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PRIME MINISTER

Power Station Endurance

Meeting on Thursday 19 December at 4.30 pm

INTRODUCTION

The main purpose of this meeting is to decide on the October 1986 level of power station coal stocks needed to withstand any industrial action by coal industry unions during the winter 1986/87. The Secretary of State for Energy's minute of 12 December provides a basis for discussion.

2. I understand you also wish to pursue some questions arising from the second report on the lessons of the 1984/85 miners' strike which have been put to Mr Walker (Mr Norgrove's letter of 2 December and by telephone on 17 December)* and to some of which replies were given on 11 December (Mr Dart's letter to Mr Norgrove)*.

* Only the Cabinet Office have seen this correspondence.

3. It is possible that the Chancellor of the Exchequer will raise the question of recovering the additional cost of achieving power station coal stocks of 22m tonnes by March 1986.

Coal Stocks

4. In his minute of 12 December, Mr Walker argues that:

- the industrial relations climate in the coal industry is much more favourable than seemed possible in July; the new Union of Democratic Mineworkers (UDM) is officially registered; Mr Scargill's damaged authority has suffered further significant reverses; the weakest point is continuing poor relations between the National Coal Board (NCB) and the National Association of Colliery Overmen Deputies and



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Shotfirers (NACODS) but industrial^{rial} action by NACODS, even if supported by the National Union of Mineworkers (NUM), is thought likely to be short ^{lived} lived in UDM dominated areas (from which 400K tonnes of coal should be produced each week);

- the build up of stocks reached 23m tonnes by early November and prospects of having 22m tonnes in stock at power stations in March 1986 are bright, provided that this winter's weather is not exceptionally severe;
- a normal summer delivery programme to end of October 1986 should achieve power station coal stocks of 27m tonnes (equivalent to nine months endurance even if no new coal were to be delivered) without additional cost to the PSBR;
- there would be a number of options to achieve higher stock levels by October 1986 - none of them easy and most of them expensive - a burden that the Electrical Supply Industry (ESI) would refuse to accept;
- on balance a stock level of 27 m tonnes by the end of October 1986 should prove adequate to withstand industrial action during the winter 1986/87 particularly as there is sufficient capacity for accelerating deliveries, increasing imports and increasing oil burn to achieve a higher level of security if the industrial relations climate should worsen during the next six months.

5. Mr Walker's case for planning at this stage for 27m tonnes seems a reasonable one and would put the Government in a much stronger position than at the beginning of the last coal strike (when stocks were 24m tonnes). More power should also be available this time from the French Interconnector and the 400,000 tonnes of coal a week that the UDM areas are expected to produce. But before you accept Mr Walker's case you will at the least wish to assure yourself that:

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- Mr Walker's assessment of the industrial relations climate - particularly in relation to the improbability of Mr Scargill, alone or together with NACODS, or even the UDM, mounting a long strike anytime in the next 18 months - is credible;
- that the NCB really are now in a position to avoid provoking their unions, particularly NACODS, into strike action during the next two winters, (the change of Chairman next year could be seen by Mr Scargill as an opportunity to recoup lost ground);
- that the Department of Energy will make ^{adequate}~~adequate~~ monitoring arrangements so that early warning will be available about any problems that might require the desired stock level to be reassessed;
- that if any reassessment proved necessary, it would be possible quickly to switch to a higher stock target.

Other Lessons of the Miners' Strike

6. You have asked further questions about:

- the progress on pit closure programmes;
- the treatment of working miners; (Mr Brittan has raised this separately with Mr Walker, as well)
- breakaway unions - particularly the UDM;
- performance incentives;
- the position of NACODS; ~
- the handover next year between Mr McGregor and Sir Robert Haslam;
- prospects for obtaining more coal from open cast mines. =

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7. Answers to the first five questions were given by Mr Walker's private secretary in his letter of 11 December to Mr Norgrove. You will wish to probe Mr Walker's answers to ensure that all possible action is being taken with the utmost urgency, while not risking a setback to the current favourable trends on the industrial relations front. Specifically:

- On the question of local management and cases of intimidation, are perpetrators being caught and dealt with either by the police or through NCB disciplinary procedures?
- how much time will be needed to work out the details of performance incentive schemes and are those responsible working flat out to complete the task?
- are any problems anticipated when the unions realise that attendance bonuses might lead to job losses?
- how quickly can those ways of reducing NACODS monopoly which do not require legislation be introduced? Can target completion dates be set?
- what arrangements does Mr Walker propose to ensure that any problems that might arise during the change of NCB chairman next year are resolved quickly and without weakening the position of the Board viz-a-viz their unions?

8. We have not yet received Mr Walker's answers to the remaining questions (on pit closures and open cast mining). However:

- letter below* *this is best taken up at the meeting.*
- details of completed and proposed pit closures since the end of the strike (and for the preceding 12 years) were given in paragraph 5d of the Second Report on Lessons of the Miners' Strike. You will wish to ask Mr Walker to update this year's figures and describe future plans;
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- you may also wish to ask about the recently announced cancellation of the closure of Bettshanger Colliery in Kent - reportedly because productivity has improved so much that the pit is now economic. There are obvious dangers in raising miners' hopes of retaining pits and jobs by improving productivity if the overall outcome is production of more coal than can be sold;

- you will wish to ask Mr Walker to report the latest position on progress in adapting the planning consents for open cast pits to ensure easier movement of coal during any future dispute (paragraph 7B of the Second Report of Lessons of the Miners' Strike refers).

Recovering Additional Costs

9. In approving the Secretary of State for Energy's request for an adjustment to the ESIs 1985/86 EFLs, to finance power station coal stocks to 22m tonnes in March 1986, the Chancellor of the Exchequer suggested that the additional costs should be recovered through higher electricity prices. I understand the Chancellor may seek to raise this point again orally tomorrow. This does not, however, seem to be the right forum to resolve this. The relevant facts are not on the table. Higher electricity prices for next year have already been publicised, but it is not clear to what extent, if any, these prices would need to be increased further to recover the relevant costs. If, therefore, the Chancellor does raise this, I suggest you ask him and the Secretary of State for Energy to resolve the problem bilaterally or, if that proves impossible, to prepare a suitable paper setting out the issues for wider Ministerial consideration.

HANDLING

10. You will wish to deal with the level of power station coal stocks in October 1986 first, inviting the Secretary of State for Energy to



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lead, with other Ministers contributing as appropriate. The Secretary of State for Energy should also be invited to lead on other lessons of the miners' strike and the Chancellor of the Exchequer on recovery of additional costs if he wishes to raise it.

CONCLUSION

11. You will wish to decide:

- a. whether to accept at this stage that power station coal stocks of 27m tonnes in October 1986 will provide adequate security for withstanding any industrial action during the winter 1986/87 and on arrangements for close monitoring and reporting of progress;
- b. whether any further action is needed on other lessons of the miners' strike set out in paragraphs 6-8 above;
- c. the action to be put in hand if the Chancellor of the Exchequer raises the question of recovering additional costs of high power station coal stocks.

J B UNWIN

18 December 1985
Cabinet Office