



10 DOWNING STREET

From the Private Secretary

5 August 1981

cc. ~~Robert~~ sel.

Dear Tulin.

WITHSTANDING A COAL STRIKE

As you know, the Prime Minister held a meeting yesterday afternoon on the issue of what steps might be taken to withstand a coal strike. The following were present in addition to your Secretary of State: Chancellor of the Exchequer, Sir Robert Armstrong, Mr. Ibbs, Mr. Downey, Mr. Douglas Smith, Mr. Hoskyns and Mr. Duguid. They had before them the Home Secretary's minute of 22 July, two minutes from your Secretary of State dated 31 July, a minute from the Secretary of State for Scotland dated 30 July and a minute from the Chancellor dated 30 July.

The meeting first considered the question raised in the Home Secretary's minute whether power station oil stocks should be maximised during the course of this summer. It was noted that this would cost up to £50 million plus interest charges, and that it would add only minimally to power station endurance in the event of a miners' strike this winter. At the same time, raising oil stocks at this juncture would be extremely visible, and would be seen as a challenge by the NUM: it would thus make the achievement of a moderate pay settlement this year significantly more difficult. It was generally agreed that this course should not be pursued.

The discussion then turned to the question of raising endurance in 1982. Mr. Howell said that the CEGB had, at his request, conducted a general review of the options for extending endurance by the winter of 1982, with the objective of raising it to twenty weeks of unrestricted demand. Ministers had already decided at their meeting on 19 June that the Government should aim for a much larger volume of coal and other stocks at the power stations by the winter of 1982. The issue for decision was whether to set in hand immediate action to raise the endurance level to twenty weeks - this would mean starting to move additional coal and ancillary materials now, and additional oil next spring; or to postpone a decision until the outcome of this year's pay claim was clear. Postponing a decision until after this year's pay settlement would mean that the level of endurance that could be achieved by autumn 1982 would fall some one-and-a-half weeks

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short of the 20 week objective. On the other hand, to take immediate action would raise the temperature of this year's pay negotiations, and - as in the case of oil stocks - would make it more difficult to achieve a reasonable settlement.

In discussion, the following points were made:

(i) It was doubtful whether an extra 1½ weeks of endurance in 1982 was worth while against the risk of its jeopardising this year's pay negotiations. Even 20 weeks endurance was unlikely to be sufficient to enable the Government to "win" a coal strike. On the other hand, while it was not worth paying a high price in terms of this year's settlement for an extra 1½ weeks endurance, there was still a big difference between 18½-20 weeks endurance and the 10 weeks endurance which would be the case if no action were taken at all. The higher level would give the Government and the NCB considerable extra room for manoeuvre, and should help to deter the NUM from taking strike action. In this latter context, it would be worth - if anything - exaggerating the stock position. Against this, it was pointed out that the NUM had good information on stock levels.

(ii) In order to achieve additional coal stocks at the power stations in 1982, there would have to be overtime working at the pithead in certain areas. Against a background of falling employment in the industry, it could well be that the local NUM lodges would not tolerate this. Consequently, there was a real risk that action even after this year's pay settlement would be aborted by the NUM. Against this, it was argued that this was not a reason for backing away from a decision in favour of moving extra coal. A decision in principle should be taken now to take action as soon as a settlement was reached this year. Once the details were worked out, every effort should be made to see the measures were implemented as far as possible. NCB management would have a crucial role to play in persuading the NUM lodges that it was in their interests to agree to the overtime work.

Summing up, the Prime Minister said that no action should be taken on power station oil stocks in advance of this year's pay settlement. As regards the measures for building up power station endurance by the winter of 1982, action should also be deferred until after the settlement. However, once a settlement had been reached, the various measures set out in Mr. Howell's minute should be implemented as necessary without delay. In the meantime, the official group (MISC 57) should undertake further work on the details of the measures, including their costing, and they should also consider further the scope for increased imports of coal. The group should report back to Ministers in the autumn.

I am sending a copy of this letter to John Wiggins (HM Treasury), John Halliday (Home Office), David Heyhoe (Chancellor of the Duchy of Lancaster's Office), Godfrey Robson (Scottish Office), Ian Ellison (Department of Industry), Richard Dykes (Department of Employment), Brian Norbury (Ministry of Defence), Anthony Mayer (Department of Transport), David Wright (Cabinet Office) and Gerry Spence (Central Policy Review Staff). I am sending out

numbered copies only and would be grateful if you and copy recipients would ensure that it is seen on a strictly need to know basis.

Tim

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