

PRIME MINISTER

Ref. A04617

Agree X overleaf?

PRIME MINISTER

Yes not

MS
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During the discussion of coal at the meeting of the Ministerial Committee on Economic Strategy on Thursday, 5th March, Ministers agreed that steps should be taken to encourage the National Coal Board and the Central Electricity Generating Board to transfer as much coal as possible from pithead stocks to power stations. It was suggested that the CEGB should be authorised to buy land if necessary to accommodate additional stocks. The Secretary of State for Energy was invited to pursue this remit, which was not (for obvious reasons) recorded in the minutes. I communicated it privately to Sir Donald Maitland after the meeting.

2. Sir Donald Maitland has now reported to me the Department of Energy's assessment of the situation. Their assessment, made without consulting the industries, is that it should be possible to transfer 4 to 5 million tons of coal from pithead to CEGB stockyards, within about four months of a decision to do so. This would raise endurance from an estimated seven to seven-and-a-half weeks on 1st November 1981 to over nine weeks. It is thought that the CEGB has the capacity to hold this stock without acquiring new land, and that British Rail could carry the additional coal.

3. There would be some financial implications. Strictly speaking, the amount by which the CEGB's costs, and therefore its EFL, would be increased would be offset by a corresponding diminution of the costs and EFL of the NCB. The costs of the actual movement of the coal would be a further additional cost upon the CEGB's EFL; but that should be the only net increase in the Public Sector Borrowing Requirement. The Department would need to discuss with the industries how the stock should be financed; the CEGB would probably want to go for some form of deferred payment, though that would be less acceptable to the NCB. The holding and financing of vital ancillary materials (industrial gases etc.) would also need to be discussed with the CEGB.



4. The matter has now been taken as far as it can be without discussion with the industries. The Secretary of State for Energy is reluctant to discuss the subject with the industries, or to give instructions for the transfer to take place: he is concerned lest, for the sake of raising notional endurance by a week or two, a major opportunity could be lost, through what could be seen as a highly provocative operation, of moving the NUM in the direction of moderation and responsibility.

5. The counter argument to this is that it is only prudent for the Government to take whatever measures are open to it to enable the country and the economy to withstand the effects of a miners' strike for longer than they would otherwise be able to do. But the Department of Energy fear that, the moment there is any discussion with the industries, there will be high risk of a leak which, particularly coming in advance of the NUM Annual Conference, could not only be provocative but could also lead to the development of counter-contingency planning by the militants in the NUM. In other words, they might be able to frustrate the use of the coal, even if it had been moved.

6. There is a difficult balance of political considerations here. The Secretary of State for Energy will not want to proceed to discussions with the industries unless and until he has discussed these matters further with you and other colleagues. It may need eventually to go back to the Ministerial Committee on Economic Strategy, but I think that it might be preferable to have a discussion with a smaller group of colleagues in the first instance: I suggest with the Chancellor of the Exchequer, the Secretaries of State for Industry, Employment and Energy and the Chancellor of the Duchy of Lancaster.

RA

ROBERT ARMSTRONG

3rd April, 1981