Ref: B06440

MR SCHOLAR

Coal and the Railways

The Prime Minister's meeting on Monday at 3.15 pm will be discussing two issues:

(i) the rate of coal deliveries to the power stations during 1982, on which Ministers deferred a decision at their meeting on 17th December; and

(ii) the possibility of further industrial action on the railways following arbitration on flexible rostering.

2. I attach a report by the Official Group on Coal (MISC 57) which considers the rate of coal delivery to the power stations during 1982 (ie (i) above); how power station coal stocks next November would be affected by a rail strike; and power station endurance in the event of an early rail strike (both of which are relevant to (ii) above).

3. Briefly the position appears to be as follows.

(a) There should be no difficulty in sustaining a super-accelerated rate of coal delivery to the power stations for at least the next few months. This should increase the power stations' coal stocks to the maximum they can physically hold (24 million tonnes in England and Wales, or 27 million tonnes including Scotland), by perhaps the end of August and certainly well before November, provided that there is no further industrial action on the railways.

(b) If there were a rail strike lasting up to 8 weeks this spring, power station coal stocks could still be increased to this physical maximum, or very near it, by 1st November. But increased power station oilburn might be necessary after as well as during the strike. A protracted rail strike starting late in the summer would make it less easy, and perhaps impossible, to rebuild stocks by November.

(c) In the event of an early rail strike power station endurance would not be less than 12 weeks, and could be much higher. This is significantly greater than the endurance of coal-burning industry.

4. Ministers are invited -

- to agree, in the light of paragraph 3(a) above, that superaccelerated coal deliveries should now be maintained until maximum power station coal stocks have been achieved;
- to instruct officials of the Department of Energy and Treasury to settle how the cost of this should be borne;
- to note the conclusions at paragraph 3(b) and (c) above.

5. I am sending copies of this minute to the Private Secretaries to the Home Secretary, the Chancellor of the Exchequer, the Secretaries of State for Energy, Industry, Defence, Scotland, Transport and Employment, and to Sir Robert Armstrong and Mr Ibbs.

11th March 1982

R L WADE-GERY

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POWER STATION COAL STOCKS BY NOVEMBER 1982

Note by the Official Group on Coal
(MISC 57)

INTRODUCTION

1. At the Prime Minister's meeting on 17 December Ministers agreed to defer until the miners' 1981 pay negotiations and subsequently the rail dispute had been settled a decision on whether the rate of delivery of coal to the power stations should continue at the accelerated rate which obtained before the rail strikes and the bad weather earlier this year or whether it should be increased to a super-accelerated rate. This report therefore -

i. seeks a decision on the rate of delivery of coal to the power stations during 1982;

ii. analyses the impact on power station coal stocks next November of an early resumption of industrial trouble on the railway; and

iii. assesses likely power station endurance in the event of an early rail strike.

2. The report concentrates on the position in England and Wales. Power station endurance in Scotland is generally significantly better and raises no issues for immediate decision; it is discussed in the annex to this report.

POWER STATION COAL STOCKS BY NOVEMBER 1982

3. If there were no further industrial trouble on the railways the continuation of an accelerated rate of delivery would result in power station coal stocks of about 21 million tonnes by November 1982; a super-accelerated rate would increase stocks to the maximum level that it is physically possible for the power stations to hold, viz 24 million tonnes. As we have previously reported, a decision between these two rates of delivery rests on judgements about how visible steps to increase power station coal stocks could be allowed to be. Previously it was felt that to opt for super-acceleration raised considerable risks of industrial

action; the trades unions would not be prepared to co-operate in a super-accelerated rate and it would be difficult publicly to justify this high rate of delivery. It is now apparent that this is not the case. Levels of coal deliveries close to the super-accelerated rate are already being achieved, following the resumption of normal working on the railway. The Department of Energy has discussed with the Central Electricity Generating Board (CEGB), the National Coal Board (NCB) and the British Railways Board (BRB) whether this can be continued. All three Boards are agreed that in the aftermath of the bad weather and the ASLEF strikes a super-accelerated rate of delivery would now be possible, at least until the end of the holiday period. But we cannot safely assume at this stage that super-acceleration will be possible after the holiday period, ie from September onwards, since the miners in particular may be reluctant to continue with a high rate of coal deliveries in the run up to their own pay negotiations.

4. The impact of further industrial trouble on the railways is analysed below. In its absence, a super-accelerated rate of delivery would increase power station coal stocks by at least 0.4-0.5 million tonnes per week net. Thus stocks might reach the physical limit of 24 million tonnes by the end of August and certainly well before 1 November.

THE IMPACT ON POWER STATION COAL STOCKS IN NOVEMBER OF FURTHER INDUSTRIAL TROUBLE ON THE RAILWAYS

5. It is difficult to predict what form further industrial action on the railway might take. It is by no means certain that ASLEF would call an all-out strike, but lesser forms of industrial action might so disrupt operations as to leave the BRB with no choice but to close the railway system down. We have therefore adopted the arbitrary working assumptions for the purpose of analysing the impact on power station coal stocks that all deliveries of coal by rail might cease from 1 April and that this might last either for four or for eight weeks.

6. The effect of a rail strike on power station coal stocks would also depend on the extent to which the National Union of Mineworkers (NUM) would be prepared to co-operate in the delivery of coal to the power stations by other means of transport. This is difficult to forecast, although a pointer to the likely attitude of the miners themselves is that pithead coal stocks are now high and in some cases storage capacity might be exhausted after perhaps 3-4 weeks of a rail strike if

coal was not delivered by other means. Once storage capacity was exhausted production at some pits might have to be reduced or stopped; and although other work would be available for the miners, their earnings would be reduced. We have, therefore, considered the following two possibilities -

i. full co-operation from the NUM in increased road deliveries of coal and in the continuation of deliveries by conveyor, inland waterway and coaster; and

ii. no co-operation from the NUM. This is unlikely to result in a complete ban on coal deliveries. The more probable result is that deliveries by road, conveyor and water-borne transport would be allowed to continue at their normal levels, but not to increase.

7. On this basis the weekly reduction in planned power station coal stocks in England and Wales in the event of an all-out rail strike might be as follows -

	tonnes of coal (or equivalent) per week	
	with co-operation from the NUM	no co-operation from the NUM
coal - by road	350 000	100 000
- by conveyor and water-borne transport	80 000	80 000
- imports/by coaster* from UK pits	150 000	150 000
	580 000	330 000
Planned level of coal deliveries	1900 000	1900 000
shortfall	1320 000	1570 000
maximum power station oilburn	500 000	500 000
power from Scotland	80 000	80 000
net weekly reduction in planned coal stocks	740 000	990 000

* Any increase in imports would be at the expense of deliveries by coaster from the North East to Thameside power stations; imports through other ports would probably be blacked by the miners or the railwaymen.

8. Thus a four-week all-out rail strike might reduce planned power station coal stocks by between 3 and 4 million tonnes. Provided that a super-accelerated rate of delivery could be resumed quickly after the end of a rail strike this reduction in stocks could be made good and total power station stocks of 24 million tonnes achieved by November, through the continuation until then of super-acceleration,

without the need for any increase in power station oilburn over the summer. If, however, the NUM were to refuse to co-operate with super-acceleration in September and October some increase in power station oilburn might prove necessary at that stage (as well as during the rail strike), in order to achieve maximum power station coal stocks by November.

9. An eight-week all-out rail strike might reduce planned power station coal stocks by between 6 and 8 million tonnes. This shortfall could probably only be made good by some increase in power station oilburn during the summer as well as during the rail strike, even if super-acceleration proved possible in September and October. But at this stage it is impossible to predict how much extra oilburn might prove necessary.

10. In general these assessments would stand for rail strikes beginning later than our arbitrary assumption of 1 April; in most cases a reduction in the period following a rail strike during which power station coal stocks could be rebuilt would be largely offset by higher coal stocks when the strike began. But that might not prove to be the case in the event of a lengthy rail strike starting relatively late in the year ie. August or later.

POWER STATION ENDURANCE DURING A RAIL STRIKE

11. Ministers have agreed that most of the steps taken during the recent rail disruption to conserve power station coal stocks should be continued until the end of March. As a result by the beginning of April useable power station coal stocks in England and Wales will probably be about 13 million tonnes.

12. Thus in the event of an all-out rail strike from 1 April power station endurance in England and Wales could be summarised as follows -

	tonnes of coal (or equivalent) per week	
	with co-operation from the NUM	with no co-operation from the NUM*
total coal deliveries	580 000	330 000
average weekly power station consumption	1600 000	1600 000
shortfall	1020 000	1270 000
maximum oilburn	500 000	500 000
power from Scotland	80 000	80 000
weekly reduction in stocks	440 000	690 000
Theoretical endurance	over 30 weeks	about 18 weeks

* ie on the basis of paragraph 6 (ii) above.

13. Even in the worst case of a complete ban by the NUM on the movement of coal, power station endurance would be about 12-13 weeks.

14. In practice the stocks held by coal-burning industry, particularly British Steel, are likely to be depleted well before power station coal stocks are exhausted. Most industries carry stocks equivalent to about 10 weeks normal consumption, but British Steel Corporation stocks are on average sufficient for only about 6 weeks.

COSTS

15. It was agreed at the Prime Minister's meeting on 17 December that the costs involved in maintaining an accelerated rate of coal deliveries throughout 1982 (about £15 million) should be met from the Contingency Reserve. Moving to a super-

accelerated rate would involve additional costs, perhaps of the order of £10 million, although discussions with the CEGB would be required before an accurate estimate could be prepared. Ministers need to decide how these extra costs should be met.

16. If maximum power station oilburn proved necessary because of a rail strike, the additional costs might be £30 million per week.

THE DECISIONS FOR MINISTERS

17. Ministers need to decide -

i. whether coal deliveries to the power stations between now and November should be at an accelerated or a super-accelerated rate. (If there were no further trouble on the railways an accelerated rate would produce stocks of 21 million tonnes by November, without the need for increased power station oilburn; a super-accelerated rate would increase stocks to the maximum possible level - 24 million tonnes).

ii. If a super-accelerated rate, how the extra costs involved (paragraph 15) should be met.

18. Ministers will wish to note that in the event of a rail strike increased power station oilburn may prove necessary after as well as during it, if maximum power station coal stocks are to be achieved by November.

Cabinet Office
11 March 1982

ANNEX

POWER STATION ENDURANCE IN SCOTLAND

1. By 1 November power station coal stocks in Scotland are likely to be at the maximum physically possible ie. 2.5 million tonnes, if the South of Scotland Electricity Board (SSEB) does not sell power to the CEGB over the summer. These stocks are equivalent to more than 20 weeks endurance. If the SSEB continues to sell 500 MW (half the maximum) to the CEGB over the next 7 months, coal stocks by 1 November would be 1.5 million tonnes, equivalent to 13 weeks endurance. But endurance could be substantially extended by introducing power station oilburn.

2. An enhanced rate of coal deliveries would not be necessary to achieve these levels of coal stocks.

3. In the event of a rail strike, the shortfall in coal deliveries could largely be made good by increasing deliveries by road. Even if the NUM were to block the delivery of coal by road and conveyor, it would still be possible - by maximising power station oilburn - to maintain electricity supplies at normal levels, to export maximum power to the CEGB and to run power station coal stocks down only very gradually. The cost of such oilburn would be of the order of £3 million per week.