


cc A Dwyer

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PRIME MINISTER

WITHSTANDING A COAL STRIKE

I am minuting you separately today on the possibilities for withstanding a strike in the longer term. I am responding here to the report of the Official Group on Coal circulated by the Home Secretary with his minute of 22 July.

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2. This study looks at the potential for building endurance in 1981. I agree entirely with the Home Secretary that the 13-14 weeks of endurance to be obtained by deploying measures that are feasible but not drastic (in the terms of the report) may be a theoretical maximum rather than a realistic prospect. Experience of planning in emergency situations has shown that it is wise to apply a contingency factor. Furthermore I do not believe that we can lightly contemplate severe and prolonged restrictions on electricity demand; we have little experience to draw on and the consequences of holding down demand might well be more damaging than the best view we can take now. However the report is a thorough and most useful piece of work.
  3. One decision emerges to be taken soon and I am writing to let you have my views.  

  4. The Report indicates that the Electricity Boards might increase their oil stocks by  $\frac{1}{4}$  -  $\frac{1}{2}$  m tonnes at a cost of £25 - 50 million plus interest charges which would require an increase in the Electricity Boards' EFL's and a corresponding claim on the Contingency Reserve. An increase in stock of this order before 1 November this year would not of itself extend endurance but it would ensure that the maximum possible extra oil could be used as soon as decisions to do so are taken.
  5. Unfortunately the financing of higher stocks is likely to involve publicity. We might be able to avoid publicising the change in the CEGB's EFL until the end of the year. I would hope to persuade them that they ought to absorb the interest



charges although there is such pressure on costs that there is little scope for a further squeeze. Last year the CEGB's oil stocks were held at around .9 mt during the winter and I believe they are planning for a similar level this year. Even if we do not announce the EFL change before the oil is purchased it will no doubt be remarked by the power station unions that oil stocks are higher and there is a risk that they will draw their own conclusions particularly as electricity demand is actually lower than last year.

6. The CEGB will, I believe, be reluctant to take action which they will regard as demotivating their managers at a time when they are putting pressure on costs all round and for which they will not even be offered compensation. On the other hand we cannot contemplate offering a grant since that will need to be made public before payment.
7. There is a compromise position: we could seek to persuade the CEGB (and the Scottish Board) to raise oil stocks above the level contemplated and indicate that a corresponding change in the EFL would be sympathetically considered later in the financial year. If they were to increase their purchases over the next three months, perhaps by less than  $\frac{1}{4} - \frac{1}{2}$  mt, it would still have to be done discreetly. But even this course would carry a risk, and it is far from certain that the Boards could be persuaded.
8. The key question, therefore, is whether this increase in oil stocks can be brought about without prejudicing our objective of the lowest possible settlement with the miners this Autumn.
9. ~~\_\_\_\_\_~~ I am copying this minute to the Chancellor of the Exchequer, the Chancellor of the Duchy of Lancaster, the Home Secretary, the Secretaries of State for Industry, Employment, Defence, Scotland and Transport, and to Sir Robert Armstrong and Mr Ibbs.

Secretary of State for Energy  
31 July 1981

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