robert Armstrong.

SECRETARY OF STATE
FOR ENERGY

12 December 1985

010

NBPM. 10

SECRET

P 01830

From: J B UNWIN
12 December 1985

BRIGADIER BUDD

c Mr Norgrove - No 10

COPY FOR

COAL STOCKS: ENDURANCE

Mr Manley at the Department of Energy has reported the latest position to me as follows.

2. Mr Walker has approved the paper to be sent to the Prime Minister on the following lines. First, the NUM is in such disarray that there is no foreseeable risk on the industrial relations scene. No further action beyond that already in train is, therefore, required, although the position must, of course, continue to be monitored closely.

3. Second, so far as coal stocks are concerned, total stocks are expected to be around 22 million tonnes at the end of the present financial year. The Department's estimate is that, by taking all NCB coal available, these stocks will be up to some 27 million tonnes by next autumn, equivalent to about 9 months endurance. This will not involve any additional PSBR cost. It will avoid having to keep any extra pits open in order to produce additional coal, and will not require imports or any other special measures. By contrast, action to build up stocks by next autumn to the magin 31 million tonnes, could cost about an extra £100 million on the PSBR.

4. Mr Walker's recommendation is, therefore, in favour of the above no extra cost course; and his Office will suggest to No 10 that the meeting with the Prime Minister on 19 December is no longer necessary.

5. I asked how robust the above forecast was in face of, say, a very hard winter. Mr Manley said that it was pretty robust, although an exceptionally cold winter could reduce the autumn figure by 1 to 2 million tonnes.

6. Provided they accept the underlying arithmetic, the Treasury will presumably support the above analysis. You will recall that at the meeting in July the Chancellor did not want to go beyond building up a stock of 6 months endurance. Mr Manley said that the Department will be going over the numbers with the Treasury today. It would be useful, therefore, if you could make contact again and dicover

where matters stand "at working level".

7. Unless the Prime Minister is still set on building up to the 1 year endurance figure of some 31 million tonnes, it may well be that we shall not need a meeting next week. But I should be grateful if Mr Norgrove would consult me before any decision about changing the present arrangements is made.

T. Hensser

pp J B UNWIN

NBPM.

CONFIDENTIAL

WEEKLY COAL AND POWER STATION STATISTICS SUPPLEMENT (1)

EcS Division, Dept. of Energy, Thames House South,
Millbank, London SW1P 4QJ phone:01-211-4368

12 DECEMBER 1985

			Week ending..... 3.12.83	1.12.84	9.11.85	16.11.85	23.11.85	30.11.85
COAL	PRODUCTION (m.tonnes)	deep mines+	1.86	0.60	1.97	2.03	2.06	2.06
		opencast+	0.32	0.28	0.32	0.31	0.34	0.33
		TOTAL	2.17	0.88	2.29	2.34	2.40	2.39
	PRODUCTIVITY(2) (tonnes/manshift)	'overall'	2.45	2.14	2.85	2.93	2.95	2.97
		'production'	10.21	11.17	12.66	12.88	13.01	13.09
	UNDISTRIBUTED (m.tonnes)	deep mines:						
		England	14.92	7.50	2.83	2.81	2.79	2.83
		S.Wales	2.70	2.46	2.15	2.15	2.11	2.14
		Scotland	1.61	1.37	0.90	0.88	0.86	0.85
		opencast	5.16	9.58	4.10	4.01	3.94	3.87
		TOTAL	24.39	20.91	9.98	9.85	9.70	9.69
POWER STATIONS	COAL STOCKS (m.tonnes)	S.Eastern	3.08	0.83	1.88	1.87	1.84	1.78
		S.Western	2.28	0.62	2.80	2.78	2.75	2.74
		Midland	12.75	9.02	8.16	8.24	8.31	8.36
		N.Eastern	9.11	2.72	8.32	8.37	8.35	8.35
		N.Western	2.67	1.35	1.86	1.86	1.87	1.88
		TOTAL CEGB	29.89	14.53	23.02	23.12	23.12	23.10
		Scotland	2.86	0.74	1.79	1.78	1.76	1.70
		TOTAL Gt.Britain	32.75	15.27	24.81	24.90	24.87	24.80
	COAL CONSUMPTION (m.tonnes)	S.Eastern	0.17	0.03	0.15	0.14	0.17	0.20
		S.Western	0.22	0.01	0.12	0.21	0.23	0.22
		Midlands	0.78	0.55	0.74	0.73	0.75	0.75
		N.Eastern	0.45	0.07	0.47	0.49	0.57	0.56
		N.Western	0.12	0.09	0.15	0.15	0.14	0.14
		TOTAL CEGB	1.74	0.75	1.63	1.72	1.85	1.88
		Scotland	0.12	0.03	0.19	0.18	0.19	0.20
		TOTAL Gt.Britain	1.87	0.77	1.81	1.91	2.05	2.08
	COAL RECEIPTS (m.tonnes)	CEGB	1.50	0.72	1.82	1.83	1.85	1.86
		Scotland	0.13	–	0.16	0.17	0.17	0.14
		Gt.Britain	1.63	0.72	1.98	2.00	2.02	2.00
	OIL STOCKS(3) (m.tonnes)	CEGB	1.17	1.05	0.80	0.76	0.75	0.72
		Scotland	0.17	0.15	0.17	0.17	0.17	0.16
		Gt.Britain	1.34	1.20	0.97	0.93	0.92	0.88
	OIL CONSUMPTION (3) (m.tonnes)	CEGB	0.04	0.53	0.07	0.09	0.09	0.07
		Scotland	0.03	0.08	–	0.01	–	–
		Gt.Britain	0.06	0.62	0.07	0.10	0.09	0.07
	OIL RECEIPTS(3) (m.tonnes)	CEGB	0.05	0.44	0.04	0.05	0.08	0.03
		Scotland	0.03	0.12	–	–	–	–
		Gt.Britain	0.08	0.56	0.04	0.05	0.08	0.03
	GAS CONSUMPTION (m.therms)	CEGB	–	7	–	–	–	–
	ELECTRICITY(4) SUPPLIED (GWh)	Nuclear	849	925	809	873	838	951
		Other Steam	5,442	4,151	4,430	4,720	4,829	4,975
		TOTAL	5,290	5,077	5,238	5,593	5,667	5,926
		TOTAL, temperature corrected	5,290	5,287	5,106	5,066	5,211	5,040

(1) Great Britain unless otherwise stated. All latest figures are subject to revision. (2) NCB mines only. (3) Oil-fired boilers only. (4) Steam stations only. +includes licensed production.

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WEEKLY COAL AND POWER STATION STATISTICS (1)

EcS Division, Dept. of Energy, Thames House South,
Millbank, London SW1P 4QJ phone 01-211-4368

12 DECEMBER 1985

	Week ending.....		3.12.83	1.12.84	9.11.85	16.11.85	23.11.85	30.11.85
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		opencast+	0.32	0.28	0.32	0.31	0.34	0.33
		TOTAL	2.17	0.88	2.29	2.34	2.40	2.39
	PRODUCTIVITY(2) (tonnes/manshift)	'overall'	2.45	2.14	2.85	2.93	2.95	2.97
		'production'	10.21	11.17	12.66	12.88	13.01	13.09
	UNDISTRIBUTED STOCK (m.tonnes)	TOTAL	24.39	20.91	9.98	9.85	9.70	9.69
POWER STATIONS	COAL STOCKS	(m.tonnes)	32.75	15.27	24.81	24.90	24.87	24.80
	COAL CONSUMPTION	"	1.87	0.77	1.81	1.91	2.05	2.08
	COAL RECEIPTS	"	1.63	0.72	1.98	2.00	2.02	2.00
	OIL STOCKS(3)	"	1.34	1.20	0.97	0.93	0.92	0.88
	OIL CONSUMPTION(3)	"	0.06	0.62	0.07	0.10	0.09	0.07
	OIL RECEIPTS(3)	"	0.08	0.56	0.04	0.05	0.08	0.03
	ELECTRICITY SUPPLIED(4) (GWh)							
	Nuclear	"	849	925	809	873	838	951
	Other Steam	"	5,442	4,151	4,430	4,720	4,829	4,975
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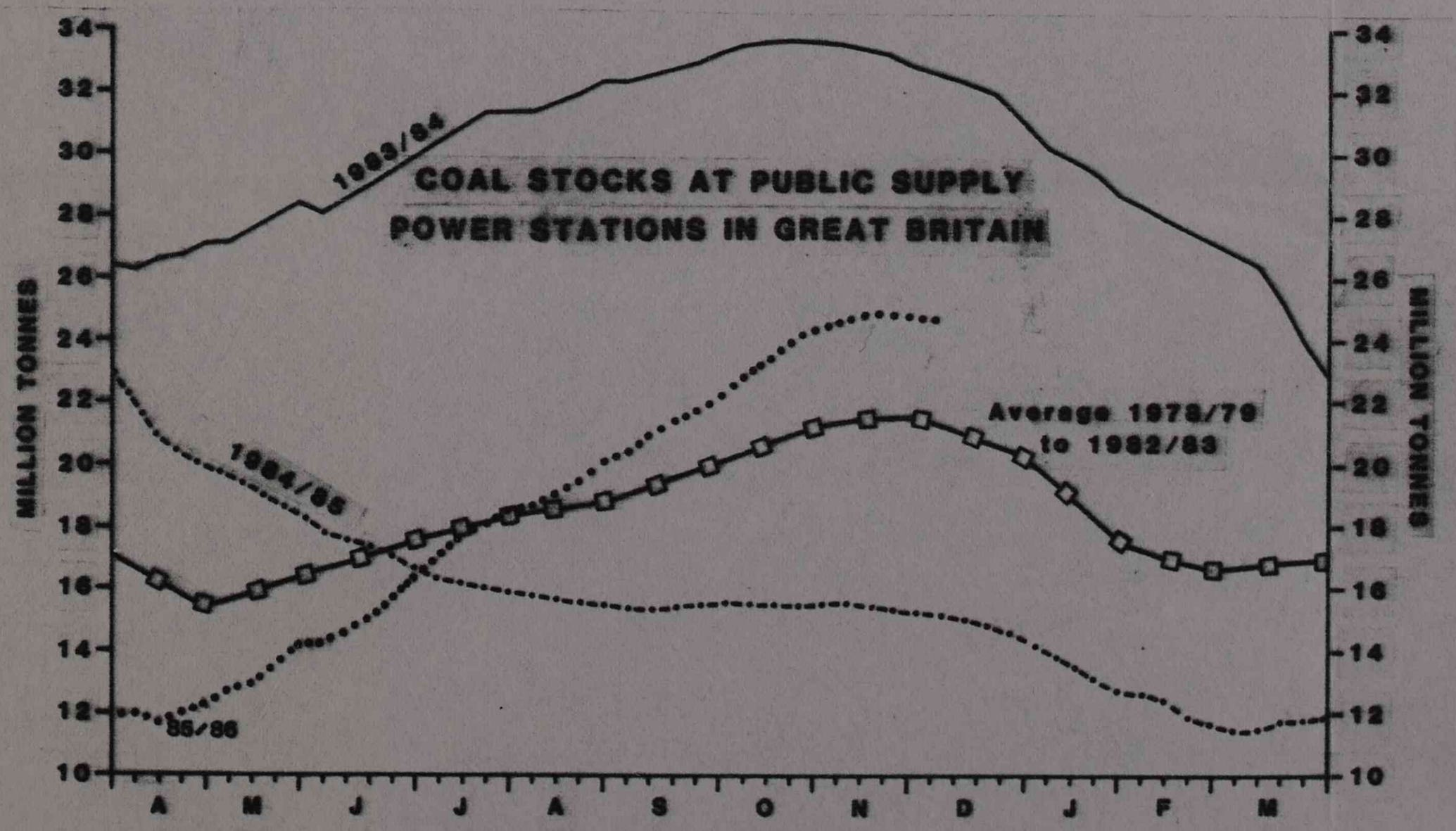

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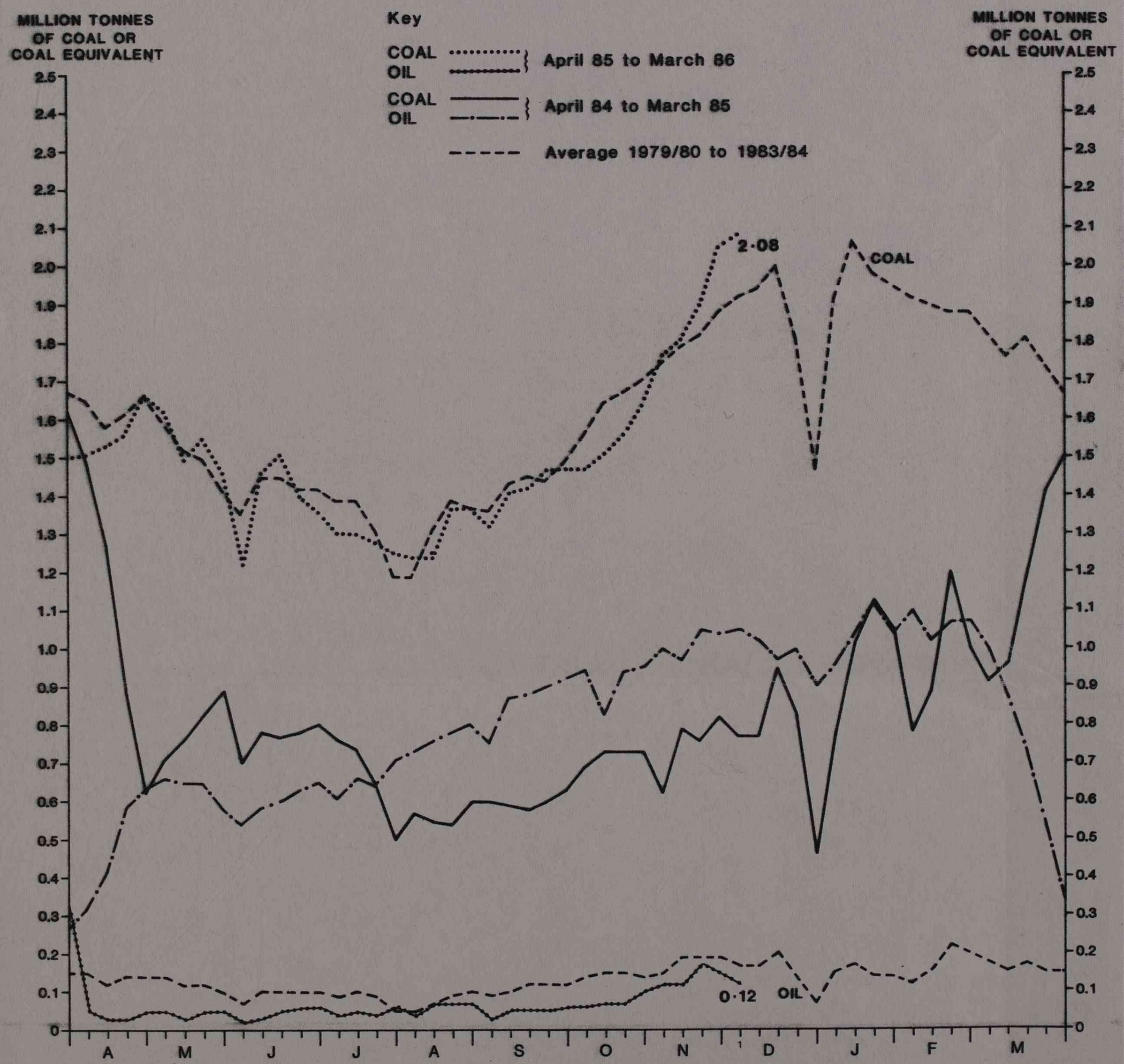
COAL CONSUMPTION AND OIL CONSUMPTION (OIL FIRED) AT PUBLIC SUPPLY POWER STATIONS IN GREAT BRITAIN



SECRETARY OF STATE FOR ENERGY
THAMES HOUSE SOUTH
MILLBANK LONDON SW1P 4QJ

01 211 6402

Copy No 1 of 4

D Norgrove Esq
Private Secretary
10 Downing Street
London
SW1

11 December 1985

Dear David,

SECOND REPORT ON LESSONS OF THE MINERS' STRIKE

Thank you for your letter of 2 December.

My Secretary of State will shortly be putting his proposals on coal stocks to the Prime Minister in preparation for their meeting on 19 December.

The answers to the questions raised in your letter are as follows:

Treatment of working miners

The Board have done a great deal to help those who worked during the strike. Strong action has been taken against intimidation at collieries; those found guilty of criminal offences or industrial misconduct have been dismissed and pressures for reinstatement resisted; and the Chairman has personally investigated a good many cases and taken such remedial action as is possible. If the retrospective attendance bonus which is included in the pay settlement with the UDM forms part of any eventual settlement with NUM, those who worked during the strike in militant areas will benefit from it.

We must also remember that many of the difficulties which working miners have faced arise from incidents well away from NCB premises. If they involve criminal offences they are matters for the police and the courts.

UDM

During the formation of the UDM the Government has kept a low profile and confined its action to helping the NCB avoid legal and other pitfalls. This has been successful. The UDM has now been registered and appeals by the NUM to the Coal Industry's National Reference Tribunal have had little practical effect. Mr Walker believes that

it continues to be the right approach. Anything which appeared to associate the UDM with the Government would be certain to be counter-productive.

Performance incentives

The existing performance bonus scheme is working well: productivity is reaching new records almost week by week. The NCB are also developing further ideas on the following lines:

(i) Bonuses related to safety and future attendance. A link with safety is desirable because it counters emotive arguments to the effect that high output jeopardises safety. An attendance bonus that reduced absenteeism would allow the NCB to reduce the numbers employed and the associated overheads.

(ii) A bonus for production workers related solely to output.

(iii) A bonus for non-production workers related to reductions in costs per gigajoule.

All these schemes would be based on particular areas or pits; they would not be national.

Mr MacGregor is taking a close personal interest in the development of these ideas and appears to be pressing them ahead as far as possible. However, it is obviously essential to ensure both that the resulting schemes are workable and comprehensible to the workforce and that they are of financial benefit to the industry. Working out the details is bound to take time.

NACODS

Some of the ideas which the NCB have in mind were discussed at the November meeting of the Mining Qualifications Board, where they appear to have had a favourable hearing without arousing any suspicion on the part of NACODS. Within the NCB, the lead is being taken by Mr Ken Moses, who has great experience of the issues and the personalities involved. He is well aware of the Government's views and is keeping this Department informed of progress.

Finally, Mr Walker has asked me to say that he sees no sign of the results which you suggest may follow from the handover period. Mr MacGregor's enthusiasm and interest are undiminished; Sir Kenneth Couzens is already making his presence felt; and Sir Robert Haslam is already getting to know the industry in preparation for taking up his full time Deputy Chairmanship at the beginning of May.

I am sending a copy of this letter to Michael Stark (Cabinet Office).

Yours ever,

Geoff

G S DART
Private Secretary

NAT IND Pt 19

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Copy No 2 of 15

Prime Minister 2

DRS

9/12.

01 211 6402

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

9 December 1985

PAY IN THE COAL INDUSTRY

The NCB met the NACODS executive on 5 December to discuss this year's pay settlement. The outcome was that the Board made an offer of increases in the "upstanding weekly wage" of between 4.64-4.7%; flow-through of the increase of 50p a shift in the basic level of incentive bonus previously agreed with the UDM; and the retrospective bonus of 30p a shift for attendance between 1 April 1984 and 30 September 1985. The Board estimate that, if accepted, the offer will increase the pay bill by 4.62%.

I understand that the meeting, though lengthy, was cordial and businesslike. The NACODS executive intend to put the offer to a delegate conference. They did not commit themselves at the meeting to recommending the offer to the conference; but the Board's impression is that they are likely to do so. The meeting and the offer have attracted little or no publicity. The NCB are anxious that news of the offer should not leak before the NACODS executive has put it to the membership; and I should be grateful if you and the other recipients of this letter would ensure that it is treated with appropriate security in your Department.

As you will have seen from the Press, the NUM executive has written to the NCB giving an "unequivocal commitment" to accepting the Board's approach on pay, output and productivity. The Board expect to meet the NUM to discuss their pay claim on 17 December.

I am sending copies of this letter to the Prime Minister, the other members of E(PSP) and to Sir Robert Armstrong.

PETER WALKER

SECRET

NAT IND
COAL

COPY NO. 1 of 19

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WELSH OFFICE
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WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switchboard)
01-233 8545 (Direct Line)

FROM THE PRIVATE SECRETARY
TO THE SECRETARY OF STATE
FOR WALES

SECRET AND PERSONAL

9 December 1985

Dear David,

NBPM

SECOND REPORT ON LESSONS OF THE MINERS' STRIKE

My Secretary of State has seen Sir Robert Armstrong's minute of 25 November to the Prime Minister. He is content with the Report which was attached to the minute.

I am copying this to the Private Secretaries to the Lord President, Secretary of State for Trade and Industry, Chancellor of the Exchequer, Home Secretary, Secretaries of State for Energy, Defence, Scotland and Transport and to the Chancellor of the Duchy of Lancaster, the Attorney General and to Sir Robert Armstrong.

Yours ever

Colin Williams

David Norgrove Esq
PS/Prime Minister
10 Downing Street
LONDON SW1

010

7(a)

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB
Telephone 01-XXXXXX 218 2111/3

MO 19/1V

6th December 1985

NBPM.

Dear David,

SECOND REPORT ON LESSONS OF THE MINERS' STRIKE

File with DN.

My Secretary of State has read the report circulated by Sir Robert Armstrong under cover of his minute of 15th November and is content to endorse the conclusions at paragraph 15.

I am sending copies of this letter to the Private Secretaries to the Lord President, Secretary of State for Trade and Industry, Chancellor of the Exchequer, Home Secretary, Secretaries of State for Energy, Scotland and Wales, the Chancellor of the Duchy of Lancaster, the Secretaries of State for Transport and Employment, the Attorney General and the Private Secretary to Sir Robert Armstrong.

Yours ever,

Jeremy Wright

(J S WRIGHT)

D Norgrove Esq
10 Downing Street

NAT IND: Coal: Pt 19.

COPY NO. OF 15

2.

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01-233 6106 (Llinell Union)
Oddi wrth Ysgrifennydd Gwladol Cymru

WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switchboard)
01-233 6106 (Direct Line)
From The Secretary of State for Wales

The Rt Hon Nicholas Edwards MP

5 December 1985

NBPM

7.

SECRET

REDUNDANCY TERMS FOR MINEWORKERS

I have seen Peter Walker's letter of ~~29~~ attached November.

Since the end of the strike the benefits available to redundant miners have helped the NCB to close rapidly some of its most unprofitable pits. The effect has been startling: in South Wales productivity has increased substantially and the area, which for so long has returned massive losses, hopes to be trading profitably by the middle of next year. Much remains to be done and, like Peter, I consider it important that men should continue to have an incentive to leave the industry voluntarily. You will no doubt be examining the financial implications but, on the face of it, the costs of the scheme seem modest when set against the benefits.

Copies of this letter go to the Prime Minister, Peter Walker, Norman Fowler, David Young, Leon Brittan, Nicholas Ridley, George Younger, John Biffen and to Sir Robert Armstrong.

The Rt Hon John MacGregor OBE MP
Chief Secretary
HM Treasury
Treasury Chambers
Parliament Street
London
SW1P 3AG

NAT IND : Coal; Pt19

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WEEKLY COAL AND POWER STATION STATISTICS SUPPLEMENT (1)

EcS Division, Dept. of Energy, Thames House South,
Millbank, London SW1P 4QJ phone:01-211-4368

5 DECEMBER 1985

		Week ending.....	26.11.83	24.11.84	2.11.85	9.11.85	16.11.85	23.11.85
COAL	PRODUCTION (m.tonnes)	deep mines+	1.93	0.61	1.99	1.97	2.03	2.05
		opencast+	0.31	0.32	0.34	0.32	0.31	0.33
		TOTAL	2.24	0.93	2.33	2.29	2.34	2.38
	PRODUCTIVITY(2) (tonnes/manshift)	'overall'	2.49	2.23	2.88	2.85	2.93	2.95
		'production'	10.38	11.72	12.57	12.66	12.88	13.01
	UNDISTRIBUTED (m.tonnes)	deep mines:						
		England	15.04	7.73	2.75	2.83	2.81	2.79
		S.Wales	2.70	2.46	2.12	2.15	2.15	2.11
		Scotland	1.61	1.37	0.91	0.90	0.88	0.86
		opencast	5.18	9.52	4.20	4.10	4.01	3.94
		TOTAL	24.53	21.09	9.98	9.98	9.85	9.70
	COAL STOCKS (m.tonnes)	S.Eastern	3.14	0.85	1.87	1.88	1.87	1.84
		S.Western	2.33	0.60	2.80	2.80	2.78	2.75
		Midland	12.85	8.94	8.09	8.16	8.24	8.31
		N.Eastern	9.14	2.80	8.23	8.32	8.37	8.35
		N.Western	2.67	1.38	1.85	1.86	1.86	1.87
		TOTAL CEGB	30.13	14.56	22.83	23.02	23.12	23.12
		Scotland	2.86	0.77	1.82	1.79	1.78	1.76
		TOTAL Gt.Britain	32.99	15.32	24.65	24.81	24.90	24.87
POWER STATIONS	COAL CONSUMPTION (m.tonnes)	S.Eastern	0.16	0.02	0.14	0.15	0.14	0.17
		S.Western	0.20	0.02	0.14	0.12	0.21	0.23
		Midlands	0.79	0.56	0.64	0.74	0.73	0.75
		N.Eastern	0.47	0.11	0.53	0.47	0.49	0.57
		N.Western	0.13	0.08	0.14	0.15	0.15	0.14
		TOTAL CEGB	1.74	0.78	1.59	1.63	1.72	1.85
		Scotland	0.14	0.04	0.18	0.19	0.18	0.19
		TOTAL Gt.Britain	1.88	0.82	1.77	1.81	1.91	2.05
	COAL RECEIPTS (m.tonnes)	CEGB	1.46	0.69	1.86	1.82	1.83	1.85
		Scotland	0.13	–	0.16	0.16	0.17	0.17
		Gt.Britain	1.59	0.69	2.01	1.98	2.00	2.02
	OIL STOCKS(3) (m.tonnes)	CEGB	1.16	1.07	0.83	0.80	0.76	0.75
		Scotland	0.17	0.11	0.17	0.17	0.17	0.17
		Gt.Britain	1.33	1.18	1.00	0.97	0.93	0.92
	OIL CONSUMPTION (3) (m.tonnes)	CEGB	0.05	0.51	0.07	0.07	0.09	0.09
		Scotland	0.02	0.09	–	–	0.01	–
		Gt.Britain	0.08	0.61	0.07	0.07	0.10	0.09
	OIL RECEIPTS(3) (m.tonnes)	CEGB	0.02	0.40	0.03	0.04	0.05	0.08
		Scotland	0.02	0.04	–	–	–	–
		Gt.Britain	0.04	0.44	0.03	0.04	0.05	0.08
	GAS CONSUMPTION (m.therms)	CEGB	–	7	–	–	–	–
	ELECTRICITY(4) SUPPLIED (GWh)	Nuclear	837	864	791	809	873	838
		Other Steam	4,580	4,231	4,335	4,430	4,720	4,829
		TOTAL	5,417	5,095	5,126	5,238	5,593	5,667
		TOTAL, temperature corrected	5,168	5,188	4,471	5,106	5,066	5,211

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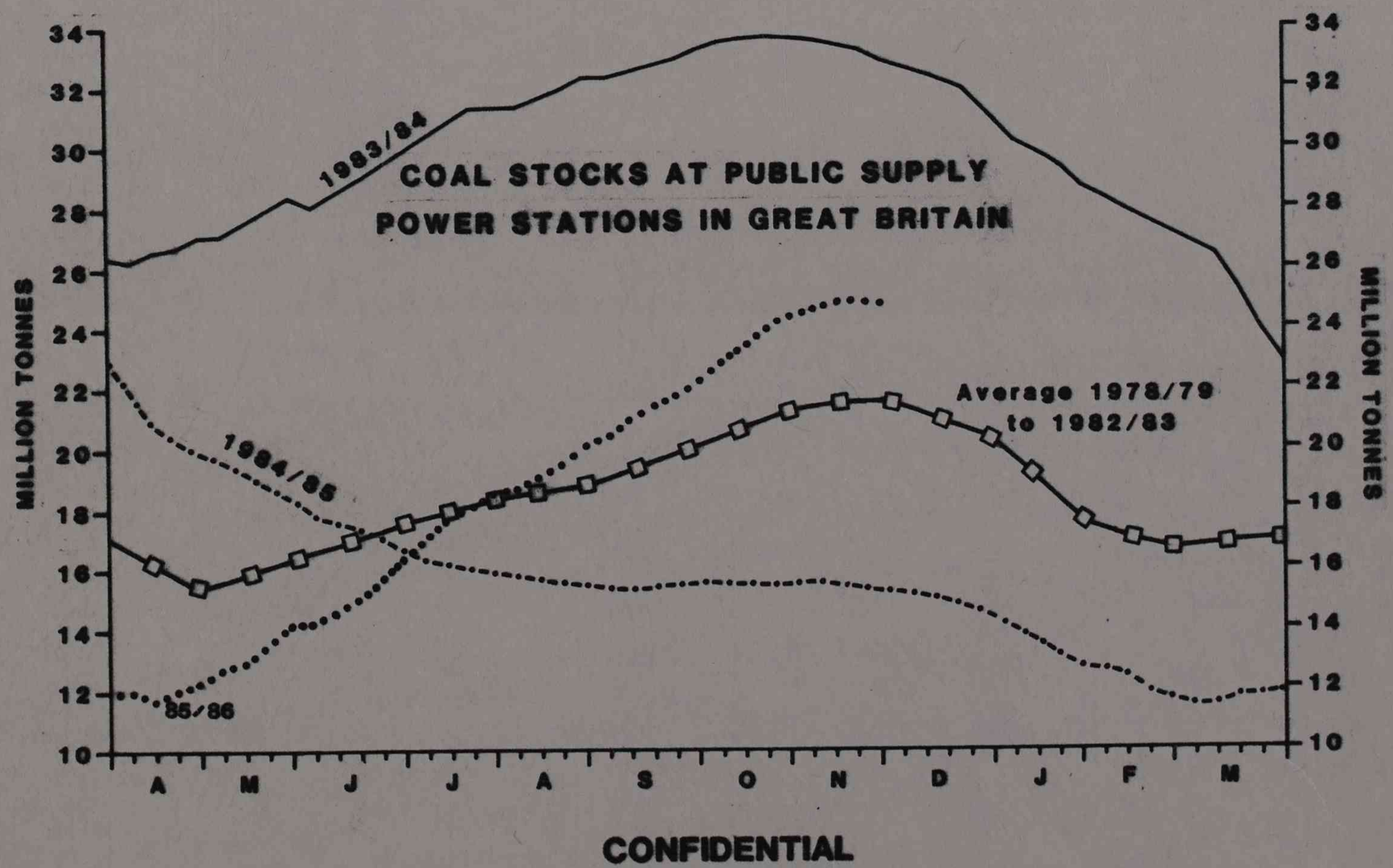
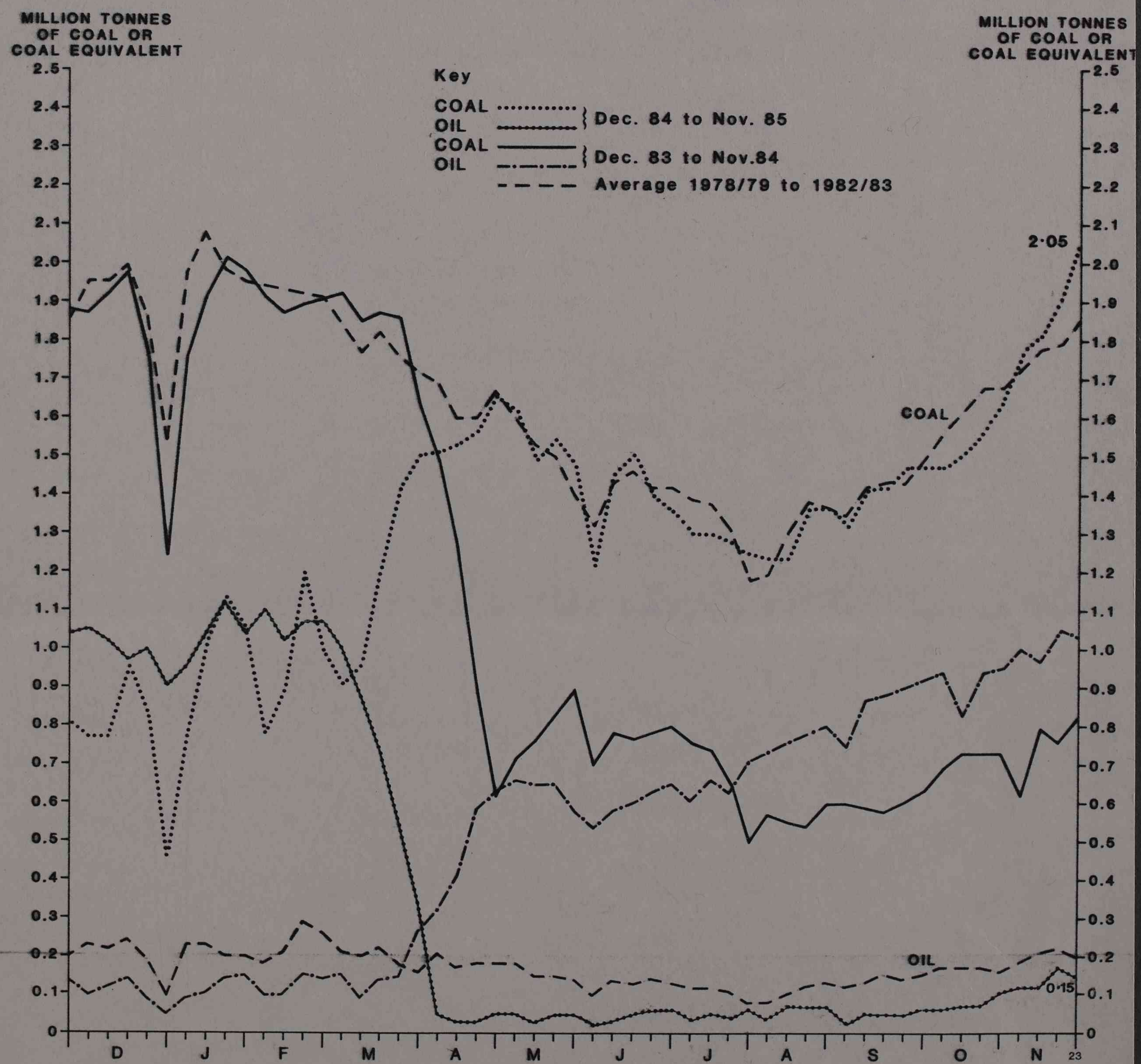
	Week ending.....		26.11.83	24.11.84	2.11.85	9.11.85	16.11.85	23.11.85
COAL	PRODUCTION (m.tonnes)	deep mines+	1.93	0.61	1.99	1.97	2.03	2.05
		opencast+	0.31	0.32	0.34	0.32	0.31	0.33
	TOTAL		2.24	0.93	2.33	2.29	2.34	2.38
	PRODUCTIVITY(2) (tonnes/manshift)	'overall'	2.49	2.23	2.88	2.85	2.93	2.95
		'production'	10.38	11.72	12.57	12.66	12.88	13.01
	UNDISTRIBUTED STOCK (m.tonnes) TOTAL		24.53	21.09	9.98	9.98	9.85	9.70
POWER STATIONS	COAL STOCKS	(m.tonnes)	32.99	15.32	24.65	24.81	24.90	24.87
	COAL CONSUMPTION	"	1.88	0.82	1.77	1.81	1.91	2.05
	COAL RECEIPTS	"	1.59	0.69	2.01	1.98	2.00	2.02
	OIL STOCKS(3)	"	1.33	1.18	1.00	0.97	0.93	0.92
	OIL CONSUMPTION(3)	"	0.08	0.61	0.07	0.07	0.10	0.09
	OIL RECEIPTS(3)	"	0.04	0.44	0.03	0.04	0.05	0.08
	ELECTRICITY SUPPLIED(4)	(GWh)						
	Nuclear	"	837	864	791	809	873	838
	Other Steam	"	4,580	4,231	4,335	4,430	4,720	4,829
	TOTAL	"	5,417	5,095	5,126	5,238	5,593	5,667
	TOTAL, temperature corrected	"	5,168	5,188	4,471	5,106	5,066	5,211

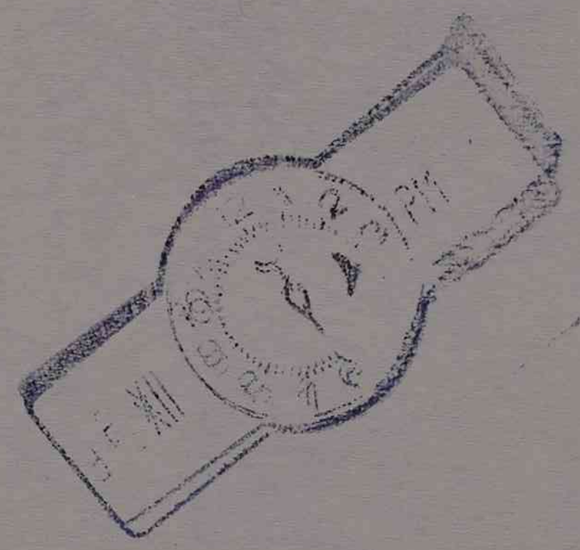
(1) Great Britain unless otherwise stated. All latest figures are subject to revision. (2) NCB mines only. (3) Oil-fired boilers only. (4) Steam stations only. +includes licensed production.



CONFIDENTIAL

COAL CONSUMPTION AND OIL CONSUMPTION (OIL-FIRED) AT PUBLIC SUPPLY POWER STATIONS IN GREAT BRITAIN





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SECRET & PERSONAL

6

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

NBPM.

David Norgrove Esq
PS/Prime Minister
No.10 Downing Street
LONDON
SW1

4 December 1985

Dear David

SECOND REPORT ON LESSONS OF THE MINERS' STRIKE

The Chancellor has seen Sir Robert Armstrong's minute of 25 November to the Prime Minister. He is content with the Report attached to that minute.

2. I am copying this letter to the Private Secretaries of the Lord President, Secretary of State for Trade and Industry, the Home Secretary, Secretaries of State for Energy, Defence, Scotland and Wales, the Chancellor of the Duchy of Lancaster, Secretaries of State for Transport and Employment, the Attorney General and to Sir Robert Armstrong.

Yours ever,

Tony

A W KUCZYS

NAT IND: Coal: Pt 19

5

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

David Norgrove Esq
Private Secretary
10 Downing Street
LONDON SW1

3 December 1985

NBPM

Dear David,

SECOND REPORT OF MISC 57 ON LESSONS OF THE MINERS' STRIKE

My Secretary of State has seen Sir Robert Armstrong's note of 25 November to the Prime Minister, covering the second report of MISC 57 on the lessons of the miners' strike. He is content with the report and endorses its conclusions in paragraph 15.

I am copying this letter to Sir Robert Armstrong's office.

Yours Sincerely

Jan Cunliffe.

J CUNLIFFE
Private Secretary

SECRET

4.

Caxton House Tothill Street London SW1H 9NF

Telephone Direct Line 01-213 6460
Switchboard 01-213 3000

3 December, 1985

David Norgrove Esq.,
Private Secretary,
10 Downing St.,
London,
SW1

NBPM

Dear David,

SECOND REPORT ON LESSONS OF THE MINERS' STRIKE

FLAP PT 18

The Secretary of State has seen Sir Robert Armstrong's minute to the Prime Minister of 25 November. He is content to endorse the conclusions in paragraph 15 of the report.

I am sending copies of this letter to the Private Secretaries of the Lord President, Secretary of State for Trade and Industry, Chancellor of the Exchequer, the Home Secretary, Secretaries of State for Energy, Defence, Scotland, Wales and Transport, to the Chancellor of the Duchy of Lancaster, the Attorney General and to Sir Robert Armstrong.

Yours sincerely,

Iain Mackinnon

Iain Mackinnon
Private Secretary

NAT IND
COAL
PT 19

SECRET AND PERSONAL

3

COPY NO 1 OF 14

SECRETARY OF STATE FOR ENERGY
THAMES HOUSE SOUTH
MILLBANK LONDON SWIP 4QJ
01 211 6402

NBPR.

D Norgrove Esq
Private Secretary to
The Prime Minister
10 Downing Street
LONDON SW1

2 December 1985

Dear David,

SECOND REPORT ON LESSONS OF THE MINERS' STRIKE

My Secretary of State has seen a copy of the Second Report of the Official Group on Coal (MISC 57) which was circulated under cover of Robert Armstrong's minute of 25 November to the Prime Minister. He is content to endorse the conclusion in paragraph 15 of the Report.

I am sending copies of this minute to the Private Secretaries to the Lord President, the Chancellor, Home Secretary the Secretaries of State for Trade and Industry, Defence, Scotland, Wales, Transport, Employment, The Chancellor of the Duchy of Lancaster, the Attorney General, and to Sir Robert Armstrong.

Yours,

G S DART
Private Secretary

SECRET AND PERSONAL

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COAL
PT 18

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JA/AEO

cc: Cabinet Office

10 DOWNING STREET

From the Private Secretary

2 December 1985

SECOND REPORT ON LESSONS OF THE MINERS' STRIKE

The Prime Minister intends to respond to Sir Robert Armstrong's minute of 25 November covering the second report on lessons of the miners' strike when other Ministers have commented. But there are some aspects of the report which the Prime Minister has asked me to raise separately.

The Prime Minister is very concerned that everything must be done to put the NCB and the power industry in the strongest possible position to defeat another challenge from the NUM, possibly as early as next winter.

With the long hand-over from the present to the new NCB Chairman - the one with perhaps decreasing interest and the other without full authority - the Government will have to push this along vigorously.

On particular points prompted by Sir Robert Armstrong's minute, the Prime Minister has noted first the conclusion (top of page 4) that "the perception of the way [working miners] have been treated may have the effect in any future dispute of discouraging men outside the traditionally moderate areas from crossing picket lines". What can and should the NCB be doing to counter this potentially very damaging perception?

Secondly, the report argues (page 5) that in the medium term the greatest influence on militancy will be the outcome of the various moves towards breakaway unions. The NCB have rightly made the running on the UDM. What are the prospects now and what should the Government be doing, if anything?

Thirdly, the report points (same page) to the promise offered by the restructuring of performance incentives. Are the NCB moving as quickly as they might on this?

Fourthly, the report describes (also page 5) the action being taken by the NCB on NACODS. Are the timing and tactics of this being handled with proper attention to the need to avoid forcing NACODS into the NUM camp in any

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confrontation next winter? What more might be done unprovocatively?

It would be helpful please to have a reply on these points before the meeting on physical endurance scheduled for later this month.

I am copying this letter to Michael Stark (Cabinet Office).

David Norgrove

Geoff Dart, Esq.,
Department of Energy.

Thanks
David.

10 DOWNING STREET

David : Just for information

Mr D. Hunt's secretary (Dept of Energy) phoned: Mrs McGibbon (wife of working miner) is seeing Mr McGregor on 10/12/85.

PM asked for an update of circumstances + situation with Mrs McGibbon. I've asked them to copy any meeting records, follow-up letters to Mrs McGibbon etc to us.

Margo 2/12

From: THE PRIVATE SECRETARY

SECRET AND PERSONAL

(1)

HOME OFFICE
QUEEN ANNE'S GATE
LONDON SWIH 9AT

NBPM

2 December 1985

Dear David

SECOND REPORT ON LESSONS OF THE MINERS' STRIKE

The Home Secretary has seen Sir Robert Armstrong's minute of 25 November to the Prime Minister. He is content to endorse the conclusion in paragraph 15 of the MISC 57 report.

I am sending copies of this letter to the Private Secretaries to the Lord President, Secretary of State for Trade and Industry, Chancellor of the Exchequer, Secretaries of State for Energy, Defence, Scotland and Wales, the Chancellor of the Duchy of Lancaster, Secretaries of State for Transport and Employment and the Attorney General, and to Sir Robert Armstrong.

Yours sincerely

W R FITTALL

David Norgrove, Esq

SECRET AND PERSONAL

PART 18 ends:-

P/S CPL EO DN 29/11

PART 19 begins:-

Home Office to DN 2/12