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SECRET

cc. A. Duguid
J. Voteket 18

To deal (or)



(A)

COPY NO 1 OF 8

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HMW for response from
other ministers. Show
to me at noon on 9/9.
WV

Prime Minister

POWER STATION ENDURANCE

At our meeting on 4 August we discussed ways in which power station endurance could be increased by November 1982. We agreed that no action should be taken that would endanger the NUM pay negotiations this year, but that such planning and implementation as might be carried out within this constraint should proceed. I am writing now about ancillary materials and coal deliveries.

Stocking Capacity for Ancillary Materials

We have good prospects of securing coal and oil stocks and oil supplies to meet an objective of 18½-20 weeks of endurance by 2 November 1982. There are also good prospects of building up stocks of some essential ancillary materials to match fuel endurance. But we are unlikely to be able to build up stocks of all ancillary materials by November 1982. to match fuel supplies. The lead times for carrying out site investigations, planning and specifying new capacity, obtaining materials and constructing storage for some products such as propane, sulphuric acid, diesel oil and hydrogen could well extend to 18 months or more. The CEGB say that an essential preliminary is site investigation at individual power stations; this first stage is highly visible and must wait on the NUM settlement. This delay means we could find ourselves in a position where the endurance of fuel stocks and potential supplies exceeds the endurance of certain essential materials. (I have pointed out previously that if detailed planning is delayed beyond early September arrangements are unlikely to be completed on time.)

It would be prudent now to consider the alternative to higher stocks for those materials where stocking capacity is likely to fall short of our objectives. The shortfall might be as much as 10 or 11 weeks of endurance in some cases until the gap can be bridged - possibly by early 1983.

In order to offset low stocks of some materials we would need to ensure that supplies can be replenished despite picketing. Past experience has shown that some deliveries might get through with civilian drivers but that one cannot ensure extended endurance by this means. I suggest officials should examine the use of service drivers and, if necessary, the requisitioning of specialist vehicles to replenish power station stocks for those materials where stocking capacity falls short of our objective. We need to assess the practicability and the possible effect of this course upon industrial relations in power stations and elsewhere. This is an aspect of planning that can be carried out discreetly before November.

Accelerated Coal Deliveries in November and December 1981

We ought also to plan to keep up a high level of coal deliveries in November and December. So far we have agreed to bring forward deliveries from the winter programme to the summer. This is going well, as Hamish Gray reported in his minute of 24 August. We hope eventually to build up coal stocks by November 1982 to 8 million tonnes above the peak of 1978. In order to maintain the impetus of accelerated deliveries and to provide a contribution to the considerable build up of stocks we hope for next year, we need to give the 3 Boards notice now that they should plan to maintain a high rate of coal delivery in November and December; they can do this discreetly. If we do not do this, the delivery rate is likely to fall back after October.



To give them time to plan ahead I suggest that we ask the NCB, BR and the CEGB now to maintain the recently achieved higher deliveries throughout November and December. The arrangement I propose is that the CEGB should take deliveries for November and December on deferred payment terms in the same way as the present accelerated deliveries; and that the NCB should compensate the CEGB for a double handling and should also pay the transfer charges. I would hope that the residue of the £10 million increase in deficit grant we have already agreed for the NCB would cover the additional costs of the coal the Boards would move in November and December above the programmed rate. If you and others agree, the financial details can be worked out with the Boards. (Misc 57 is studying the financial implications of the transfer of a very large tonnage of coal from NCB pit head to CEGB power stations. Our action on November and December deliveries will not pre-judge the recommendations of that study.)

I hope we can agree to move forward on these 2 fronts. I am copying this minute to the Chancellor, the Home Secretary, the Secretaries of State for Scotland, Employment and Transport, and to Mr Ibbs and Sir Robert Armstrong.

Joseph H. Chadwick

2.9.87.

pp D A R HOWELL

(Approved by the Secretary of State and signed in his absence)