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SUBJECT

cc Mander Set

d Transport: B.R. Fares Pt 2.

10 DOWNING STREET

From the Private Secretary

9 February 1982

Dear Julian,

Coal and the Railways

The Prime Minister held a meeting yesterday morning to discuss your Secretary of State's two minutes to her of 4 February, the Secretary of State for Transport's minute of 5 February, the minutes to me of 1 February from Mr. Ibbs and of 4 February from Mr. Wade-Gery, covering a report by MISC 57, and the report circulated under cover of Peter Jenkins' letter to me of 3 February. Those present apart from your Secretary of State were the Home Secretary, the Chancellor of the Exchequer, the Secretaries of State for Defence, Industry, Transport and Employment, the Minister for Home Affairs and the Environment, Scottish Office, Mr. Ibbs and Sir Robert Armstrong.

Ministers decided:-

- (i) that power station oilburn in England and Wales should be maximised immediately, as proposed by your Secretary of State. No increase in power station oilburn was necessary at this stage in Scotland;
- (ii) that the Chancellor of the Exchequer and your Secretary of State should consider further how the costs involved in increasing power station oilburn might be met. There was general agreement that the costs should not be passed on immediately in full to the consumer, resulting in a substantial increase in electricity prices beyond that already due to take effect on 1 April. Your Secretary of State and the Chancellor were asked to consider whether instead they should be met by a special Government grant or by increased borrowing by the CEGB, which would result in a small increase in prices over a long period;
- (iii) neither the Railways Board nor the Government should take any step at this stage which might escalate the railway dispute. But your Secretary of State should investigate urgently the endurance that power station coal stocks might offer in the event of an all-out strike by ASLEF on the basis of the following three scenarios:-
  - (a) that the NUR would be ready to move as much coal as possible by rail;

- (b) no co-operation from the NUR and the maximum level of delivery of coal by road to the power stations by civilian drivers; and
- (c) the use of Servicemen to deliver coal to the power stations.

He should also consider how far in each scenario the NUM might be expected to continue to co-operate in the maintenance of power station coal deliveries. The Prime Minister asked that this work should be completed in time for your Secretary of State to report the position to Cabinet this Thursday;

- (iv) the CEGB and the National Coal Board were to maximise as quickly as possible power station coal deliveries by road and by water-borne transport and your Secretary of State should investigate as a matter of urgency the level of deliveries that might be achieved in this way. But no immediate steps should be taken to increase coal imports beyond planned levels;
- (v) the CPRS in consultation with the Department of Transport, the No.10 Policy Unit and the Department of Employment should consider urgently how the ASLEF membership might be induced to agree to the productivity improvements sought by the Railways Board, for example through the introduction of generous redundancy terms along the lines of the coal industry scheme; and whether it might prove possible to dissuade other trades unions from supporting ASLEF;
- (vi) the Secretary of State for Transport should report to the Cabinet as soon as possible on the options open to the Government in respect of the present limit on temporary borrowing by the British Railways Board, which is likely to be breached towards the middle of this month if the ASLEF dispute continues, and in particular on whether it might be possible to require the Board to borrow against its assets without a Government guarantee or to link increased temporary borrowing with faster asset disposal in other ways;
- (vii) the Secretary of State for Industry should consider with the Chairmen of British Steel and British Leyland whether it would be possible or advantageous for them to represent to the trades unions in their industries the case for their bringing pressure on ASLEF to settle, because of the long-term implications for these industries of the continuation of the ASLEF dispute; and
- (viii) Ministers would wish to consider at a later stage strategy towards power station coal stocks next winter. Meanwhile your Secretary of State should explore with the CEGB, the NCB and the BRB what maximum level of deliveries to the power stations might be possible once the ASLEF dispute was resolved.

Finally, as I have already mentioned on the telephone to you, I think the Prime Minister would find it helpful to know in greater detail the basis on which your Secretary of State's estimates of current and possible future power station endurance were derived. Perhaps a note on this could be included in the report mentioned at (iii) above.

None of these pieces of work are to be circulated to Departments; the Prime Minister would be grateful if they were brought to Cabinet on Thursday, for distribution there.

I am sending a copy of this letter to the Private Secretaries to the Home Secretary, the Chancellor of the Exchequer, the Secretaries of State for Defence, Scotland, Industry, Transport and Employment and to Robin Ibbs and Sir Robert Armstrong. I should be grateful if you and they would ensure that it is circulated on a strictly "need to know" basis.

Yours sincerely,

Michael Scholans

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Department of Energy.