

Ref. A05368

PRIME MINISTER  

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Withstanding a Coal Strike

## BACKGROUND

The following are the papers for discussion at your meeting next Tuesday:-

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A — (i) The Home Secretary's minute of 22nd July, attached to which was the report prepared by the Official Group on Coal (MISC 57) following your meeting on 14th April.
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B — (ii) The Secretary of State for Energy's two minutes of 31st July, one of which commented on the MISC 57 report and the longer of which circulated the further report on maximising by 1st November 1982 the time that a miners' strike could be endured, commissioned at your meeting on 19th June.
- ✓  
C — (iii) The Chancellor of the Exchequer's minute of 30th July.
- ✓  
D — (iv) The Secretary of State for Scotland's minute of 30th July.

E — Mr. Ibbs's minute of 31st July and the report by the CPRS attached to it on policy in the longer term towards the NCB and the NUM is also relevant, but it raises no issues for immediate decision.

2. I do not think that the MISC 57 report circulated by the Home Secretary need detain the meeting for very long. Although it is a comprehensive analysis of the Government's ability to withstand a miners' strike this year, your meeting on 19th June has already concluded that the Government's first priority this year should be a "peaceful" settlement for the miners, if such is possible, and has thus shifted the focus of work on withstanding endurance to 1982. The MISC 57 report offers no reason to reopen that decision. But one relatively minor point remains to be settled - the question whether power station oil stocks should be maximised during the course of this summer (see the penultimate paragraph of the Home Secretary's minute).

3. Power station oil stocks do not in themselves necessarily extend endurance times; their value is as a back-up to ensure that an endurance-extending decision to use the maximum possible volume of oil in the power stations can be implemen-





ted immediately, thereby offering a few days' grace during which any teething troubles (e.g. the impact of picketing on the delivery of fresh oil supplies) can be overcome. For this reason the Secretary of State for Energy favours taking this step. But the Chancellor of the Exchequer is opposed, on the grounds that the costs involved (£25-50 million plus interest charges) are too high for the small extra safety margin thereby bought (perhaps an extra one to two days on top of the three to four days which the likely autumn level of power station oil stocks will represent).

4. The issue turns on whether a miners' strike seems likely this year. Your 19th June meeting, the Home Secretary's cover note to the MISC 57 report and the Chancellor's minute of 30th July all suggest that it is not. On that basis, the expenditure involved could be scarcely justified.

5. If nonetheless Ministers felt that maximising power station oil stocks this summer would be a useful insurance policy the question would arise how to pay for them. The Electricity Boards would press for a straight grant from the Government. But this would involve Supplementary Votes, which would have to be explained to the Select Committee on Energy, and their purpose would therefore be impossible to conceal. An extension to the Boards' EFLs on the other hand, while still requiring explanation, could be more easily fudged. The Secretary of State for Energy favours the latter course, as no doubt would the Chancellor of the Exchequer.

6. The report by the Department of Energy is very much a preliminary assessment, based on work done at CEGB headquarters; it was seen in draft by MISC 57, but not considered in any detail. It raises one major issue which has to be settled now. This is whether to authorise, and, if so, within what timescale, more detailed planning in respect of 1982 involving consultations down to the managers of individual power stations (and perhaps extending also to some local authorities, if planning permission is required in particular cases, and to the oil companies).

7. The issue turns on the impact of such a step on the miners this year, and therefore on public presentation. This is discussed in paragraph 7 of the Secretary of State's minute. Immediate action to increase power station coal



stocks is necessary if endurance is to be maximised by November 1982. The Secretary of State suggests how this might be presented publicly in a way that it would be difficult for the NUM to challenge, though does not support doing so. It would be more difficult to present publicly big increases in power station oil stocks and ancillaries, although fortunately action on these is less urgent and could wait until after the NUM settlement this year. This suggests a fourth option to add to paragraph 10 of the Secretary of State's longer minute, namely: to take immediate action on coal stocks, but to delay action on oil and ancillaries stocks until after this year's pay settlement.

8. Ministers are not likely to be attracted to the first two options (no action to be taken at all, or all action to start now regardless of its possible effect on this year's settlement). The choice is therefore between Mr. Howell's third option (defer all action until after this year's settlement is achieved) and the fourth variant suggested above (start to act now on coal stocks, where time is particularly important, but defer action on oil and ancillaries until after this year's settlement). The latter seems to strike the balance better, unless your colleagues argue strongly that it would be too dangerous.

9. There is a further issue on consultations arising out of the MISC 57 report to which neither of the Secretary of State's minutes refers. This is the question of improving road access to the power stations so that the use of servicemen to transport coal might be a more realistic option in the future. A decision to proceed now would help to ensure that all the necessary work is completed by November 1982. But again wide-ranging consultations would be necessary, and it would not be easy to conceal the true purpose of the work. Ministers will therefore need to weigh the risk to a "peaceful" settlement this year against the risk of the work not being completed by next year. If construction work is anyway in hand at power stations to maximise coal stocks, it might be possible for this further work to be done unnoticed.

10. The following are other points that you might raise on the Secretary of State for Energy's longer minute and on the report attached to it:-

- (a) The target of 20 weeks endurance by November 1982 is based on a point made at your meeting on 19th June. But is 20 weeks enough? Would the miners be able to stay out for longer than that?





- (b) Paragraph 5 of the Secretary of State's longer minute does not bring out the fact that a large proportion of the costs of maximising endurance in 1982 would be in oil purchases, which could be resold if a strike did not take place. The net cost is therefore composed of construction work at the power stations to accommodate extra coal (and oil) stocks and the cost of buying ancillary materials, which in total might amount to about £150 million. These estimates are very rough, and need further examination. But Ministers could usefully consider at this stage whether net costs perhaps up to £150-200 million in total would be a tolerable price to pay for increasing endurance to 20 weeks by next November.
- (c) The Secretary of State's minute does not raise the question of how these costs might be financed, although this is referred to in paragraph 15 of the report by the Department of Energy. It is difficult to address this when the cost estimates are so very imprecise. A final decision is not required now, although the Electricity Boards will press for some commitment from the Government to reimburse in full the expenditure that they incur. However, given the difficult public expenditure position, particularly in relation to the nationalised industries, you will not want to rule out at this stage the alternative of passing the costs on to the consumer, at least in part.
- (d) Paragraph 6 of the Secretary of State's minute refers to the amount of overtime involved by the NCB and BR, but does not make clear whether this would be by the whole workforce or only by a small proportion of it. This will crucially affect the attitudes that the unions take to the extra overtime.
- (e) Paragraph 9 of the Secretary of State's minute considers what might be the implications for the NCB in 1983 if, when power station coal stocks had been maximised, no strike were to take place after all in 1982. This clearly merits examination, but 1983 is a long way off; the more important issue at the moment is the risk of a strike this year and next.





(f) The Secretary of State's minute and the report attached to it do not refer to the scope for increasing coal imports. This would take a long time (perhaps as much as a year) to organise, and a decision would therefore be required in the autumn if a sufficient volume of imports were to be available by November 1982. The impact on endurance would not be large, but anything would be welcome in the event of a very long strike. One approach would be for the Electricity Boards to enter into contracts now for the supply of coal next autumn, which could then be resold if a strike did not take place. But the scope for doing so clearly requires more detailed examination by officials. Limiting factors will be the sheer availability of coal on the world market; and the undertaking given in the Government's tripartite negotiations with the NCB and NUM.

11. Whether or not Ministers decide to authorise detailed discussions over the summer, further work by officials will clearly be required on a number of issues. This would be best undertaken by MISC 57, since a large number of Departmental interests have to be reconciled, rather than by the Department of Energy. Moreover, the report attached to the Secretary of State for Energy's minute is very sketchy in some places, and would benefit from the sort of critical examination that went into the production of MISC 57's report.

#### HANDLING

12. I suggest that you take first the point for decision arising out of the MISC 57 report. You could invite the Secretary of State for Energy to put the case for maximising power station oil stocks over this summer, and the Chancellor of the Exchequer to put the counter arguments. The Secretary of State for Scotland may wish to comment on the position there, and the Secretary of State for Employment may wish to contribute on the likelihood of a strike this year.

13. Turning to the Secretary of State for Energy's minute of 31st July, and the minute of 30th July from the Secretary of State for Scotland, you will want to ask Mr. Howell to introduce his paper, before taking comments from other colleagues. The main issues for decision seem to be as follows:-

- (i) Should the objective be to increase endurance to about 20 weeks by November 1982 or would some lesser period be sufficient? If the feeling is that the miners could stay out for that length of time or longer, is it practically possible to increase endurance beyond 20 weeks by November 1982?





- (3) (ii) What realistically are the costs of the Secretary of State for Energy's proposals likely to be? Are they tolerable?
- (iii) Do Ministers think that maximising coal stocks for 1982 could probably be presented publicly in a way that would not court a miners' strike in 1981, but that this is likely to be less true of oil stocks and ancillaries? If so, is it worth risking consultations about coal over the summer, while leaving discussions about oil and ancillaries until after this year's pay settlement? If consultations on all aspects were delayed until the autumn, would the reduction in 1982 endurance times be acceptable?

(4)

14. A number of issues relating solely to 1982 also arise on which decisions are not required now but on which you may wish to instruct MISC 57 to undertake further work (which would not involve consultations with outside bodies) and to report further in the autumn. These are as follows:-

- (i) The scope for coal imports in 1982.
- (ii) The likely costs of all 1982-related increases.
- (iii) How these costs might be financed.
- (iv) The implications for 1983 of maximising coal stocks during 1982.

#### CONCLUSIONS

15. You will want to record conclusions on all the above points.

REA

ROBERT ARMSTRONG

31st July, 1981