

BSG

SUBJECT



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10 DOWNING STREET

From the Principal Private Secretary

15 April 1981

cc. Minister set.

Dear John,

COAL STOCKS AT POWER STATIONS

The Prime Minister held a meeting yesterday with the Home Secretary, the Chancellor of the Exchequer, the Chancellor of the Duchy of Lancaster, and the Secretaries of State for Industry, Scotland and Energy to discuss the possibility of transferring more coal from pithead stocks to power stations. Sir Robert Armstrong was also present.

The Prime Minister said that work which had been set in hand following the meeting of the Ministerial Committee on Economic Strategy on 5 March, 1981 had shown that it would be possible to transfer 4-5 million tons of coal from NCB stocks to CEBG power stations over a period of about four months, without the CEBG having to acquire new land. An increase in CEBG holdings of coal of this order would raise endurance from an estimated 7-7½ weeks on 1 November 1981 to 9-9½ weeks. Her own view was that arrangements should be made to increase the amount of coal at the power stations in this way as soon as possible. At the moment the large stocks of coal at the pitheads were being financed out of the NCB's External Finance Limit. If some of the stocks were transferred to the CEBG, it would provide the railways with work and revenue; it would reduce the calls on the NCB's EFL; and the coal would be in the right place. It might be necessary for the NCB to offer the CEBG the coal at a slight discount. We ought also to take such other steps as were open to us to improve endurance. For example, we should get as many existing and new nuclear power stations as possible into service; and we should also be ready to make more use of oil-fired power stations than was perhaps planned at present.

In discussion it was argued that we should make arrangements to transfer as much coal as possible from the pitheads to the power stations. Every week of increased endurance would strengthen the Government's ability to withstand a miners' strike. We should also ensure that, in parallel, stocks of ancillary but equally vital supplies such as flashing oil were also built up. There were plainly political and industrial risks in taking this course, but there was every argument for moving ahead quickly.

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It was pointed out on the other hand that the Government should be quite clear what contingency it was seeking to plan for. To prepare to withstand a miners' strike was one thing: to try to help the NCB over their EFL was quite another. We should not delude ourselves into thinking that merely by increasing the endurance of the power stations by two weeks we were preparing the ground for a battle with the NUM. Moreover, the endurance of the power stations was only one consideration in a complex of inter-related factors. If contingency action of the kind proposed was to be taken, a comprehensive study was required which looked at not only the size of coal stocks in the hands of the CEGB but also other factors such as the availability of landing facilities for imported coal and transport problems.

The Prime Minister, summing up the discussion, said that on balance they agreed that the Secretaries of State for Energy and for Scotland should take steps, in conjunction as necessary with the Secretary of State for Transport, to arrange for the endurance of power stations to be increased as far as possible by the beginning of next winter. One way of doing this was to transfer more coal than at present was planned from the pitheads to power stations. Another possibility was to improve the availability of nuclear and oil-fired power stations. The meeting agreed that the political and industrial risks following this course were manageable, but nonetheless discussions with the industries concerned should be conducted as discreetly as possible. The Secretaries of State for Energy, Scotland and Transport should discuss with the Chancellor of the Exchequer the financial implications of transferring additional coal from the NCB to the CEGB, using British Rail. The Home Secretary should commission and oversee a comprehensive study of how to withstand a coal strike as effectively as possible. ||

I am sending copies of this letter to John Wiggins (HM Treasury), David Heyhoe (Chancellor of the Duchy of Lancaster's Office), Ian Ellison (Department of Industry), Godfrey Robson (Scottish Office), Richard Dykes (Department of Employment), Julian West (Department of Energy), Anthony Mayer (Department of Transport) and David Wright (Cabinet Office).

Yours ever,

Alvin Whinnam.

John Halliday, Esq.,
Home Office.