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11 December 1981

Policy Unit

MS
Prime Minister

For this week-end, I am submitting only this note, and the papers mentioned in para 1. You have a meeting of these issues next Thursday.

PRIME MINISTER

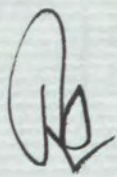
WITHSTANDING A COAL STRIKE: THE MISC 57 REPORTS

1. There are a lot of papers. We think that the most useful ones are:
 1. The Home Secretary's minute, which summarises the issues very clearly.
 2. The first three paragraphs, and paragraphs 40 to the end, of Robert Wade-Gery's note covering the main reports.
2. We do not think you need to look at the detailed reports on the use of servicemen and on building power station endurance. We expect that Nigel Lawson will put in a note before the discussion.
3. These reports are the outcome of many long and difficult official discussions, in which the Policy Unit has participated actively, under Robert Wade-Gery's very helpful chairmanship. The closer we get to the point of decision, the clearer it is that senior officials in Energy and Employment don't think enhanced endurance is worthwhile. They seem to reflect the approach of the Howell/Prior regime rather than what we hope is the most positive Lawson/Tebbit regime.
4. The decision taken by colleagues in July was clear: we would go for 20 weeks' power station endurance by November 1982, but would take no action until after this year's pay settlement. The delay in this year's settlement does mean that it is harder to build up endurance by next year. But the report makes it clear that it is still feasible:
 - Power station coal stocks can be increased, by accelerated deliveries from pitheads, to the maximum possible without constructing new storage capacity. That means building up to 27 million tonnes.
 - Other measures identified in paragraph 41 would then allow for the 20-week target to be met.

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5. The point for Ministers to decide is whether the extra deterrent effect of going into next year's pay negotiations with at least 20 weeks' worth of endurance up our sleeves justifies the risks and costs involved.
6. We think it does. There is a risk of provoking the miners into pre-emptive action, but that would not be disastrous: we would simply back off. The costs are small (around £50 million) compared with the benefits. Furthermore, as recent developments show, whatever the outcome of the current round, next year's pay negotiations with the miners are bound to be difficult. Scargill will be looking to win his spurs. There will be other factors at work elsewhere in the public sector tending to lead pay bargainers to want to recoup lost ground.
7. What is proposed in paragraph 40 is no more than what was agreed in the summer; the "lower profile" options described in paragraph 44 are really do-nothing options.
8. The work that has been done in preparation for industrial action in the coal and water industries has been useful. The Chancellor may suggest that similar work be done in other areas. We agree, and would like to participate. Our experience is that a considerable impetus from the centre is needed to get adequate preparations made.



JOHN HOSKYNS

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