

PRIME MINISTER

COAL DISPUTE

I have arranged a meeting tomorrow afternoon which will be attended by the Chancellor, the Secretary of State for Energy, the Secretary of State for Employment and Mr. Gregson. The meeting should be in two parts:-

- (i) Costs of the dispute and financial implications of re-building stocks.
- (ii) The game plan for bringing the dispute to an end.

On the first, Mr. Walker has circulated a note which shows that the cost of the dispute is running at £25 million a week. If it were to end by 1 July the cost would be £325 million, and if to 1 October £650 million. In addition, re-building stocks to six months endurance is likely to take around five months and cost around £700 million in addition to the costs of the dispute itself. This assumes that continued oil burn will be necessary. It is important to realise that oil burn is needed, not because stocks on the ground are too low but because, on present capacity, movement between pits and power stations is insufficient.

There are no decisions to be taken at present; how quickly Ministers feel stocks should be re-built will depend on the circumstances in which the strike ends. You should, however, commission work now on how to increase movements of coal from pits to power stations in order to reduce reliance on extended oil burn.

On electricity prices, Mr. Walker continues to advocate delaying any increase until the end of the strike. This may well be sensible but you should look critically at the suggestion in paragraph 23 that the costs of the strike or the costs of re-building stocks should not fall to consumers. The truth is that consumers have been given continuity of supply and should be required to pay for the the privilege.



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On the Game Plan it is essential that there should be an open discussion. Ministers will not wish to wake up one morning to find that the NCB is in the middle of negotiations about closures without their ever having had the opportunity to discuss what the Government would wish to come out of the strike. The following points may be worth bearing in mind.

- (a) It will be extremely difficult to get the NUM to accept total defeat on the closures issue.
- (b) Mr. Scargill will have to withdraw from his public position on uneconomic pits; that itself would be a presentational victory for the Government but very far from an adequate victory in substance.
- (c) It is crucial that the NCB emerge from this dispute with enough flexibility on closures not only in the current year but in the next few years to make possible worthwhile public expenditure savings within the lifetime of this Parliament. Undertakings on no compulsory redundancies should be given only if they can be delivered in future years as well.
- (d) Although the talking should be between the NCB and NUM the Government should not be directly involved. The Government has too much at stake to allow the NCB a completely free hand.
- (e) We need to have some clear ideas as to what our desired objectives and minimum requirements are, and how they can be achieved in negotiating whether by agreement to a phased programme, by new agreed procedures or in some other way.

Mr. Walker will have spoken to Mr. MacGregor in the morning and will, therefore, have no excuse for not knowing or not telling what the NCB is planning.

30 May, 1984

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