

Ref: B06404

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PRIME MINISTER

c Sir Robert Armstrong

Coal and the Railways

## BACKGROUND

Your meeting at 10.15 am on 8th February will be attended by the Home Secretary, the Chancellor of the Exchequer and the Secretaries of State for Defence, Industry, Transport, Energy and Employment, as well as by Sir Robert Armstrong and Mr Ibbs. The Secretary of State for Scotland is unable to be present but has been kept informed.

John  
Heslop

2. The meeting will have 6 papers before it, in 2 groups as follows -

(i) The immediate problems of this winter

(a) The Secretary of State for Transport's minute to you of 5th February about the ASLEF dispute and possible ways through it.

FLAG A

(b) The Secretary of State for Energy's minute to you of 4th February on what to do about power station coal stocks in February and March, in the light of ASLEF and the cold weather.

FLAG B

(c) The Chancellor of the Exchequer's private secretary's letter to Mr Scholar of 3rd February covering a report by officials on the wider economic effects of ASLEF, which so far do not seem too serious.

FLAG C

(ii) Preparations for next winter

(a) My minute to Mr Scholar of 4th February covering a paper by MISC 57 officials analysing the decisions needed now on what level of coal stocks should be achieved by next November and how.

FLAG D



FLAG E  
 (b) The Secretary of State for Energy's longer minute to you of 4th February, making policy recommendations on those decisions.

FLAG F  
 (c) Mr Ibbs' minute to Mr Scholar of 1st February covering a CPRS note on factors relevant to next winter's negotiations on miners' pay.

The Immediate Problem

FLAG G — 3. The ASLEF dispute is deadlocked. Papers (i) (c) and (i)(b) make clear that at its present level neither its effect on the economy nor its effect on power station endurance are critical factors. The immediate decision on paper (i)(a) is whether to encourage the BR Board to fight on as now or whether to encourage them to shut-down the railways. The case for shut-down is that it might within a few weeks break ASLEF's resolve, as argued in Mr Hoskyns' note to you of 3rd February; it would also save BR a lot of money in the meanwhile, since even if they continue to pay non-ASLEF staff (as Mr Howell understandably argues would be essential) their losses per week would fall from £12-14 million to £6 million (paragraph 7b of Mr Howell's annex is ambiguous on this point, but that is what its trying to say). The case for soldiering on, which Mr Howell recommends but does not argue, rests partly on the hope that ASLEF will crack without shut-down, partly on natural caution and partly on concern over power supplies.

4. If we shut down now, power station coal stocks would be enough to last 5 weeks. By maximising civilian road haulage, oilburn, gasburn and (if the NUM agreed) imports, that could be extended perhaps to 9-10 weeks. That would take us to Easter, but is arguably not enough; if ASLEF remained obstinate, only 30 per cent of normal power supplies would be available thereafter. The only ways of extending immediate endurance would be to use troops to move pithead stocks, which would involve requisitioning lorries and therefore a State of Emergency; and/or electricity cuts at an early stage. This suggests that before contemplating shut-down we should as rapidly as possible rebuild our depleted coal stocks by maximising oilburn now. That is what Mr Lawson recommends, in paper (1)(b), even



if we don't shut down. It would be expensive (about £40 million net per week) but is desirable whatever happens over ASLEF since, as he cogently argues, we shall need the coal which it will have saved when we come to next winter.

#### Next Winter

5. Paper (ii)(a) seeks decisions now, for implementation as soon as the ASLEF dispute is over, on

- the rate of coal deliveries this year from pithead to power station (the decision deferred in December until miners' pay was settled);
- the possibility of continuing oilburn at a higher rate than normal, and how to finance it;
- the possibility of increasing coal imports.

The answers will determine the level of power station coal stocks next November. In paper (ii)(b) Mr Lawson recommends maximised (ie "super-accelerated") deliveries; enough extra oilburn, on top of that, to ensure that by next November power stations have as much coal as they can hold (27 million tonnes or over 13 weeks' basic endurance); financing from the contingency reserve; and no unusual imports.

6. Although Mr Lawson's paper does not say so, it is still very unclear how much extra oilburn his policy would involve. Department of Energy officials now think it would be a lot less than the equivalent of 200,000 tonnes of coal a week which the MISC 57 report suggests. Because in the post-ASLEF situation both the NCB and the NUM will co-operate enthusiastically in maximising coal deliveries, they think only extra oilburn equivalent to perhaps 100,000 tonnes of coal a week would be needed from spring to autumn. The cost of that would be something over £150 million. Mr Lawson does not want to pass that on to the consumer because it would add about 2½ per cent to electricity tariffs. But the Chancellor of the Exchequer will not want all the cost to fall on the contingency reserve. There may therefore be a case for dividing the burden cost between the consumer and the taxpayer.



7. The CPRS points in paper (ii)(c) are more general ones and do not need to be debated at this meeting if time runs short. But in that case they should be specifically reserved for later consideration within the next few weeks. They raise important issues which, while centering on next autumn's pay negotiations, affect policy decisions which will be being taken from the spring onwards.

#### HANDLING

8. To avoid confusion, discussion of the emergency this winter should be kept as separate as possible from preparations for next winter. The papers should therefore be taken in the two groups set out in paragraph 2 above, and in that order.

9. This winter. The Secretary of State for Transport should introduce paper (i)(a); the Secretary of State for Energy (i)(b); and the Chancellor of the Exchequer (c). The issues for decision are

- Are there any other ways of ending the ASLEF dispute?  
Does the immediate choice boil down to fight on or shut down?
- Can shut-down be ruled out as too dangerous for the moment? If so, what developments might make it seem more acceptable?
- Can short-term coal imports be ruled out?
- Is it agreed that short-term oilburn should now be maximised?
- Should the cost of such oilburn be recovered from the consumer in due course?
- If we are to go on with partial ASLEF stoppages, should BR be told to continue giving priority to coal and oil movements, as implicitly suggested in paragraph 20.ii of the Treasury paper ( (i)(c) )?

10. If the sense of the meeting were to be that early shut-down is either desirable or unavoidable, the Home Secretary should be asked to arrange early consideration by the Civil Contingencies Unit of the implications. The Secretary of State for Energy, the Chancellor of the Exchequer and the Secretary of State for Industry should comment on the main areas of national vulnerability.



11. Next winter. The Secretary of State for Energy should introduce his paper (ii)(b), the discussion of which will subsume paper (ii)(a) (MISC57). The issues are

- Should coal deliveries this year be maximised, both by rail and road? The Secretary of State for Transport and the Secretary of State for Employment will wish to comment.
- Should coal imports be held to last year's agreed levels? The Secretary of State for Employment is likely to support this.
- Should extra oilburn be continued, after the ASLEF dispute is settled? Should its level be determined by what will maximise coal stocks in November?
- What is that oilburn likely to cost? How should the cost be apportioned as between taxpayer and consumer? What are the Chancellor of the Exchequer's views?

12. Finally, Mr Ibbs should introduce the CPRS paper. The Secretary of State for Energy should comment.

#### CONCLUSION

12. Your summing up will need to record decisions, under each of the 2 agenda items, on the issues in paragraphs 9 and 11 above.

13. On this winter, the immediate decision seems likely to be to fight on as we are for now, even if shut-down may become inevitable later. In that case, a further meeting of Ministers should be held in about a week, to review the situation; or sooner if the Secretary of State for Transport wishes.

14. Maximised short-term oilburn is also likely to be agreed. The Secretary of State for Energy should be asked to discuss the financial implications with the Boards and the Treasury.



15. On next winter, the Secretary of State for Energy's proposals are likely to be accepted. MISC 57 should be asked to report further on the amount of oilburn required, and how to pay for it.

16. If the CPRS paper has not been fully discussed, you could suggest a further meeting on it within a month at most.

A handwritten signature in blue ink, appearing to read 'R L Wade-Gery'.

5th February 1982

R L WADE-GERY

CONQUEROR