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34

S E C R E T

PRIME MINISTER

1. We are to meet on 8 February to consider our policy towards the coal industry now that the wage negotiations have been successfully concluded.
2. The recent ballot was a significant defeat for Arthur Scargill but this will make him all the more anxious for a victory this autumn. He will now concentrate on preparing the ground with his campaign moving into top gear after the NUM Annual Conference in July.
3. The recent ballot again showed that the majority of miners are moderate men who know a reasonable offer when they see one and who are unwilling to be dragged out on strike largely for political reasons. Scargill's task is to turn these moderates into militants. The task of the Board is to keep the moderates moderate. Our policies, both towards the coal industry and more generally, could facilitate the Board's task - or they could help Scargill.
4. The Board and the Government played their hands skilfully and successfully during the recent negotiations. The outcome could have been very different. For example, had we insisted that the Board make an opening offer of 4%, the atmosphere for the whole negotiations would have been soured from the outset. When we come to consider our approach to the next round of wage negotiations in the summer we should draw on our experience during the recent round. I have commissioned work both from the Board and my Department on this subject.
5. The prospects for the next round will be influenced both by our general policies in the interim, for example the Budget and Norman Tebbit's new Employment Bill (I have asked the Board to keep me briefed about the NUM's reaction to this), and above all by our policies specifically related to the coal industry. As the CPRS note points out, it is essential that we consider very carefully, as we have done during the recent negotiations, the likely effect of our decisions on various aspects of coal policy (eg closures, investment, EFL, handling of the MMC report) on our ability to defeat Scargill again this autumn. We shall also need to maintain our non-attributable press briefing campaign.

S E C R E T


S E C R E T

-2-

6. If we play our hand skilfully we can greatly reduce the likelihood of a confrontation on pay leading to a strike this autumn. But we cannot rule out this danger. Confrontation could also arise on other matters eg closures. We must therefore prepare ourselves for it. My proposals are set out in paragraph 10 below. But these preparations present us with a dilemma. The greater the effort to prepare ourselves for a possible strike the more obvious will this become and the more danger there will be of provocation. Scargill will not be slow to point out what we are doing and try to stop us or to seek political confrontation. We therefore need to maintain a well judged balance.

7. We have good reasons now to take steps which will extend endurance; the weather and ASLEF have eroded power station coal stocks; at the same time some pithead stocks are building up to levels that threaten the rate of output. The NUM have every incentive to co-operate; while ASLEF members may welcome the opportunity of earning overtime to make up for their loss of earnings. There may come a point during the summer when stocks have been built up so far that justification for exceptional measures no longer holds good. We can then adjust our position if that appears likely although it will be easier to maintain a pattern once established.

8. There are three "endurance" measures we must now consider and discuss with the Boards:

(i) Maximising Coal Deliveries by Rail and Road

Delivering as much coal as possible from pithead to power stations as soon as BR return to normal working and throughout the summer. Every effort should be made to extend overtime to 7 day loading in the mines and 7 day delivery throughout the spring and summer. The rail system would be stretched to the limit and there are doubts as to whether work forces would be prepared for the regular overtime involved over many months. Movement of coal by road would also be maximised - at the present time some 250,000 tonnes of coal per week are being delivered by road to the CEGB compared with the normal level of some 110,000 tonnes. The exact amounts of NCB coal that could be moved in this way are still under discussion with the Boards concerned. I shall report further when we meet.

S E C R E T



S E C R E T

-3-

(ii) Increasing Oil Burn

As indicated in my earlier minute we need to maximise oil burn in the short-term, and we should maintain it subsequently in order to maximise coal stocks by 1 November (24 mt if the ASLEF action ceases by the end of this month).

(iii) Importing Coal

Coal imports are a highly sensitive issue. We have agreed to limit imports in 1981/82. As a result CEGB stocks have built up on the Continent to 1 mt; these could be readily imported. Together with contracted supplies in 1982/83 and other purchases it might be possible to bring in 3 mt of coal imports between 1 April and 1 November. But this would, to some extent, displace NCB coal and would be highly provocative. My advice is that at present we should import no more than 750,000 tonnes and retain the stock in Rotterdam in case we need to import it this autumn.

9. I would have to discuss financing the additional costs generated by these measures with the Chancellor. How the strategy and ensuing expenditure will be phased will depend partly on the short term measures we find it prudent to adopt in the light of the ASLEF action. Measures taken now are not wasted; if we build coal stocks in February/March by exceptional measures (principally oil burn) and there is no need for them in the event, the gains we make will carry forward to November. But short term measures (principally oil) are expensive.

CONCLUSIONS

10. I invite colleagues to agree:

- (a) We should ask the NCB, CEGB and BRB to plan for maximum deliveries of coal to power stations from immediately after the end of the ASLEF disruption until further notice.

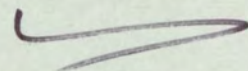


S E C R E T

-4-

- (b) We should ask the NCB and CEGB to maintain coal deliveries by road at least at their present level until further notice.
- (c) We should authorise the CEGB to increase its oil burn to the extent necessary to achieve the maximum coal stocks now possible at power stations by 1 November 1982.
- (d) CEGB coal imports should be limited to 750,000 tonnes in 1982/83. The CEGB's stockpile at Rotterdam should be maintained for use in the event of a miners' strike.
- (e) The extra costs of these measures should be met out by the Contingency Reserve.

11. I am copying this minute to the Chancellor of the Exchequer, the Secretaries of State for the Home Department, Employment, Defence, Scotland, Transport and Industry and to Sir Robert Armstrong and Mr Ibbs.

S.D. 

Approved by the Secretary of State for Energy
and signed in his absence.

4 February 1982



(i) We should see the Bill and C.A. to ascertain that delivery is made at
least at their present level until further notice.

(ii) We should ascertain the date of the Bill's introduction to the House
and ensure to receive the Bill in the House of Commons as early as possible.
Statement of A. Howard, 1982.

(iii) The Bill should be introduced in the House of Commons in 1982. The
Bill's introduction at a later date should be kept in mind in the
event of a general election.

(iv) The extra costs of these measures should be met out by the Government.
Revenue.

5 FEB 1982
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COPIES

1. In copying this Bill the House should be informed of the Secretary
of the House of Commons, London, W1A 0AX, England.
Industry and Mr. Robert Jackson and Mr. John.

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Approved by the Secretary of State for Trade
and changed in his name.

Secretary