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From the Private Secretary

19 June 1981

Dear John,

Movement of Coal to Power Stations

As you know, the Prime Minister held a meeting this morning with your Secretary of State, the Chancellor of the Exchequer and Sir Donald Maitland to discuss the movement of coal to power stations. Robin Ibbs, Robert Wade-Gery and John Hoskyns were also present. They had before them your Secretary of State's minutes of 10 and 18 June, the Chancellor's minute of 15 June, and also the Secretary of State for Scotland's minute of 16 June.

The Prime Minister said that she was disappointed by the latest proposal that only an additional 1½ million tonnes of coal should be moved to the power stations before 1 November. This was considerably less than the 4-5 million tonnes which had been envisaged when the matter had been considered in April. Her own view was that arrangements should be made to move as much coal as was physically possible. This would not only increase the country's endurance in the event of a strike this year; but it would also help to increase what might be considered the "normal" level of stocks against the possibility of a strike in 1982. She doubted that the risks of moving additional stocks, over and above 1½ million tonnes, were as great as your Secretary of State feared. Given that stocks at the pits had increased from 13 million tonnes to 22 million tonnes over the past 12 months, it was only natural that there should be some additional movement.

Your Secretary of State said that the 4-5 million tonne figure mentioned in April had been an estimate of what was possible before he had been able to consult the NCB. In the event, he had found that the maximum that could be moved was 2½-3½ million tonnes because they were already building up extra stocks as a result of low demand for electricity. He was, however, reluctant to ask the NCB to move as large an amount as this. To move more than an additional 1½ million tonnes would be highly visible and would increase the risk of confrontation with the miners. The additional 1½ million tonnes which he proposed, plus the possibility of raising oil burn, would raise endurance to 10 weeks.

Mr. Ibbs said that there was no possibility of increasing stocks sufficiently at the power stations to enable the Government to withstand a strike this year. The decision as to how much coal should be moved before 1 November should be taken against the following criteria: first, what additional movement would be consistent with the lowest settlement in 1981? Second, what additional

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SECRET

- 2 -

movement before 1 November would maximise the level of stocks by 1 November 1982? If it was felt that anything additional to the 1½ million tonnes proposed by Mr. Howell would make it more difficult to achieve a low pay settlement, then it would be unwise to take any further action. It was also by no means clear that extra movement before 1 November would help to increase the level of stocks in 1982. The Government should aim to increase the level of endurance by a sizeable margin - to say 20-22 weeks - by the winter of 1982. Against the possible risks of confrontation, the best time to build up additional stocks would be during the six months after this year's pay settlement. But because of the physical constraints, immediate steps would need to be taken to see how the capacity of the power stations to receive the coal could be increased.

In discussion, the following points were made:

- (i) Endurance was determined not only by the quantity of stocks at the power stations, but also by their quality and distribution. For example, in November 1979 there had been 16 million tonnes of coal at the power stations, but this had been sufficient to last for only five weeks. Steps had since been taken to ensure that the quality and distribution of stocks were improved.
- (ii) It would be worth considering installing dual firing at one or more power stations, particularly with a view to burning North Sea gas. Additional gas burning in the event of a strike would almost certainly mean that less gas would be available for industry; but a conscious decision to cut off gas to certain industries might be worth taking.
- (iii) Considerable problems were being encountered in putting together the finance for the gas gathering pipeline project. Those who had promised to put up finance for the project were now asking for a Treasury guarantee.
- (iv) Endurance would be increased as and when the AGR's came on stream. Every effort should be made to speed this up.
- (v) If the Government were to provide any additional financing for the movement of additional stocks, this should be given to the CEGB. If extra money were given to the NCB, there was a risk that they would use it as an opportunity to ask for additional finance for other things.

/ Summing up

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- 3 -

Summing up, the Prime Minister said that the Department of Energy should ask the NCB and the CEGB to arrange for additional coal to be moved from the pits to the power stations before 1 November over and above the 1½ million tonnes' addition already envisaged. The additional movement should be as large as physically possible, subject to the Department being satisfied that it would not make it significantly more difficult to achieve a low pay settlement for the miners. The Government should aim for a much larger volume of stocks at the power stations by November 1982 than would be possible by November 1981. With this aim in view, the Department should urgently review the steps that would have to be taken and prepare a plan of action. The Department should review the possibility of installing dual firing at one or more power stations, and do everything possible to push ahead with the nuclear programme. It should also make renewed efforts, in consultation with the Treasury, to find a solution to the problems which were preventing the gas gathering pipeline project from getting under way.

BE || The question of a campaign of public persuasion was not discussed. The Prime Minister would be grateful for early advice from your Department on what form the campaign should take, when it should be mounted, and by whom.

I am copying this letter to the Private Secretaries to the Chancellor of the Exchequer, the Chancellor of the Duchy of Lancaster, the Home Secretary, the Secretaries of State for Industry, Employment and Scotland, the Minister of Transport, and to Sir Robert Armstrong and Robin Ibbs. I would be grateful if, for obvious reasons, copy recipients would treat this letter with the utmost discretion. It should be shown to officials in Departments on a strictly "need to know" basis.

ms. mr.

Tim Latham.

Julian West, Esq.,
Department of Energy.

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