

Ref: B06360

PRIME MINISTER

c Sir Robert Armstrong
Mr Ibbs

Withstanding a Coal Strike: 1982

BACKGROUND

1. The following are the papers for your meeting on Thursday, 17th December at 5.30 pm:

- A ✓ i. the Home Secretary's minute of 6th December attached to which were two reports by the Official Group on Coal (MISC 57) and my covering note to them, which summarised the decisions for Ministers;
- B C ii. the Secretary of State for Energy's minutes of 10th and 15th December;
- D ✓ iii. the Secretary of State for Employment's minute of 14th December; and
- E ✓ iv. Mr Scholar's letter of 15th December replying to the Secretary of State for Energy's minute of 10th December.

2. The papers raise broadly two issues for discussion, viz.

- i. the likely future course of this winter's pay negotiations with the miners; and
- ii. the strategy to be adopted in respect of withstanding a miners' strike next winter, on which early decisions are essential.

But the Chancellor of the Exchequer may also want to discuss

- iii. whether studies similar to those undertaken by MISC 57 should be mounted for other key industries besides coal.

THIS WINTER

3. The National Union of Mineworkers' (NUM) Special Delegate Conference meets on Friday; a pithead ballot has been arranged for 14th and 15th January. As the Parliamentary Under Secretary of State in the Department of Energy reported in his letter of 10th December to the Chancellor of the Exchequer, the Delegate Conference seems likely to recommend rejection of the



National Coal Board's (NCB) offer and strike action if necessary. The hope of moderate NUM leaders is now that such a recommendation will be rejected in the ballot, and Mr Scargill thus humiliated. Otherwise there will have to be further negotiations in the second half of January, with the NCB having to choose between further concessions or a strike. Even if they accept the latter, it could hardly begin before 1st February.

4. By 1st February coal stocks at power stations (at present $20\frac{1}{2}$ million tonnes) will for seasonal reasons have dipped to $18\frac{1}{2}$ million, even if the accelerated 1981 rate of build-up is maintained throughout January. Endurance would therefore be proportionately less than in the table in paragraph 41 of my MISC 57 covering note. Without Servicemen moving coal (or electricity supply restrictions), it would perhaps be 15 weeks; calculations are at Annex A to this brief. That would take us to mid-May. If Servicemen started to move useable pithead stocks from 1st February, and succeeded in doing so despite the enormous law and order problems involved, they might extend endurance by a further month ie to mid-June. As the MISC 57 reports make clear, coal-burning industry would be in severe trouble much earlier.

5. There is nothing the Government can do to influence the miners' ballot, apart from the careful press briefing your office already has in train; nor to extend endurance, apart from one possibility. That would involve directing the generating boards to step-up oil-burn now in order to conserve coal stocks. 1-1 $\frac{1}{2}$ weeks extra endurance could be "purchased" in this way during January. But they would cost £130-200 million (a week's coal-burn costs £80 million and a week's oil-burn £50 million more than that). So this should presumably not be contemplated unless your meeting concludes that a strike this winter is pretty likely.

6. Hitherto you and your colleagues have taken the view that, if there has to be a coal strike, next winter would be better than this winter; and that this winter's strategy should therefore be peace at the lowest price available. Most of your colleagues will probably hold to that, despite Mr Scargill's trumpeting. But the Secretary of State for Energy may argue that a show-down this winter would have certain advantages: the



strike could only start when the winter was more than half over; it would almost certainly not be preceded by prolonged go-slow action (as it might be next winter, leaving the Government unable to justify strong counter-measures although power station coal stocks were dwindling); and this Parliament's natural life is further from its end.

7. The strongest argument for having any unavoidable show-down next winter is that coal stocks will then be higher. How much higher depends on your present meeting.

NEXT WINTER

8. The issues for decision now are set out in the Home Secretary's minute. The argumentation is fully rehearsed in the covering note to the two MISC 57 reports; so the covering note can, if you wish, form the main basis for the discussion.

9. The Home Secretary poses the three main questions: what level of power station coal stocks to aim at; what level of ancillary supplies; and whether the military should reconnoitre the tasks to be performed. He also notes the underlying dilemma - visibility versus deterrence; and the fact that cost is not a major issue, except insofar as it may influence visibility.

10. The present level of coal stocks is $20\frac{1}{2}$ million tonnes. The 1978 peak was 22 million. Continuing this year's programme of accelerated deliveries should produce 23-24 million by next November. Going for the maximum possible without new construction works should produce 27 million. These two are the only real options. Even if new works were acceptable, more than 27 million could probably not now be attained in the time that will be left after a January-February settlement of this winter's pay negotiations. MISC 57 recommended 27 million; the subsequent minute from the Secretary of State for Employment argues for 23-24 million; and so by implication does the Secretary of State for Energy's minute of 15th December. The higher figure, if achieved despite the dangers inherent in its greater visibility, would provide 2 weeks' more endurance than the lower and therefore more deterrence'. The lower figure would be



safer in visibility terms but would offer only about $1\frac{1}{2}$ weeks' more endurance than today's level. The majority of your colleagues seem likely to favour 23-24 million tonnes.

11. The level of ancillaries should present no problem. If a coal target of 23-24 million tonnes is chosen, ancillaries should match that. If the coal target is 27 million tonnes, an ancillaries level equivalent to 23-24 million tonnes should still be adequate; the gap ought not to be too difficult to close, during a strike, by commercial ingenuity or failing that by the use of troops.

12. Military movement of pithead coal by rail looks unpromising, but could be usefully explored with top British Rail (BR) management without indiscretion. Movement by road looks much more promising. Advance reconnaissance would resolve a number of unknown factors affecting the logistics. But it could easily become an explosive political issue. In any case, the really serious unknowns about the troops' ability to move pithead coal arise not from logistics but from considerations of law and order, which no advance preparations could mitigate; if picketing were sufficiently determined and large-scale, the police might not have the manpower to provide the troops with adequate freedom of movement, and their attempts to do so might involve more in the way of pitched battles than public opinion would stomach.

13. As regards the underlying dilemma, the advantages of achieving maximum deterrence next autumn are obvious enough. The difficulty is to judge what level of visibility en route would provoke the miners into counter-measures (eg go-slow action) which could easily frustrate the attempted build-up of coal stocks.

14. The Chancellor of the Exchequer is not likely to object to the comparatively small costs involved, given the important issues at stake. A greater difficulty may be to persuade the NCB and the generating boards that the build-up should be financed in ways which do not court visibility dangers. But the Secretary of State for Energy is reasonably reassuring about this in his minute of 15th December.



15. Whatever the main decisions, a subsidiary issue to be settled will be how much to do while waiting for this year's settlement. The meeting will presumably reconfirm your August meeting's basic decision to keep a low profile in this period. But what does that mean for coal deliveries to power stations? Should they continue in January at the accelerated rate which has operated since the spring of this year? Or should they merely maintain the stock level already achieved? The Secretary of State for Energy's minute of 10th December rather oddly suggests the latter, not only for January but for the whole first quarter of 1982. This seems unnecessarily cautious. There has already been informed speculation in the press about the endurance which will be attained by February if the present accelerated delivery rate continues; and the miners have not reacted adversely. Indeed, continuing the present rate should marginally enhance deterrence this winter, as well as improving the prospects for an adequate level of stocks next winter.

16. You may like to note ^{that} the recent cold weather appears not to have materially affected stock levels at power stations. Deliveries were mostly able to continue; and the rise in domestic energy consumption was roughly balanced by a fall in industrial usage. But in a really severe, widespread and prolonged cold spell the railways could be badly hit and coal deliveries would fall. If they fell by 50 per cent, coal stocks would be lost at a rate of about 1 million tonnes a week. Go-slow action by railwaymen could of course have a similar effect.

OTHER STUDIES

17. If the Chancellor of the Exchequer raises his idea of MISC 57 studies in other key areas besides coal (and water, on which MISC 61 produced a comparable report in October) you need do no more than establish whether this would be generally welcome and if so instruct the Cabinet Office to report on the subject early in 1982. Such a report could cover questions such as which industries might best be studied (obvious examples are the gas and electricity industries and perhaps the railways, but the fuel oil distribution system and the supply of industrial gases are other key sectors which might also merit study); how best to align such work with, for



example, Treasury assessments of the prospects of pay in the nationalised industries; the case and scope for long-term strategy studies (which might best be undertaken by the CPRS); and whether the Services should acquire specialised equipment or undertake advance training not related to military requirements so as to be better prepared to cope with the consequences of industrial action in the key areas (a point which has arisen in a number of contexts in the two studies undertaken so far).

HANDLING

18. You will wish to consider this winter first. The Secretary of State for Energy should be asked how likely the mid-January ballot is to reject a strike; and failing that what level of pay concessions would be necessary to buy the miners off. The Secretary of State for Employment will also have views; as will the Chancellor of the Exchequer on the economic damage of a high settlement.

19. In the light of these assessments you should be able to establish whether the meeting is prepared to confirm this winter's strategy of peace at the lowest price negotiable. If not, you will need to focus discussion on the prospect of a February strike. What endurance would the Secretary of State for Energy expect power stations to have? Are any decisions needed before mid-January, eg to increase oil-burn? If so, is the cost acceptable to the Chancellor of the Exchequer? What endurance would the Secretary of State for Energy and the Secretary of State for Employment expect the miners to have? and how would they react to troops moving pithead coal? Do the Defence Secretary and the Home Secretary consider that troops should be used in this role from the start? Provided no immediate decisions are pressed for, discussion is likely to prove inconclusive and can only be adjourned until mid-January.

20. Turning to next winter, you should ask the Home Secretary to introduce the MISC 57 report. Most other Ministers will then wish to comment, starting with the Secretary of State for Energy. One way of ordering a complex discussion would be to distinguish: preliminary issues; the three central issues; and subsidiary issues.



21. Preliminary issues. Does the meeting accept the basic analysis and figure-work in the MISC 57 cover note? Specifically does it agree

- that Servicemen could in theory move pithead coal stocks but would in practice encounter very serious opposition?
- that we should therefore regard their potential efforts as a bonus factor rather than a central element in our strategy?
- that no preparations for additional imports or maximised oil-burn and gas-burn need be taken until a strike was imminent?

22. Central issues. Against the general background of the deterrence versus visibility dilemma

- does the meeting favour aiming for power station coal stocks of 27 million tonnes by next November or 23-24 million tonnes?
- is it agreed that ancillaries should be built up to a level equivalent to 23-24 million tonnes of coal? and that they should be brought in during a strike by troops if other methods fail?
- may top BR management be consulted about troops moving coal by train? That apart, is it agreed that the troops should not make advance preparations or reconnaissance, but should do the best they can once a strike had started, both to deliver ancillaries and (if it were so decided at the time) to move pithead coal stocks?

23. Subsidiary issues. Against the background of the meeting's main decisions

- are the costs of the build-up acceptable? Will the Boards co-operate in minimising their visibility?
- is it confirmed that preparations for next winter should in general await this winter's pay settlement? But meanwhile should the build-up of power station coal stocks continue at the present accelerated rate?
- if a long strike occurred, what should be done about the coal-burning sector of industry?



24. Finally, if studies in other key areas are suggested by the Chancellor of the Exchequer, discussion should be deferred on the basis suggested in paragraph 17 above (Cabinet Office to report).

CONCLUSIONS

25. You will need to record decisions on
- i. the strategy for this winter;
 - ii. the acceptability of MISC 57's analysis for next winter;
 - iii. the acceptability of MISC 57's "best strategy", perhaps modified by aiming for 23-24 million tonnes of power station coal rather than 27 million;
 - iv. the rate of build-up pending this winter's settlement;
 - v. consultations with BR on military use of trains;
 - vi. how costs should be met;
 - vii. MISC 57 to monitor progress and report at 3 month intervals during 1982.

16th December 1981

R L WADE-GERY

Endurance in February 1982

1. Power stations will have $18\frac{1}{2}$ million tonnes of coal; less than now because of high mid-winter usage. This should yield 9-10 weeks' endurance; consumption should be less than the winter rate of 2 million tonnes a week, because of warmer weather after mid-March. Maximised oil-burn should add 3-4 weeks; less than next winter, because lower coal stocks mean less time in which to use oil as a partial substitute. Maximised gas should add $\frac{1}{2}$ -1 week; and maximised coal imports 1 week. Total, without Servicemen moving coal, say 15 weeks.
2. Useable pithead coal stocks should be 8 million tonnes. Servicemen could in theory move all this (by road) in the time available. If they did, it would add 5 weeks' endurance at summer consumption rates (1.6 million tonnes per week). But pickets could greatly slow them down.
3. These calculations assume no restrictions on electricity supply.