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Prime Minister

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MR PATTISON

*All written before
the current weather!
I believe present
power station stocks
are still well
below 1978 stocks*

*Mr Lawson's paper, below,
can best be considered at the
December 17 meeting. Agree?*

cc Mr Hoskyns
Mr Duguid

*MAD Yes
11/11*

Accelerated Deliveries of Coal to Power Stations

It is confusing that Mr. Lawson has minuted the Prime Minister about the level of deliveries from January to March 1982, separately from the advice he will be putting in on the wider decisions that have to be taken on the MISC 57 report. I have discussed the position with the Department of Energy: the problem is that the CEGB and the NEB are becoming increasingly restive at the financial implications of holding the current levels of stock, and Mr. Lawson is firing a warning shot about the need to raise the NCB's EFL so that the coal can be delivered to the CEGB on deferred payment terms (i.e. payment when the coal is used). I understand that Mr. Lawson does not expect a decision on this in advance of the meeting planned for 17 December; and in any case I would expect the Chief Secretary to have something to say about the proposal. The Prime Minister ought however to be aware of these two points:-

- 1) The nettle of the cost of stockholding will have to be grasped; but if the consequence is to be an increase in the NCB's EFL we must make sure that there is no announcement in the course of the next few weeks, when it will inevitably be interpreted as a sweetener in the current pay negotiations. I understand that there would be no difficulty in deferring the announcement until later in the spring.
- 2) Mr. Lawson recommends that we ask the Boards simply to preserve the increase in power station coal stocks already achieved, not to continue with the enhanced rate of deliveries that took place in November and December. That proposal goes to the heart of the decision that has to be taken on the MISC 57 report, where, as the Prime Minister will know from John Hoskyns' minute of today's date, the Policy Unit

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are quite clear that the enhanced rate of delivery should be continued throughout 1982 in order to provide us with a deterrent against a miners' strike in the next pay round.

J.

11 December 1981

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