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NOTE OF A MEETING ON THE COAL DISPUTE HELD AT 10 DOWNING
STREET ON 15 MAY, 1984, AT 1100

PRESENT

Prime Minister
Chancellor of the Exchequer
Secretary of State for Energy
Mr. Gregson

The Secretary of State for Energy gave a report on the current dispute. The number of pits working fully remained at 43 with 5 working partially and 6 with men working but not producing coal. Although there was no change in the number of pits working, attendance was up, having reached 49,000 the previous day. It was hoped that the three Lancashire pits currently working partially would soon be returned to full working.

It was becoming apparent that the demonstration at Mansfield the previous day had been the occasion of major clashes between miners and the police, 90-100 of whom had been injured. This compared with around 150 to date during the whole of the dispute. Mr. Scargill had made two statements which he could later regret. He had claimed the downfall of the Government as an explicit objective of the strike, and he had made it clear that miners might have to remain on strike until December.

The meeting then discussed the costs of the dispute and how they should be recovered. The Secretary of State for Energy said he regretted that Sir Walter Marshall had spoken so readily to the Observer on the costs of the dispute, and that he had subsequently sent the material to other Sunday newspapers. The costs could be measured in different ways; the gross cost to the electricity industry of oil burn; the net cost after the saving produced by running down coal stocks; and the full cost to the Exchequer after taking into account the impact on the NCB and other costs such as policing.

The meeting then discussed whether the increased cost of oil burn should be passed forward into electricity prices and, if so, whether a start should be made soon. It was argued that in order to avoid a sharp increase later, it

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would be better to make an adjustment soon. With the costs of the strike including items such as policing, running at £20-30M a week, the impact on the PSBR was considerable. The cost would increase sharply if the CEGB continued oil burn while building up coal stocks. An increase in electricity prices would bring home to the public the cost of the miners' demands.

Against this, it was argued that an increase in electricity prices would be interpreted by miners as a sign that they were at last making progress. A private sector company would probably accept some reduction in profit; it would be difficult to get the public to accept an increase in prices while the profits of the electricity industry remained substantial.

Summing up this part of the discussion, the Prime Minister said it was agreed that part of the costs of oil burn should be recovered, but it would be tactically wrong to put up prices during the course of the dispute, as this would give heart to the miners.

It would be better to introduce any increase once the dispute had ended. The meeting then considered the problem of replenishing stocks at the conclusion of the dispute. The first decision would be the date by which the Government wished adequate endurance to be restored. The objective would depend on the judgement made about the likelihood of further strikes. It was noted that the maximum movement from pits to power stations was around 1.85mt per week or at most 1.95mt a week. Even this would depend on full cooperation from miners and railwaymen in working overtime. To build up stocks rapidly it might be necessary to continue with oil burn. It was estimated that:-

- if the strike finished at the end of May, it would be necessary to maintain maximum oilburn until mid September in order to achieve six months endurance by the autumn
- if it finished at the end of June, maximum oilburn would have to continue until mid-December
- if it finished at the end of July, maximum oilburn would have to continue until March.

A very heavy cash drain would be imposed on the CEGB if it were both burning oil and financing the rebuilding of coal stocks. To the extent that there was a choice, it would be better to pay overtime to secure extra coal movements. The Prime Minister said that no view could be taken now - much would depend upon the circumstances at the

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end of the strike. The Secretary of State for Energy offered to provide a paper by the end of the week setting out the costs of the dispute to the electricity industry, the NCB and to the Exchequer as a whole. It would set out the problems and costs of rebuilding coal stocks after the end of the strike on various assumptions about its duration, and the extent to which supplies were maintained during it. It would also discuss the options for recovering the costs of oilburn from the electricity consumer.

The discussion then turned to the way in which the strike might be brought to an end. The Prime Minister said the hope was that the strike would begin to crumble in some areas, but it was not clear how this could be brought about despite increasing discontent. The Secretary of State for Energy thought the best hope would be the coastal coalfields of Durham which had an excellent future. Nevertheless, there were no signs that this would happen soon. It was noted that the firm advice of NCB management was that closing pits during the strike would be counter-productive. The Prime Minister said that, in retrospect, it was probably better that there had not been a national ballot. It might have been lost producing a total shutdown. The Secretary of State for Energy pointed out that the NCB had given assurances that any men whose union cards were withdrawn would continue to be employed. This assurance had been publicised in Coal News. The Chancellor asked whether any other steps could be taken to increase endurance. One possibility was to increase imports though it was noted that substantial flows were already coming in. It might be better to let this happen, and not risk forcing the pace.

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15 May, 1984.

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Coal News,

~~43~~ 49

43 full

6 part production.

Attendance up.

? Lancashire pits?

Scargill - end of Dec.

} Gov't role
Tarrages

Marshall - £40 -
£23 -

Manfield.

90-100 Polite

Batter change - 10% more
minis

Most decent people are
sidelined by it.

Afraid rules of union to declare strike.

SUBJECT

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10 DOWNING STREET

From the Private Secretary

15 May, 1984.

Coal Dispute

The Prime Minister held a meeting today to discuss the costs of the dispute, the problem of rebuilding coal stocks once the dispute had ended, and the case for recovering the cost of oilburn from electricity consumers. Present were your Secretary of State, the Chancellor of the Exchequer and Mr. Gregson.

Summing up the discussion on the cost of the dispute, the Prime Minister said a case could be made out for seeking an early increase in electricity prices to bring home to consumers the costs of the miners' demands, and to avoid the need for a large increase later on. Nevertheless, it would be better tactically to avoid any increase during the course of the dispute as this could encourage miners in the belief that they were making progress. Rather than consolidating public opinion, it might increase pressure for a mediator. There was also the difficulty of explaining to the public, and in particular the Consumer Councils, the need for an increase while profits remained high. The Prime Minister said that some part of the costs would eventually have to be recovered from consumers, but no action should be taken before the strike ended. On replenishing of stocks, it was noted that there were physical constraints on the maximum movements of coal between pits and power stations. If Ministers decided it were desirable to rebuild stocks quickly, it might be necessary to continue oilburn even after the strike had finished. Paying for oilburn and financing the replenishment of stocks would be a severe cash drain on the CEBG and hence on public expenditure. Summing up this part of the discussion, the Prime Minister said no final view could be taken now as much would depend on the circumstances at the end of the strike, e.g., the level of stocks reached and the likelihood of another strike. While in principle, it would be preferable to use overtime to maximise coal movements, it might not be possible to achieve the level of stocks sought entirely by this route.

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Your Secretary of State agreed to provide, by the end of this week, a paper setting out the costs of the dispute to the electricity industry, the NCB, and to the Exchequer as a whole. It would set out the problems and costs of rebuilding coal stocks after the end of the strike on various assumptions about its duration and the level of coal movements maintained during it. It would also discuss the options for recovering the costs of oilburn from electricity consumers.

I am sending copies of this letter to David Peretz (HM Treasury), and Peter Gregson (Cabinet Office). I suggest that this letter be retained in Private Offices and be shown only to those who need to know of its contents.

MR. A. TURNBULL

Michael Reidy, Esq.,
Department of Energy.

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