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PREM 19/854



FINANCIAL POSITION OF THE COAL INDUSTRY

NATIONALIZED

MINERWORKERS PAY

INDUSTRIES

PART 1: JUNE 1979

PART 6.

PART 6: FEB 1982

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
<del>12.2.82</del>		<del>18.6.82</del>					
<del>16.2.82</del>		<del>28.6.82</del>					
<del>17.2.82</del>		<del>6.7.82</del>					
<del>19.2.82</del>		<del>7.7.82</del>					
<del>26.2.82</del>		<del>9.7.82</del>					
<del>3.3.82</del>		<del>20.7.82</del>					
<del>8.3.82</del>		<del>26.7.82</del>					
<del>16.3.82</del>		<del>6.8.82</del>					
<del>17.3.82</del>		<del>10.8.82</del>					
<del>2.4.82</del>		<del>13.8.82</del>					
<del>5.4.82</del>		<del>6.9.82</del>					
<del>23.4.82</del>		- Pt Ends -					
<del>27.4.82</del>		X					
<del>19.5.82</del>							
<del>26.5.82</del>							
<del>9.6.82</del>							
<del>14.6.82</del>							
<del>15.6.82</del>							

PREM 19/85/4



PART 1 ends:-

CST to s/s Energy 8/9/82

PART 2 begins:-

s/s Energy to AM 5 9/9/82









*Ce T.v.*  
Prime Minister (4)

To note.

Treasury Chambers, Parliament Street, SW1P 3AG

*M/S 9/9*

Rt Hon Nigel Lawson MP  
 Secretary of State  
 Department of Energy  
 Thames House South  
 Millbank  
 London SW1P 4QJ

8 September 1982

*Nigel*

CEGB COAL IMPORTS

*TPM 4/8*

Thank you for your letter of 4 August seeking agreement for the NCB to compensate the CEGB by £35 million in 1982-83 for the cost of limiting coal imports this year to 0.75 million tonnes. This would require a corresponding increase in the NCB's EFL and some increase in the Board's deficit grant limit.

It is disturbing to see that this cost estimate had increased above the £30 million maximum agreed in my letter of 6 May. Our officials have accordingly been discussing possible ways of reducing the cost. One possibility would be to sell off the coal now being stored on the Continent. But I appreciate that we should not press for this for various reasons, including the depressed state of prices and the need to sustain the CEGB's stocks this winter.

It is my understanding, however, that the arrangements made between the CEGB and NCB provide for compensation to be paid for the cost of financing and storing these stocks for a year in advance. This is unsatisfactory since costs which would not fall due until 1983-84 would be paid in this financial year. The arrangement is also inconsistent with the assumption that import restrictions would cease for 1983-84. Accordingly, I suggest that the compensation paid this year should reflect only costs falling in this year. Although officials have still to finalise the figures, this should bring the compensation back well within the £30 million when account is also taken of similar advance payments made in 1981-82.

I appreciate that there may be some costs next year since the stocked coal could not all be moved immediately. Nonetheless, it should be possible to minimise these by advance planning and we should certainly not plan on financing the costs for more than about three months. There should, in any case, be savings due in 1983-84 which will more than offset the amount of any run-down costs. This is



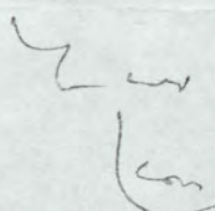
because we are presently planning to compensate the CEGB for burning NCB coal in place of the cheaper imports; and some repayments will be due once the coal currently going into stock abroad is available for CEGB use.

Subject to these points I agree that the EFL should be increased by up to £30 million. Of course, if the actual costs to the NCB turn out to be less than the amount agreed, the Board must not use the balance for other purposes.

Once officials have settled on a final estimate, we should announce the change in the EFL, making clear that the extra cost is being found from the Contingency Reserve. We have still to announce the reduction of £14 million in the NCB's EFL for 1982-83 because of capital overspending last year. I suggest that we publicise with this at the same time by announcing the net increase which takes account of both transactions. Could your officials clear with mine please the text of the announcement of the EFL increase.

Finally, I suggest that your officials be in touch with mine later in the year about any increase in the deficit grant limit and cash limit for the deficit grant vote.

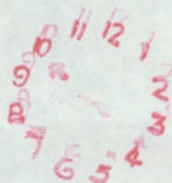
I am sending copies of this letter to the Prime Minister, Willie Whitelaw, Patrick Jenkin, John Nott, David Howell, Norman Tebbit, George Younger, Sir Robert Armstrong and John Sparrow.



LEON BRITTAN



SEP 9 1982







C.F.

Told Mr

Evans (MOS)

10 DOWNING STREET

Mes 9/9

Prime Minister

Yes  
not

(1)

May Mr Wiggin attend  
the coal meeting on Friday  
instead of Mr Nott, who will  
be away on his Kuwait/Zimbabwe  
trip? I think we need  
a Defence Minister for the  
discussion about using the  
services for getting auxiliaries into  
power stations.

Mes 8/9





re DS9  
46

10 DOWNING STREET

*From the Private Secretary*

MR. GREGSON

CABINET OFFICE

POWER STATION ENDURANCE

Thank you for your minute of 6 September about power station endurance and ancillaries.

The Prime Minister is content that the two points listed in paragraph 4 of your minute should be dealt with at the meeting on 10 September.

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 Scotland, Defence, Industry, Employment, Energy and Transport, Mr. Sparrow (CPRS) and Sir Robert Armstrong.

MCS

S

7 September 1982





cc JV 44  
①

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Prime Minister

P.0840

Agree to consider  
the matters at X at  
your Sept 10<sup>th</sup> meeting?

Yes ms

ms 6/9

MR SCHOLAR

Power Station Endurance

In recent minutes to the Prime Minister the Secretary of State for Energy (4 August) and the Chancellor of the Exchequer (11 August) both proposed that the Official Group on Coal (MISC 57) should examine the current position on stocks of ancillary materials at power stations.

2. I attach a copy of the report prepared by MISC 57. Besides dealing with ancillary materials the opportunity has been taken to present an up to date report on the likely level of coal stocks at power stations by 1 November. It will be seen that whereas coal stocks are likely to exceed the original target set by Ministers by some 2 million tonnes, giving a probable power station endurance of between 20-24 weeks, stocks of ancillary materials are likely to be enough for only 9 weeks' operation - the available storage capability being fully utilised.

3. The report goes on to examine what might be done during the coming winter to resupply ancillary materials in the event of a miners' strike and also what would need to be done to conserve stocks of ancillary materials should adequate resupply prove to be impracticable. It also refers to the Electricity Boards' plans to increase their ancillary storage facilities permanently by November 1983, about which the Chancellor of the Exchequer has expressed some anxieties on grounds of expenditure and timing.

4. The report therefore seeks decisions from Ministers on two points relating to stocks of ancillary materials:

- whether consultations about the use of servicemen to replenish stocks of ancillaries this year should be delayed until industrial trouble in the coal industry is clearly imminent;





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X | - whether the Electricity Boards should proceed with work to increase stocks of ancillaries to 20 weeks by November 1983, despite the cost and the possible adverse impact on this year's negotiations.

5. The Prime Minister will probably wish to deal with these two points at her meeting on 10 September on Coal Industry Pay.

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

*PLG*

P L GREGSON

Cabinet Office

6 September 1982

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POWER STATION ENDURANCE

Report by the Official Group on Coal (MISC 57)

INTRODUCTION

1. This report deals with -
  - a. power station coal stocks; and
  - b. the current level of ancillary materials, the replenishment of stocks during a miners' strike this year and the measures which the Electricity Boards propose to take to increase storage capacity permanently.

POWER STATION COAL STOCKS

2. Power station coal stocks in England and Wales currently stand at over 22 million tonnes. By the end of October, if there is no further industrial trouble on the railway, coal stocks are likely to be 26 million tonnes, 2 million tonnes above the original target.
3. In theory this represents 24 weeks' endurance of an all-out miners' strike, on the assumption that all the normal measures to conserve power station coal stocks (ie maximum oilburn, transfer of power from Scotland, imports) would be taken as soon as the strike began. In practice, endurance could be slightly less (to a minimum of 20-21 weeks) for a variety of reasons, for example if the introduction of maximum oilburn were to be delayed. (The calculation of endurance is in the Annex.)
4. Pithead coal stocks by the end of October are likely to be about 21 million tonnes, of which 10 million tonnes might be useable in power stations. If it proved possible to overcome the obstacles to using these stocks, which were discussed in our report of 6 December 1981, endurance could be increased by up to 12 weeks.

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5. In Scotland coal stocks, by 1 November, will match the endurance of the Central Electricity Generating Board (CEGB) system and allow the continuous export of maximum power to England and Wales for up to about 15 weeks.

6. Industrial coal stocks are likely to be substantially lower. In general coal-burning industries seem likely to have sufficient stocks for perhaps 8-12 weeks; in particular the British Steel Corporation will have about 6-8 weeks' stocks. But some, notably the motor and paper industries, may well have much less, possibly as low as 4 weeks.

7. The continuing build-up of power station coal stocks could, of course, be disrupted if there were to be further serious industrial trouble on the railways before November. This seems unlikely. The Railway Staffs National Tribunal (RSNT) will not report until the second week of September. Whatever its recommendations (which will not be binding) there will inevitably be further, detailed negotiations between the British Railways Board and the trades unions. Before these can take place the RSNT award will first have to be considered by a recalled Delegate Conference of the National Union of Railwaymen. Matters are, therefore, unlikely to come to a head until the middle of October at the very earliest.

8. If the negotiations break down, the trades unions will probably adopt disruptive tactics rather than call for an all-out strike. In similar disputes in the past the Electricity Boards have succeeded in moving substantial volumes of coal by road and by rail, and they ought to manage to do so again. The impact on power station coal stocks therefore seems likely to be slight.

#### ANCILLARY MATERIALS

9. A wide range of ancillary materials is essential for the operation of all types of power stations. The Secretary of State for Energy's minute of 4 August to the Prime Minister reported that by November stocks of ancillary materials at the power stations could be sufficient for only 9 weeks, but that the CEGB proposed, by November 1983, to increase storage capacity and stocks to 20 weeks; a comparable situation exists in Scotland. The

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Chancellor of the Exchequer, in his minute of 11 August, raised questions about the need permanently to increase stocks and about the timing of doing so in relation to this year's miners' pay negotiations. There are thus two issues for Ministers, viz -

a. what can be done during a miners' strike this year to replenish stocks of ancillary materials at the power stations?

b. in the longer term, should capacity to stock ancillaries be increased permanently?

Measures for this Autumn

10. At present maximum power station storage capacity for ancillary materials is generally 9 weeks and stocks will be at that level by the end of October. The exception is supplies of carbon dioxide for the nuclear stations where stocks will generally not exceed 3 weeks (but see below).

11. In previous miners' strikes the Electricity Boards successfully replenished stocks of ancillaries despite the picketing of power stations and the Secretary of State for Energy's minute of 4 August outlines some of the plans drawn up by the CEGB for doing so again in the event of a miners' strike this autumn. The CEGB is reasonably confident of being able to restock once without outside assistance; this would probably increase stocks by 2-3 weeks. Thereafter much would depend on the attitude and location of pickets. The CEGB thinks that supplies of materials essential to safety, such as carbon dioxide, are almost certain to be allowed through. But for most ancillary materials special tactics are likely to prove necessary.

12. In the first instance, the CEGB would attempt with help from its suppliers and the police to bring in supplies. But if this were to prove impossible, they would eventually have to seek assistance from the Government. The steps that might be taken to replenish stocks of ancillaries and the problems that might arise were discussed in our report circulated by the Home Secretary with his minute of 6 December 1981 to the Prime Minister.

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Briefly, the position is that servicemen could in principle be used to replenish stocks of ancillaries but that no detailed plan for doing so has been prepared and consultations would be required with power station management and with manufacturers of ancillaries before one could be drawn up. It would be necessary to establish precisely what ancillary materials are required by each power station, where supplies of them can be obtained, for which materials specialised vehicles would be required and whether and from where these would have to be requisitioned (necessitating a State of Emergency). Although the Ministry of Defence (MOD) could probably organise resupply of a specific item to an individual power station within a matter of hours, consultations and preparation of a comprehensive plan for resupplying all necessary ancillaries to all power stations might take up to 3 weeks. To this would need to be added the time required (up to one week) to requisition specialist vehicles and train servicemen to operate them. Consultations could not be kept confidential or their purpose convincingly concealed. There must be a risk that clear evidence of advance planning on the part of the Government to use servicemen during a miners' strike, before industrial trouble has begun, would increase the chances of a strike. Since stocks of ancillaries are generally sufficient for 9 weeks and one replenishment certainly seems possible, it might be preferable to delay these consultations until industrial action is clearly imminent or has begun.

13. If the use of servicemen to replenish stocks were to be ruled out or to prove impracticable, ways would have to be found of conserving stocks of ancillaries. The Electricity Boards could reduce voltage progressively. This would have no noticeable effect on consumers and might extend endurance by 1-2 weeks if voltage reductions were introduced immediately a strike began.

14. To meet the peak of demand, which occurs in late afternoon during the winter, some power stations have to be run up to full power for a short period and then run down again, a process which is expensive in the use of ancillaries. Rota power cuts could therefore be introduced to reduce electricity consumption during this period. The CEGB's preliminary advice is that this would involve power cuts of up to 2 hours in the late afternoon, organised so that any particular area would have only one power cut per week. This might increase the endurance of ancillaries by up to a further 2 weeks, ie to a total of up to 14-16 weeks, if cuts were introduced very early in a strike.

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15. The CEGB is reviewing measures that might be necessary to extend endurance of ancillaries to 20-24 weeks, if it were to prove impossible to replenish stocks more than once. The outcome of this review will be reported to Ministers as soon as it is available but it seems clear that drastic measures to economise are likely to be needed from very early on in a strike if endurance of ancillaries is to match the available coal stocks.

#### The Longer Term

16. To increase power station storage capacity of ancillary materials to 20 weeks would require the construction of bulk storage for lighting-up and diesel oil, propane, acids and alkalis, and of manufacturing plant for hydrogen. The costs of doing so would be about £30 million for the capital works and a further £40 million for the purchase of the ancillary materials themselves, ie a total of about £70 million of which £65 million would arise in 1983-84. To ensure that the facilities would be operational by November 1983 work must begin by the end of this month. The CEGB has therefore recently decided to set the necessary action in hand and to do all they can to absorb the costs within their present external financing limits. The Scottish Office thinks that the South of Scotland Electricity Board (SSEB) will do likewise, although their present position is that where they see no commercial justification for further increasing supplies of strategic stocks the costs of doing so (up to £10 million) ought to be met by the Government.

17. This work does not require prior approval by the Government, but in his minute of 11 August the Chancellor of the Exchequer questioned whether in their present financial position it was sensible for the Boards to take on this further financial commitment unless it was clearly inescapable; and whether starting work now might increase the chances of trouble this year in the coal industry. Ministers therefore need to decide whether to ask the Boards to reconsider. Given that the work cannot be delayed until after this year's miners' pay negotiations if the facilities are to be available by 1983, the judgment of this depends on the views Ministers take about -

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- a. the impact on this year's negotiations; and
- b. whether the chances of industrial trouble in the coal industry in 1983 are sufficiently large for the costs involved to be worthwhile.

18. The bulk of the construction work would take place next year. But survey and design work would have to begin almost immediately, so the possibility cannot be excluded that the Board's plans may become known this autumn either during the miners' pay negotiations or, more probably, during any strike. Ministers need to assess whether the result might be to increase militancy, because the problem of ancillary supplies this year would have been highlighted and the miners would know that supplies of ancillaries could not be increased sufficiently for this year; or whether this would tend to deter the miners from striking by demonstrating further the Board's determination to insulate themselves from the effects of a lengthy strike.

19. As for b. above, even if the miners do not strike this year Ministers may nonetheless feel that it would be wise to assume that, particularly with the present leadership of the National Union of Mineworkers, there will be serious industrial trouble sooner rather than later, and to plan accordingly. The immediate costs involved would be the £30 million required for construction work; it would be for decision probably in the spring whether to spend a further £40 million on increasing stocks of ancillary materials to 20 weeks.

#### CONCLUSIONS

20. Ministers are invited -

- a. to note that by the end of October power station coal stocks will probably offer between 20 and about 24 weeks' endurance; but that the continuous export of maximum power from Scotland might be possible only for up to about 15 weeks;

- b. to decide whether consultations about the use of servicemen to replenish stocks of ancillaries should be delayed until industrial trouble in the coal industry is clearly imminent; or whether they should be put in hand immediately; and

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c. to decide whether the CEGB should proceed immediately as planned with the work necessary to increase stocks of ancillaries to 20 weeks by November 1983 at a total cost of about £30 million for construction works and £40 million for the purchase of ancillary materials; and whether the SSEB should be asked to do likewise and to absorb the costs involved, for them, of up to £10 million.

September 1982

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AND PERSONAL



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ANNEX

million tonnes of coal  
(or equivalent) per week

Maximum oilburn	0.50
Coal imports	0.15 *
Electricity from Scotland	0.08 **
	<hr/> 0.73
Average weekly power station coal consumption	1.80
Shortfall	<hr/> 1.07
	<hr/>
Likely power station coal stocks	26.00
	<hr/>
Endurance	<hr/> <hr/> 24 weeks

\* The contribution that imports can make to endurance depends on the distribution of coal stocks. If it were to emerge that coal stocks were highest at the Thameside power stations, imports would make little or no contribution to endurance.

If imports are completely ignored, total endurance is 21 weeks.

\*\* In practice, it will be possible continuously to supply maximum power from Scotland to the CEGB for up to about 15 weeks, but this reduces total endurance by only about 2 days.

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Nalind

MR. GREGSON  
CABINET OFFICE

Could you please attend the meeting to discuss the NCB pay offer at 1700 hours on Friday 10 September at No. 10. Those present will be the Chancellor of the Exchequer, the Secretary of State for Energy, the Secretary of State for Employment, John Sparrow and Sir Robert Armstrong. The Secretary of State for Industry and the Secretary of State for Transport will attend if they can.

CAROLINE STEPHENS

1 September 1982



Top Copy filed on Econ 102: Public Sector Pay Pts.



10 DOWNING STREET

From the Private Secretary

13 August, 1982

HO	DOJ
DIN	
DIETUP	DOTRAN
DOE	CO
DOT	CPRS

Monitoring Report: Public Trading Sector

The Prime Minister has seen the Chancellor of the Exchequer's minute of 9 August. She agrees that there should be an early discussion on coal industry pay, and we have now arranged this for 1700 on Friday, 10 September. This should enable the Secretary of State for Energy to pass on the conclusions as necessary before the NCB meet the NUM on 15 September.

DK /  
Rr  
meeting

I am copying this to the Private Secretaries to the Home Secretary, the Secretary of State for Energy and the Secretary of State for Employment, whose Ministers have been invited to attend the meeting, and for information to the Private Secretaries to the Secretaries of State for the Environment, Trade, Industry and Transport. I am also copying it to Richard Hatfield (Cabinet Office) and to Gerry Spence (Central Policy Review Staff).

W. F. S. RICKETT

Peter Jenkins, Esq.,  
H.M. Treasury

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43

Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

Prime Minister

PRIME MINISTER

The MISC 57 Secretariat hope the Committee will be able to report by the second week in September, and that they will cover the Chancellor's concerns.



Wm  
16/8

POWER STATION ENDURANCE: ANCILLARIES

I have seen Nigel Lawson's minute of 5 August about stocks of ancillary materials needed for power stations.

2. I agree that we need to confirm that there are enough ancillary materials likely to be available to support the likely level of fuel stocks. But the proposal in Nigel's minute involves substantial sums of public expenditure, which would count towards the industry's EFL in 1983-84. The industry are already £166m above their White Paper baseline and I would be most reluctant to see them take on another commitment of some £70m unless this was absolutely inescapable.

3. I suggest therefore that we need to be sure that this expenditure is inescapable and that we cannot rely on getting some of the materials into the stations during a strike as we are having to do this year. Timing is also important since I understand that much of the work involved would be visible and it would be unfortunate if starting at the wrong moment triggered off industrial problems this year. I suggest officials in MISC 57 look at these points quickly along with those suggested by Nigel before final decisions are taken.



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4. I am copying this minute for the usual limited circulation to the Home Secretary, the Secretaries of State for Defence, Employment, Energy, Industry, Scotland and Transport and to Sir Robert Armstrong and Mr Sparrow.

(G.H.)  
11 August 1982



coal  
pt 6

Top copy filed on Econ POL:  
Public Sector Pay Pt 8.

to be sent to  
as in below  
meeting last  
week evening



10 DOWNING STREET

Willie

arranged for  
1700 on Friday  
10: Sept. only  
Ch/EX; S/ENG; S;  
S/ENG; Sparrow  
ORSA have  
been invited  
so far.

CJ.

10/8

H.O. have  
been  
informed

CJ.



From: THE PRIVATE SECRETARY

**SECRET**

SECRET AND PERSONAL



WM 10/8  
KJV  
42  
HOME OFFICE  
QUEEN ANNE'S GATE  
LONDON SW1H 9AT

10 August 1982

Dear Tim,

POWER STATION ENDURANCE: ANCILLARIES

TPM. The Home Secretary has seen the minute to the Prime Minister of 4 August by the Secretary of State for Energy. He did not have an opportunity before going on holiday to consider the proposal that officials should look again at the problems associated with picketing, and related matters, but, having consulted officials here, I am sure he would agree to their being asked to do so.

Copies of this letter go to the Private Secretaries to those Ministers to whom the minute was copied, and to Sir Robert Armstrong and Mr Sparrow.

Yours ever,

J F HALLIDAY

T Flesher, Esq.

**SECRET**



Prime Minister



Yes not

Agree that you should chair  
a meeting of Ministers on the  
NVM pay claim in the week

Treasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

of 6 September,  
by which time the NCB's  
~~proposal~~ should have put to us  
their proposed pay offer?

PRIME MINISTER

MONITORING REPORT: PUBLIC TRADING SECTOR

LM  
9/8

.... I attach the latest monitoring report on the public trading sector.

2. In submitting the previous monitoring report I referred in particular to negotiations with non-manuals in the electricity supply and gas industries. The electricity supply clericals have now settled broadly in line with the 7.4 per cent increase for the manuals. In the gas industry the offer to staff and senior officers has been increased to the equivalent of 6.5 per cent on earnings. Within this figure the most senior grades are being offered 7 per cent. The separate higher management group had also been made an offer at that level (as reported in Nigel Lawson's letter of 28 June). Now, however, the offer to higher management has been increased to 7.4 per cent. I hope that this will not be allowed to precipitate a general move up towards the 7.9 per cent increase which the gas manuals earlier obtained at arbitration. The present offer to the staff of 6.5 per cent seems more than adequate. No doubt Nigel will keep in touch with British Gas.

3. Tom King undertook in his letter of 16 July to report further on developments in the water industry, in the light of both the special 15 per cent comparability claim which has emerged and the prospective dissolution of the National Water Council. I understand that there have as yet been no moves in respect of the next annual pay increase, due in December, and that it has therefore been felt premature to approach the Regional Water Authority chairmen about the handling of the





negotiations. We will, however, need to do all we can to ensure satisfactory arrangements on the management side before negotiations get under way; and this would point to action before too long. We await Tom King's report on this.

4. A settlement with water industry non-manuals is now imminent, at just under 7½ per cent on earnings. This is high, but at least significantly lower than the manuals' increase of 8.8 per cent. As regards the British Waterways Board, Michael Heseltine has drawn their attention to the lack of justification for any increase in the present offers of 5 to 5½ per cent. I am sure that this is right.

5. British Airways had withheld any pay increase this year, but are now in the process of agreeing an increase of 11 per cent from 17 October to last until the end of 1983. This will cover, in effect, the two calendar years 1982 and 1983. Given the reduction in settlement levels for which we are aiming in the coming year, such an increase could well mean that British Airways keep abreast of pay movements generally over the period. Given the success which they had earlier this year in avoiding a pay increase, that would be a disappointing outcome in the circumstances. Moreover, I am not aware that we had any prior notification of the increases now being agreed.

6. Finally we now have Nigel Lawson's report on the forthcoming coal industry negotiations (his letter of 2 August), which was anticipated in my minute of 29 July. In your reply of 2 August you agreed that there would need to be early consideration of that report. Having seen it, I think that we will need a discussion as soon as we know the outcome of the Board's meeting on 3 September at which they will be deciding their pay offer. Nigel will no doubt keep closely in touch with the Board before that date. If your office were able to arrange a meeting of colleagues concerned for the subsequent week, Nigel would then be in a position to pass on our conclusions as necessary before the Board meet the NUM on 15 September.



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As his letter indicates, it is quite possible that the offer made then will be the one which is ultimately put to the (almost inevitable) strike ballot. So any misjudgements at that stage could have serious implications.

7. I am copying this minute to the Home Secretary, the Secretaries of State for the Environment, Trade, Industry, Transport, Energy, and Employment, and to Sir Robert Armstrong and Mr Sparrow.

A handwritten signature in dark ink, appearing to be "G.H.", written in a cursive style.

(G.H.)

9 August 1982



CONFIDENTIAL

PUBLIC TRADING SECTOR

PART 1 CURRENT AND FORTHCOMING NEGOTIATIONS

A 1981/82 PAY ROUND

- 1 British Rail: Clerical and Conciliation grades (150,000)  
Settlement date: 20 April  
Unions: NUR, ASLEF, TSSA

In response to a claim for increases in line with the RPI and other benefits, BR offered a 5% increase on national rates from 6 September - not backdated to the April annual settlement date. The offer was conditional upon productivity items outstanding from the 1981 pay round being completed by 30 July and that no further industrial action was taken. The offer was rejected by all three unions. Following industrial action taken by the NUR on 28 and 29 June, BR's offer was automatically withdrawn.

BR has still to reach agreement with the NUR on the single manning of trains on the Bedford to St Pancras line. The Board has indicated that without agreement there will be no annual pay increase. The NUR insists that the union's agreement on substantial productivity improvements has already been sufficient for a 1982 pay review to go ahead.

On 29 June delegates at the NUR's annual conference voted to unilaterally refer the current pay and productivity issues, as they affect the NUR, to the Railway Staffs National Tribunal. ASLEF and TSSA have associated themselves with the reference to pay. The RSNT began hearing evidence on 3 August. The tribunal's recommendations on the unilateral reference will be non-binding.

The strike by ASLEF, which had brought the rail network effectively to a standstill from 4 July following British Rail's attempt to impose flexible rostering, was called off following a meeting of the TUC Finance and General Purposes Committee which put forward proposals for a return to work on the following basis;

- (a) that the BR Board withdraw its intentions to issue dismissal notices to those involved in the strike and withdraw notice to close the rail network from 21 July

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(b) that the flexible rosters already introduced at 71 depots be regarded as provisional (worked under protest) and subject to joint review and agreement in the light of the rostering agreement reached at national level

(c) BR would not introduce any new rosters before 2 August

(d) and that ASLEF terminate the strike immediately

(e) recall an annual delegate conference within 7 to 10 days to authorize the Executive Committee to enter into negotiations and complete an agreement on the basis of recommendations and safeguards contained in RSNT 77

(f) and that further negotiations are carried out by a sub-committee of the RSNL immediately after the ASLEF conference and are to be completed within 6 days.

A full return to work took place on 19 July. ASLEF's recalled conference met on 27 July when delegates accepted the principle of flexible rostering "under protest". Negotiations on a new agreement were concluded prior to the RSNT hearing on 3/4 August, although formal signing of the new agreement has yet to take place.

In its submission to RSNT on 3 August the Board asked the Tribunal to find that firm implementation dates should be agreed on the remaining productivity items, and that the unions should agree to co-operate in further economy measures as a condition of a modest pay increase less than the Board's previous offer.

## 2. London Transport - Rail

(a) Railway Supervisory, Booking Office, Conciliation grades (18,000)

Settlement date: 20 April

Unions: ASLEF, NUR, TSSA

Management had offered 5% on basic rates and a further 1-2% on basic rates linked to improvements in productivity.

In addition, management undertook to review relativities, consider 1 extra days holiday, reduce hours from 39 to 38 per week (providing this could be achieved at negligible cost) and to pay a lump sum bonus worth in total half of any undershoot of the 1982/83 budget. The total effect on earnings is unclear.

As a result of new underground timetables introduced from 21 June which reduced services and cut manning levels, services were greatly disrupted by an

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ASLEF all out strike and NUR "non co-operation". A full return to work finally took place following agreement with the London Transport Executive that the introduction of the new timetables would be deferred until whilst a joint working party considered other ways of achieving economies. At the same time, the NUR annual delegate conference voted to refer the pay issue unilaterally for arbitration by the Wages Board under the Chairmanship of Professor Buchannan. ASLEF and TSSA are associated with the reference.

LT arbitration arrangements are based on those for British Rail. As the unions are proceeding on a unilateral reference, the recommendations of the award will not be binding although such recommendations have, in the past, been generally accepted as a basis for settlement.

The Wages Board will begin hearing evidence from 29 July and are expected to report in mid-August.

Comment: Although the NUR has said that the old timetables should run indefinitely until an alternative way of producing economies has been negotiated, the LTE has made it clear that it is not prepared to accept an indefinite postponement. The pay settlement for LT underground employees traditionally follows that of British Rail and the Wages Board machinery has therefore been little used for the purpose of determining the annual pay increases, but its awards generally favour LT.

(b) Rail workshop grades (3,550)

Settlement date: 22 April

Unions: ASEBSW, AUEW, EETPU, FTATU, NSMM, NUSMWHDE, TGWU, UCATT, NUR

Management have made a similar offer as that made to the main underground group (see item 2a). Negotiations are likely to await the outcome of the unilateral reference to arbitration.

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3. Gas Supply:

(a) Staff and Senior Officers (57,700)

Settlement date: 1 June  
Unions: NJC - NALGO, GMWU, MATSA

On 17 June management made an improved offer of increases on basic salaries ranging from 5.5% (for junior staff) to 7.0% (for higher grades); an increase in average earnings of just over 6%. The offer was rejected. At a further meeting management offered a 0.5% improvement to certain grades in the middle of the range whilst leaving the overall range at 5.5% to 7.0% plus an extra day's holiday to staff in the lowest band. This brought the increase in average earnings to 6.5%.

Comment: The recent arbitration award for gas supply manuals worth 7.9% on average earnings in a full year will influence negotiations.

(b) Higher Management (3,600)

Settlement date: 1 June  
Union: NALGO

Negotiations with this group will be influenced by the settlement for the gas staff and Senior Officers (see item 4a). An uncosted claim has been submitted which includes increases of 12% on basic salaries, restoration of differentials over staff and senior officers and grade restructuring. The unions rejected an offer of 7% on basic salaries (equivalent to about the same on average earnings) on 24 June. At a further meeting on 29 July the management increased their offer to 7.4% on basic salaries (about the same on average earnings). The unions still did not consider that this went far enough and are still considering their formal response. No further meeting has been arranged.

4. Water Service: Staff (35,300)

Settlement date: 1 July  
Unions: NALGO, GMWU, NUPE, GLCSA, TWSA

Following rejection of management's offer of 7% on basic salaries and marginally increased holiday entitlement, (the effect of the total offer on average earnings is not known), NALGO reconvened their annual Staff Water Group meeting on 14 July and have been undertaking further discussions with the other unions involved in negotiations. Subject to formal ratification by the NALGO water committee on 23 August the unions accepted on 4 August an offer giving 7.5% increase on all salary points. Average earnings will increase by slightly less.



5. British Nuclear Fuels Ltd: Industrials (9,190)

Settlement date: 1 July

Unions: GMWU, AUEW, TGWU, EETPU

A ballot of union members on an offer worth 7½% on average earnings was inconclusive; the non-craft unions accepted the offer; the craft unions rejected it. At a meeting on 14 July management were asked to reconsider their offer, but refused. The unions are now considering their next moves which they have said could involve industrial action. The next meeting with management is on 7 August. It is not known what line management intends to take at the meeting.

6. Post Office and National Girobank

(a) Postal Supervisors, Executives and Supervisory Catering Grades (14,800)

Settlement date: 1 April

Union: CMA

The Post Office has made an opening offer worth 5½% on earnings. Negotiations continue. The CMA is unlikely to accept increases less than those recently awarded to members of the UCW (7.6% on average earnings).

(b) National Girobank, Clerical, Typing, Secretarial and Data Processing Grades (5,200)

Settlement date: 1 July

Unions: CPSA, SCPS

Management has offered 6% on basic salaries and a productivity scheme which, it is estimated, could provide a further 3% on earnings; the overall effect of the offer on average earnings is not known. Negotiations are continuing.



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7. British Telecom:

Settlement date: 1 July

(a) Radio Officers, Telephonists, Telegraphists - 36,000

Union: UCW

Although the union had pressed for an increase comparable to the settlement reached with the Post Office UCW grades (7% on basic rates), the union's executive has now recommended for acceptance an offer in line with the main BT negotiating groups represented by the POEU and SPOE which provides a 6.75% increase on basic rates; 6.8% on average earnings in a full year. The offer will be put to a ballot of the membership and the result is expected around mid-August.

(b) Clerical, Typing, Secretarial and Data Processing grades - 35,000

Union: CPSA

(c) HCO, EO, HEO, Welfare, Information grades etc (6,300)

Union: SCPS

(d) Telephone, Telegraph and Radio Supervisors (6,000)

Union: CMA

The Executive Committees of the unions are meeting to consider offers in line with that which has already formed the basis of a settlement with the main POEU and SPOE negotiating groups i.e. 6.75% on basic rates, 6.8% on average earnings in a full year.

8. British Waterways Board: Manuals (2,370)

Settlement date: 18 July

Unions: NJC - TGWU, NUR, CSEU

The unions have made an uncosted claim for an increase of 12% to 15% on basic rates, a shorter working week and additional holidays. A formal negotiating meeting took place on 20 July when management made an opening offer of 4% on basic rates which was rejected. A second offer of 5% on rates was also rejected. The Secretary of State for the Environment has met the full Board and has stressed that any improvement on the existing offer would not be justified.

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9.. British Airways: All grades (excluding pilots) 40,000

Normal settlement date : 1 January

Unions : TGWU, AUEW, EETPU, NUSM, APEX, FTATU, GMWU, UCATT, ACTSS, ASTMS, MNAOA

On 10 September 1981, British Airways announced a "rescue plan" aimed at stemming large financial losses. The plan included a large reduction in manning levels, the reorganisation of many working practices and a pay freeze at least until 1 October 1982. A reduction of 10,000 jobs has been achieved and BA has recently announced a target reduction of a further 7,000 jobs by 31 March 1983.

For the purpose of negotiation on pay and conditions of employment, staff are divided into 10 functional groups called National Sectional Panels on which all unions are represented. After pressure from some unions, pay talks were opened on 5 July. Agreement has now been reached with the Engineering & Maintenance group and the Ground Service group for an increase in basic pay of 11% from 17 October to last until 31 December 1983. The effect of the settlement on average earnings in the 1982 and 1983 pay years is not yet known.

BA confidently expect to reach the same agreement with all other groups of staff in due course.

London Weighting and shift allowances are negotiated separately to general pay reviews and were increased from 1 July 1982 in accordance with the Department of Employment published indices for London Weighting and and the RPI for shift allowances

10. Water Service: Manuals (35,300)

Settlement date : 7 December 1982

Unions : GMWU, NUPE, TGWU, NUAAW

To date, no claim has been received and no offer has been made in respect of the December 1982 pay review. There are, however, two issues which will have a bearing on negotiations:

- a special
- a) the unions are seeking a / increase based on comparability with manual workers in the economy generally, / separate from the annual pay settlement. / The 1981/82 pay settlement included a collateral agreement that the employers would, without commitment, give careful consideration to representations by the unions on the position of manual water workers in relation to the earnings of manual workers in the economy generally.

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CONFIDENTIAL

The agreement was made "on the clear understanding that the employers will wish to ensure that corresponding benefits of equal value are obtained for management and customers". Representations for increases based on the upper quartile of published earnings figures for manual workers generally were made by the unions at an informal meeting of the Chairmen of both sides of the NJIC. Management made it clear to the unions that comparison with upper quartile figures was unacceptable and that management's aims are towards improving performance and efficiency and, possibly, for a change to an April annual settlement date for the group. At a meeting on 30 June both sides reiterated their positions. Management said it would, however, consider ways of improving earnings and it was agreed that management would submit written proposals to the unions for consideration. No further meetings have been arranged.

(b) Although the National Water Council remains responsible for annual pay negotiations this year, the government's intention for its abolition could have an unsettling effect on the employers' attitudes; and the unions will be concerned to protect their interests for the future.

11. Coalmining : Manual grades (183,000)

Settlement date : 1 November

Union : NUM

The NUM has submitted a claim for a flat rate increase of £27.20 per week on the basic pay of surface workers; a 31% increase. For higher grades the increase represents a lower percentage increase in basic pay - around 23% for some face workers. The effect of the claim on average earnings has not been calculated. If negotiations on the claim are not completed by 1 November, a special delegates conference will be called which can be expected to agree an immediate overtime ban, probably with a pithead ballot to follow. A negotiating meeting has been arranged for 15 September.

PART 2 SETTLEMENTS CONCLUDED SINCE THE LAST REPORT

12. British Transport Docks Board: Manual grades (3,120)

Settlement date : 22 April

Unions : NUR, CSEU

Both unions have formally accepted management's offer of 7% on basic rates, an increase of 2.2% on the bonus and overtime calculators and 2 days additional holiday; worth in total 6.8% on average earnings.

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13. London Transport - Buses

- (a) Platform Staff (19,800)  
Settlement date: 27 March
- (b) Road Workshop grades (3,300)  
Settlement date: 22 April
- (c) Garage Maintenance wages grades (3,000)  
Settlement date: 22 April
- (d) Miscellaneous wages grades (1,140)  
Settlement date: 19 April

Settlements have now been reached with all four groups for a 7% increase on basic rates from 28 July (19 July in the case of platform staff). A back payment of 6% on gross earnings will be made to cover the period between these dates and the relevant annual settlement dates. The effect of the settlements on average earnings will be 6.7% in the first year; 7.1% in a full year. In addition, groups (b), (c) and (d) will benefit from the consolidation of a small workshop bonus from 1 January 1983, which will provide a further 0.6% on earnings in a full year.

14. Electricity Supply: Clericals (45,000)

Settlement date: 1 May  
Union: NALGO

A settlement was ratified by NALGO on 30 July which gave a nil increase for 16 and 17 year olds, an increase of 7.2% across the board, and an increase of 7.3% to 7.6% for professional and administrative grades.



SECRET AND PERSONAL

file

41

da

Note and  
cont. p. 6.

bc JV

9 August 1982

Power Station Endurance - Ancillaries

The Prime Minister has seen and noted without comment your Secretary of State's minute of 4 August.

W F S RICKETT

Julian West, Esq.,  
Department of Energy.

SECRET AND PERSONAL





✓ CO  
CRES  
HMT

Sw  
Nax Ind

10 DOWNING STREET

*From the Private Secretary*

6 August 1982

NUM WAGE CLAIM

The Prime Minister has seen your Secretary of State's letter of 2 August to the Chancellor of the Exchequer. She notes that the NCB's objective is to make the lowest possible offer that has a reasonable chance of being accepted by the inevitable pithead ballot. She has commented that Ministers will have to consider in September whether the NCB's offer, based on this criterion, is consistent with the Government's objectives for the pay round as a whole.

I am copying this to Peter Jenkins (HM Treasury), Richard Hatfield (Cabinet Office) and Gerry Spence (CPRS).

W. F. S. RICKETT

J.D. West, Esq.,  
Department of Energy.

SR



cc JV. 40



Prime Minister 2

Prime Minister

Wm  
5/8

## POWER STATION ENDURANCE - ANCILLARIES

The accelerated coal delivery programme has resumed following the end of the dispute on the railways. The CEGB now expect to have 26 million tonnes of coal at power stations by the end of October.

My officials have reviewed the position on ancillaries with the CEGB. As you know, for this autumn, the Board will have stocks equivalent to 9 weeks endurance - the present limit of their bulk storage capacity. They have made plans for replenishment in the face of picketing. These include the use of helicopters, road tankers in CEGB livery driven by Board staff and unmarked private transport, exploiting non-road transport and "surprise" access at night. Local managers would have to use their initiative. The Board believe that, in this way, they would be able to restock once without Government assistance towards the end of the initial 9 week period, which would extend endurance to 11-12 weeks.

Thereafter, much would depend on the attitude of the pickets and on the resolution we are prepared to show in the face of illegal picketing. Possible responses to vigorous picketing include police assistance on a substantial scale, - the use of servicemen to deliver supplies - and if necessary the limited introduction of rota power cuts at times of peak demand with the specific purpose of conserving stocks of ancillaries. I think it would be useful if the MISC 57 group of officials could look again at the range of problems associated with the picketing of power stations and the assistance that might be required from Government early in the autumn.

For next year (ie November 1983), it would be possible to construct bulk storage plant for ancillary materials to bring endurance to 20 weeks. This would cost £30m for construction and a further £40m increase in working capital to fill the new capacity. I am glad to say that the Board of the CEGB are considering a proposal this week that they should embark upon such a programme of their own volition, financing it as far as possible from within their own resources and without seeking a Government grant. The main expenditure would be in 1983/84, and the intention would be to avoid any effect on electricity prices.





I am copying this minute for the usual limited circulation, to the Home Secretary, the Chancellor of the Exchequer, the Secretaries of State for Defence, Scotland, Industry, Transport and Employment, to Sir Robert Armstrong and to Mr Sparrow.

A handwritten signature in black ink, appearing to read 'E. H. H. H.', written in a cursive style.

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

4 August 1982

CONQUEROR  
LONDON



MT

Handwritten notes at top of page, including "Need to be..." and "but..."

Prime minister, 2

SECRETARY OF STATE FOR ENERGY

01 211 6402

It would be a great achievement if the NCB could secure acceptance in a pithead ballot of an offer that could be described as a defeat for Scargill. But ministers will clearly have to consider in September whether the NCB's proposals, and in particular their judgment of the "lowest possible offer that has a chance of being accepted in a pithead ballot" (x below),

are consistent with our objectives for the pay round as a whole.

2 August 1982

The Rt Hon Sir Geoffrey Howe GC MP  
Chancellor of the Exchequer  
Treasury Chambers  
Parliament Street  
London  
SW1P 3AG

Dear Chancellor,

Handwritten initials and date: 4/8

NUM WAGE CLAIM

Norman Siddall and James Cowan (who will again be the National Coal Board's Chief negotiator) came to see me on 27 July to talk about the NUM's wage claim and the Board's initial reaction.

They handed me a copy of the formal claim, which I enclose. It follows closely the resolutions adopted at the recent NUM Conference at Inverness, which were widely reported in the Press. The proposed £27.20 per week increase represents an increase of some 23% in the basic rates for faceworkers and some 31% in the basic rates for surface workers. The Board calculates this part of the claim alone would cost over £400m in a full year. While it is difficult to put a firm price on meeting all aspects of the claim in full, the total would certainly be over £1000m, ie equivalent to some 20% of the Board's revenues. Norman Siddall stressed that, contrary to what is stated in the penultimate paragraph of the claim, the Board has not promised to introduce a four-day working week.

During the next few weeks the Board will be circulating the text of the NUM claim among management throughout the coalfields with a view to obtaining from colliery managers and others a feedback on miners' reactions to the claim. The NCB will also be seeking out the views of the members of the NUM Executive. In parallel, Board officials will be analysing various negotiating scenarios and possible offers.

The Board are planning to meet to decide their own offer on 3 September, prior to a meeting with the NUM which has been fixed for 15 September. Until the work referred to in the previous paragraph has been completed it is not possible for the Board to form a view of what the offer should be. Siddall and Cowan did, however, emphasise that the Board's objective would be to make the lowest possible offer that has a reasonable chance of being accepted in the inevitable pithead ballot.

The Board plan to give particular attention to the size and form of the initial offer as it is quite conceivable that the 15 September meeting will be the only one between the Board and the NUM. Siddall pointed out that, if Arthur Scargill sticks to his position.



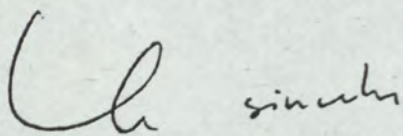
that there can be no negotiations over the claim, his reaction could well be to walk out when he sees that the Board's offer is only a fraction of the claim.

I made clear to Siddall and Cowan the key role of the NUM settlement in influencing the level of settlements in the coming pay round and stressed the importance of the Board pitching their offer as low as practicable. As agreed in E, I also asked the Board to let me have details of their proposed offer immediately after the meeting on 3 September.

My officials will continue to keep in touch with the Board's thinking as it develops on this subject. John Moore or I will write again as soon as there is anything further to report.

I should like to renew three requests which I made to you and other colleagues last time round. First, I should be grateful if you could keep me informed of any announcements or other factors which might have an effect on the NUM wage negotiations. Secondly, I think it is essential for us to maintain the line that the negotiations are a matter for the Board and the NUM and that the Government is not a party to them. It follows from this that we must avoid publicly commenting on the negotiations. Thirdly, we must ensure that there are no leaks about what the Board tells us in relation to their negotiating tactics and objectives. I am sure that colleagues' assistance on all three matters last year contributed significantly to the satisfactory outcome.

I am sending copies of this letter to the Prime Minister and other members of E(NI) and to Sir Robert Armstrong and John Sparrow.

  
N. Lawson

NIGEL LAWSON

(Approved by the Secretary of State and signed in his absence)



# NATIONAL UNION OF MINeworkERS

222 EUSTON ROAD, LONDON, NW1 2BX

President: A. SCARGILL

Secretary L. DALY

Telephone 01-387 7631

Please quote our reference in reply:

Your Ref.

Our Ref: IP/PN/VB/400/82

15th July 1982

Mr J R Cowan  
National Coal Board  
Hobart House  
Grosvenor Place  
London SW1

copies: Chairman  
Board Members  
Directors-General

Dear Mr Cowan,

RE: WAGE CLAIM, NOVEMBER 1982

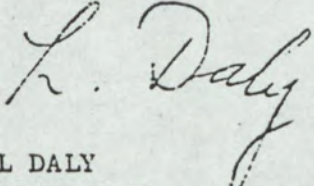
In accordance with the decisions taken at our Annual Conference held last week, this Union's representatives on the J.N.N.C. have drawn up a document detailing our claim for wage increases and improvements in other terms and conditions of employment.

This document, a copy of which is enclosed, was endorsed by the National Executive Committee at their meeting, held today.

We are asking that you give immediate consideration to our claim, and that you reply in writing as soon as possible.

We also require a meeting of the full J.N.N.C. to be convened in late August or early September so that negotiations can commence and be completed in time for the settlement to be implemented by the 1st November.

Yours sincerely,

  
L DALY  
SECRETARY



The Union is making a claim for an increase in wages and improvements in conditions, against a background of increasing efficiency and higher productivity in the Industry. The results from the first few weeks of this year clearly indicate the continuance of the trends that have occurred over the last few years, whereby the performances of our members have improved, by substantial margins, the record levels achieved last year.

These increases should be viewed alongside the reduction both in the number of pits, and also in manpower. Furthermore, they reflect the overall success of our members working with new technology.

This commitment is significant both for the stability of the Industry during the Government created recession, and for the whole economy.

Since the settlement in 1975, the real wages of our lowest paid have fallen considerably. If we compare the increase in the level of the S6 grade rate between March 1975 and May 1982, with the increase in the level of the R.P.I. between March 1975, and May of this year, the comparison shows quite clearly that in order to restore the basic minimum rate to its 1975 settlement level, in real terms, an increase of 35% on the current rate is required. By the time of our next settlement this picture is likely to have worsened.

It is not insignificant that in this same period since 1975, the number of Collieries has fallen from 241 to 198, and the level of manpower has dropped from 247,000 to 210,000.



Not only has there been a deterioration in basic rates, but the potential earnings levels of our members, over the last few years, has also been severely curtailed because of the deterioration in the relativities between the standard task payments and the face rate, paid under the Area Incentive Schemes. When the schemes were introduced the standard task payment was 33% of the basic U1 rate. This has now been eroded to 24.5%. This also demonstrates the need for a substantial increase in grade rates.

These two factors alone are poor reward for the continual record levels of productivity achieved through our members efforts. Even though we have been buried in praise in successive recent wage negotiations the praises have not turned into the proper benefits for our members.

The Union's Annual Conference unanimously decided that this situation cannot continue. The rewards to our members must be tangible.

We are, therefore, demanding that from the 1st November of this year, the minimum basic rate for S6 should be increased to £115.00 per week. At the same time, all other grade rates should be increased by the same monetary increase, i.e. £27.20 per week.

We know that a Working Party is, as a result of last year's settlement, currently working on the introduction of a Salary Payment. This Working Party must complete its report so that the increases from the 1st November, can, without fail, be paid on a salary basis.

Our Conference is adamant that the negotiations should be completed and the new rates paid from 1st November.



There are a number of other issues which are priorities to our membership and which have not been resolved during past years.

The four-day working week must be introduced, without loss of pay. The Union do not accept the introduction of a shorter week, by the use of a longer shift length.

Another important principle concerns the Early Retirement scheme. The lump sum payment of £500 must be increased to equal payments made to members who are made redundant. All the other benefits under the scheme must be up-rated in accordance with the cost-of-living. Surface workers must be included in the scheme, and the age at which early retirement can be taken must be reduced, to 55. Miners in other European Coal Industries, including the U.S.S.R., West Germany, Belgium and France, have had these benefits for years.

The potential earnings levels of our members have also been severely eroded because of the illogical manner in which the allowances within the Industry have been dealt with. We refer here not only to the unsocial hours payments, bathing time payments, but also to the allowances that have been in effect for many years, and which are paid for accepting responsibility or for safe-guarding equipment and men. These have been allowed to erode to the extent that they are almost irrelevant. These allowances must be fully restored to their value on inception, and further, must in future, be linked with the grade rates so that they automatically increase proportionately.

We are convinced that this claim is totally justified and the terms long overdue. Our members are proud to receive praise for their efforts, but are no longer prepared to go without the rewards. The wages claim, conceded



in full, would restore the purchasing power of our members to that of 1975. The introduction of the four-day working week will fulfil the promise made by the Board. The introduction of the improvements in the Early Retirement Scheme will be social justice.

The Union will also be making a separate claim for the introduction of a Rate Protection Scheme, a principle conceded by the Board in 1979.

LAWRENCE DALY  
SECRETARY



Not Incl.  
cc JL 39



Prime Minister (2)

ms 30/7

Treasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

The Rt Hon Nigel Lawson MP  
Secretary of State for Energy

30 July 1982

*Dear Nigel*

OIL BURN DURING A RAIL STRIKE

Thank you for your letter of 26 July in which you argue against the need or the desirability of taking specific statutory powers to cover payment of grant to the CEEB to cover the cost of oil burn.

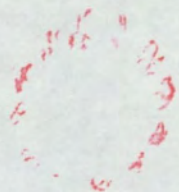
I accept that the need for such a grant should arise relatively infrequently and that there is therefore no need for legislation yet. If we look far enough ahead the probability is that we will want to take similar action in the future. While therefore there is no immediate need, the arguments for specific legislation would become much stronger to the extent that we make similar payments in the future.

I am copying this letter to the Prime Minister, Willie Whitelaw, George Younger, Patrick Jenkin, David Howell, Sir Robert Armstrong and John Sparrow.

GEOFFREY HOWE



30 JUL 1982





Mr Vercher

**CONFIDENTIAL**

27 July 1982

MR SCHOLAR

Mr Lawson's office

cc Mr Walters  
Mr Mount

30/6/82 have sent me, sub rosa, the unpublished letter (attached). OK? Pl don't refer to it. I didn't feel up to asking mem for X.

NATIONAL COAL BOARD OBJECTIVES

MUS 28/7

In my note to you of 2 July, I warned that the Department of Energy were contemplating changes to the draft objectives letter for the NCB, following advice from Siddall and Cowan. Mr Lawson's note to the Prime Minister today reflects that position; but I really do not think that, after the detailed discussion of the draft letter, in which the Prime Minister will recall being closely engaged, what Mr Lawson proposes at the end of his note is satisfactory.

x/ Mr Lawson's three-tiered approach consists of conveying the most sensitive points - ie privatisation and, presumably, imports - orally, with an agreed record; putting the material which is less sensitive but unsuitable for publication into an unpublished letter; and putting non-controversial points into the published exposition of the objectives. I see no objection to that, provided that the unpublished letter really does contain all the points which need to be made apart from the very few which must be made orally; and provided that the draft follows in some detail the lines already agreed. But Mr Lawson suggests that the published letter be a "slightly modified version" of what we have already agreed; and that the other points be dealt with "in one or other of the ways I have proposed in the preceding paragraph", ie either orally or in the other letter. I fear that the only satisfactory way of dealing with this is to ask to see Mr Lawson's drafts: that will no doubt be an unwelcome request to him, but scarcely unreasonable, considering that the earlier drafts were discussed between him and the Prime Minister on 14 June. But you may be able to deal with this at Private Secretary level, without troubling Mr Lawson himself.

*J.V.*

JOHN VEREKER

As Scholar.

PA.  
MUS 29/7

Thank you. I leave it to you to judge whether, in view of her previous close interest, the Prime Minister should see this. As you will see from my ms. comments on the attached - which is the published letter, not the unpublished one - it is considerably watered down, & now makes not even a glancing reference to imports.

**CONFIDENTIAL**

*J.V.*  
28/7



38

Prime Minister (2)

MUS 26/7

01 211 6402

SECRET AND PERSONAL

The Rt Hon Sir Geoffrey Howe QC MP  
Chancellor of the Exchequer  
Treasury Chambers  
Parliament Street  
LONDON SW1

26th July 1982

*Baroness*

*mt*

OIL BURN DURING A RAIL STRIKE

In your letter of 6 July, you suggested that I should consider taking specific powers to pay oil burn grant to the CEGB, perhaps in the forthcoming Electricity Bill.

I have considered this proposal carefully, and would make two points:

first, the PAC's argument is that where a new service represents a continuing function, authority for expenditure should be covered by specific statutory authority (paragraph C.33 of "Government Accounting"). I do not see paying compensation to the CEGB for extra oil burn as falling into this category, particularly on your argument that it should be available only to cover the interval between our wanting to protect coal stocks and the CEGB's deciding to do so. But, in any case, the possibility arises only in face of prolonged strikes in the pits or on the railways and these will not be regular events;

second, taking such a power would be likely to be controversial and its timing would need to be carefully chosen in relation to the NCB's pay negotiations and progress on other sensitive issues in the industry. If it were necessary to delay introduction of the Electricity Bill, there could be serious timetable difficulties for the business managers.

I conclude that it is neither strictly necessary nor particularly desirable to take specific statutory powers at present.

I am copying this letter, for the usual limited circulation, to the Prime Minister, Willie Whitelaw, George Younger, Patrick Jenkin, David Howell, Sir Robert Armstrong and John Sparrow.

*John N 21*



11 12 1  
0 1 2  
3 4 5 6 7 8 9

26 JUL 1982





of sv 37

Prime Minister (2)  
----- Nat'lud  
To see.

SECRET AND PERSONAL

PRIME MINISTER

MES 20/7  
ms

OIL BURN DURING A RAIL STRIKE *attached*

My minute of 15 July reported that the CEGB expected to begin oil burn this week. With the ending of the ASLEF strike this, of course, will not now take place, and the Board have also stopped importing Scottish electricity. Given that the outlook on the railways remains uncertain, however, the Board intend to maintain road deliveries at a high level. The summer programme of accelerated rail deliveries will continue as previously agreed.

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

*J. L. ...*

Secretary of State for Energy

20 July 1982

(Approved by the Secretary of State and signed in his absence)





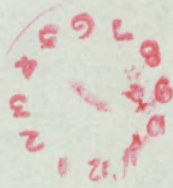
KARNATAKA GOVT

SECRET

MEMORANDUM

On 15th July 1982, the Board of Directors of the Karnataka State Milk Producers' Cooperative Societies Union Limited (KSMU) met to discuss the financial performance of the Union for the period ending 31st March 1982. The Board noted that the Union had incurred a net loss of Rs. 1,00,00,000 during the period. The Board also noted that the Union had a large amount of debt outstanding and that the financial position was not satisfactory. The Board decided to take certain steps to improve the financial position of the Union, including the reduction of expenses and the improvement of the collection of dues. The Board also decided to refer the matter to the Government for their consideration and approval.

The Board of Directors of the Karnataka State Milk Producers' Cooperative Societies Union Limited (KSMU) is hereby informed that the Government of Karnataka has approved the recommendations of the Board of Directors regarding the financial performance of the Union for the period ending 31st March 1982. The Government has approved the reduction of expenses and the improvement of the collection of dues. The Government has also approved the referral of the matter to the Government for their consideration and approval.



20 JUL 1982

Secretary of State for Milk

1982

Approved by the Secretary of State and signed in his absence





1

10 DOWNING STREET

Prime Minister

Oilburn

Now that the trains are running again much of this correspondence has become academic. CEGB to not wish to start oilburn today, and there seems no point in our trying to persuade them to do so.

Agree? Yes MS

MUS 19/7





Treasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

PRIME MINISTER

OIL BURN DURING A RAIL STRIKE

I have seen Nigel Lawson's minute of 15 July to you proposing that the CEGB should start oil burn immediately.

2. A week's extra oil burn has a public expenditure cost approaching £20 million so it is not a decision to be taken lightly. Nonetheless I accept that, if the rail strike continues, we should take the prudent course and move to maximum oil burn soon.

3. I have some reservations, however, about Nigel's proposal that oil burn should start straight away. I understand that in the last two weeks, deliveries of coal to power stations by road have been running above the normal level and that some 150,000 tonnes a week have continued to be moved by rail. The position on railways is not clear yet but it may be possible for BR to continue to deliver this quantity of coal for at least another few weeks. There is a risk that the move to increased oil burn at power stations will cause the miners to reduce these deliveries, especially, perhaps, those by rail. If that happens, the effect of extra oil burn on coal stocks - about 300,000 tonnes a week - could be largely offset. At some point we will need to take that risk but there is a suggestion in Nigel's letter that Norman Siddall believes the risk would be appreciably lower if oil burn was delayed for a week or so. If that is indeed the case, it provides strong grounds in my view for postponing oil burn for a week or two until the colliery holidays are well under way. At worst, a week's postponement will cost us a couple of days' endurance in the winter.



SECRET AND PERSONAL



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

*Peter Jenkins*

*for G.H.*

July 1982

*(Approved by the Chancellor and signed  
in his absence)*

SECRET AND PERSONAL





10 DOWNING STREET

(1)

Prime Minister

Agree to the Chancellor's  
proposal to defer the start  
of oilburn?

MUS 16/7

I understand from  
Nigel's comment  
Cabinet that we are  
losing  $\frac{1}{2}$  m tons to the  
power-stations per week.

Further, I understand that  
the decision was conveyed  
for

C.I.C. 13 and that the Chancellor should have written to Mr. [unclear] on 11/7/71



35



Treasury Chambers, Parliament Street, SW1P 3AG  
 01-233 3000

16 July 1982

The Rt. Hon. Nigel Lawson, MP  
 Secretary of State for Energy

*Dear Secretary of State,*

OIL BURN DURING A RAIL STRIKE

Thank you for your letter of 13 July. We do not need yet to decide whether or not to continue a grant beyond one month. However, I remain of the view that we should not pay grant for the costs of oil burn beyond the date at which it would have been introduced by the CEBG in the absence of Government support. The main purpose of the grant, as I understood it, was to compensate the Board for the costs of taking action earlier than they would have wished to do on their own account. It should be possible, I would have thought, to elicit from the Board in advance a view on when they would increase oil burn and to what extent and limit our support accordingly. I do not accept that this would be "penalising" the Board for good behaviour.

Two other considerations influence my view. First, it is surely not necessary for us to pay grant in order to protect the electricity consumer from immediate price increases. It should be sufficient for us to agree to lower the industry's financial target so that they can finance the extra cost of oil by borrowing rather than by raising prices. Secondly, this grant will be an identifiable cost to the Government of not settling the rail dispute and there seem good presentational reasons, therefore, for keeping it as low as possible. If the dispute is a long one, your proposal could push the total grant to £100 million or more.

I am sending copies of this letter to the Prime Minister, Willie Whitelaw, Patrick Jenkin, David Howell, George Younger, and to Sir Robert Armstrong and Mr. Sparrow.

*Yours sincerely  
 Peter Jenkins*

↳ GEOFFREY HOWE  
 (Approved by the Chancellor and signed in his absence)





WJV

Prime Minister

2

34

To note

ms 16/7

ms

SECRET AND PERSONAL

Prime Minister

OIL BURN DURING A RAIL STRIKE

When we discussed the outlook for the railway dispute on 21 June it was agreed to defer any decision on power station oil burn until after the NUM Annual Conference.

I discussed the timing of oil burn yesterday with Walter Marshall, in the light of the latest position on the railways. I had previously seen Norman Siddall. Walter Marshall expects the CEGB to decide on Monday to start oil burn immediately, building up to the maximum level at present available (300,000 tons of coal equivalent a week) by the end of next week. He understands that the Government is prepared (as Geoffrey Howe and I have agreed) to make a grant to the Board to offset the extra costs, in the interests of electricity consumers.

Norman Siddall would have preferred a somewhat later start, waiting until the end of next week when colliery holidays will be well underway, but he would not be over-concerned at an earlier start, especially in the event of the railways closing down.

ms

In the circumstances I am sure it would be right to agree to the CEGB's proposal.

I am sending copies of this minute, for the usual limited circulation, to the Home Secretary, the Chancellor of the Exchequer, the Secretaries of State for Industry, Transport, Employment, Scotland and Defence, Sir Robert Armstrong and Mr Sparrow.

ms

Secretary of State for Energy

15 July 1982

SECRET AND PERSONAL



*CSV*

Prime Minister (2)

Mus 14/7

01 211 6402

SECRET AND PERSONAL

The Rt Hon Sir Geoffrey Howe QC MP  
Chancellor of the Exchequer  
Treasury Chambers  
Parliament Street  
LONDON SW1

13th July 1982

*Stan Giff*

*MS*

OIL BURN DURING A RAIL STRIKE

Thank you for your letter of 6 July agreeing that the extra costs of CEGB oil burn during the rail strike could be financed by means of a grant. I accept that in the first instance this should be limited to one month. I will write later on the timing of oil burn and hope to make early announcements to Parliament about the grant and any change in the industry's EFL.

However, I cannot agree that we should not pay grant for what you describe as "voluntary" oil burn. There are major presentational advantages in the decision to burn oil being the CEGB's and not the Government's. Your proposals would result in their never taking that decision since, from their point of view, the financial arrangements for a Government instruction will always be more attractive. I suggest, therefore, that instead of planning to penalise the CEGB for good behaviour, we should take the line that they themselves wish to burn oil and that the Government is paying a grant to protect the electricity consumer.

I agree that the ground rules for oil burn should, if possible, be agreed between our officials before it begins. I have also asked my officials to consider urgently the question of taking statutory powers to pay compensation for oil burn in future in the context of the Electricity Bill planned for the next session.

I am copying this letter, for the usual limited circulation, to the Prime Minister, Willie Whitelaw, Patrick Jenkin, David Howell and George Younger, and to Sir Robert Armstrong and Mr Sparrow.

*John Giff*  
*Nigel*





SECRETARY OF STATE FOR ENERGY  
 THAMES HOUSE SOUTH  
 MILLBANK LONDON SW1P 4QJ  
 01 211 6402

Prime Minister

32  
 (2)

MUS 7/7

Nat Ind

Pl by 21/7

mx

MUS 8/7

SECRET AND PERSONAL

Michael Scholar Esq  
 Private Secretary to  
 The Prime Minister  
 10 Downing Street  
 LONDON SW1

7 July 1982

Dear Michael,

INCREASING POWER STATION ENDURANCE

In your letter of 28 June you asked for further information on how the cost of £30m for stocking an extra 4m tonnes of coal on new sites at CEGB power stations was calculated.

The breakdown of the costs of the existing scheme for accelerating deliveries of coal to power stations is approximately: CEGB handling and stocking £2/tonne; NCB handling £1/t; transport £3.3/t; total £6.3/t. A scheme to stock coal on new sites within power station boundaries would cost perhaps an extra £1/tonne because of the higher costs of moving coal further from the rail head. The cost of accommodating an extra 4 million tonnes would therefore be about £30m.

The feasibility of taking an extra 4m tonnes of coal into power station stocks for possible use this year depends on the duration of the railways dispute and whether or not there is time to go through the necessary planning procedures and carry out civil engineering works. We will be exploring the latter points further with the CEGB. The problem of visibility remains.

On the question of ancillary materials we are pursuing the possibilities urgently with the CEGB, both for this and later winters. My Secretary of State will be reporting further on progress.

I am sending copies of this letter to John Halliday (Home Office), John Kerr (HM Treasury), Jonathan Spencer (Department of Industry), David Omand (Ministry of Defence), Anthony Mayer (Department of Transport), Barnaby Shaw (Department of Employment), Muir Russell (Scottish Office), David Wright (Cabinet Office) and Gerry Spence (CPRS), for the usual limited circulation.

Yours ever,

JULIAN WEST  
 Private Secretary





*Next. Ind  
✓ JV*

Prime Minister

(2) 31

*To note. Mr Lawson  
owes you a letter*

Treasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

*answering your  
questions (£30m*

PRIME MINISTER

*Yes it does. seems a high figure?  
disappointment over  
Yes. shortage of ancillaries' facilities).*

INCREASE IN POWER STATION AND INDUSTRIAL ENDURANCE

I have seen Nigel Lawson's minute of 22 June to you and your comments, recorded in your office's letter of 28 June.

*MS 6/7*

2. I agree that the CEEB should be encouraged to squeeze more coal above the 24m tonnes into existing sites. I understand that this is unlikely to cost more than £10 million at most. I hope that Nigel will do his best to persuade the NCB to absorb this within their agreed EFL. If they cannot be persuaded, the cost will have to be met from the Contingency Reserve and the Board's EFL increased. Even if the Board can keep the expenditure within their EFL, they will want an increase in their deficit grant provision. I agree to this. It should be made clear to the Board that this increase in the EFL and the deficit grant are "earmarked" for this purpose; any unspent balance cannot be used for other purposes.

*CEEB?*

3. Nigel also refers to the possibility of stocking an additional 4m tonnes of coal at new sites within existing CEEB power stations at the much larger cost of possibly £30million. In the perhaps unlikely event of delivery of all this 4m tonnes this year, this would add another two weeks to the 20 weeks' endurance already planned. Two weeks' endurance would certainly be valuable. But it would be a very visible step, involving discussions with planning authorities, stocking on sports grounds, etc. But provided that Nigel, after consultation with the CEEB and NCB, is satisfied that it would not provoke pre-emptive industrial action by the miners or the power workers, I would see some advantage in spending

/up to





up to £30 million to secure the two weeks of extra endurance.  
The cost would have to be found from the Contingency Reserve with yet a further increase in the NCB's EFL and the Department's cash limit which provides the deficit grant for financing the cost. Again the EFL and deficit grant increase should be earmarked for this special purpose.

4. Department of Energy officials should be in touch with mine about the mechanics of the EFL and deficit grant payments. The new EFL would need to be announced.

5. I am copying this minute to the Home Secretary, the Secretaries of State for Defence, Employment, Energy, Industry, Transport and Scotland, to Sir Robert Armstrong and Mr. Sparrow, for the usual limited circulation.

G.H.

6 July 1982





Prime Minister

②

30a

MUS 6/7

Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

cc. Transport: BR Faxes: 165

6 July 1982

The Rt. Hon. Nigel Lawson, MP  
Secretary of State for Energy

*Nigel*

## OIL BURNING DURING A RAIL STRIKE

As suggested in your Private Secretary's letter of 24 June, our officials have considered further how to finance maximum power station oil burn, should that prove necessary.

It is, I think, agreed that the cost of maximum oil burn (some £20m - £30m a week gross) should not be passed on to consumers through prices. I assume that there is no prospect of persuading the CEBG to absorb any of these costs while making compensating savings elsewhere. The cost will therefore have to be financed from the Contingency Reserve.

3. On financing these costs, there are two options:-

- (i) An Exchequer grant, as agreed during the earlier ASLEF dispute and as we have recently agreed for the extra costs of maximising Scottish electricity imports during this rail strike.
- (ii) The CEBG could charge the extra costs to their profit and loss account, and accept a lower profit, which the Government would recognise by reducing their financial target. The Board would finance the extra cash flow needed to pay for the oil by higher borrowing (which would be reflected in their higher EFL).

The second course is clearly preferable if the CEBG can be persuaded to adopt it. It avoids recourse to Parliament for what could prove to be a controversial grant and is some recognition by the industry that theirs is the responsibility to ensure coal supplies to power stations. This makes presentation easier and is more in accord with our general policy of distancing ourselves from the rail strike.

/Your Department





Your Department believe that the CEGB will resist the second course and would insist on special grants, as were agreed during the ASLEF dispute earlier this year. This is disappointing since the industry do have a responsibility to ensure the continuity of coal supplies to the power stations. Nevertheless, if it is agreed that we should go to maximum oil burn, a debate with the industry about finance would lead to delay in the start of the oil burn programme. In these circumstances I accept that the Generating Board can be told that we are prepared to pay them a grant to finance the extra costs of additional oil burn. My agreement is subject to the following conditions:-

- (i) Parliament should be told, through a Written Answer, of your intention to pay the grant, subject to the normal supply procedures. The earlier oil burn grant has been announced so that this further announcement ought not to cause visibility problems. There will also need to be an early announcement of the increase in the Board's EFL. (The EFL increase will, of course, be greater than the cost of the grant. The grant will reflect the extra costs of burning oil compared to coal while the EFL increase will reflect the cost to the CEGB of the extra oil purchases, not just the difference in cost between burning oil and coal.) It should be made clear to the CEGB that this increase in the EFL is "earmarked" for oil burn, etc; any unspent balance cannot be used for other purposes.
- (ii) Your officials should agree with mine ground rules for the payment of the grant. These rules, which should be agreed before the oil burn programme begins, should be drawn as tightly as possible.
- (iii) The agreement to pay grant should be limited to a specified time, e.g. one month. It can, of course, always be renewed. But we ought not to agree straightaway to an open-ended payment. If there was to be a long rail strike, the Generating Board would, at some stage, presumably increase oil burn on their own accord. We should not pay grant for such "voluntary" oil burn.

Finally, could I suggest that you should consider taking, at a convenient legislative opportunity, specific powers to pay oil burn etc. grant in the future. This grant, like the earlier ASLEF oil burn grant, will rest upon the authority of the Appropriation Act. That is legitimate for "one-off" occasions, but I think that the PAC would rightly take the view that if grants for oil burn are to be paid, they ought to rest upon specific legislative authority. Could I ask that you consider

/taking





taking powers at a convenient legislative opportunity, perhaps in the Electricity Bill which you plan for the next Session.

I am sending a copy of this letter, for the usual limited circulation, to the Prime Minister, the Home Secretary, the Secretaries of State for Industry, Transport and Scotland, and to Sir Robert Armstrong and Mr. Sparrow.

A handwritten signature, likely "Geoffrey Howe", with several horizontal lines above and below it, possibly indicating a stamp or additional markings.

GEOFFREY HOWE





DEPARTMENT OF ENERGY  
Thames House South  
Millbank  
London SW1P 4QJ

Tel: Direct Line: 01-211  
Switchboard: 01-211 3000

PERSONAL

Michael Scholar

*With the Compliments of*

the

PS/ Secretary of State

*Quis custodiet custodias?*

28vii



OBJECTIVES

1. Although coal is one of the United Kingdom's major natural resources, in the Government's view the justification for coal production like that for any other business lies in the ability of those engaged in it to earn a satisfactory return on capital while competing in the market place. The basic objective for the National Coal Board therefore must be to earn a satisfactory return on its assets in real terms after payment of social grants. This return will need to be quantified by the end of the year.

Reference to  
Corporate Plan  
deleted

2. The NCB should aim at that share of the market, which they can profitably sustain in competition with other fuels. The Board should not plan on any continuing tranche of sales which will not be profitable. The Board should bring its productive capacity into line with its continuing share of the market.

including  
imported  
coal  
deleted

3. The Board's objective should be to ensure that over the next five years its operating costs (including depreciation and capital charges but excluding interest) per tonne of coal produced are reduced in real terms for deep-mined and for open-cast production separately. (In this calculation, the GDP deflator should be used). This objective will be quantified by the end of the year.

again, ref. to  
Corporate Plan  
deleted

4. Either the Board or the Government may propose additional objectives from time to time. Any consequent adjustment to existing objectives would need to be discussed.

implies  
there are no  
others

30.6.1982.





## 10 DOWNING STREET

*From the Private Secretary*

28 June, 1982.

Increasing Power Station and Industrial Endurance

The Prime Minister was grateful for your Secretary of State's minute of 22 June to which was attached a note by the Official Group on Coal (Misc 57) dated 10 June.

The Prime Minister hopes that steps will be able to be taken to accommodate even more coal, above the 24m tonnes target, on existing CEGB sites.

As regards the proposal to accommodate an additional 4m tonnes, by constructing new sites, the Prime Minister has asked how the cost of £30m, as discussed in paragraph 6 of your report, has been calculated. I would be grateful, therefore, if you could give me a more detailed analysis of the cost of this option than we already have in paragraph 6 of the report.

Mrs. Thatcher has also commented that it is very disappointing that there is now insufficient time to construct before next winter facilities for the storage or manufacture of ancillary materials. She would be grateful if your Secretary of State would take whatever steps are necessary to ensure that the stock of ancillaries, or our capacity to replenish them, is sufficient, as soon as possible.

I am sending copies of this letter to John Halliday (Home Office), John Kerr (HM Treasury), Jonathan Spencer (Department of Industry), David Omand (Ministry of Defence), Anthony Mayer (Department of Transport), Barnaby Shaw (Department of Employment), Muir Russell (Scottish Office), David Wright (Cabinet Office), and Gerry Spence (CPRS), for the usual limited circulation.

M. C. SCHOLAR

Julian West, Esq.,  
Department of Energy.

SECRET AND PERSONAL



MR. SCHOLARIncreasing power station and industrial endurance

It may help if I identify the decisions required on the basis of Mr. Lawson's note to the Prime Minister of 22 June, to which is attached the latest MISC 57 Report. There is a summary in paragraph 25 of the Report, but I will take the issues in the same order as Mr. Lawson. I do not think any of these issues justifies a meeting.

✓ 1. Squeezing in even more coal, above the 24 mt target, on existing CEGB sites. I see no reason not to do this. In effect, it represents an upward revision of our estimate of the capacity of existing CEGB sites.

2. Constructing new sites to accommodate an additional 4 mt at power stations. Under the circumstances of a miners' strike, when we would be on maximum oil burn, this would add four weeks endurance, not the two weeks suggested by Mr. Lawson. But I do not think it would be worth the financial cost, the cost in extra visibility, or the uncertainties of seeking planning permission. And, given the prospects for the rail strike, it seems rather unlikely that we would be able to use it this year.

How can we \$30m been calculated. It sounds unduly expensive. mt

✓ 3. Ensuring adequate supplies of ancillary materials. The Prime Minister may recall that Mr. Lawson undertook in March to study and report on the prospects for getting ancillary materials to the same level of endurance as coal. As you have already commented, this part of the Report is disappointing. Mr. Lawson could be told to take whatever steps are necessary to ensure that both this year and in the future the stock of ancillaries, or our capacity to replenish them, is sufficient.

4. Enhancing endurance in the longer term by dual firing, strengthening the inter-connectors, or using non-rail coal transport. The Report is pessimistic, and I believe justifiably so. The costs of dual firing and of building new inter-connectors are enormously high compared with the increased endurance they would purchase. There is no harm in studying the prospects for conveyors and

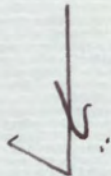


SECRET

- 2 -

slurry pipelines, but they hold little prospect of making much difference.

5. Encouraging industrial users to stock additional coal. Most of them will already have done so because of the prospects for the rail strike, and I doubt if any action needs to be taken.



John Vereker

25 June 1982

SECRET



CJV

28A

Prime Minister (2)

01 211 6402

MU 25/6

SECRET AND PERSONAL

Peter Jenkins Esq  
Private Secretary to the  
Chancellor of the Exchequer  
HM Treasury  
Parliament Street  
LONDON SW1

*M*

cc. Transport. BR. Files: Pg 4

24 June 1982

Dear Peter,

THE RAILWAYS

At the Prime Minister's meeting on Tuesday, it was agreed that the Chancellor and my Secretary of State should consider further how to finance maximum power station oil burn, should that prove necessary. Mr Lawson's view remains as set out in his letter of 17 June. Perhaps officials could quickly consider any alternative ideas yours might have in mind.

As you know, the Chancellor and Mr Lawson agreed this morning on the principle of compensating the CEGB for the extra costs of maximising Scottish electricity imports from the start of the rail strike. We have therefore asked the CEGB to do this. Our officials will also need to agree the details of this scheme, presumably in a way that combines with any payments for oil-burn.

I am copying this letter to Michael Scholar, Muir Russell, David Wright and Gerry Spence.

Yours ever,

*JW*

JULIAN WEST  
Private Secretary





o/v  
DJV

Prime Minister (2) 28

PRIME MINISTER

\* Please see John  
Vercher's note (attached).  
What are your conclusions  
on the questions in para 25? (Play A)

This answers a number  
of questions you raised  
several months ago; and seeks  
decisions. ~~on~~  
X overlay is disappointing.

MCS 23/6

INCREASING POWER STATION AND INDUSTRIAL ENDURANCE MCS

The Official Group on coal (MISC 57) have been pursuing a number of matters following our meeting on 15 March. I attach their report which also covers progress on accelerated coal deliveries.

Power Station Endurance this Year

The coal delivery programme, agreed between the CEGB, NCB and BRB, has been working well. The present limit of physical stocking capacity would probably be reached in August in the absence of trouble on the railways.

It may be possible for the CEGB to squeeze in even more coal on existing sites so as to exceed their present estimate of maximum physical stocks of 24 million tonnes. I believe we should encourage them to do this, financing the extra cost under the deferred payment arrangements that already apply in respect of accelerated deliveries between NCB and CEGB.

The officials' paper (paragraph 6) points out that an additional 4 mt of coal might be stocked at new sites within existing CEGB power station boundaries at a cost of perhaps £30m. This would add another two weeks or so to the 20 weeks' endurance already planned, but would be a very visible step given the need for discussion with local authorities. (A long rail strike would also make it more difficult to fill this extra capacity.)





Our ability to accelerate coal deliveries successfully means that stocks of ancillary materials may become the limiting factor in power station endurance. Action has been taken by the CEGB and SSEB to achieve 9 weeks supplies across the board. For certain materials (such as bulk acids, alkalis and gases) specialised and visible storage or manufacturing facilities would be needed to achieve higher levels of endurance in the absence of supplies from normal sources. The CEGB advise that the time available is insufficient to construct such facilities for use next winter. My Department are however pursuing with the Board what more can be done for this year, taking full account of the industry's experience during previous strikes in replenishing stocks and the prospects as they appear at present.

There is also the possibility of using the military to replenish any gaps in stocks of ancillaries at power stations. The December MISC 57 report suggested that this "should be well within the capacity of the Services, even allowing for the uncertainties .....".

It is now for decision whether we ask the CEGB to set in hand action to ensure as far as possible that by November 1983 stocks of ancillary materials can be at a level equivalent to the level of coal stocks. We would have to arrange to compensate the CEGB for the additional costs incurred, should that prove necessary, and there could be problems of visibility.

#### Power Stations Endurance in the Longer Term

The officials' report deals with a number of possibilities for enhancing endurance in the longer term. Adding oil or gas burn to existing coal-fired stations would be very expensive and the supply logistics are of doubtful practicability. The best means for reducing dependence on coal is, of course, to press ahead with the nuclear programme.



Strengthening the interconnection with France is also expensive but could make economic sense. Additional interconnection with Scotland does not, however, seem economically attractive. We will be introducing next session legislation to encourage private generation though we cannot count upon any early substantial increase as a result.

On the use of non-rail forms of transport (conveyor and slurry pipelines), paragraphs 16 and 17 of the attached report seem to me to be premature. Until the studies already in hand are completed, I do not think we can be certain of the economics or that there is no benefit in terms of security of supply.

#### Additional Coal Stocks for Industrial Users

It would be possible to achieve some additional stocking of coal this year by some large industrial users, by enabling the NCB to offer a deferred payment scheme. But storage and financial constraints mean that the endurance of virtually all coal-burning industry would still be well below what we are aiming for at the power stations. Direct discussions with BSC would be needed to determine what could be done in the steel industry.

I am copying this letter to the Home Secretary, the Chancellor of the Exchequer, the Secretaries of State for Industry, Defence, Transport, Employment and Scotland, Sir Robert Armstrong and Mr Sparrow, for the usual limited circulation.

XR.

Secretary of State for Energy

22 June 1982



INCREASING POWER STATION AND INDUSTRIAL ENDURANCE

Note by the Official Group on Coal (MISC 57)

1. This report discusses
  - (i) progress with building up power station stocks of coal and ancillary materials; and
  - (ii) measures that might be taken in the longer term to increase power station and industrial endurance in the event of a miners' strike.

Coal Deliveries

2. The coal delivery programme is proceeding according to plan, at a rate corresponding to 17 per cent above regular commercial deliveries. In normal weeks deliveries of coal in excess of 2.0 million tonnes are being reached, which compares with power station coal consumption in June of 1.4 million tonnes/week. This rate will fall during the colliery holiday period and as power station stock yards approach maximum physical capacity. But barring unforeseeable interruptions maximum stocks should be attained between mid-July and mid-August. The Department of Energy are monitoring the programme closely in co-operation with the three Boards.

3. In Scotland arrangements are being finalised between the NCB and SSEB for extra deliveries which will take Scottish stocks to the physical limit of around 2.5 million tonnes by 1 November.

Ancillary Materials

4. The Department of Energy has been examining with the CEGB the possibilities for increasing stocks of ancillary materials. The CEGB's traditional policy has been to maintain 6 weeks' stocks but they have already taken action to extend these to a level equivalent to at least 9 weeks. Moreover, the Board would take steps to increase stocks nearer the time of any dispute, in particular to bring in commodities which require only storage space. Furthermore, during previous strikes the Electricity Boards have been



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AND PERSONAL

reasonably successful in replenishing stocks with the help of their suppliers; and as our report circulated under cover of the Home Secretary's minute of 6 December 1981 to the Prime Minister, concluded, the use of Servicemen would be possible in principle in cases of difficulty.

5. It is now too late to construct for the coming winter additional bulk storage facilities for corrosive liquids and liquified gases or manufacturing plant for hydrogen, at the power stations. But it should be possible by November 1983 to bring stocks of ancillaries up to the level of coal stocks and to provide manufacturing facilities for those materials that cannot be stored in bulk. The cost would be perhaps £30 million or more, which the Electricity Boards will argue should be met by the Exchequer. It would be impossible for this work to be carried out secretly or for its true purpose to be concealed from the trades unions. An early decision would be required if the work is to be completed by November 1983.

#### MEASURES TO INCREASE POWER STATION ENDURANCE IN THE LONGER TERM

##### Additional Coal Stocks at Power Stations

6. The latest estimate of the existing capacity of the CEBG to stock coal at power stations is of the order of 24 million tonnes. A 15 per cent increase in CEBG coal stocking capacity, to 28 million tonnes, could be achieved on existing land within power station boundaries, such as that used at present for recreational purposes; and an increase of about 20 per cent might be possible in Scotland at Longannet. Civil engineering works could cost perhaps £0.5 million; additional coal handling costs could amount to £7.5/t (£30 million); and the coal would need to continue to be provided by the NCB on deferred payment terms. The CEBG is obliged, under the normal environmental planning procedures, to discuss with the local authorities the location and profile of coal stocks, which might take 3 months. There is thus no prospect of such a further increase in coal stocks remaining confidential.

7. Any more substantial increase in stocking capacity would require the acquisition of additional land, the obtaining of planning permission and site development. This could take up to 3-4 years. Such steps could not be justified in terms of the economics of the electricity supply industry since

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AND PERSONAL



they already have larger stocks than are needed on commercial grounds. The industry would require compensation and the action would be both very visible and environmentally controversial.

8. Use of strategic stockpiles of coal remote from power stations is not a viable approach because it is likely to prove very difficult to arrange transport to the power stations in the event of a dispute in the mines.

Dual firing

9. Coal-fired power stations could in principle be converted to dual firing using oil or gas as the alternative fuel. Oil would be the preferred alternative in the short term since there will be a shortage of gas supply capacity for some years to come. Moreover, a dispute affecting the electricity industry is likely to put pressure on the gas industry to meet additional demand.

10. At present some 4000 mw of CEGB plant (7 per cent of the total) normally burn coal but could be switched to oil. The corresponding figure for dual coal/gas firing is about 1700 mw. There are no present plans to increase dual firing in respect of existing coal-fired stations since the economics of burning oil or gas are very unfavourable.

11. The costs of conversion of coal power stations to oil or gas dual firing are broadly the same. Converting a large (2000 mw) coal-fired station to 100 per cent oil burn would cost perhaps £80 million with a 3 year lead time; 100 per cent gas dual-firing would cost about the same with a lead time of perhaps  $2\frac{1}{2}$  years. But different logistic problems arise in the case of oil and gas.

12. For oil, supplying inland power stations, remote from oil refineries, by pipeline would not be practical since heavy fuel oil does not flow at ambient temperatures. Road and rail deliveries clearly cannot be guaranteed during a miners' strike; it may well be that deliveries would be held to "normal" levels (ie corresponding to low oil burn). River-borne supplies would require additional investment in barges and in some cases, eg. Thameside, the use of oil would merely displace imports of coal.



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AND PERSONAL

13. The logistic problems of gas supply by pipeline from North Sea fields would be less serious than for oil though the costs of making supplies available on standby terms could be high (gas is too expensive to use as a regular fuel). It would be quite impracticable to import liquified natural gas for use in an emergency, because such cargoes are only available on the basis of a long-term regular supply.

14. The total costs of converting to dual firing sufficient power station capacity to provide, say, 70 per cent of the normal winter level of electricity supplies in the event of a miners' strike might therefore be over £1000 million. Because neither oil nor gas are economic fuels the CEGB would undoubtedly require compensation for the capital costs of conversion to dual firing. For the reasons indicated the chances of being able to increase oil burn substantially at inland power stations in an emergency may not be very high. If Ministers wish to pursue this possibility it might therefore be preferable to concentrate on gas dual firing. But detailed studies of the scope for and costs of dual firing would be necessary before Ministers would be in a position to take final decisions on these matters.

15. In Scotland there is already substantial, spare oil-fired power station capacity. The provision of coal/oil dual-fired capacity is not therefore judged to be necessary.

#### Unconventional transport of coal

16. The Department of Energy have in hand studies on supplying certain large coal-fired power stations by conveyor from nearby mines; in Scotland 40-50 per cent of power station coal is already delivered by conveyor. Preliminary estimates suggest that the economics may be competitive with rail transport and the possibility is being pursued with the CEGB. It is unlikely, however, that conveyors would increase security of supply in the event of a miners' strike though if such conveyors were fed from pithead stocks, as opposed to the pitface, it is possible that they could be operated by Servicemen.

17. Use of coal slurry pipelines appears to be quite uneconomic, in part because of the need to remove quantities of water, while offering no security of supply advantage over conveyors.

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AND PERSONAL



Interconnection with France and Scotland

18. The existing connector with France is small (160 mw) and is generally out of action as a result of damage to the cable. Construction of a new link of 2000 mw capacity is in hand with the first part (of 1000 mw capacity) intended for completion in 1985 and the second part a year later (though the second stage still requires approval from the French Government). The cost is estimated at £285 million, at current prices.

19. The normal function of this interconnector would be to allow trading both ways between the CEGB and their French counterparts. The CEGB think that in the event of a miners' strike they could arrange one-way flow from the Continent for a prolonged period. When the interconnector is fully completed this would be equivalent roughly to 150,000 tonnes of coal per week or about 1½ weeks extra endurance. Recent studies have shown that the optimal economic level of interconnection between England and the Continent could be some 6000 mw. The CEGB would not, however, envisage proposing a second new interconnector before the first is built and operating.

20. The interconnectors between the English and Scottish systems have a capacity of 1000 mw. There could be a case for enhancing this based on the surplus of generating capacity in Scotland. An increase of 50 per cent in capacity may be possible at a cost of about £5-7 million, but this work would take 2-3 years to complete. Doubling the capacity of link - which requires a quite different scale of work - might cost £40 million and take 5-6 years to complete. The present judgement of the two Boards is that this would probably be economically unattractive, given the coincidence of peak demand on either side of the border and the remoteness of the South of England - where there exists a deficit of economic generating capacity.

Private Generation

21. The Department of Energy currently has in hand the preparation of a Bill, for introduction next Session, to allow private electricity generation as a main business. It would, however, be unwise to count upon any early substantial increase in private generation as a result of this legislation.



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AND PERSONAL

## ADDITIONAL COAL STOCKS FOR INDUSTRIAL USERS

### Incentives for Additional Summer Stock Build

22. NCB coal sales to industry (other than iron and steel), commerce, local authorities, schools, hospitals etc amount to about 170-180,000 tonnes/week. The NCB does not have detailed information about the stocks held by its numerous customers in this sector. In general, however, the first users likely to run out of coal in the event of a coal strike are the smallest users (eg commercial premises, schools, light industry using coal for space heating). They are also generally the consumers with the smallest physical scope for additional stocking. In practice, most of the scope for additional stocking lies in the cement and paper industries. The NCB are already operating schemes of lower prices and/or extended credit during the summer. They are pressing these as hard as they can. They estimate that offering further inducements to their major industrial customers (principally in the cement and paper industries) to increase stocks to close to the maximum physical level would cost about £ $\frac{3}{4}$  million in the current year.

23. Coal stocks held by coal-burning industry are currently estimated to be sufficient for about 10 weeks on average in the event of a miners' strike; and there appears to be very little scope for this to be increased significantly. Present plans are for power station endurance of not less than 20 weeks, which might be increased by about 25 per cent by the various measures discussed above.

### BSC Coal Stocks

24. It may also be desirable to consider a deferred payment scheme for BSC. Only two steel works, at Llanwern and Scunthorpe, are entirely dependent on NCB coal, although they could use imported coal during a strike. (Other steel works depend on a mixture of NCB and imported coal). NCB suggest that until recently BSC had held down stocks at these two works for cash flow reasons to 3 $\frac{1}{2}$ -4 weeks and 3 weeks consumption respectively, but that the position may now have improved. The combined weekly consumption of the two works is about 55,000 tonnes. A deferred payment scheme confined to these two works, intended to increase stocks at them by a further three weeks, might cost rather under £1 million in the current financial year. The NCB say they would

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not be willing to finance this. The Departments of Energy and Industry are currently discussing the position. It would now be desirable to take BSC into our confidence, and discuss the coal stocking position with them in more detail.

CONCLUSIONS

25. Ministers are invited:-

- (i) to note the position on coal deliveries and on stocks of ancillaries;
- (ii) to decide whether they wish the Electricity Boards to take steps to ensure that by November 1983 stocks of all ancillary materials can be at the level of coal stocks, at a cost of perhaps £30 million;
- (iii) to decide whether they wish the coal stocking capacity of power stations to be increased, and, if so, by how much? 4 million tonnes, as discussed in paragraph 6, at a cost of perhaps £30 million? Or more, as discussed in paragraph 7, the cost of which has not been estimated?
- (iv) to decide whether they wish to commission detailed studies on the scope for the conversion of existing coal-fired power stations in England and Wales to dual firing;
- (v) to decide whether the NCB should offer further inducements to increase coal stocks to the limited number of industrial users for which this might be relevant, and, if so, if they agree that the costs of £ $\frac{3}{4}$  million should be met by the Exchequer?
- (vi) to decide if they agree that Departments should discuss with the BSC the need and scope for increasing their stocks of coking coal.

Cabinet Office  
10 June 1982



ck JV

27

Prime Minister

(2)

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To note .

01 211 6402

MCS 18/6

CONFIDENTIAL  
COVERING SECRET

The Rt Hon Leon Brittan QC MP  
Chief Secretary to the Treasury  
Parliament Street  
LONDON SW1

18 June 1982

POLICY LETTER TO THE NEW CHAIRMAN OF THE NATIONAL COAL BOARD - E(NI) (82) 16

Thank you for your letter of 15 June. \_\_\_\_\_

not enclosed  
MCS

I enclose copies of the policy letter as agreed with Norman Siddall and the record of my discussion with him about it. I think that the revised policy letter meets your points.

I have not pursued your suggestion of asking Siddall to agree the record - to do so would amount to giving him two letters and seems to me to defeat the purpose of leaving some things unwritten in the first place (the 'Telegraph' article on 17 June illustrates the danger of a leak). However, you can rest assured that he is in no doubt about what I said and he agreed to.

I am copying this letter and the revised policy letter to the Prime Minister, other members of E(NI), Nicholas Edwards, Sir Robert Armstrong and John Sparrow.

NIGEL LAWSON



01 211 6402

N Siddall Esq CBE  
National Coal Board  
Hobart House  
Grosvenor Place  
LONDON SW1

June 1982

### Objectives

Although coal is one of the United Kingdom's major natural resources, in the Government's view the justification for coal production, like that for any other business, lies in the ability of those engaged in it to earn a satisfactory return on capital while competing in the market place. The basic objective for the National Coal Board therefore must be to earn a satisfactory return on its assets in real terms after payment of social grants. This return will need to be quantified following the submission of a new Corporate Plan (see paragraphs 4 and 7 below).

2. The NCB should aim at that share of the market, which they can profitably sustain in competition with other fuels, including imported coal. The Board should not plan on any continuing tranche of sales which will not be profitable. The Board should bring its productive capacity into line with its continuing share of the market.

3. The Board's objective should be to ensure that over the next five years its operating costs (including depreciation and capital charges but excluding interest) per tonne of coal produced are reduced in real terms for deep-mined and for opencast production separately. (In this calculation, the GDP deflator should be used). This objective will be quantified following consideration of the Board's new Corporate Plan.

### Timescale

4. The Government recognises that these objectives cannot be achieved at once. The Government is therefore willing to continue financial support, by way of deficit grant, to the industry for an interim period until it can again achieve the basic requirement to break even in historic cost terms. On the basis of the information at present available, the Government does not believe that such a return to break even in less than three years would be feasible while a plan which required this support to be continued for more than five years would be most unlikely to find approval. Once break even had been achieved, the Board would be required to maintain a similar rate of progress towards the position of earning the real return on assets mentioned in paragraph 1 above.



### Capital Investment

5. The Board's capital investment is subject to special statutory approval and the Government will examine closely the proposals embodied in the Board's programme. The Government believes that in the period immediately ahead the Board should concentrate their capital investment programme on reducing costs and increasing efficiency. Investment should also play a key role in bringing about the rationalisation of the industry. The Government sees no case for an increase in the Board's deep-mined capacity (net of closures) before the Board has returned to break-even and ended its dependence on deficit grants. Thereafter the Government's examination of the Board's capital investment programme will be made in the light of the Board's Corporate Plan, progress in reducing costs and increasing efficiency, and the costs and availability of energy from other sources, including nuclear generation and imported coal.

6. The Government attaches the greatest importance to the use by the Board of sound methods for investment appraisal and will wish to reach a general agreement, in the light of the current discussions and any recommendations by the MMC, with the Board on the techniques to be applied, in addition to the requirements already set out in the White Paper Cmnd 7131, in particular the Required Rate of Return of 5% in real terms on the Board's investment programme as a whole.

### Priority Tasks

7. An immediate task will be the preparation, for agreement with Government, of a soundly based Corporate Plan embracing all of the Board's operations, showing the path which you recommend the Board should take to secure the objectives set out in paragraphs 1-5 above. The plan should consider a number of alternative scenarios, both in order to explore the freedom which the Board has to manoeuvre in response to possible changes in the environment in which it operates and to enable the Department to examine the robustness of the policies recommended. It would also be desirable for this plan to explore the implications of the Board's returning to break even at a faster or slower rate within the range indicated in paragraph 4 above. This plan should be available for discussion with Government no later than 31 October 1982.

8. In view of the strategic importance of the plan and the need for rapid progress, I believe it is desirable that our officials have informal discussions about the building blocks which will go to make up the plan and the assumptions underlying the different scenarios to be used. This will not detract from the Board's right and duty to determine the actual plan to be submitted to me.

9. The Government will wish to agree this plan, possibly modified in the light of discussion with the Board, and to monitor its implementation. The plan as agreed will be the basis for the setting of more detailed objectives, and of decisions on capital investment, external financing limits and such continuing financial support for the Board as may be needed.

10. On the basis of this planning work, you will also need to consider the balance between profitable demand for coal and the Board's production capacity in both the medium and the longer term, as well as the steps which can be taken to prevent imbalance.



11. The Board will need to maximise internally-generated financial resources and so minimise the Board's external financing requirements. The Government will set external financing limits year by year on the basis of the Board's medium and long-term plans. These limits must be observed (although there is provision for limited carry-over, in accordance with the Chancellor's statement on 4 August 1980, from year to year).

12. You will also need to give priority attention to the action needed to pursue the unit cost objective in paragraph 3 above.

#### Additional tasks

13. You will also wish to satisfy yourself about the internal organisation of the Board. The Government suggests that you might explore the following questions:

- i. whether any changes are needed at the directing and central policy levels to ensure that all Departments' work is clearly focussed on the overriding objectives set out above;
- ii. whether there is scope to give clearer profit responsibility to the Board's production units;
- iii. whether further measures can be taken to bring home to each of the Board's formations its contribution to the success or failure of the Board to achieve its objectives.

14. The Government attaches importance to the Board's concentrating on its mainstream activities which account for most of the Board's turnover of some £5000m per annum. To this end, and to enable the Board to contribute to the financing of investment in its mainstream activities, the Government believes that the Board should continue to dispose, when suitable commercial opportunities arise, of its non-mining interests in the UK, a number of which have been disposed of during the past two years, and also of its overseas interests. The Board should also continue its policy of selling houses and land which are not essential to its operations.

#### Review

15. The Government may wish from time to time to translate the principles in this letter into more detailed objectives, in the first instance on the basis of the plan mentioned in paragraph 7 above.

16. Either you or the Government may propose additional objectives from time to time. Any consequent adjustment to existing objectives would need to be discussed.



Not used

Prime Minister (2)

Mus 15/4

ce JV

01 211 6402

The Rt Hon Michael Heseltine MP  
Secretary of State for the Environment  
Department of the Environment  
2 Marsham Street  
London SW1

15 June 1982

*Michael Heseltine*

*ms*

POLICY LETTER TO THE NEW CHAIRMAN OF THE NCB

Thank you for your letter of 9 June.

I share your view of the importance of ensuring that NCB operations are environmentally acceptable. I have not the slightest intention of allowing the NCB to use the policy letter - or any other irrelevant argument - to resist any improvements in environmental standards on which we may eventually agree following our officials joint consideration of the recommendations of the recent CENE Report.

The question, however, of whether there needs to be a specific reference to environmental standards in the policy letter is a separate matter. The form of words which you propose would rank environmental standards alongside the National Coal Board's basic objectives of breaking even, earning a return, and competing in the market place. (I notice, too, that you suggest "the highest practicable environmental standards" instead of the more usual "best practicable standards", and that you do not suggest that the Board should take economic considerations into account in pursuing them). Such a reference would be contrary to our decision in E(NI) in April that nationalised industry objectives should be clear, few in number, and of a strategic nature, and should add up to the framework for each industry's corporate plan. Compliance with environmental standards (even if those standards improve) is not such an objective in its own right but a constraint within which the NCB, like other nationalised industries, must operate.

I therefore hope that you can agree not to press for the insertion of such a form of words in the policy letter.

I am sending a copy of the letter to the other recipients of this correspondence.

*Handwritten signature*





cf JV  
Prime Minister (2)

*Mansfield*

Treasury Chambers, Parliament Street, SW1P 3AG

Here are four

letters on the NCB

policy letter - all

will be wrapped up in the

15 June 1982

agreement reached at

your Monday meeting.

Rt Hon Nigel Lawson MP  
Secretary of State  
Department of Energy  
Thames House South  
Millbank  
London SW1P 4QJ

*[Handwritten signature]*

*Dear Secretary of State,*

POLICY LETTER TO THE NEW CHAIRMAN OF THE NATIONAL COAL BOARD (E(NI)(82)16)

*Mus 15/6*

After our discussion yesterday I said that I would send you my comments on the draft policy letter and on the amendments proposed by Patrick Jenkin and Michael Heseltine in their letters of 9 June.

Subject to a satisfactory agreement on the points raised by the Prime Minister about investment with which I fully agree, I am generally content with the draft and with your proposals for discussing it with the new Chairman. My detailed comments on other points are as follows.

(i) Issues not fully covered in the policy letter:

Patrick Jenkin suggests in his letter that there should be a brief reference in the policy letter to closures and manpower reductions. Otherwise the Chairman may believe the Government to be nervous still about pressing for closures.

Obviously, if such a reference could be included, so much the better. But given the real risk of leaks, and of the evidence of Scargill's intention to try to unite the NUM industrial action under the closures banner, I would not press this if you saw real difficulty. But I do think it important for there to be a very private agreed record of what is said to, and accepted orally by, the new Chairman on both closures and on the introduction of private capital. Such a record would avoid any later disputes about what has been agreed.

(ii) Privatisation of non-mining interests: it would have been preferable to place a more specific requirement in the policy letter on the new Chairman than that in paragraph 14 of the draft.



But I accept that the risk of leaks would again make this imprudent and that it is better for you to give the Chairman orally a more specific remit as you propose in paragraph 5 of your paper. Again, I think that an agreed private record is important here, particularly as what you propose to tell him differs markedly from the objective in the policy letter.

(iii) Time until break even: paragraph 4 of the draft indicates that the Government would not regard as feasible a plan to return to break even in less than three years; while a plan which required Exchequer support for more than five years would be most unlikely to find approval.

I understand why Patrick Jenkin finds this rather vague drafting unsatisfactory and suggests that if we believe break even could be achieved in four years, the policy letter should say so. But I would recommend sticking to the existing draft. The time to determine the exact path to break even will be when the Chairman produces his Corporate Plan at the end of October. Paragraph 4 gives him sufficient steer for that purpose.

(iv) Capital investment: the first sentence of paragraph 5 includes the words "... the Government will continue to examine closely the proposals embedded in the Board's [investment] programme". It may be better to omit "continue to" since hitherto there has not been the close examination of individual proposals in the Board's capital programme which should now take place.

(v) Carry-over of EFLs: the last sentence of paragraph 11 gives a rather exaggerated impression about the opportunity for EFL carry-overs from year to year. The sentence in brackets - "(although there is provision for limited carry-over, subject to Government agreement, from year to year)" - might better be omitted since it is a bit of a technicality; alternatively the words "subject to Government agreement" could be replaced by "in accordance with the Chancellor's statement of 4 August 1980".

(vi) The environment: Michael Heseltine suggests an extra paragraph exhorting the Board to achieve "the highest practicable environmental standards".

I am doubtful whether policy letters should include such broad objectives as this. If we included this point, there would be an equal case for including something on eg safety, training etc and policy letters with such generalised objectives, however worthy, lose what cutting edge they have.

Finally, could I ask that you should let me have the opportunity to comment on any major amendments to the policy letter arising from your discussion with the new Chairman and that your officials clear minor amendments with mine.

I am sending a copy of this letter to the Prime Minister, other members of E(NI), Nicholas Edwards, Sir Robert Armstrong and John Sparrow.

Yours sincerely

for LEON BRITTAN

[Approved by the Chief Secretary  
and signed in his absence]



g/c JV

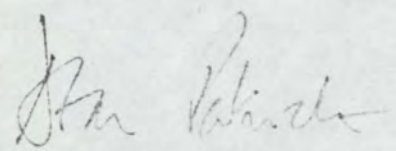
Prime Minister (2)

01 211 6402

MIS 15/6

The Rt Hon Patrick Jenkin MP  
Secretary of State for Industry  
Department of Industry  
Ashdown House  
123 Victoria Street  
London  
SW1

15 June 1982



POLICY LETTER TO NEW CHAIRMAN OF NCB

Thank you for your letter of 9 June.

First, I entirely agree that the National Coal Board needs to return to breaking even as rapidly as possible. However I do not have a corporate plan from the Board to enable me to assess precisely what pace would be practicable and what opportunities and risks would be involved. Indeed one of the main purposes of the policy letter is to require the new Chairman to prepare such a plan and to provide the necessary framework within which to do so. At this stage, there is no alternative to setting a bracket of years, within which the Board should return to break even.

Second, your suggested reference to pit closures is too general to give guidance or impetus to the Board, while Scargill would find it invaluable ammunition in his campaign against us. I remain convinced that the policy letter should not refer directly to pit closures or manpower reductions. To do so would be to play into Scargill's hands. His strategy is to unite the NUM against us at a national level. He believes that he can do so on closures; that is why he is seeking to turn individual pit closures into national issues instead of handling them at the local level where NCB have had some success. An explicit Government requirement on the Board to seek closures would be just the ammunition he wants.

You recognise the sensitivity of this whole subject, as have other colleagues in their reaction to a particular closure at Snowdown. I am quite certain that the issue should be handled as I have proposed.



Third, I see no reason to change our collective view that the policy letters should remain confidential, so that they can be reasonably frank and full. However, I agree that they have to be written in a way which makes it possible for us to publish them, if we are forced to do so.

I am copying this letter to the other recipients of this correspondence.

*You are  
Nigel*

NIGEL LAWSON





file

CC: (FCNI)  
NO  
CPRS  
CO

of 3v

26

Meads

Nash

SUBJECT

10 DOWNING STREET

From the Private Secretary

14 June 1982

Dear Ian,

NATIONAL COAL BOARD: POLICY LETTER TO THE NEW CHAIRMAN

Thank you for your letter of 10 June about the policy letter for the new Chairman of the NCB.

The Prime Minister discussed this with your Secretary of State and the Chief Secretary this afternoon. The Prime Minister said that she hoped that your Secretary of State would add to the points which he would raise orally with the incoming Chairman the Government's wish to see some long term reduction of the dependence of electricity generation on domestically-mined coal to improve competition within the energy market. Your Secretary of State said that he would ensure that Mr. Siddall would be in no doubt about the Government's wishes in this matter. The Prime Minister went on to say that she would like to see some changes to paragraph 5 of the draft policy letter. She suggested a redraft on the following lines:

"Capital Investment

The Board's capital investment is subject to special statutory approval, and the Government will continue to examine closely the proposals embodied in the Board's programme. The Government sees no case for an increase in the Board's deep-mined capacity (net of closures) before the industry has returned to break even and ended its dependence on grants. Thereafter the Government's examination of any new capital investment proposals will be made in the light of the Board's Corporate Plan, progress in reducing costs and increasing efficiency, and the costs and availability of energy from other sources, including nuclear generation and imported coal."

Your Secretary of State undertook to include what he could of these points. He explained to the Prime Minister the need to proceed rapidly with the announcement of Mr. Siddall's appointment, and the Prime Minister agreed that, once Mr. Siddall had accepted the policy letter, amended as above (and also to take account of one or two points which the Treasury were urgently putting to your Secretary of State), his appointment could be formally announced.

/ I am sending

SECRET AND PERSONAL

BK



I am sending copies of this letter to the Private Secretaries to members of E(NI), and to Adam Peat (Welsh Office), Gerry Spence (CPRS) and David Wright (Cabinet Office).

*Yours sincerely,*

*Michael Scholar*

---

Julian West, Esq. ,  
Department of Energy



SECRET

MR. SCHOLAR

Prime Minister

①  
please see the Energy letter (attached) - and now me from Leon  
Shall I arrange for

cc: Mr. Mount  
Mr. Walters

25  
Brittan

a meeting - with Messrs  
Lawson, Sparrow and Brittan?

Yes no

MCS 11/6

NCB: Policy letter to the new Chairman

We had a word about the letter of 10 June from Mr. Lawson's Private Secretary, replying to yours, about the extent to which the policy letter to the new NCB Chairman ought to take account of the need to reduce the monopoly power of the NUM.

I think there are important issues at stake here which merit discussion among Ministers. Lying behind Mr. Lawson's draft of the policy letter is, as he points out, the issue of our long-term policy on coal, raised in the CPRS paper (not a joint paper with the Policy Unit) which was never properly discussed by Ministers. Mr. Lawson is wrong to imply that it is established Ministerial policy to reject "retrenchment", even though that is not in fact what we are proposing. Furthermore, I think the current situation following the NCB's proposal to close the Snowdown Colliery merits discussion in its own right - Mr. Lawson ought to give his assessment of the likelihood of Mr. Scargill convincing his Executive that a national strike is justified - as well as because the Snowdown issue illustrates and reinforces the need to find a long-term solution to the problem of NUM monopoly power. I understand that Mr. Lawson has indicated his preference for a bilateral discussion with the Prime Minister; I think that at any such discussion it would be essential to have present both the Chief Secretary and Mr. Sparrow.

←  
Yes  
MCS

It may help if I clarify exactly what we think needs to be changed in Mr. Lawson's specific proposals. We have two suggestions, which we would like to see adopted at the meeting. (Alan Walters and Ferdy Mount agree these; and from my discussion with Energy, the Treasury and the CPRS, I think both stand some chance of being accepted by them).

SECRET

/ (a)



- (a) Mr. Lawson has already agreed to raise orally with the new Chairman two issues which he is reluctant to cover in a letter which, as he points out, will leak. The monopoly point is clearly suitable for covering at the same time. So we think he should add a third issue to those he has already identified in paragraph 4 of his memorandum, and that he should explain to the incoming Chairman that the Government wishes to see some long-term erosion of the dependence of the country's electricity generation on domestically-mined coal, so as to give customers access to a variety of fuel resources, and to improve competition within the energy market, and internationally. He should present this as being as much in the interests of NCB management, because it would reduce the monopoly power of the NUM, as of the Government, and he could explain that it would be achieved by individual decisions on capital investment rather than by a series of major confrontations with the unions.
- (b) We think the point at which the draft policy letter then needs to be changed is not the opening three paragraphs on objectives, but paragraph 5 on capital investment. We suggest a redraft as follows:-

"Capital Investment

The Board's capital investment is subject to special statutory approval, and the Government will continue to examine closely the proposals embodied in the Board's programme. The Government sees no case for an increase in the Board's deep-mined capacity (net of closures) before the industry has returned to break even and ended its dependence on grants. Thereafter the Government's examination of any new capital investment proposals will be made in the light of the Board's Corporate Plan, progress in reducing costs and increasing efficiency, and the costs and availability of energy from other sources, including nuclear generation and imported coal."



24

Act Gnd

1982

Prime Minister (2)

MS 11/6

01 211 6402

The Rt Hon Sir Geoffrey Howe QC MP  
 Chancellor of the Exchequer  
 HM Treasury  
 Parliament Street  
 London  
 SW1

11 June 1982

Dear Chancellor,

#### N C B PIT CLOSURES

The NUM Executive met yesterday and discussed Snowdown. The NCB do not yet have an account of the meeting but Scargill told the press afterwards that the NUM would be seeking talks at national level with the Board about the colliery, and that meanwhile he expected the Kent miners to be "willing to leave matters in the NEC's hands".

The Board's first reaction to this is that it is reasonably satisfactory in that the moderates seem to have made some headway in pressing for Snowdown to be discussed in the industry's national review procedures. Within the next few days, we shall see how the Kent NUM responds to their NEC's apparent instruction not to take action while discussions continue. The Board report growing dissatisfaction in the coalfield with the way the decision to strike from 19 June was taken. Petitions are circulating in all three pits, asking for a ballot before a strike is called, and it seems that half of the men may already have signed these. The Board also report that a steady trickle of Kent miners has been enquiring about redundancy terms. The Board continue to believe that there has been a movement away from early confrontation on Snowdown.

However, Scargill also referred repeatedly in his statement to the possibility of national industrial action to preserve jobs in the industry. He said that the NUM were seeking a meeting with the Board on 24 June, at which they wanted information on closure and investment plans for individual collieries. The NEC would report to the NUM conference in July on Snowdown and on closures generally, and if there were no change in the position, he expected the NEC to recommend "direct action" to secure jobs.



The Board do not doubt that Scargill's ultimate intention is a strike over pit closures but they believe his tactic to be to build up as much steam as possible on closures before the NUM Conference, while avoiding industrial action for the time being. They are conscious that he is aiming to change the present position whereby closures are discussed between the Board and unions case by case at local level - he wants closures to become a national issue on which the NUM can mobilise national action, as started to happen in February 1981.

The Board will try to avoid this on 24 June by refusing to discuss future closures on the basis of individual pits. I shall see Ezra before that meeting to discuss how he proposes to play it: it is essential that the Board should avoid putting the NUM in a position to claim that there is a national target for capacity to be closed or any list of specific pits ear-marked for closure. They must continue to insist that individual closures arise independently at local level.

It is equally important that we should do nothing to erode this position. I have seen your letter of 9 June and will, of course, continue to give you as much warning as I can of sensitive announcements. But we must avoid thinking of the Board's 'plans' as being more detailed, precise or inflexible than in fact they are. They must judge where and when they can put pits through the local machinery, and the aggregate figures for closures will emerge in consequence after the event. Our role must be to encourage them to do as much as possible, and to continue with the various measures already in train to make more and more possible each year.

I am copying this letter to the recipients of yours.

Yours sincerely

Janet Chadwick

pp NIGEL LAWSON  
(Approved by the Secretary of State  
and signed in his absence)





*[Faint, illegible red text, possibly a signature or stamp]*

JUN 1922

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1 2 3 4 5 6  
7 8 9 10 11 12





SECRETARY OF STATE FOR ENERGY  
THAMES HOUSE SOUTH  
MILLBANK LONDON SW1P 4QJ  
01 211 6402

247  
CC JV  
3/10

SECRET

Michael Scholar Esq  
10 Downing Street  
LONDON SW1

10 June 1982

Dear Michael,

NCB: POLICY LETTER TO THE NEW CHAIRMAN

Thank you for your letter of 4 June asking for further analysis of the NCB's long-run objectives, taking account of the Prime Minister's concern to reduce the monopoly power of the NUM.

My Secretary of State believes that four important points need to be borne in mind:

1. the policy letter to the new Chairman of the NCB, which he will have to show to his entire Board once it has been agreed, will to all intents and purposes be a public document. We certainly cannot count on anything else. This clearly limits what it can prudently contain;
2. an explicit policy of 'retrenchment', irrespective of economic performance, was considered by last year's CPRS/No 10 Policy Unit study of the NCB/NUM problem and rejected, as likely to be wholly counterproductive and guaranteed only to maximise industrial trouble. Mr Lawson agrees that this head-on approach would be unwise. Moreover, even if a Chairman could be found who would be prepared to carry out such a remit, it is most unlikely that he would wish to see it spelled out in his policy letter, for the reason given in point 1 above;
3. the policy letter is concerned with the specific objectives of the NCB, not with the wider objectives of the Government. This distinction is crucial, since the principal means of reducing the monopoly power of the NUM are not matters for the NCB at all. They comprise such steps as:
  - (i) an expanding nuclear power programme (in train, but much clearly depends on the Sizewell inquiry);
  - (ii) an expansion of private electricity generation (the Bill proposed for the next Session is directed towards this end);





- (iii) increasing power station coal stocks (well in hand, although further decisions may need to be taken in due course);
- (iv) restoring the CEGB's freedom to import coal (which is implicit in para 2 of the draft policy letter annexed to E(NI) (82) 16);
- (v) constructing slurry pipelines from the ports to the power stations, with a corresponding improvement of import facilities (under consideration);
4. the policy letter as drafted does not commit the Government to any given level of investment, let alone any increase in capacity (see para 5).

I am copying this letter to the recipients of yours.

*Yours ever,*

A handwritten signature in black ink, appearing to read 'J D West', with a long horizontal stroke extending to the right.

J D WEST  
Private Secretary

conqueror

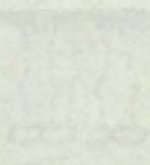


10 JUN 1982



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Computer





SECRET

Not. Ind. cf JV



Prime Minister (2)

23

Res 11/6

Treasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

9 June 1982

The Rt. Hon. Nigel Lawson, MP  
Secretary of State for Energy

*Dear Nigel*

NCB PIT CLOSURES

I was grateful for John Moore's letter of 28 May.

It is good news that the NCB are considering tackling their high cost tail of uneconomic capacity by closing an additional 2m-3m tonnes of capacity during the next twelve months in addition to the 2m tonnes per annum envisaged in their 10-year Development Plan. But closures on this scale could indeed prove sensitive, and we shall need to consider their plans very carefully when they are more fully developed.

I hope that you can impress on the NCB the need for adequate advance warning of any sensitive decision or announcement. We were given very little time to comment before the last two sensitive closures, Coegnant and Snowdon.

I am sending copies of this letter to the Prime Minister, Willie Whitelaw, Norman Tebbit, Sir Robert Armstrong and John Sparrow.

*J. Howe*

GEOFFREY HOWE





JFF847

Secretary of State for Industry

Prime Minister ②

MUS 15/6

205V

DEPARTMENT OF INDUSTRY  
ASHDOWN HOUSE  
123 VICTORIA STREET  
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 3301  
SWITCHBOARD 01-212 7676

9 June 1982

The Rt Hon Nigel Lawson MP  
Secretary of State for Energy  
Department of Energy  
Thames House South  
Millbank  
LONDON  
SW1P 4QJ

Dear Nigel,

I have seen a copy of your memorandum and draft letter (E(NI)(82)16) on 'Objectives for the National Coal Board'. The draft letter seems to me to fulfil very well the purpose we have in mind, namely a clear statement of what the Government expects of the Industry. There are, however, three topics on which I should like to comment.

2 The primary interest of the NCB's industrial customers lies in securing access to coal at internationally competitive prices, without having to subsidise this through taxation or high public borrowing. It is therefore important that the NCB makes rapid progress towards at least breaking even. I am somewhat concerned that the draft letter is vague about the timetable for this. If we believe that break even can be achieved in four years, should we not say so explicitly?

3 I am also inclined to favour at least a brief reference in the letter to closures and manpower reductions. We decided last year to avoid a confrontation on pit closures and I would have thought that a new NCB Chairman would need some clear guidance from Government if we are going to encourage the NCB to tackle the problem anew. Omitting these aspects from the letter may I fear be taken as an indication that the Government is still nervous about pressing for action and I doubt if oral persuasion will make up for the significant absence of a reference in the letter. I appreciate your concern over the tactical handling of these sensitive subjects, but I would have thought that we could safely state the Government expects the NCB not to rule out closures and manpower reductions in pursuing the opportunities for improving its financial performance.





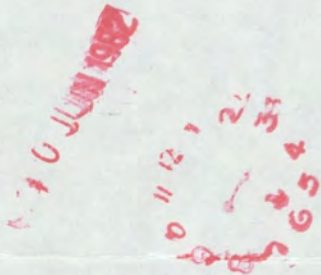
4 You mention the problem of "leaks". I would not advocate publication of objectives by Parliamentary announcement or press release: but I do not think we should seek to avoid disclosure of these objectives. As you point out, managers in the industries will need to be informed, and both Parliament and the public have a legitimate interest in such statements of Government policy. I think we should avoid giving any impression that there are hidden agendas, although I agree that trade union susceptibilities may some times lead us to omit certain topics from the objectives documents.

5 I have seen a copy of the Prime Minister's Private Secretary's letter of 4 June and note that it may now be necessary to discuss this matter at a later date.

6 I am copying this to the Prime Minister and members of E(NI) and to the others who received copies of your letter of 27 May requesting clearance by correspondence.

Your ever

Ratcliffe





SK JV  
2/11/82



Prime Minister  
←

2 MARSHAM STREET  
LONDON SW1P 3EB

MUS 15/6

My ref:  
Your ref:

9 June 1982

*See Nigel*

POLICY LETTER TO THE NEW CHAIRMAN OF THE NCB

on 14/6

I am concerned that the draft letter circulated with your letter of 27 May to Geoffrey Howe has nothing to say on environmental objectives. With the recent Belvoir decision and our current joint consideration of the CENE Report this seems a serious omission, and runs the risk of enabling the NCB to use the objectives to resist those improvements in environmental practices that we are agreed they should pursue.

I suggest therefore the addition of an extra paragraph (perhaps following paragraph 3) as follows:

"Both in its day-to-day operations and its new capital investment, the Board should aim to achieve the highest practicable environmental standards. The Government hopes, in the context of its response to the report of the commission on Energy and the Environment, to reach general agreement with the Board on such standards."

I am copying this letter to the Prime Minister, Geoffrey Howe, other members of E(NI), Nicholas Edwards, Sir Robert Armstrong and John Sparrow.

*Yours ever*

MICHAEL HESELTINE



09 JUN 1982





SECRET

22



Ble J. Kolesov

10 DOWNING STREET

From the Private Secretary

4 June 1982

Dear Julian,

NCB: POLICY LETTER TO THE NEW CHAIRMAN

The Prime Minister has seen your Secretary of State's draft policy letter to the new Chairman of the National Coal Board, circulated under cover of his paper E(NI)(82)16. She has also seen his letter of 27 May to the Chancellor of the Exchequer, in which he sought clearance of this draft letter in correspondence.

The Prime Minister notes that, as paragraph 2 of the E(NI) paper indicates, the thrust of the policy letter is that the NCB should develop the coal industry to the extent that the market allows them to do so profitably, so that it is envisaged that a high proportion of the CEGB's requirements will be met at the end of the century by coal from existing NCB pits and from those already being developed. The Prime Minister wonders whether this approach is not a step towards reinforcing rather than reducing the monopoly power of the NUM, and she has asked that alternative approaches should also be explored.

B/F. | Mrs. Thatcher would be grateful if Mr. Lawson would circulate some further analysis of the NCB's long-run objectives, taking account of this concern. She will then consider whether the draft letter could be cleared in correspondence, or whether it would be necessary to hold a meeting.

I am sending copies of this letter to the Private Secretaries to the other Members of E(NI) and to Adam Peat (Welsh Office), Gerry Spence (CPRS) and David Wright (Cabinet Office).

Yours sincerely,

Michael Scholar

SR



**SECRET**

Prime Minister ①  
Energy are aiming to clear this paper  
in correspondence. But it is a controversial paper,  
as the Policy c. Mr Walters  
Mr Mount  
Unit point mt. Agree I write as at X overleaf?

21

MR. SCHOLAR

NCB: DRAFT POLICY LETTER AND CLOSURES

MUS 3/6 Yes mb

(attached)

I think the Prime Minister will want to look particularly carefully at two important papers which have been copied to us relating to the Government's strategy vis a vis the NCB and the NUM: the draft policy letter to the new Chairman of the NCB, circulated by Mr. Lawson under cover of his paper for E(NI), and Mr. Moore's letter of 28 May to the Chancellor about pit closures in 1982/83. You and I have had a word about these, and I have now discussed them with Alan Walters, the Treasury and the CPRS.

Draft Policy Letter

There is much in the draft policy letter with which we can agree, and I am told that it has been discussed in some detail - but not agreed line by line - with the Treasury and the CPRS. In particular, the timetable for the break-even target, the productivity targets, and the provision for an agreed corporate plan are all highly desirable, and useful to get on the record with a new chairman (although it seems to me inevitable that they will have to be negotiated all over again with any <sup>further</sup> new Chairman). And I think we should be prepared to accept, as Mr. Lawson recommends, the exclusion from the letter of explicit references to closures, manpower reductions and the introduction of private capital, as long as these objectives are spelt out orally.

But one critical strategic issue remains, addressed in paragraph 2 of Mr. Lawson's covering paper, and spelt out in the section under Capital Investment, in paragraphs 5 and 6 of the draft letter. Mr. Lawson states as a fact that over 70% of the CEGB's requirements will probably still be met in the year 2000 by NCB coal; and concludes that a policy of cutting back on investment so as to reduce NUM monopoly power is unlikely to succeed, and would result in "early confrontation". This assumption, that the NCB can operate on as large a scale as is compatible with profitability, and continues for the indefinite future to provide a high proportion of the CEGB's coal requirements, precludes a reduction, however gradual, in, any NUM monopoly power. As the Prime Minister knows,

**SECRET**

/ it has



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- 2 -

it has long been the strongly held view of the Policy Unit that however clever we are about preparations for coping with the NUM in a particular pay round, whether through stock building, oil burning or the use of the Services, the only long term measure for dealing with the NUM monopoly is to get rid of the monopoly. In our view it would be a great mistake to endorse a strategy based on the assumption that that monopoly must continue for the next 20 years and more. Alan Walters shares these views, and has spelt out his concern about future investment by the NCB in the attached note. We are unimpressed with the argument about the power of the NUM to enforce a particular level of new investment, which did not carry the day over Belvoir; and it seems to us that the Government's objective should be to minimise long life investment in coal, and maximise alternative forms of electricity generation, including gas and nuclear.

X { If the Prime Minister agrees, therefore, I suggest that you might write to Mr. Lawson's Private Secretary saying that she has seen his paper for E(NI) and noted paragraph 2; that she wonders whether this is not a step towards reinforcing rather than reducing the NUM's monopoly power, and believes that alternative approaches should also be explored. She could invite Mr. Lawson to circulate some further analysis, on the basis of which the Prime Minister could then decide whether she wished to hold a meeting. But this should be done soon: Mr. Lawson is seeking agreement in writing, and we do not want too many other Ministers to acquiesce in what he is proposing before the Prime Minister herself intervenes. }

#### Closures

Mr. Moore's letter does not invite decisions by Ministers, but records the NCB's likely approach, which is to defer any closures above the level at which they have been running over the last two years or so until after the November pay settlement. This is of course a familiar line: there is never a good time to negotiate closures. But I do not think, particularly with a new Chairman, it is open to Ministers to second-guess the Board's approach. To do so would require a careful, pit by pit analysis of profitability, manning and alternative employment, which officials are not equipped to undertake. This tentative approach by the NCB to the issue of

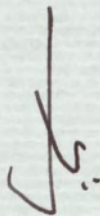
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- 3 -

closures does however reinforce our doubts about endorsing a continuing programme of major new investments.

A handwritten signature in black ink, appearing to be 'J.M.M.', written in a cursive style.

J.M.M. VEREKER

2 June 1982

**SECRET**



CONFIDENTIAL

cc Mr. Scholar ✓  
Mr. Mount  
Mr. Smith

MR. VEREKER

DEPARTMENT OF ENERGY'S DRAFT LETTER TO THE COAL BOARD

1. My main worry about Energy's memorandum and the draft letter is that it presumes a long-term strategy of developing coal mines without arguing either the economic, strategic or political rason d'etre.
2. There is a powerful argument for not engaging in investment over the next 5-10 years, the fruition of which will have a half life of probably some 20 years. In Energy's memorandum they mention that 70% of CEGB's requirements (I am not sure whether they mean total requirements or coal requirements, but I presume the former) will be supplied in the year 2000 by coal mines which are already in existence or which are planned.
3. Whether it is desirable to invest in coal depends upon a lot of uncertainties. The only point on which we can be fairly certain is that the real wages of miners will rise at least as fast as real wages in the rest of the economy. This gives us at least a basis for discussing the costs of coal. We might also guess that the productivity of miners will not be dramatically different from the trend rate of productivity in industry generally, but this is more conjectural. What is highly uncertain, however, is the relative price of different forms of energy, even a few years hence, but certainly 30 years hence. The most distinguished pundits have been dramatically wrong in forecasting relative energy prices. Indeed the Department of Energy did rather badly even over an horizon of two years or so in the electrification report of British Rail and DoT. I do not therefore see how one can be at all confident of profitability of coal investment which has such a distant horizon for its half life.
4. We have ample evidence, however, that once the investment is in and the miners are employed, it is very difficult to withdraw from unprofitable ventures. It is much more difficult to withdraw from disastrously unproductive pits than it is to expand investment in productive coal mines, such as Selby.

/5. The hostages

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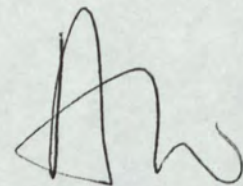


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- 2 -

5. The hostages to an uncertain fortune in the future, however, are not confined to money. The most important point is that investment now or in the near future with a long life, gives substantial support to a politicised trades union for many years ahead. Its future, and the future of those politicised groups that capture its power, is thereby assured. I believe our long-run strategy should be to eliminate that untoward concentration of power. And one way of doing so is not to create such new capacity.
  
6. I am not persuaded by Energy's argument that if we do not make substantial investment in new coal fields there will be great unrest and disruption by the NUM. The example of the Belvoir decision, apparently made on good environmental grounds, clearly counters this argument. But even if the argument were true, I believe it is a price well worth paying so that we are not in the long run in thrall to a politicised miners' union.

2 June 1982



ALAN WALTERS

CONFIDENTIAL





Prime Minister (2)

20  
cc [initials]

Mes 2/6

DEPARTMENT OF ENERGY  
THAMES HOUSE SOUTH  
MILLBANK  
LONDON SW1P 4QJ  
01-211 3932

SECRET

Rt Hon Sir Geoffrey Howe QC MP  
Chancellor of the Exchequer  
Parliament Street  
LONDON SW1

98 May 1982

*Geoffrey Howe*

NCB PIT CLOSURES

*with mes?*

Further to Nigel Lawson's Private Secretary's letter of 24 May to your Private Secretary, I am writing to report on further developments at Snowdown and also on the Board's very tentative thinking about further closures in 1982/83.

Snowdown

As predicted, the Area Director made his announcement to the Unions on 26 May. The NUM immediately walked out, while BACM and NACODS questioned Board officials further and then agreed to consider the Board's proposals. As you will have seen from the Press, the Kent area have called for a 24 hour strike in the coalfield next week, when NUM area officials will recommend a full strike in the coalfield. The Board consider it a marginally positive sign that an immediate all-out strike in the coalfield was not called. The Board's overall assessment continues to be that some individual pits in other areas may well come out in sympathy, but that there is unlikely to be widespread action outside Kent on the issue.

We have asked the Board to keep us fully informed of any developments and their likely repercussions. We in turn will keep you and other colleagues fully informed.

Pit Closures in 1982/83

The Board's 10 Year Development Plan indicates that they were planning to close pits with a productive capacity equivalent to 2 mt pa in both 1981/82 and 1982/83. The Board in fact closed 10 pits last year with a productive capacity of 2.6 mt. This is a creditable performance and much better than we all expected to be possible following the events of February 1981. Apart from Snowdown their current plan for 1982/83 is to close 6 pits with a capacity of about 2 mt pa. They believe these closures will be relatively uncontroversial and unlikely to lead to significant industrial action.





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As part of their preparation of their new Corporate Plan, which we shall be asking the new Chairman to submit in October, the Board are also looking at the possibility of closing an additional 2-3 mt of capacity during the next 12 months, ie 4-5 mt in total. Quite apart from the existing economic justification for a higher level of closures, the Board are concerned that without additional closures there could be a substantial level of stockbuild in both 1983 and 1984, which would seriously impair their financial prospects. We shall, of course, need to obtain and probe their figures in the context of their new Corporate Plan.

A higher level of closures would undoubtedly involve some pits in Wales, where the Area Director is currently planning no full closures during the next 12 months. The Board are aware of the difficulties surrounding closures in Wales and the risks of industrial action in that coalfield. They are also aware of the need to plan their strategy and tactics very carefully, particularly with a view to minimising the dangers of any action spreading beyond Wales. (In this the Board will be helped by complaints from a number of other NUM areas, eg in the Midlands and North-East, to the effect that while these areas accept closures, there have recently been very few closures in Wales). The Board's current thinking is that they should not tackle any full closures in Wales until after the pay settlement which they expect to be completed by November. They will, of course, need to consider carefully whether to act then or, say, in March 1983.

Through closures and other means the Board hope to reduce their workforce by a further 9000-10,000 in the current financial year.

We are emphasising to the Board the need to develop their plans very carefully and to keep us fully informed of their thinking. We shall clearly need to consider these plans and their implications collectively when they are more fully developed. I believe, however, that you will wish to know even at this very early stage how the Board's thinking is developing.

I am sending copies of this letter to the Prime Minister, William Whitelaw, Norman Tebbit, Sir Robert Armstrong and Mr Sparrow. In view of its delicacy I should be grateful if it could be treated on a strictly need-to-know basis.

A handwritten signature in dark ink, appearing to read 'John Moore', written in a cursive style with a large initial 'J'.

JOHN MOORE





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MAY 12

1938  
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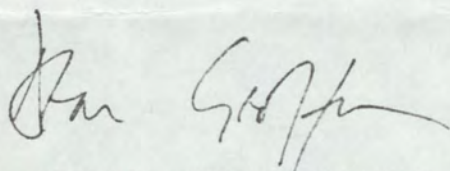
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01 211 6402

The Rt Hon Sir Geoffrey Howe QC MP  
Chancellor of the Exchequer  
Treasury Chambers  
Parliament Street  
London  
SW1

27 May 1982



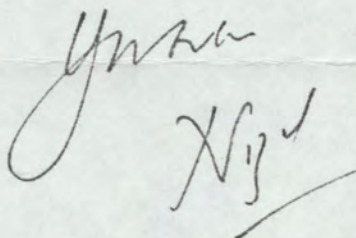
POLICY LETTER TO THE NEW CHAIRMAN OF THE NCB

I have today circulated a paper for E(NI),(E(NI)(82) 16), covering a draft of the policy letter to the new Chairman of the National Coal Board (NCB). It incorporates our objectives for the NCB.

In addition to consulting colleagues, I shall also need to discuss the draft letter with the new Chairman before it is finalised. I hope to be in a position to announce the appointment of a new Chairman very shortly, as is clearly desirable since Sir Derek Ezra retires on 2 July. However, I understand from the Cabinet Office that there is little prospect of an early meeting of E(NI). I would therefore be very grateful if the draft policy letter could be cleared in correspondence, if possible by Monday, 7 June.

I am copying this letter to the Prime Minister, other members of E(NI), Nicholas Edwards, Sir Robert Armstrong and John Sparrow.

NIGEL LAWSON





CONFIDENTIAL



Prime Minister (2)

MUS 26/5

next find  
cc →

Treasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

25 May 1982

Julian West Esq  
PS/Secretary of State for Energy  
Thames House South  
Millbank  
LONDON  
SW1P 4QJ

Dear Julian,

mb

TEMPORARY CLOSURE OF SNOWDOWN COLLIERY

I have shown the Chancellor of the Exchequer your letter of 24 May about the proposed temporary closure of Snowdown colliery in Kent.

In his view it is clearly in the Government's and taxpayers' interest that action be taken to limit the substantial losses in the Kent coalfield. No doubt on economic and financial grounds, there is a case for rather more radical action than the NCB now contemplate; but he understands why the NCB has chosen to proceed more circumspectly in this particular case. He recognises the risk involved, but he agrees with your Department's view that there is no basis for questioning the NCB's management judgement on the handling of this temporary closure.

Copies of this letter go to the other recipients of yours.

Yours ever,

J O Kerr

J O KERR



24 MAY 1982

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CONFIDENTIAL

25 May 1982

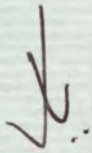
PA.  
MR SCHOLAR

cc Mr Mount  
Nakind

TEMPORARY CLOSURE OF SNOWDOWN COLLIERY

Mr Lawson's private secretary has written to the Chancellor's about the Coal Board's intention to close this colliery temporarily, while a £3.6m new investment in deeper seams is undertaken. I do not suggest that the Prime Minister intervene in this correspondence, but there are two points of which she may wish to be aware:

- (i) As the letter indicates at the foot of the second page, the Board would really have preferred permanent closure of Snowdown. Although the new investment will be profitable, the Board do not consider it to be the optimum use of their investment resources. The Board's proposal, superficially tough vis à vis Scargill, is therefore in fact a second best.
- (ii) There are wider and far more important closure issues looming, which make it undesirable to make too much of a fuss about this one. I understand that Mr Lawson will be writing to his colleagues about these shortly; and that the Board's proposals amount to a reduction in the work force of a further 10,000 (leading eventually to savings of around £100m) and the closure of 4-5m tonnes of capacity, mostly in Wales.

  
JOHN VEREKER

CONFIDENTIAL



CSU

cBI

01 211 6402

Prime Minister

(2)

MUS 25/8

John Kerr, Esq  
PS/Chancellor of the Exchequer  
Treasury Chambers  
Parliament Street  
London SW1

24 May 1982

mf

Dear John,

TEMPORARY CLOSURE OF SNOWDOWN COLLIERY

I have been asked to write to you about the proposed temporary closure of Snowdown Colliery in Kent.

The Kent coalfield is small (only three pits), makes large losses, and has a militant workforce and NUM area officials. Snowdown produces some 130,000t of coal a year and is losing nearly £9m a year, or £68 a tonne. The Board decided on 21 May that the Area Director should tell the NUM that the Board proposes to stop production of coal from the existing seams in the near future, while new deeper seams are opened up over the next 3-4 years. This development will involve new investment of some £3.6m pa.

The current work-force at Snowdown is about 850. 200 of the men will be put on the development of the new seams. The remainder will either be offered voluntary redundancy or transferred to other Kent pits, where they will fill existing vacancies or release men at those pits for voluntary redundancy. By these means the Board hope to achieve 500 voluntary redundancies, but would be satisfied with 300. They believe that there are at least 500 men willing to accept voluntary redundancy, but they will be opposed by local NUM officials.



When the development at Snowdown is complete the Board plan to move miners back there, paving the way for the closure of another Kent pit. Alternatively, if the new development runs into geological problems, as is always possible, the development work can be discontinued and the colliery closed altogether. Either way, the Board's plans for Snowdown are an important aspect of their strategy for reducing the size of the Kent coalfield.

They have had informal consultations with BACM, NACODS and Trevor Bell, one of Scargill's opponents in the recent leadership battle. All are willing to back the proposal to put Snowdown on a development only footing, but would be opposed to a full closure.

The Board's current assessment is that the local branch of the NUM will work hard for industrial action in the Kent coalfield. Arthur Scargill has recently visited the pit and called for the retention of the existing seams as well as the development of the new ones. He too is likely to call for industrial action. On balance, the Board believe it likely that there will be a strike in the Kent coalfield. It is also possible that one or two pits in other areas will come out in sympathy; but they think it most unlikely that industrial action will spread significantly to other areas, given that they have agreed to develop new seams at Snowdown, are looking only for voluntary redundancies and have the support of the other unions. They are willing to risk temporary strike action in Kent, which would help their financial position given the losses at all three pits. They are also confident that their proposals will eventually be accepted.

The Board have just informed us that the Area Director has decided to make his announcement on 26 May. Consultations over the weekend indicated that there is a better chance of the Board's proposals being accepted without industrial action if there is an early announcement and the NUM have threatened a 24 hour strike if an announcement is delayed until 2 June as originally planned. In the circumstances the Board have accepted their Area Director's advice that an early announcement should be made. It is just possible that inter-union rivalry will in fact lead to its postponement, as the NUM are trying to exclude BACM and NACODS from the meeting.

#### Assessment

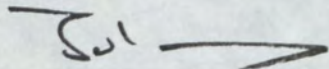
This will be the Board's first serious confrontation with Arthur Scargill. It is important that they win it. It is for this reason that they decided not to go for the full closure of Snowdown as this would have lost the support of the other unions and could have led to widespread industrial action.



While the Board expect a temporary stoppage in the Kent coalfield, they are confident that their plan to put Snowdown on to a development only basis will eventually be accepted. In the Secretary of State's absence, the Department's view is that there is no basis for questioning the Board's management judgement on this temporary closure, which will be carried out in accordance with the procedures agreed after the events of February 1981.

I am sending copies of this letter to Michael Scholar, John Halliday, Barnaby Shaw, Anthony Mayer, David Wright and Gerry Spence.

Yours ever,

A handwritten signature in dark ink, appearing to be 'J D West', followed by a long horizontal arrow pointing to the right.

J D WEST  
Private Secretary



✓ JV  
Max ind

Prime Minister (4)

MUS 19/5

01-211 6402

Rt Hon Leon Brittan QC MP  
Chief Secretary to the Treasury  
Treasury Chambers  
Parliament Street  
London SW1

19 May 1982

mf

Leon Brittan

CEGB COAL IMPORTS

Thank you for your letter of 6 May agreeing that the CEGB's imports should be limited to 750,000 tonnes this year and that we should put the NCB in a position to compensate the Board by up to £30m. My officials will seek to ensure that the actual cost is minimised.

I share your reluctance to continue to limit CEGB imports. I also agree that our aim must be to expose the NCB to the spur of competition from imported coal as soon as possible. But it is too early to say whether circumstances are likely to permit an increase in 1983-84. We shall need to consider this nearer the time.

I am sending copies of this letter to the Prime Minister, Willie Whitelaw, Patrick Jenkin, John Nott, David Howell, Norman Tebbit, George Younger, Sir Robert Armstrong and John Sparrow.

John Nott  
Nigel Lawson

NIGEL LAWSON





LC JV

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Nigel Lawson MP  
Secretary of State  
Department of Energy  
Thames House South  
Millbank  
London SW1P 4QJ

6 May 1982

2 Nigel

CEGB COAL IMPORTS

The Chancellor has asked me to reply to your letter of 23 April.

We are very reluctant indeed to continue to limit CEGB coal imports not only because of the cost to public funds but also because it removes one of the few market disciplines on the NCB. In view of the risks that you outline in your letter I agree that we should not make a stand on this issue this year, but clearly we cannot continue doing this year after year. For 1983-84 I think we should assume that the restriction will cease, and I attach considerable importance to this assumption.

It is desirable as far as possible for the Government to place responsibility for the reduction of imports on the two Boards. I agree therefore that the NCB should "buy out" the imports by offering a discount on its charges to the CEGB and that the Government should stand ready to increase its deficit grant to the NCB in order to enable it to do so.

It is too early to say what the cost to the CEGB will be this year. Certainly £30 million looks very high and I would hope that it would be possible to hold the cost well below that. I suggest, therefore, that you should tell the NCB that the Government will, if necessary, increase its EFL and deficit grant by the actual cost of compensating the CEGB up to a maximum of £30 million. I would be grateful if your officials would clear the detailed figures in due course with mine. The increase in the EFL should be announced; it will need to be made clear that the extra cost will be found from the Contingency Reserve.

I am sending copies of this letter to the Prime Minister, Willie Whitelaw, Patrick Jenkin, John Nott, David Howell, Norman Tebbit, George Younger, Sir Robert Armstrong and to John Sparrow.

Leon

LEON BRITTAN

CONFIDENTIAL

LC





Prime Minister (4)

MUS 19/5

ce J.V.

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Nigel Lawson MP  
Secretary of State  
Department of Energy  
Thames House South  
Millbank  
London SW1P 4QJ

*ML*

6 May 1982

*2 Nigel.*

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I am sending copies of this letter to the Prime Minister, Willie Whitelaw, Patrick Jenkin, John Nott, David Howell, Norman Tebbit, George Younger, Sir Robert Armstrong and to John Sparrow.

*Leon Brittan*

LEON BRITTAN

CONFIDENTIAL

*len*



CONFIDENTIAL

cc Mr. Hoskyns

✓  
MR. SCHOLAR

PA

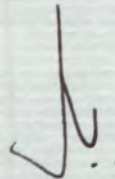
CEGB Coal Imports

In his letter of 23 April to the Chancellor, Mr. Lawson recommends holding the level of imports of coal by the CEGB to  $\frac{3}{4}$  million tonnes; and makes proposals about the financing of the continental stocks.

MISC 57 advised in February that any increase above that level would certainly be regarded by the miners as "extremely provocative", and might lead the miners to persuade other unions not to handle the extra. In the event Ministers took no decision, preferring to wait until after the outcome of the ASLEF dispute.

An increase in the level of imports to around 2 million tonnes, about the maximum feasible, would increase endurance next winter by less than one week, and at the last assessment we were on target for the maximum physical storage capacity of 24 million tonnes (England and Wales) by 1 November 1982 anyway.

I therefore suggest that, if the Prime Minister agrees, you might indicate that she is content to hold the level of imports to  $\frac{3}{4}$  million tonnes provided that we are still on target for 24 million tonnes of power station stocks by 1 November, and that she is content to leave the arrangements for financing of the stocks for discussion between Mr. Lawson and the Chancellor.



John Vereker

27 April 1982

CONFIDENTIAL



Nat. End  
Coal End  
Pt 6

SKV



SECRETARY OF STATE FOR ENERGY  
THAMES HOUSE SOUTH  
MILLBANK LONDON SW1P 4QJ  
01-211 6402

Prime Minister

(2)

Mr Lawson seeks  
renewal of the NCB  
coal imports subsidy.

MCS 26/4

23 April 1982

Rt Hon Sir Geoffrey Howe QC MP  
Chancellor of the Exchequer  
HM Treasury  
Treasury Chambers  
Parliament Street  
London SW1

M

Dear Chancellor,

#### CEGB COAL IMPORTS

We agree on 8 February that no immediate steps ought to be taken to increase CEGB coal imports in 1982/83 above the current level of 750,000 tonnes. Although, as Leon Brittan suggested in his letter of 5 April, we have not taken any firm decision on the level of imports for the year as a whole, I believe there are compelling reasons why it would be prudent to continue to limit CEGB coal imports.

The NUM would react very strongly against any significant increase in the level of CEGB imports this year. Such imports would be particularly provocative at a time when pithead stocks are very high and would make it even more difficult to persuade the NUM to agree to closures. The NUM and indeed the NCB management firmly believe that the Government committed itself to reducing imports by NIs not only in 1981/82 but for subsequent years and would believe we had double-crossed them if we agreed to increased CEGB imports. In sum, a higher level of CEGB imports would create a grievance which would greatly enhance Arthur Scargill's ability to bring about a strike later this year over pay.

The CEGB have firm contracts for  $2\frac{1}{4}$  mt of imported coal this year. They will expect compensation for  $1\frac{1}{2}$  mt of deflected imports, along the lines of the arrangements agreed for last year. If all this excess is put into stock on the Continent for a year the costs could amount to £20m or more, on the basis of costs incurred in respect of a similar tonnage in 1981/82. In addition we will need to compensate the CEGB for continuing to carry the present Continental stock of 1.4 mt during 1982/83 (about £10m).





I shall be keeping the level of Continental stocks under careful review, taking into account the relative costs of storing versus selling, and the security advantages of stocking. I do not believe we should take any decisions on the possible sale of these stocks until we see how power station stocks build up in coming months.

Compensation for limiting imports was paid to the CEGB in 1981/82 by means of a discount on NCB coal sales covered by grant. £30m was provided in the NCB's EFL and deficit grant last year to cover compensation to the CEGB and BSC. I hope you will agree that these arrangements can be renewed in respect of the CEGB to the extent of £30m in 1982/83 to cover compensation for limiting imports again to 750,000 tonnes as well as holding existing stocks for a further year. (The net cost would of course be significantly less than this since if - despite the risks involved - the CEGB were allowed to bring in all their contracted overseas supplies NCB pithead stocks would increase correspondingly, all other things being equal, and would have to be financed).

I am copying this letter to the Prime Minister, Willie Whitelaw, Patrick Jenkin, John Nott, David Howell, Norman Tebbit and George Younger, Sir Robert Armstrong and to John Sparrow.

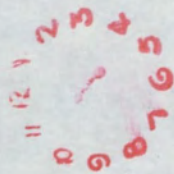
*Yours sincerely,  
Alistair Crockett*

pp NIGEL LAWSON

(Approved by the Secretary of State  
and signed on his behalf)



APR 6 1982



14





cc JV  
Prime Minister

(2)

MW 5/4

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Nigel Lawson MP  
Secretary of State  
Department of Energy  
Thames House South  
Millbank  
London SW1P 4QJ

5 April 1982

2 M...

mt

ACCELERATED COAL DELIVERIES TO POWER STATIONS

Thank you for your letter of 30 March. I am content for you to open negotiations with the NCB and the CEGB on the basis you propose. Thus, the CEGB should continue to take and pay for 75m tonnes of coal a year and any extra deliveries made this year as a result of accelerated deliveries should be on deferred payment terms with the extra costs of handling and transport reflected by an increase in the NCB's deficit grant and EFL.

It is impossible to be certain at this stage what these costs will be since that will depend on the amount of coal moved. However, it does seem desirable to take account of the costs in the revised EFLs that I will announce next week. I propose therefore that the EFL for the NCB should be increased by £30m on this account on the clear understanding that this is an upper limit and that the Board should undershoot their EFL to the extent that the actual costs turn out to be lower than £30m. Our officials will need to agree with the Board arrangements for monitoring these costs. I suggest that you should propose a similar arrangement on deficit grant, ie that the grant will be increased to meet the actual cost incurred up to a limit of £30m. However, there is no need to publish firm figures for the grant at this stage.

It is understandable that the Boards want some agreement on the amount and timing of payments for the extra deliveries in the event that these are not used by the CEGB in the next two years. I am content for you to open negotiations on the basis set out in your letter provided it is clearly understood that a rundown of stocks at power stations would require Government approval.

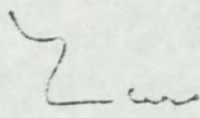
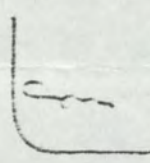


This is essential not only because it seem likely that we will wish to maintain stocks at a high level, but in order to guard against the possibility of the CEGB demanding further assistance as a condition of maintaining their "normal" deliveries from 1984.

I note that you are to consider accelerating deliveries in Scotland. I understand that the Scottish Electricity Boards are less vulnerable to disruption of coal supplies than the CEGB so acceleration may well be unnecessary in their case.

Finally, I note that you intend to write about backing-off coal imports in 1982-83. While we agreed in February not to increase imports immediately, I am not sure we have taken any firm decision on the level of imports for this year as a whole. In any case I doubt whether a specific addition to the NCB's grant and EFL would be justified on that account; no such specific additions were made last year.

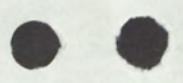
I am sending copies of this letter to the Prime Minister, Willie Whitelaw, Patrick Jenkin, Norman Tebbit, George Younger, David Howell, Sir Robert Armstrong and Robin Ibbs.

LEON BRITTAN



APR 1962





CONFIDENTIAL

pa.  
~~MR. SCHOLAR~~

c. Mr. Hoskyns

FINANCING OF ACCELERATED COAL DELIVERIES

You may want to draw the Prime Minister's attention to <sup>two</sup> issues arising from Mr. Lawson's letter of 30 March to the Chief Secretary:

- (i) The effect of Mr. Lawson's proposal is that the extra costs of our accelerated coal deliveries will be met by an increase in the coal deficit grant, not by asking the CEGB to increase electricity costs. I think that is right, because we want to keep this operation low profile; but of course the same principle would not necessarily apply if substantial costs were generated by action directly responding to coal shortages.
- (ii) Mr. Lawson suggests that "once two autumns are passed" the CEGB should be able to draw down the stocks, provided they obtain the Government's agreement. I must say I think it highly unlikely that Ministers will want to maintain coal stocks on a lower level than what we are already planning for November 1982.

The Chief Secretary will be replying to Mr. Lawson, broadly endorsing his proposals; but there is no need for the Prime Minister to intervene in the correspondence.

J.

2 April 1982

CONFIDENTIAL





SECRETARY OF STATE FOR ENERGY  
 THAMES HOUSE SOUTH  
 MILLBANK LONDON SW1P 4QJ  
 01 211 6402

dc SV  
 BI

Prime Minister (2)

MS 30/3

Rt Hon Leon Brittan QC MP  
 Chief Secretary to the Treasury  
 Treasury Chambers  
 Parliament Street  
 London  
 SW1

30 March 1982

Dear Chief Secretary,

ACCELERATED COAL DELIVERIES TO POWER STATIONS

We agreed on 15 March to ask the NCB and the CEGB to continue with super-accelerated deliveries of coal to power stations with extra costs being met from the contingency reserve. It should be possible to build up stocks at power stations to 24m tonnes well before 1 November 1982 if all goes well. I propose to negotiate with the Boards on the following basis.

The package which I propose, on the lines of the scheme that applied to accelerated deliveries in 1981-82, is:-

- i. HMG should pay for the extra handling and transport costs, including an over-time surcharge to British Rail, of accelerated deliveries in 1982-83 through an increase to the NCB's deficit grant and EFL. This could be of the order of £30m depending on the tonnage involved. We shall discuss the detailed calculation of relevant costs and their phasing with the two Boards concerned;
- ii. these calculations will be made in the context of the CEGB's intention to take and pay for 150mt of coal from the NCB in the 2 years 1981-82 and 1982-83. This is in line with their understanding with the NCB to use their best endeavours to take 75m tonnes a year. The effects of the ASLEF dispute have reduced deliveries below 75m tonnes in 1981-82. The CEGB have agreed to make up the deficiency in 1982-83;
- iii. the CEGB would take coal delivered in excess of this level on deferred payment terms. Payment would only be made when the coal is used: the price would normally be that for other coal supplied by NCB to CEGB at the time when the coal is used (but the two Boards may have alternative proposals);





- iv. in order to avoid a long term overhang of stock, we should discuss with the Board some special arrangements to permit the CEGB to draw on the stock of deferred payment coal at an advantageous price after 1983. If such coal is taken in addition to the annual 75m tonnes covered by the CEGB's understanding with the NCB it could for example be discounted to equal the realisation on firm export sales at the time. But no withdrawal from deferred payment stock would be made without Government approval;
- v. in 1983-84 and as long as the terms of the understanding are maintained-the CEGB would continue to use its best endeavours to take and pay for 75mt per annum of coal from the NCB.

If there is no further disruption to coal supplies during the course of 1982 we expect to have built substantial autumn power station stocks, possibly of the order of 4-5m tonnes above the level expected from normal deliveries. Such a reserve will be valuable against the possible threat of disruption. We should not allow it to be dispersed quickly without our prior agreement. Nevertheless it would seem desirable to make appropriate arrangements on a contingency basis for the eventual orderly rundown of these reserves. That is why I suggest, as a first step, that, once two autumns are past, the CEGB should be able to draw on them at a discounted price for coal additional to their normal purchases from NCB, provided they obtain our prior agreement.

Implementing this package in 1982-83 will require an increase in grant to the NCB and a corresponding increase in the NCB's EFL. British Rail revenues will improve and some part of the addition to the NCB EFL ought to be offset by a reduction in British Rail's EFR. The CEGB will not bear any additional cost and there will be no requirement for a change in the 1982-83 EFL arising from accelerated deliveries. Public expenditure and the PSBR would both be increased to the extent of the physical handling cost.

As far as the NCB is concerned there will be no immediate windfall gain from additional sales to the CEGB. However, their co-operation will not mean that sales to the CEGB or prices would be lower in subsequent years.

A Supplementary Estimate to increase NCB's deficit grant to take account of the continuing subsidy for foundry coke will in any case be required. An extra provision for accelerated coal deliveries can therefore be added quickly.

I will also write to you shortly about backed off imports in 1982-83. You will recall that we have agreed that CEGB imports in the coming year would be limited to 750,000 tonnes for the second year. This is a further factor to be taken into account when extending the NCB grant and EFL for 1982-83.

I hope that you can agree that I should open negotiations quickly with the CEGB and the NCB on financing accelerated deliveries. We would also need to consider similar arrangements in Scotland.





I am sending copies of this letter to the Prime Minister, Willie Whitelaw, Patrick Jenkin, Norman Tebbit, George Younger, Sir Robert Armstrong and Mr Ibbs.

*Yours sincerely,*

*Robert Chodwick*

PPNIGEL LAWSON

(Approved by the Secretary of State  
and signed in his absence)



1. MR. SCHOLAR
2. PRIME MINISTER

This is the meeting Robin <sup>(1)</sup>  
Ibbs wanted before his departure.  
But it really does seem impossible —  
and not too much would be lost without  
it.

You told Michael Scholar that you would be <sup>MCS</sup> happy to have a meeting to discuss the coal industry before the end of March. I really am unable to fit this in. <sup>17/3</sup>

The remainder of this week is full with Schmidt on Friday. Next week we have Mrs. Gandhi not to mention endless meetings and the Central Council speech at the end of the week. Monday 29th and Tuesday 30th you are in Brussels.

We will have to tell the people concerned that this meeting will not take place.

Content?

*There seems no  
alternative  
not*

17 March 1982





File 19 Sup  
be J. Vereker,

10 DOWNING STREET

From the Private Secretary

16 March 1982

Dear Julian,

The Prime Minister wishes to hold a meeting before the end of the month on the longer term position in relation to the coal industry on the basis of the CPRS note circulated under cover of Robin Ibbs' minute to me of 1 February.

We will be in touch with you shortly about the time of the meeting. I am sending copies of this letter to John Kerr (HM Treasury), John Halliday (Home Office), Barnaby Shaw (Department of Employment), Muir Russell (Scottish Office), Anthony Mayer (Department of Transport), Jonathan Spencer (Department of Industry), David Wright (Cabinet Office) and Gerry Spence (CPRS).

Your sincerely,

Michael Scholar

3/4 hour  
anytime

J.D. West, Esq.,  
Department of Energy.

SECRET



SUBJECT

SECRET AND PERSONAL

File

WFO



b.c. J. Vereker

18

B. Ingham

10 DOWNING STREET

From the Private Secretary

16 March 1982

Dear Anthony,

COAL AND THE RAILWAYS

The Prime Minister held a meeting yesterday at 1515 to discuss your Secretary of State's minute to her of 11 March, attached to which was a report by the Official Group on Railway Policy (MISC 72) on the ASLEF dispute; and Mr. Wade-Gery's minute to me of the same date, attached to which was a report by the Official Group on Coal (MISC 57) on power station coal stocks. Those present were the Home Secretary, the Secretaries of State for Energy, Transport and Employment, the Chief Secretary, Treasury, Sir Robert Armstrong, Mr. Ibbs and Mr. Wade-Gery.

Ministers first discussed the MISC 57 report. The Prime Minister, summing up this part of the discussion said that Ministers agreed that fully super-accelerated deliveries of coal to the power stations should continue until further notice, as the Secretary of State for Energy had proposed. Extra power station oilburn and the export of power from Scotland should be terminated at the end of March. If in the event it proved necessary to conserve power station coal stocks these measures could be reintroduced quickly. The extra costs involved in super-acceleration could be met from the Contingency Reserve. The Department of Energy should bring to a conclusion its urgent investigation as to whether it would be practicable for power station stocks of ancillary materials to be increased in line with coal stocks. MISC 57 should report on the scope for increasing the capacity of the interconnectors with Scotland and France, the costs and timescale involved in doing so and in the French case the reliability of supplies in an emergency; and they should examine the scope for extending the dual-firing of power stations, particularly with gas as the alternative fuel, since there seemed likely to be an over-supply of gas on the world market for some time. They should also consider whether in the longer term there were ways of reducing dependence on the railways for the delivery of coal to the power stations, e.g. by installing slurry pipelines in some cases.

The discussion then turned to the railways. Your Secretary of State said that the Rail Staff National Tribunal (RSNT) was meeting yesterday and today. Its findings would be published probably on Thursday 25 March, but possibly as early as 23 March. If the RSNT recommendations were acceptable to the Railways Board (as the Board now thought likely) they would probably announce immediately their intention to introduce flexible rostering from the end of May, when the new timetable came into force; to do so earlier would involve a great deal

/of work on

SECRET AND PERSONAL



of work on preparing rosters, many of which would subsequently have to be extensively revised. If the RSNT recommendations were inconclusive or favoured ASLEF, the Railways Board would probably seek to pursue flexible rostering and other productivity improvements in the context of the 1982 pay negotiations. The Railways Board was already in poor financial shape. Given the costs of the strikes earlier this year it would probably be necessary for the Board to generate an extra £100 million in 1982-83 from faster asset sales. If there were a further strike it was, in his view, unrealistic to expect the Board to absorb the costs involved; if the Government adopted this stance the Board could well be deterred from continuing the fight for improved productivity. He therefore recommended that the Board should be told now that in the event of a further strike the Government would meet at least part of the costs involved provided that the outcome was satisfactory agreement on improved productivity.

In discussion the following were the main points made:-

- (i) It was regrettable that the Railways Board could not immediately introduce flexible rostering on at least some routes in the event of acceptable recommendations from the RSNT.
- (ii) There should be no question of the Government meeting part of the costs of any further rail strike as long as the Railways Board continued to make unacceptably slow progress with asset sales. Private sector companies could well be forced to realise assets following a major industrial dispute, and the same discipline should therefore apply to the nationalised industries. In any case, the Railways Board might well regard the cost of a strike as an acceptable price to pay for necessary improvements in productivity.
- (iii) If the RSNT award proved to be completely unacceptable the Railways Board should be ready to reject it and to insist on the implementation of flexible rostering, even if that meant a major strike. It would be preferable for the 1982 pay negotiations and the introduction of flexible rostering to be kept separate. But if in the Railways Board's judgement the best course was to pursue improved productivity in the context of the pay negotiations it was important that the issue should be brought to a head quickly, since the threat of a strike as late as August (as had developed during the 1981 pay round) would be undesirable from the point of view of power station coal stocks.
- (iv) It had been suggested that the form of the ACAS enquiry into the Railway dispute had been constrained by ACAS' terms of reference. This needed investigation.

The Prime Minister, summing up the discussion, said that Ministers would need to meet again as soon as the RSNT's conclusions were known, and preferably before they were published. If the RSNT recommendations were to prove unacceptable to the Railways Board, or if ASLEF were to refuse to accept the RSNT award, the Railways Board should be encouraged to stand firm to achieve

/the improvements



the improvements in productivity which were essential to the future of the railway. But it should not be suggested that the Government would meet the costs of winning a further rail strike while the Railways Board had assets they could realise. The Secretary of State for Employment should consider urgently whether there was a need to alter the terms of reference under which ACAS operated. Finally, the Civil Contingencies Unit should arrange for the impact of a possible rail strike on the steel and chemical industries and on oil supplies to be investigated further. If necessary, the industries concerned could be consulted in confidence.

The Prime Minister has considered further the implications of the new assessment of the rate at which new rosters would be introduced by the Railways Board for ASLEF. (The MISC 72 Report had said that this could be done depot by depot, but that it might be mid-April before BRB were ready to impose new rosters; but your Secretary of State reported the latest judgement of the Railway's Board that it would make far worse industrial relations to introduce the rosters one by one rather than to wait until they were all agreed and introduce them all at once). The Prime Minister's view, however, is that the process of introducing the new rosters would better begin straightaway, since

- (i) Introducing them all at once provides a grievance for all the drivers at the same time, whereas introducing them gradually does not.
- (ii) The climate of public opinion will be most favourable towards the new rosters immediately after McCarthy reports.
- (iii) The more time passes, the more entangled this becomes with the new pay offer, and the greater the risk that the productivity issues will sink without trace.
- (iv) And the more time passes, the more likely it is that industrial action on the railways will take place after the summer holidays, when it does most damage to coal endurance.

In the light of this, the Prime Minister would be grateful if your Secretary of State would bring to the next Ministerial meeting on this subject an assessment by MISC 72 generally of the implications of the RSNT award; and in particular of the pace at which the Railways Board ought to be encouraged to proceed with the introduction of flexible rostering. Meanwhile the Board should be given clear instructions to take no precipitate action - either to bring on a strike or to abandon its productivity objectives - upon receipt of the RSNT award without consulting Ministers.

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 Energy, Industry, Defence, Scotland and Employment and to Sir Robert Armstrong and Mr. Ibbs. I should be grateful if you and they would ensure that it is circulated on a strictly "need to know" basis.

*Yours sincerely,*

*Michael Scholar*

Anthony Mayer, Esq.,  
Department of Transport.



CONFIDENTIAL

pa.

MR SCHOLAR

cc Mr Hoskyns

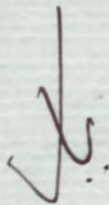
Coal

After her meeting yesterday afternoon on coal and rail, the Prime Minister acceded to Mr. Ibbs' request for a separate meeting of Ministers to discuss the outstanding issues from the CPRS coal study. We agreed that this would have to be set up towards the end of this month.

Separately, the Prime Minister agreed that you should write to the Chancellor indicating that she was not wholly convinced by Mr. Lawson's arguments against privatisation of opencast mining. That is down for discussion in E(DL) tomorrow morning.

The CPRS has suggested to me that if there is to be a Ministerial discussion of the main coal issues, which are our overall coal strategy, imports, management, and the development of the Vale of Belvoir, the issue of opencast mining disposal would fall naturally into that. I think they are right, particularly given the Prime Minister's interest in the latter. If you agree, you might want to have a word with the Chancellor's office to suggest that opencast mining privatisation be taken off the agenda for tomorrow's meeting (it has other items) and considered whenever you set up the Prime Minister's meeting on coal.

*Mr. Ex's office will be  
MCS*



16 March 1982

CONFIDENTIAL



Not find coal



SECRETARY OF STATE FOR ENERGY  
THAMES HOUSE SOUTH  
MILLBANK LONDON SW1P 4QJ  
01-211-6402

cc JV  
Prime Minister (2)

Mus 15/3

Rt Hon Patrick Jenkin MP  
Secretary of State for Industry  
Department of Industry  
Ashdown House  
123 Victoria Street  
London  
SW1E 6RB

15 March 1982

*Don Paton*

*request is required*

Thank you for your letter of 17 February.

We have some work on this subject already in hand. I attach a copy of a note prepared by my officials, which draws on data available from studies of the operation of such pipelines in other countries. As you will see, the note confirms that there is most unlikely to be any economic case for preferring slurry transportation to rail (or, in appropriate cases, conveyor belt or canal).

However, a fuller assessment of the flows of coal from pits to power stations might show that a useful reduction in dependence on rail transport might be achieved at relatively modest cost by installing slurry pipelines to carry some of the largest flows of coal. I have asked my officials to undertake further work on this. This work should be available in a few weeks. I shall then decide whether further support should be provided to the proposal for a consultants' report which is mentioned in paragraph 9 of the attached paper. In the meantime I suggest we postpone discussion in MISC 57 until more of the groundwork has been done.

Whatever our conclusions, the actual construction and commissioning of a slurry pipeline and its terminal facilities would clearly take time. Slurry pipelines might improve our security of coal supply in the longer term. They could not affect the position this winter or next.

I am copying this letter and its attachment to the Prime Minister.

*Lawson*  
*Nigel Lawson*

NIGEL LAWSON





CONFIDENTIAL

## COAL SLURRY PIPELINES

A Note by ENT Division

1. The economic and strategic viability of coal slurry pipelines can only be assessed by comparison with the best alternative transport system. In the UK that is the dedicated train i.e. a train which remains permanently coupled, is used solely for large coal movements from pit to power station, and which is loaded and unloaded automatically. An accurate comparison between the two modes of transport is not possible without detailed study of a specific case, and this has not been done in the UK. However, the information available from elsewhere leads to conclusions which look robust.
2. The slurry transport system has three distinct stages. The coal after washing, is ground to a maximum particle size of about 2.5 mm and mixed with an equal weight of water. The mixture is then pumped through the pipeline to the reception terminal where the coal and water are separated in centrifuges and in large settling ponds. The coal preparation and dewatering facilities are substantial items in terms of capital and of space. The water is no more than a carrying medium, but large quantities are needed at the pit head, and recovery at the power station is far from perfect so that disposal of large quantities of inky water is a serious problem. The water can be recycled by means of a second pipeline, but at a substantially increased capital cost. The recovered coal has a moisture content two or three times higher than coal supplied by rail, and this reduces boiler efficiency at the power station.
3. High capital costs are incurred at each inlet and outlet point on the pipeline, so that the system is best suited to long distance, point-to-point transport needs where a high load-factor can be expected for many years. Economies of scale favour high tonnages. In other words, the coal slurry pipeline is an inflexible system.





4. By contrast, the rail system offers considerable flexibility. It can cope with multi-point pick-up and multi-point delivery. It can accommodate changing transport patterns as pits become exhausted and power station load factors decline with time. The investment in track, signalling etc. can also be used for other transport needs, including passenger services. The existence of a comprehensive rail network is, of course, a significant factor in the comparison with new pipelines.

5. The pattern of coal movements in the UK appears more suited to the characteristics of a rail system rather than a pipeline system, and this conclusion is supported by the pattern of worldwide pipeline plans, which are aimed at large tonnages over long distances, primarily in the US and USSR. Incidentally, there are only two such pipelines in operation at present in the world, so experience is limited.

6. Strategic arguments could lead to different conclusions. The labour force for a pipeline system would be small and specialised. It would have no established restrictive practices and need have no links with other large groups. The pipeline itself would be difficult to damage or picket. However, it would still be at the mercy of mining and power station workforces and would be vulnerable to power and water supply failures. Recommissioning after an unplanned closure lasting a few days would be difficult because the coal would settle out in the pipe. A move to weaken the strength of one leg of the Triple Alliance might have repercussions.

7. The vulnerability of the rail system is only too evident at present.

8. It is concluded that a pipeline system would be more expensive than rail in the UK, but could offer strategic gains. Would the additional cost be justified? German and American cost comparisons are shown in the accompanying charts. German conditions are likely to be closer to our own and they indicate that at a capacity of





2.4m tonnes/annum (to feed 750MW of plant) the pipeline would be more expensive than rail at distances less than 230 to 240 miles. The average transport distance of power station coal in the UK is 35 miles, and 70% of all coal travels less than 30 miles. The price penalty of a pipeline for these distances would be around £4.50/tonne. This assumes a high annual and lifetime load factor; more realistic assumptions would penalise the pipeline further. It would be prohibitively expensive to build and use a pipeline for emergency conditions. The American costs are lower and reflect differences in terrain etc., but the general message is the same.

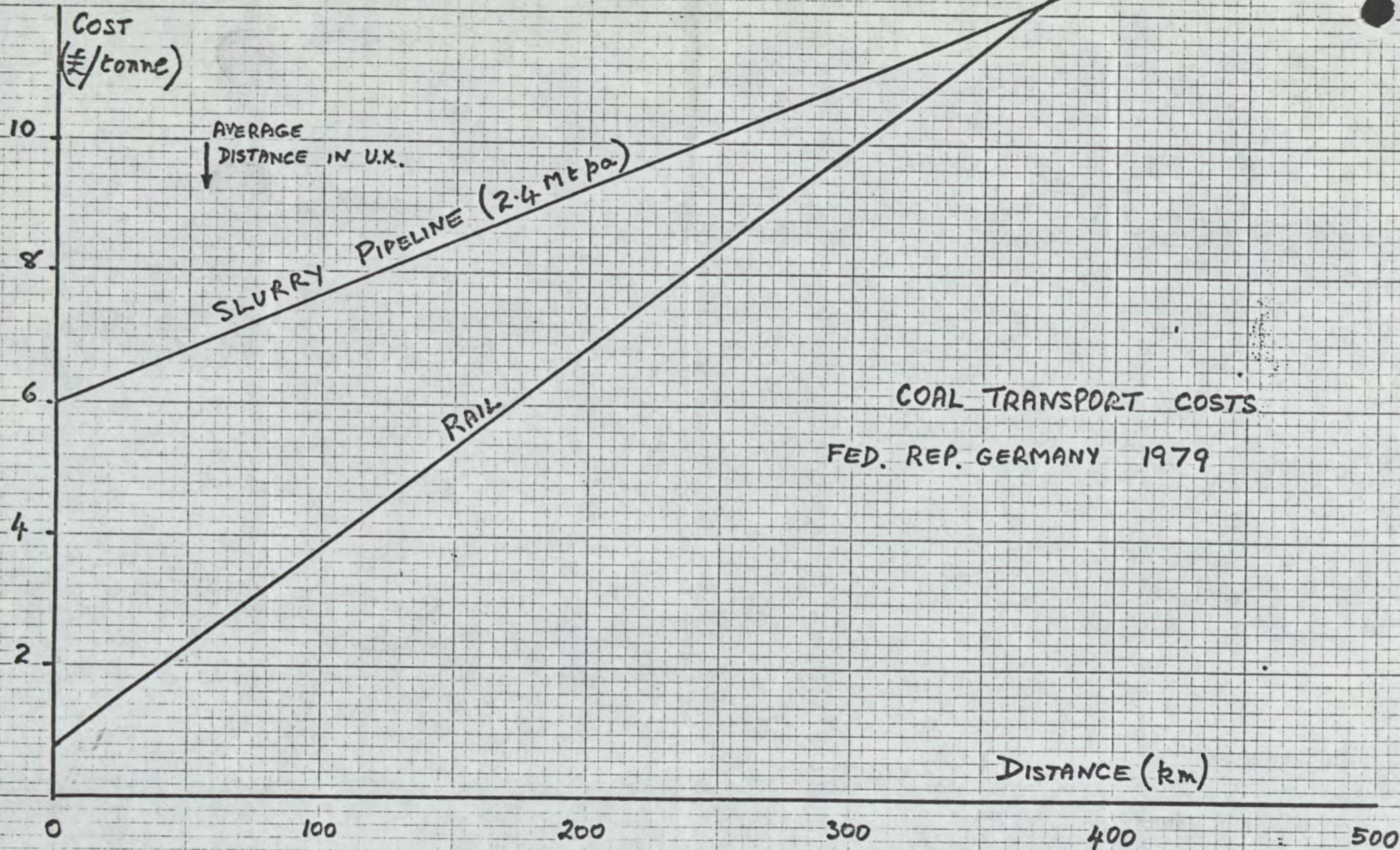
9. The weighing of costs and benefits must be a matter of judgement. A proposal for an engineering study of slurry pipelines has been submitted to the Department, and the proposers have been promised support if they can raise 50% funding from commercial sources. This is proving difficult, particularly as the CEEB is showing no interest. The recent CEEB report concluded that "pipelines were generally not feasible in the UK" for coal transport. This conclusion was based on submissions from a number of sources.

10. R & D is being undertaken in the UK and elsewhere to improve the technology of coal slurry pipelines, one option being to add small quantities of oil to cause particle agglomeration which would reduce pumping costs. A second option may be to pump a denser, heavier mix of coal, and pumps for this purpose are currently under development. Such a system would be particularly suited to a transport system from face to surface to power station; but this would only be feasible for a new pit.

11. When coal develops as an internationally traded commodity there may be gains from using coal slurry systems for loading and unloading ships, in conjunction with inland pipelines at either end.

2 February 1982

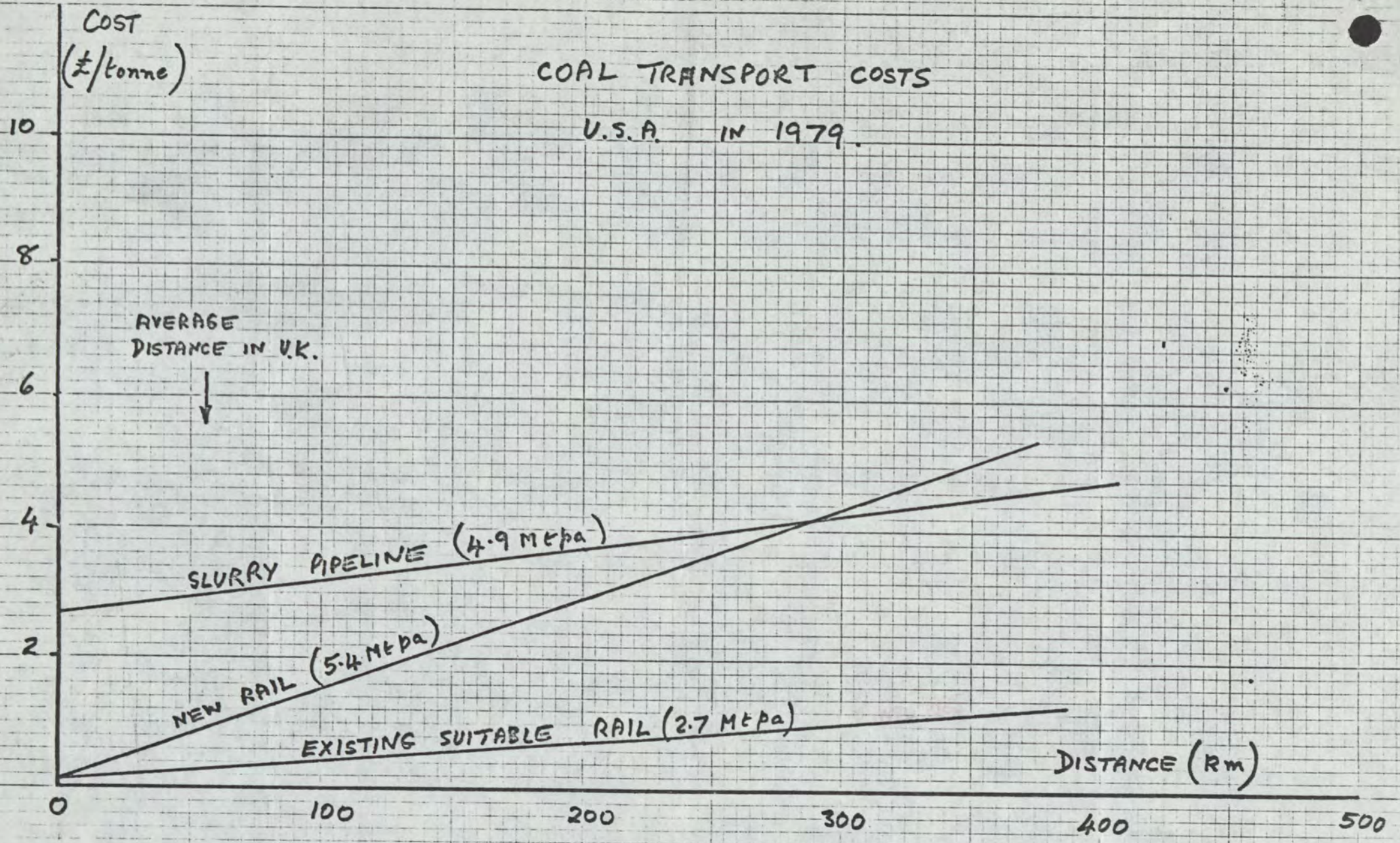






# COAL TRANSPORT COSTS

U.S.A. IN 1979.





15 MAR 1982

12 1 2 3  
11 10 9 8 7 6 5 4

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cc Mr. Hoskyns

Prime Minister

MCS 12/3

17

PRIME MINISTER

COAL ENDURANCE AND THE ASLEF DISPUTE

Your meeting on Monday will consider the latest reports from MISC 57, on coal endurance, and MISC 72, on the handling of the ASLEF dispute after McCarthy reports. It would be best if, at your meeting, the coal endurance position is established before colleagues go on to consider how to handle the ASLEF dispute.

Coal Endurance

The conclusions of the latest work of MISC 57 are summarised in Robert Wade-Gery's covering minute. They are satisfactory; we are on target to achieve the maximum physical power station capacity for coal stocks well before next autumn. That would be 27 mt for Great Britain (including Scotland), which is 5½ mt more than the peak achieved in December 1978.

The only decision for Ministers is to authorise the continuation of the super accelerated delivery rate for coal. Mr. Lawson will recommend this; MISC 57 believes it to be feasible; and you will have seen from the latest weekly coal and power station statistics that at the end of February power station coal receipts exceeded 2 mt a week for the first time since the beginning of 1980, as a result of the fast delivery programme. There is no reason not to continue with super accelerated delivery, and every reason to strengthen our hand vis-a-vis both ASLEF and the NUM by doing so.

You will also want your colleagues to note that MISC 57 has concluded that a rail strike this spring poses no immediate threat to the level of coal stocks in the spring or next autumn. Even after an 8 week all out rail strike we could get back to 27 mt in the autumn.

THE ASLEF DISPUTE

The main conclusion to be drawn from the MISC 72 report is that whatever McCarthy recommends, BR is likely to have to take a tough negotiating position with ASLEF, backed up by a willingness if

/ necessary

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necessary to sustain a further period of industrial action. You have of course already authorised Mr. Howell to tell Sir Peter Parker that we do not exclude the option of sustaining a national strike.

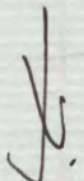
The Group recommends that if and when industrial action threatens, BR must provide Ministers with clear recommendations, together with their estimate of the outcome, and time for consideration. I am sure that is right. One of the lessons of the dispute last month was the need for us to ensure that our messages to BR are clear and consistent. That would be easier if we were responding to specific BR recommendations; and if there is time (which need not be long) for proper analysis by officials. And the risk of Ministers not being sure what messages are getting through would be reduced if the Cabinet Office are instructed to record, and circulate within a matter of a few hours, the action agreed.

Officials should be asked for two pieces of further work:

- (i) To consult the steel and chemical industries, as Mr. Howell suggests. The assessments in Annex VI are guesswork.
- (ii) To prepare a paper for Ministers analysing the RSNT findings and the likely way forward, taking account of BR's initial reactions.

#### BR's financial position

Our financial arrangements, quite rightly, have ensured that the short term cost of the industrial action last month will be borne by the railway industry; but the Board may feel that this provides a disincentive for tough management in the future. It may be necessary to indicate to the Board that we would be inclined to be more generous with the EFL in the short term if there were a successful outcome to facing up to industrial action, because that would reap benefits in terms of productivity savings in the longer term.



John Vereker

12 March 1982



Ref: B06441



Prime Minister

I understand that, if there is time, Robin Ibbotson may seek to widen the discussion on the longer-term coal position.

PRIME MINISTER

c Sir Robert Armstrong

Coal and the Railways

MS 12/3

## BACKGROUND

There are two papers for your meeting at 3.15 pm on Monday, 15th March:

- (a) my minute to Mr Scholar of 10th March covering a report by the Official Group on Coal (MISC 57);
- (b) the Secretary of State for Transport's minute to you of 11th March covering a report by the Official Group on Railway Policy (MISC 72).

2. They should be taken in that order. The conclusions of (a), on power station coal stocks, are highly relevant to the prospects of a rail strike, which (b) considers.

Power Station Coal Stocks

3. Paper (a) calls first for a specific Ministerial decision in favour of continuing with super-accelerated coal deliveries to the power stations through the spring and summer, until maximum stocks for next winter have been achieved. This should be easy to agree on quickly. The issue was deferred at your meeting on 17th December. At that stage it seemed finely balanced. Super-acceleration was needed in order to secure maximum stocks by November (24 million tonnes in England and Wales, or 27 million tonnes including Scotland). But the Secretaries of State for Energy and Employment were worried that it might provoke the unions into some kind of retaliatory go-slow. Since then that worry has dissolved, in the aftermath of the bad weather and the ASLEF stoppage. A recent joint meeting between the Department of Energy and the three Boards (CEGB, NCB and BRB) concluded that no one would object to super-acceleration, at least between now and the summer holidays. The





Chancellor of the Exchequer is not expected to object to the extra costs involved (about £10-12 million); but his officials and the Department of Energy will need to work out the precise means of meeting them.

4. No other decision arises on paper (a). But its other two conclusions, if accepted by the meeting, should dispose of two widely-expressed fears about the consequences of an early rail strike. First, it seems not to be true that such a strike would leave us unable to rebuild maximum power station coal stocks for next winter (unless it lasted more than two months), although doing so might in certain circumstances involve some expensive extra oilburn (about £30 million a week). Second, power station endurance during an early rail strike would be at least three months and therefore not the choke point.

#### The ASLEF Dispute

5. Paper (b) reviews prospects after the forthcoming arbitration, and in particular the possibility of a strike. The Secretary of State for Transport sensibly suggests concentrating on the following three questions.

(i) Is more contingency planning needed? There are several candidate areas.

- Chemicals. There may be a serious problem here, because specialised rail vehicles cannot easily be replicated on the roads. The Department of Transport will need to probe this with the chemical companies. If the problem is confirmed, solutions should be investigated by the Civil Contingencies Unit.
- Steel. Industrial users are well stocked and could probably keep going on imports. But British Steel itself might have to close, and the private steel companies would also be hard hit. The Department of Industry will need to investigate further.





- Oil. There could be local shortages in four areas, particularly of heavy fuel oil which requires specialised vehicles. The CCU will need to do more work on this, in consultation with the Department of Energy

(ii) How far would the Government back the BRB in a strike? There are two questions here. First, how long could a strike be withstood? The weakest points are probably coal-burning industry (but not power stations, see above); perhaps chemicals (see above); and commuter morale. Second, is flexible rostering the best issue on which to rally public support behind Sir Peter Parker in a showdown? Ideally, a clearer issue would have been preferable. But realistically he has little choice. Productivity is the key to effective management of the railways, and his NUR allies will never forgive him if he backs down now.

(iii) Should the Government give the BRB further guidance at this stage? The Secretary of State for Transport suggests that any further Ministerial discussion might best await the publication of the RSNT award and the BRB's assessment of it. That seems right. But the BRB will need to be told that this is what Ministers intend; and they will need to consider, and perhaps clear with Ministers, what they should say publicly, under each of the scenarios in the MISC 72 report, immediately following the publication of the RSNT award. Subject to that, no further guidance to the BRB seems necessary at this stage, unless Ministers decide during your meeting significantly to modify the points already made to the BRB by the Secretary of State for Transport.

6. Your meeting may also wish to consider what levers the Government would have to influence the BRB's handling of a strike. The Department of Transport's firm view is that the costs of a strike almost certainly will not be containable within the BRB's 1982-83 EFL, and that if the Government were to insist the BRB could well throw in the towel. It therefore seems





likely that at least part of the cost of any strike would have to be met through an increase in the BRB's EFL. The Department of Transport are also clear that in a strike an early increase in the BRB's temporary borrowing limit would be unavoidable. Faster asset sales would not make up the shortfall in cash flow. In any case asset sales impinge much more on the NUR than ASLEF, so in present circumstances they have to be handled carefully. Finally, the meeting may want to ask the Secretary of State for Transport how likely it is that the BRB's financial position during a strike would so deteriorate that increased borrowing would be improper and deficit grants would therefore be necessary (paragraph 27 of the MISC 72 report). The main questions are: how quickly might this arise? What sort of sums might be involved? How much more closely involved would the Government then have to become in the running of the railways and therefore in the handling of the strike?

*It would  
over the year*

#### HANDLING

7. You should deal first with power station coal stocks. Is it agreed that super-accelerated deliveries should continue in England and Wales until maximum November stock levels are ensured? The Secretary of State for Energy should open. The Secretary of State for Employment and the Chancellor of the Exchequer will wish to comment. Agreement is likely to be reached quickly. The Chancellor of the Exchequer should be invited to sort out with the Secretary of State for Energy how the extra costs should be funded. The Secretary of State for Scotland will be aware that super-acceleration is unnecessary there.

8. Next you should establish whether MISC 57's other conclusions are accepted. Does the Secretary of State for Energy in particular agree that after a rail strike power station coal stocks could be fully rebuilt in time for next winter, provided the strike does not last longer than two months or start late in the summer? Would the Chancellor of the Exchequer regard the cost of doing so as money well spent? Does the Secretary of State for Energy agree, further, that power station coal stocks would last at least twelve weeks in a rail strike beginning in April?





9. You should then ask the Secretary of State for Transport to speak to his minute on ASLEF and strike prospects. The Secretary of State for Employment and the Chancellor of the Exchequer, in particular, should comment. The Secretaries of State for Industry and Energy may wish to speak on the implications of a strike for the chemical and steel industries and for oil supplies respectively. If further work on this seems necessary the Home Secretary could be asked to arrange for it to be done under CCU auspices. The Secretary of State for Transport should be asked to convey any further guidance that may prove necessary to the BRB.

10. Finally, you will want the meeting to confirm that, in the immediate future, extra half-rate oilburn should continue at the power stations; not because it is needed to build up next winter's stocks, but as a precaution against an early rail strike.

#### CONCLUSIONS

11. You will need to record conclusions on the following specific points:

- (i) super-acceleration (with the Chancellor of the Exchequer and the Secretary of State for Energy settling the financial aspects separately);
- (ii) continuation of extra power station oilburn until the possibility of an early rail strike is clarified;
- (iii) the need for further work by CCU on oil supplies and the chemical industry; and
- (iv) what further guidance, if any, should be given to the BRB by the Secretary of State for Transport.

R L WADE-GERY

12th March 1982



E.R.

Caroline to see please <sup>al.</sup>

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15

PRIME MINISTER

Coal and Railways Meeting

Neither Patrick Jenkin nor George Younger can come to the meeting on Monday 15 March about coal stocks, oil burn and preparations for rail and coal strikes.

The Scottish Office have suggested that Alex Fletcher might come. I do not myself think a Scottish Office Minister is essential, and our aim has been not to widen the circle of people who see these papers.

Agree that we should go without an Industry or Scottish Minister?

MCS

11 March 1982

Yes  
not

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Ref: B06440

SJV 14  
MMR SCHOLARCoal 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.

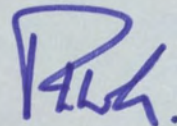


(c) In the event of an early rail strike power station endurance would not be less than 12 weeks, and could be much higher. This is significantly greater than the endurance of coal-burning industry.

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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13

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

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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

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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.

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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
	<hr/> 580 000	<hr/> 330 000
Planned level of coal deliveries	1900 000	1900 000
	<hr/>	<hr/>
shortfall	1320 000	1570 000
maximum power station oilburn	500 000	500 000
power from Scotland	80 000	80 000
	<hr/>	<hr/>
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 blocked 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,

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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.



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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-

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AND PERSONAL



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



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AND PERSONAL

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.

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Prime Minister (2)

We will have to

Treasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

10 March 1982

Timing of this

announcement 1 March?

The Rt. Hon. Nigel Lawson MP  
Secretary of State for Energy

MES 10/3

*Nigel*

*MS*

OILBURN

*with MES*

Thank you for your letter of 8 March about the discussions with the CEEGB on the financing of oilburn.

You report that the CEEGB have agreed to the arrangements for financing extra oilburn which I agreed in my letter of 2 March. The only change is that the Board have asked for the period of grant support to run from 10 February to 3 March, rather than to the end of February, subject to a limit of £20m. This is acceptable. You also report that the CEEGB say that they require either a cheque or a promise before 20 March to pay grant if they are to satisfy their auditors. We obviously cannot give them a cheque before then, but I agree that you can promise them to pay grant, subject, of course, to Parliamentary approval. Parliament must be told of our intention to pay the grant before the CEEGB are formally notified. Otherwise Parliament would have good reason to complain if news of the oilburn grant became public before they had been informed. This ought not to cause difficulty since I see that you are shortly to write to me on the terms of the announcement about the payment of grant.

Two further points:

i) My letter of 2 March referred to my officials' discussions with yours about the presentational advantages in the CEEGB paying for the extra oil this financial year rather than next. You undertook to ask the CEEGB to do this. I take it that following your request, the CEEGB are ensuring that the bills for the extra oilburn will be paid this financial year.

ii) We still do not have estimates of the effect on the ESI's EFL of the winter weather, the ASLEF dispute and the extra oilburn. By now the industry must have made some assessment of these effects on their financing and I hope that your forthcoming letter to the Chief Secretary will deal fully with this.

/I am



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I am sending a copy of this letter to the Prime Minister,  
David Howell, George Younger, Patrick Jenkin, Norman Tebbit,  
Sir Robert Armstrong and Robin Ibbs.

*[Handwritten signature]*

GEOFFREY HOWE

1899 12 1  
4 0 MAR 1988



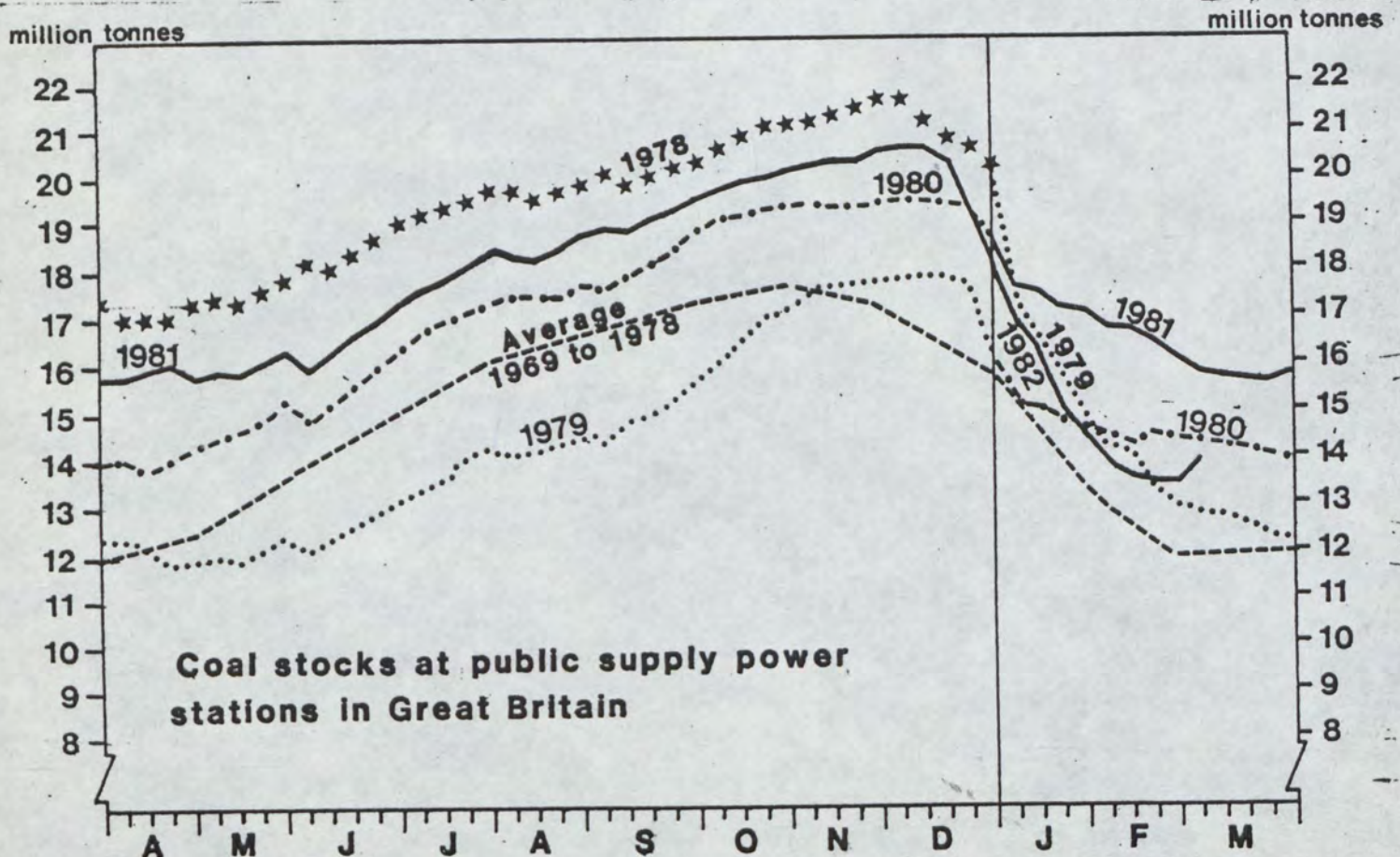
10 March 1982

WEEKLY COAL AND POWER STATION STATISTICS (1)

EcS Division, Dept. of Energy, Thames House South, Millbank SW1P 4QJ. Phone: 01-211-6928  
Week ending ..... 28.2.81 6.2.82 13.2.82 20.2.82 27.2.82

<u>PRODUCTION</u>						
(m. tonnes)	deep mines	2.46	: 2.44	2.42	2.45	2.49
	opencast	0.31	: 0.31	0.31	0.31	0.33
	<b>TOTAL</b>	<b>2.77</b>	<b>: 2.75</b>	<b>2.73</b>	<b>2.76</b>	<b>2.82</b>
<u>PRODUCTIVITY(2)</u>						
(tonnes/manshift)	'overall' o.m.s	2.50	: 2.54	2.51	2.55	2.60
	'production' o.m.s	9.68	: 10.07	10.02	10.27	10.38
<u>UNDISTRIBUTED STOCK</u>						
(m. tonnes)	<b>TOTAL</b>	<b>19.75</b>	<b>: 24.91</b>	<b>25.39</b>	<b>25.72</b>	<b>25.62</b>
<u>COAL STOCKS</u>						
(m. tonnes)		15.93	: 13.56	13.40	13.43	13.97
<u>COAL CONSUMPTION</u>						
		2.03	: 1.86	1.71	1.53	1.60
<u>COAL RECEIPTS</u>						
		1.80	: 1.49	1.55	1.56	2.13
<u>OIL STOCKS(3)</u>						
		1.06	: 0.92	0.86	0.80	0.76
<u>OIL CONSUMPTION(3)</u>						
		0.11	: 0.05	0.13	0.29	0.26
<u>OIL RECEIPTS(3)</u>						
		0.07	: 0.10	0.08	0.23	0.22
<u>ELECTRICITY SUPPLIED (4) (GWh)</u>						
	Nuclear	640	: 715	646	719	645
	Other Steam	4,937	: 4,388	4,387	4,670	4,712
	<b>TOTAL</b>	<b>5,577</b>	<b>: 5,103</b>	<b>5,033</b>	<b>5,389</b>	<b>5,357</b>
	TOTAL - temperature corrected	5,205	: 5,467	5,368	5,166	5,172

(1) Great Britain unless otherwise stated. All latest figures are subject to revision.  
(2) NCB mines only (3) Oil-fired boilers only (4) Steam stations only.





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SECRETARY OF STATE FOR ENERGY  
THAMES HOUSE SOUTH  
MILLBANK LONDON SW1P 4QJ  
01 211 6402

(I have already  
hold her y Mrs)  
MS 8/3

The Rt Hon Sir Geoffrey Howe QC MP  
Chancellor of the Exchequer  
Treasury Chambers  
Parliament Street  
London  
SW1

8 March 1982

Dear Chancellor,

In your letter of 2 March you suggested that I offer the CEGB a grant of up to £20m to cover the cost of extra oil burn in February and that expenditure on extra oil burn in March could be covered by an extension of borrowing together with reduced profitability.

I have put this proposal to the Chairman of the CEGB who discussed it with his full Board on 3 March. The Board has decided, in view of our offer of grant, to carry on with coal saving measures after 3 March at the level of 250,000 tonnes of coal equivalent a week until the railway position become clearer later in the month. They believe they can do so without amending their published Bulk Supply Tariff for 1981/82 and with minimal effect on the fuel component of the BST for the year. (There may be some small consequential increase in the fuel component in 1982/83.) I also understand that the CEGB's proposals may not involve a formal modification of this year's EFL; I am writing to Leon Brittan separately about this.

As to the arrangements for paying grant my officials will discuss the details with yours. I hope that we can agree that the costs of additional oil burn between 10 February (when I first made a request to the CEGB), and 3 March (when the Board met to take decisions on coal saving measures) ought to qualify for grant, up to a limit of £20m. The CEGB say that they require either a cheque or a promise to pay grant before 20 March if they are to satisfy their auditors that the fuel account and Bulk Supply Tariff has been handled correctly; I think we must accept this. I will write to you shortly on the terms of an announcement about the payment of grant.

I would like to respond to the CEGB quickly. I hope we can agree that I can tell the Board that early arrangements will be made to assess and pay the amount of grant that is due up to 3 March within the total of £20m.





I am copying this letter to the Prime Minister, David Howell, George Younger, Patrick Jenkin, Norman Tebbit, Sir Robert Armstrong and Robin Ibbs.

*W. S. [unclear]*

*J. P. [unclear]*

NIGEL LAWSON

(Approved by the Secretary of State  
and signed in his absence)



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for

CPRS STUDY OF THE NCB/NUM PROBLEM

Paragraph

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INTRODUCTION

On 8 June 1981 the CPRS was invited by the Prime Minister to prepare a first study on the NCB/NUM problem in association with John Hoskyns, consulting other Departments as appropriate. The Prime Minister emphasised the importance of keeping very tight security on the study. The CPRS was asked to suggest answers to the following questions:

- (a) What is the fundamental nature of the problem?
- (b) What can be done to correct the balance of power, so that it is more in the Government's favour?
- (c) What are the main implications of all this for other aspects of overall policy?

We report here on items (a) and (b), and have specifically considered the balance of power in 1981, 1982 and in the medium-term; as well as suggesting a number of measures which would only have long-term effect. The wider implications of the balance of power (item (c)) primarily effect pay, and these will be considered further in the study on the framework of pay bargaining which we are due to submit in September.

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SECTION 1: THE NCB/NUM PROBLEM: A SHORT DEFINITION

1. NUM power is based on:

- importance of coal-fired power stations, which supply some 75 per cent of electricity
- effective monopoly of supply through import restriction
- and hence possibility of slow strangulation of the economy, together with a history which gives miners:
  - a unique degree of public sympathy
  - a unique community solidarity
  - a particular claim on the solidarity of other trade unions

plus a confidence based on the successful use of that power (or the threat of it) three times in the last decade.

2. This power can be, and from time to time has been, used:

- to obtain high pay settlements, with damaging knock-on effects on other groups;
- to ensure substantial subventions to the coal industry at high cost, and with damaging effects on the overall economic stance of the Government; and potentially it allows challenges to Government authority on wider issues.

3. Pay: insofar as miners' settlements raise the level of other settlements they are costly to the PSBR and increase inflation. The problem that results from a high miners' settlement is most acute under a formal pay policy (as 1971/72 and 1973/74). It is potentially serious at any time. The miners' high relative wage position and new-found affluence now probably limit their aspirations, but these are still likely to exceed the general level of pay rises needed if inflation is to continue to fall.

4. Cost: all energy sources have become much more costly. But NCB's costs are excessive because of its substantial tail of uneconomic pits whose closure is thwarted by NUM power. The concentration in South Wales (and certain other areas) makes this more difficult to solve. In addition NCB's monopoly position protects it from pressures to reduce costs and increase productivity as much as is possible.



5. Political: NUM power could be used to subvert government authority on a wider front if joined to other forms of extra-parliamentary opposition.

6. The definition of the problem suggests the following objectives for Government:

- i. to achieve the lowest possible miners' pay settlements
- ii. to improve the efficiency, and to contain the costs to the Government, of UK coal production
- iii. to prevent NUM power being used to subvert the authority of Government.

SECTION 2: THE BALANCE OF POWER

7. We consider ways in which the Government can hope to shift the balance of power which is at present tilted in favour of the miners (paragraph 1) under two broad headings:

- reduce the power of the NUM
- make the miners more reluctant to use the power.

A. Reduce the power of the NUM

8. Again the action falls under two headings:

- increase the ability to withstand a strike
- weaken the NUM's effectiveness in a strike

(a) Increase the ability to withstand a strike

(i) Increase power station coal stocks

9. Methods of improving the endurance of power stations in 1981 have been examined in a report by MISC 57 to the Home Secretary. Coal stocks at power stations are being increased and, in conjunction with increased oil-burn, should give 11-12 weeks endurance at normal usage. This can be extended to 13-14 weeks if the grid is run at 85 per cent with the major problems for consumers (and therefore politically for the Government) associated with this. Adequate stocks of ancillary materials are also essential to achieve this.

10. The Department of Energy is now reporting on measures by which the CEGB might be able to meet an endurance target of 20 weeks by November 1982. In considering which measures should be implemented the Government must consider both cost and the effect on miners' attitudes.



11. In making this decision Government should view the problem as a continuing one. It will arise year after year, unless and until there is a radical change in attitudes or in the balance of power. Each year is likely to have its special problems; for example in 1982 a new Chairman of the NCB and a new President of the NUM will be staking out their positions and there will be a particular risk of confrontation. However, it would be a mistake to regard any single year in the coming decade as necessarily marking the end of the crucial phase of the balance of power problem.

(ii) Make transport of pithead coal easier

12. There are large pithead stocks of coal at present, but in a strike NUM pickets would effectively stop members of other unions moving these to power stations by rail or road.

13. The use of troops has been examined in the report by MISC 57. It would substantially increase endurance times - i.e. directly and indirectly by about 11 further weeks. However the report concludes that there would be severe practical problems in the use of servicemen.

(iii) More imports

14. As MISC 57 also shows, coal imports, if obtainable, and if they could be transported to power stations, might increase power station endurance by 10-12 per cent. Immediate expenditure at certain ports might raise this to about 15 per cent by 1982. But imports are a particularly sensitive issue and if coal could be landed there are still likely to be problems of transporting it within the United Kingdom.

15. The scope for coal imports will increase materially in the long run because:

i. world trade in steam coal for power stations will develop enormously (principally from USA, Australia and South Africa);

ii. a large number of the CEGB's major inland coal-based power stations, which were built in the 1960s, will become due for replacement or refurbishment in the 1990s, and, if refurbished, for replacement in the 2000s.

16. As set out in Annex B, even assuming a successful nuclear programme, it will be prudent to make provision for a number of new coalfired power stations



for the 1990s and 2000s. This may provide the opportunity for a programme of coastal coalfired power stations, able to use imported coaleconomically. At present, the CEEB has one suitable site for a coal terminal and power station, Killingholme on Humberside. It is also investigating a coastal power station site at Inwork Point, near Plymouth. To get the best economies power stations need to be at a major coal port, capable of receiving large coal carriers, or near it with facilities to move the coal reliably to the actual power station. Sites suitable for major coal ports are scarce. A major coal port requires major investment (about £100m), although if British Steel Corporation ceased to import iron ore for steel-making at Hunterston, Port Talbot or Redcar, these facilities could be used, and act as links to new coastal power stations.

17. The CEEB has been inhibited from pursuing a strategy based on coal imports because its attempts to import have more than once met with a Government veto at NUM insistence. It is therefore essential to retain the right to import, and extend it when a suitable opportunity occurs, to strengthen the Government's position in the longer term.

18. There is much work required to establish the full scope for coal ports in the UK, and associated coastal coal-based power stations. Such a policy would provide some safeguards against delays in the nuclear programme (discussed at (v) below), but it is most unlikely that it could fully compensate for its total failure. But since the pace of the nuclear programme still remains uncertain we recommend that a strategy of coastal coal-based power stations should now be examined in depth.

(iv) New internal sources of coal

19. New sources of coal within the UK might be developed by private capital in competition with the NCB. Some mines which the NCB may need to close through lack of funds for investment might attract the sort of outside capital now going into the Cornish tin-mines. Big projects such as Belvoir or South Warwickshire might be pursued by the NCB as joint ventures with private capital.

20. In the long term we do not believe that private capital should be restricted to joint ventures with NCB. The NCB's statutory monopoly of exploration and development should therefore be removed in the medium term, and the objective should be to work towards a situation where the NCB competes on an equal basis in exploration and development under licence.



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21. These longer-term developments could help to make the NCB more commercially alert and competitive. But they will not help in withstanding a strike unless new developments are outside the control of the NUM. How far privately-owned deep mines could be detached from NUM negotiations and kept out of a strike must be a matter for conjecture.

22. The open-cast sites which produce 12 per cent of NCB's coal are worked by TGWU members. These continued production in 1972 and 1974 and could be expected to do so in a further NUM national strike. They could be hived off to private concerns, to detach them further from the NCB. They make large profits (1980/81 - £156m), therefore their privatisation would expose further the NCB's deep mined losses.

23. We recommend that the feasibility of (a) moving open-cast mines to the private sector and (b) allowing major private sector coalmining projects, should periodically be reviewed, even though such moves if taken immediately would lead to confrontation.

(v) Alternative sources of electricity - nuclear

24. To break the NUM's monopoly power it will be important to maintain a consistent programme of nuclear power-station ordering, on the lines suggested as a base for planning in the Government's statement of December 1979, and re-affirmed in the Government's recent reply to the Select Committee on Energy's report on the Nuclear Programme. The prime purpose of this programme is to produce cheaper electricity. However even if doubts about the capital costs of nuclear power stations made the economics less demonstrable they should still have an important strategic role in the future as a second source not only because of the miners' monopoly power but also because of the risk of increasing cost of fossil fuel. We therefore recommend that the case for nuclear power should be openly based on the need to diversify supply.

25. Even on this programme the United Kingdom would only be generating 30 per cent of its electricity from nuclear power in 2000. However, a successful nuclear programme will throw a shadow over coal's monopoly power long before this. What is required is that there should emerge during 1983/85 a conviction that the programme will succeed. On the other hand obvious failure to get the nuclear programme moving would reinforce the monopoly position of UK coal for another generation.

26. In theory a faster nuclear programme, similar to that undertaken under the previous French government, would bring forward the day when the grid can run

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at 85 per cent or more without coal, thus enormously reducing the grip of the NUM. In practice we do not believe this can be envisaged at present because we consider implementation of even a 15GW programme in the UK by 2000, the best outcome present plans could produce, is going to be a major task to achieve. We recommend that every effort should be made to ensure that these plans do succeed on time. A more ambitious programme now would exacerbate the well-known problems, namely strain on the UK nuclear industry, burden on public sector financing in the late 1980s, and the difficulty of finding acceptable sites (especially for PWRs); it would stimulate much increased opposition (not least from the NUM) and would therefore be less likely to proceed with the smoothness required to impress on the coal industry that its monopoly of power generation is bound to disappear. Nevertheless if the present nuclear programme goes better than we at present fear, we recommend that the possibility of acceleration should be re-examined in a few years time.

(vi) Alternative sources of electricity - other than nuclear

27. Aside from oil-burn (considered by MISC 57), some coal-fired power stations could be converted over time to dual-firing with gas. But this requires a capital investment of about £200m for a 2GW power station, and therefore a programme large enough to have a major impact would be very expensive and almost certainly uneconomic. There would also be problems in making available the gas required.

28. We have considered other forms of energy supply - ie Severn Barrage (which would only replace 1GW worth of power station capacity), cross-Channel link with France, wind power, etc - but consider all of these, both separately and cumulatively, insufficient to have a substantial effect on the main problem. Less conventional energy sources such as solar power, biomass, hydrogen etc will only play a marginal role in the UK for the foreseeable future.

(vii) Reduce dependence on public electricity

29. The economies of scale in conventional electricity generation have meant that the most efficient power stations have become larger, and this is likely to reinforce the natural monopoly of the public electricity boards despite the Government's recent announcement about opening up electricity supply to private capital. A number of industrial electricity users already run their own generating plant but to have a significant effect on the balance of power with the NUM a very great increase would be required entailing a vast amount of capital. Most industrial users are unlikely to give priority to this form of investment in the foreseeable future.

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30. As energy prices rise the economics of selling Combined Heat and Power (CHP) will become more attractive, as set out in the Marshall Group Report on CHP (1979). A small 15MW plant pioneered at Hereford by the Midlands Electricity Board has proved a success because of local industrial requirements for heat. It is being followed by a similar plant for industrial users in Birmingham. A further scheme is to be developed for domestic district heating on an experimental basis. CHP schemes offer no easy answer to the balance of power with the NUM. Their increased fuel efficiency is based on substantial capital expenditure on heat transmission, and again their growth on any significant scale will therefore be restrained by capital availability. They offer reduced dependence on the big power stations and hence reduced vulnerability to unlawful picketing. New schemes will however be based on coal and to offer increased endurance they must have access to replenishment of coal stocks (normally to carry enormous coal stocks would damage their economic attraction). Since most CHP schemes are likely to be in inland industrial areas there could still be a problem of secondary action.

31. The other main opportunity for reduced dependence on coal-based electricity is therefore by reduced dependence on energy generally. As energy prices rise energy conservation becomes more attractive and energy-intensive activities less economic. Such trends could lead to a low growth of UK electricity consumption of only 0.4 per cent pa (as shown in Annex B). Any additional measures to encourage energy conservation are likely to encourage this trend towards lower growth. However the basic dependence on electricity from existing coal-fired stations will still remain into the next century.

(b) Weaken NUM effectiveness in a strike

(i) Employment legislation

32. We have considered the relevance of employment legislation to this problem ie

- a. Effective use of the Employment Act 1980
  - Section 16 re peaceful picketing at CEEB premises, thus protecting the inflow of ancillary materials and of imported coal;
  - Section 17 re secondary action thus allowing passage of imported coal and making sympathetic action unlawful;



- b. Possible other legislation, eg
- to improve enforceability by making union funds liable for legal action
  - to give employers the right to lay off employees in certain circumstances (as proposed by the EEF),

Our conclusions, set out in more detail in Annex A, are that such measures might play a useful role in dissuading other unions, eg NUR, from sympathetic activity; but that they are not likely to have any great impact on miners' action. They would not cope with intimidatory mass picketing, as seen at Saltley Coke Depot in 1972 and at Hadfields in 1980, where the problem is one of enforceability rather than what the law permits.

(ii) Break up NUM unity

33. A broad aim should be to make miners see their interests as more closely linked with their own pits and areas, and less with the national concerns of the NUM. The NCB already promotes area identities; figures for operating profit and loss and for productivity are published by area (though not by individual pit), and discussions of closure already take place principally at area level. This process could be taken further, for example by regionalising the price structure, which would give greater incentive to the CEGB to maximise purchases from low-cost and well-located pits, and thus expose further the uncompetitiveness of others. The effect of the incentive scheme should be gradually to restore regional variations in pay, though there are limits on the pace at which this can be achieved.

34. However, to move precipitately to break up the NCB would risk weakening the industry's management and control, and will not by itself split the NUM. The only way in which that might be achieved would be to form, or bring in, another union. We do not believe that this is a serious possibility.

(iii) Break miners' community solidarity

35. Part of the NUM's strength in industrial dispute rests on the isolation of many members in small communities wholly dependent on the mining industry. The geographical distribution of the industry is changing, and it may be that over time this will reduce the sense of community. The increasing prosperity of the miners, and their exposure to communications, travel and other influences, should also help to weaken their isolation. But those can only



be long-term and marginal influences, outside the direct scope of Government action.

(iv) Isolate NUM from other unions

36. Again this is outside direct Government influence. At present the NUM has formed a 'Triple Alliance' with the NUR and ISTC. But its relations with other unions will vary from time to time, depending on economic, political and personal factors. In general, there is some prospect that, if the miners continue to obtain pay increases higher than other groups, there may be less inclination to support them - though their monopoly power will still be politically important in spear-heading demands from the labour movement.

(v) Operate on public opinion

37. In an industrial dispute the attitude of the public and the media can have an important influence on the unity and self-confidence of those on strike. The Government needs to counter a public tendency to sympathise with the miners, based on the history of the mining industry, and bad conditions under which underground miners still work, and - since the energy crisis - the importance of British coal. In addition Joe Gormley has a high rating with the public, although his probable replacement by Arthur Scargill creates a new situation.

38. The Government has a choice between:

(a) an urgent, high-pressure campaign getting over all the facts about NCB losses, NUM wage-rates, overcapacity etc and making clear Government's deep concern about them;

(b) a more low key approach, getting certain facts into public consciousness in order to provide a reference base if and when the NUM final demands are obviously unreasonable.

39. One way of drawing public attention to the inefficiencies of the coal mining industry would be a reference to the MMC. However, the main difficulties with economic pits are already well known and an MMC report in itself would be unlikely to help to resolve them. In the immediate future the appointment of the right man as chairman is of far more importance and an early reference to the MMC might be a distraction. We believe that choice of timing of a reference is what matters.



40. Our view is that the effect of any campaign on public attitudes should not be exaggerated. A high-pressure campaign could actually be counter-productive if it increased the political dependence of Government on a low miners' settlement. But a campaign would become more relevant if NUM demands, and the posture of NUM leaders, were so unreasonable that public opinion could be persuaded that they were outrageous and unacceptable. The scope for a publicity campaign is at present under discussion; opinions differ strongly on what would be its optimum form and in the time available we are not in a position to resolve these. We recommend that these differences be explored so that an appropriate campaign can be put in hand. The effect of a campaign on trends in public opinion should then be monitored, to provide a stronger basis for future campaigns.

B. Make miners reluctant to use their power

41. The key to the situation is not the miners' industrial power but their willingness to use it. In the next few months the rhetoric of NUM leaders is likely to become increasingly militant, in the run-up to the election of the next NUM President. The NUM is however a democratic union in which industrial action must be supported by a 55 per cent vote in a ballot. NUM leaders will only get the support of miners for industrial action if there is a widespread sense of grievance. Miners are now well paid, and their relative position now exceeds the previous post-war peak of 1.32 times average earnings achieved in 1953. NUM leaders who seek industrial action will have to persuade them that the likely benefits outweigh the certain costs.

42. The largest single element of the moderate vote has been in the Nottinghamshire/Leicestershire/Midlands belt of relatively low-cost pits (77 per cent voted yes in the last Pay Ballot). The second largest in 1980 was the substantial minority vote in Yorkshire, the biggest area. Durham, despite its problems, also has a large moderate majority.

43. Sentiment in the coal-fields is not static. Thus Yorkshire, unlike the trend in other militant areas, actually increased its moderate vote in 1980, compared with 1979. However, it is said that Arthur Scargill now has increasing influence in Nottinghamshire. So-called moderate NUM leaders formed a united front with militants in February, and offered no effective opposition to militant resolutions at the recent Jersey conference. The evidence on grass-roots feeling is anecdotal, and we recommend that Government should have access to more systematic regular opinion research (without this becoming known).



44. What evidence there is suggests that the bulk of miners are concerned about pay and job security. They are not looking for massive real wage increases on the lines of the formal 1981 pay claim. But they remember the 1960s when co-operation on closures and productivity was associated with falling real wages and reduced investment. Because mining is an extractive industry and faces become exhausted they look for heavy investment to maintain job opportunities: hence the significance of Belvoir which would replace 3,500-4,000 jobs to be lost through exhaustion in the Leicestershire coalfield. An adverse planning decision on Belvoir would put the whole of Plan for Coal in doubt and raise the issue of long-term job security, particularly in the normally moderate Nottinghamshire/Leicestershire belt.

45. Equally, action (eg on coal or oil stocks) which gives the impression that Government intends to 'take on' the miners is likely in itself to increase the willingness of miners to take action, in order to protect their industry and their long-term interests. Nevertheless, the build-up of stocks at power stations, if handled with discretion, will reduce miners' willingness to strike, because increased endurance means that a strike is more likely to be prolonged and the costs to them greater.

*not sure  
that's an  
option*

46. It would also be possible to increase costs further by introducing legislation that would withdraw all supporting benefit from strikers' families. Since the NUM pays no strike pay, this could undoubtedly cause hardship in a lengthy strike, given that many miners' communities are isolated and have a relatively small proportion of workers in other trades. However miners' earnings are high so that their access to credit is much better than average. In the past miners' communities have found ways of sharing what wealth there was, and in 1926 the miners' 30 weeks endurance was based on minimal outside help. Their local authorities have the power to make cash payments to people in need. The sums in supplementary benefit involved are in any case small compared with the lost earnings, and it seems unlikely that this additional penalty would be of great significance if they had a real sense of grievance. Indeed its effect might well be to add to the latter.

#### Influencing the opinion of miners

47. In seeking to influence the opinion of the miners themselves (rather than the public generally) the aim should be to get across four general messages:



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(i) They are now relatively well off (as the figures show - paragraph 41 above), and cannot expect much sympathy from the public, including other unions, if they try to improve their position even further.

(ii) They cannot (individually) be certain that they will gain from a strike, if public opinion turns against them and if resolve weakens in those mining areas with most to lose from a prolonged strike.

(iii) They must recognise that the taxpayer will not be willing to go on supporting an industry parts of which are grossly uncompetitive and show no sign of improvement. There are precedents (docks, printing) where unions have exploited their short-term monopoly position but in the longer term have seen the jobs move elsewhere.

(iv) Finally, they may be persuaded to recognise that the national interest will not be served by runaway wage inflation, even if they can themselves hope to stay ahead of the rest.

Getting these messages across is more effectively done by management than by Government.

#### Leadership

48. Within the next year a new Chairman of the NCB will be appointed. This appointment will be crucial, both to next year's pay round and to the medium-term prospects of the industry. The new Chairman must be of high calibre, able to achieve immediate credibility with the miners and the public, and to exercise a strong moderating influence.

49. Senior and middle management in the NCB is considered technically good, but there remains enormous scope for improvement in overall efficiency based on determined and intelligent direction from the top. The management must be given confidence in a consistent policy of pursuing economic objectives and must believe these are essential to the industry's future. They must be motivated towards achieving better financial results at every level. Their task includes using their influence on the miners to promote modest pay settlements. The whole management needs to cooperate in a systematic internal campaign to make the points in paragraph 47 above.

50. The tasks for the new Chairman will therefore be:

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- i. to create a climate in the UK coal industry in which its future is widely believed to depend on the economics of coal production, and to be damaged by the losses of uneconomic pits
  
- ii. to lead and motivate management at every level to believe in the economic goals of the industry and to give greater priority to the pursuit of efficiency
  
- iii. to direct investment towards its maximum return.

51. We are convinced that in terms of enabling the Government to achieve its economic objectives, there is no appointment in the nationalised industries more important than the next Chairman of NCB. We recommend that the Government should make an appointment as soon as possible. We suggest that the essential qualities are:

- the ability to lead and motivate
- proven hard-headed industrial success
- a talent for industrial relations

These qualities would allow him to achieve credibility both with management and other employees, and help him to move the culture of the industry towards economic and business (rather than political) issues. The industrial success should be in an extractive, basic or heavy industry, where the problems and opportunities bear some resemblance to those of NCB. From what we have been told, we do not believe any current Board member within the NCB meets the bill.

52. An alternative set of qualities would be those possessed by public figures, such as Labour politicians. Some of these have a knowledge of coal-mining, and of coal-miners and their communities, which would be extremely valuable in a Chairman. Such a Chairman could be supported by an experienced Chief Executive. The precedent of Lord Robens may suggest that roots in the 'Labour movement' may be helpful in implementing unpopular policies.

53. We see the Chairman's job itself as primarily an industrial one (and believe that Lord Robens had an exceptional talent for management and leadership). To achieve success the Chairman must quickly establish credibility above all with his management, who have to implement policies with skill and dedication at local level. This requires management, rather than political skills. We therefore prefer an industrial, rather than a political, figure as the next Chairman.

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54. We believe the new Chairman will need support from some new full-time Board members. New appointments at Board and senior management level could well include former NCB managers who have made successful careers in the private sector.

Conclusion on Balance of Power

55. In the short term, the prospect of tilting the balance of power in the Government's favour is not good. Power station stocks and ability to replenish them cannot be brought to a level whereby a strike could be resisted for so long that the endurance of miners was likely to crumble. It would be dangerous to underrate miners' potential endurance: in 1926 most miners stayed out for 30 weeks in intense poverty. A determined and united miners' strike would put the Government in a more and more difficult position as the weeks passed. We consider that as the point of total depletion became closer the pressures on the Government to settle would progressively increase, and be greater than the effective pressures on miners. We therefore consider it most unlikely that Government can in the next few years rely on clearly 'winning' a confrontation with the miners. In these circumstances, the aim in 1981 and 1982 must be to influence the miners' attitudes and demands, as reflected in the NUM's negotiating position, towards a moderate settlement. The cumulative effect of various actions including a number we have already mentioned should eventually bring some movement in the balance in the Government's favour. After considering the particular situations likely to exist in 1981 and 1982 we return to this theme in paragraph 65 where we consider medium term strategy.

C. Special Features affecting the balance of power in relation to the 1981/82 Settlement.

56. The settlement is due to be made by November 1. After their success in February the miners are in a confident mood. The NUM Conference has endorsed a claim of 24 per cent. The battle to succeed Joe Gormley as President overshadows the forthcoming negotiations. At least to begin with it may be difficult for many miners' leaders to argue in favour of moderation, although this is likely to be Joe Gormley's line.

57. Against this the miners themselves are now well placed in terms of their relative wage and have no fundamental reason for seeking trouble this



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Autumn. The majority are moderate people who are reluctant to strike unless they have a grievance. They know that the immediate costs to them (there is no strike pay) would be high. Many would probably be content merely to keep pace with the year-on-year RPI and might even be willing to accept a settlement a percentage point or two below this if the general trend of current settlements is low. However, if they feel their future job security is in danger they could quickly cause trouble as they did in February. Events that could bring this about would be anything that triggered a feeling that faith had not been kept with the undertakings given during this year's tripartite talks. For example, if there were thought to be a reopening of the issues on closures or imports, or if there were an adverse planning decision on Belvoir which could be interpreted as casting doubt on future investment and on the Government's commitment to "Plan for Coal". Moderate attitudes towards the wage settlement could also be damaged if there were any particularly sharp price increases affecting miners in September and October (eg Council house rents).

58. In these circumstances the right course will be for the Government, through the NCB, to keep working away for a low settlement at or a little below the RPI. The aim must be to keep the temperature of the negotiations and surrounding events as low as possible. Even though the Government has rather lost faith in Sir Derek Ezra he remains the key man on the NCB side and it will be important to keep as close as possible to him in order to encourage him in persisting in seeking a low settlement.

59. The form of the settlement is important to Government. The more the settlement is loaded on to incentive payments rather than basic, the more limited the repercussions on other settlements, and the more Government has some basis on which to persuade other bargainers that a substantial overall percentage reflected features special to the miners' claim. Similarly, it may be possible to point to the percentage increase for surface workers if that can be kept below the average for all miners.

60. The background to a strategy of keeping the temperature surrounding negotiations as low as possible is, of course, that the Government is not well placed to stand out for long against a strike. However, with the very large claim currently being spoken of it would be quite wrong to give any impression that an excessive settlement would be accepted without a fight. Although the aim has to be to avoid confrontation, this may not be



possible if Arthur Scargill and others persist with a very big claim.

This means:

- i. that physical measures to maximise endurance (ie stocking of coal and ancillary materials) must be sustained;
- ii. that ministers need to take a collective view of the problem at an early stage so that when the pressure is on there can be no doubt among the media about the firmness of resistance to unreasonable demands and the possibility of a strike;
- iii. that contingent action to be taken in the event of a strike should be kept under review.

61. We conclude that the Government should keep its sights set firmly on a low settlement a little under the RPI and ensure that it is widely known that a higher settlement would not be in the best long term interests of the industry. In pursuing this objective the Government should:

- i. aim to keep down the temperature surrounding the forthcoming negotiations;
- ii. keep as close as possible to Sir Derek Ezra;
- iii. avoid doing anything that might stir up a sense of grievance among moderate miners; for example, by casting doubt on undertakings given at the Tripartite discussions, announcing an unfavourable planning decision on Belvoir or a sharp increase in Council house rents;
- iv. seek to influence the form of the settlement to minimise repercussions elsewhere;
- v. in case a confrontation proves unavoidable, take the precautionary actions listed in paragraph 60 above.

D. New Factors in the balance of power by the time of the 1982/83 Settlement

62. A new factor that may affect the balance of power at the time of the 1982/83 negotiations is that by Autumn 1982 there will be a new Chairman of the NCB and a new President of the NUM. Each will be determined to establish his position and the pay negotiations may be the first real trial



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of strength. This means that the risk of confrontation will be increased, particularly as Arthur Scargill is likely to want to be seen as pursuing a hard line and determined to achieve a high settlement.

63. It is too early to predict precisely how the problems raised by Scargill should be dealt with. He is able and politically motivated. However, when he moves to London his power base may be more fragile; his former area, Yorkshire, will regroup, find a new leader and may distance itself from him. He will probably attempt to use a delegate conference, rather than the NUM Executive, to reinforce militant policies. But at the end of the day he will have to carry 55 per cent of a ballot if he is to achieve a strike. He will only be able to do this if the level of grievance is above a certain threshold. The need to avoid unnecessarily upsetting moderate opinion will therefore persist.

64. The likelihood that Scargill will be pursuing a hard line should be offset to some extent by the fact that by 1982 the Government could at a cost be in a better position to resist a strike through higher stocks at power stations and other preparations. Even so it would be wrong to suppose that this greater endurance, up to 20 weeks in total, would be enough to ensure that a strike could be 'won'; miners with a strong sense of grievance could still outlast the Government. It will remain important to avoid confrontation. However, it should be possible for the negotiations to be conducted against a background of the Government being more confident that if a strike should prove unavoidable there will be time to manoeuvre into a reasonable negotiating position and to avoid a humiliating settlement.

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E. Alternative Strategies for the Medium Term

65. Beyond 1982 the balance of power, as well as being influenced by developments it is impossible to foresee, will be dependent on the overall strategy that is pursued on coal. The objectives in addition to moderate settlements will be improved efficiency and containing demands on public expenditure. It seems certain that coal is a valuable long-term national asset. The overall strategy will determine how that asset is utilised.

66. The strategies open to the Government may be broadly contrasted as:

i. a policy of retrenchment, aimed at reducing both the cash burden and the power of the coal industry by progressively withdrawing support; but with the hope of creating conditions in which future expansion becomes economic. In terms of the likelihood of serious confrontation this would be a high risk policy.

ii. a policy of continued modernisation, including substantial investment conditional on active co-operation by miners in improving efficiency. This would carry much less risk of confrontation but would require skillful management.

67. A policy of retrenchment would involve:

- i. a progressive decline in all forms of investment, and hence
  - physical deterioration of a number of pits, whose life would otherwise be extended
  - stagnant productivity and rising costs at most pits
  - indefinite delay in NCB developing new low-cost mines;

ii. greater reliance on imported coal, insofar as closures were achieved, and imports permitted.

68. Such a policy could not realistically include a significant reduction in miners' relative pay position until the policy had begun to take effect and miners' confidence had been reduced. The aim in the medium term would be to force miners to accept both falling real wages and a substantial accelerated closure programme. One effect would be to close off development of some existing faces which could be profitable in the 1990s and beyond. However it could provide the basis for a subsequent expansion of an



indigenous coal industry from a smaller base in the next century when this coal may well have a higher real value. The development of the UK's coal reserves would have been delayed, but the coal would ultimately be mined by future generations at a time when it was more valuable.

69. A policy of continued modernisation would be aimed at developing the largest possible common ground with the moderates in the lower cost areas in order to achieve maximum co-operation in pit efficiency, in closures and in pay restraint. This should be based on a hard-headed approach and would include:

- i. relating investment in each area to progress achieved in improving efficiency (as is now being pursued with BR);
- ii. holding out the prospect of investment in major new projects such as Belvoir; provided efficiency improves and there is economic justification;
- iii. an attitude to the coal industry, which was generally positive but qualified by -

constant pressure on efficiency  
avoiding investment in excess capacity  
a significant level of imports as a competitive discipline.

70. This would be intended to achieve an atmosphere in which the efficiency of the industry could be improved without provoking conflict, ie

- i. moderate areas would accept closures and other cost reductions for economic reasons, because of nearby investment in better pits;
- ii. difficult areas such as South Wales would be isolated, and a tougher approach to closure could be gradually evolved.

Such a policy may also be compatible with a greater role for private capital as partners in new ventures, and in due course as direct competitors. The aim would be that as time passed the interests of the more promising and co-operative areas should progressively diverge from those of the difficult area; the forces which have lead to NUM unity would lessen.

71. In assessing the merits of these strategies we concentrate on their chances of success. Implementation must be by the NCB management. It



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would obviously be hard to find a Chairman prepared to take on the job based on a policy of retrenchment. But even if such a Chairman could be found his task would be made much more difficult:

- i. he would have no basis on which to establish trust, either with management or miners; both would regard the "Plan for Coal" previously supported by Government as having been abandoned.
- ii. he would face widespread apprehension about pit closures in all areas because of the danger of accelerated exhaustion in the absence of adequate investment.

He would therefore face initially miners with both confidence (born of recent success) and grievance. Until miners' level of confidence has been reduced it is dangerous to allow their level of grievance to rise.

72. To achieve an impact on the industry a new Chairman must create a climate in which progress is possible. Otherwise every closure and every cost reduction becomes a battleground, and potentially a national issue on which NUM can and will unite. Generosity on pay, quite apart from its effects on other settlements, would not be enough to defuse grievance.

73. A policy of retrenchment would also have to reckon with Arthur Scargill. He is far cleverer and more politically adept than the NUM leaders with whom Lord Robens had to deal in the 1960s. His skill is the effective organisation of mass protest about genuine grievances.

74. There is little doubt that a policy of retrenchment carries a high risk of exacerbating the dangers facing Government. Scargill wants confrontation. A withdrawal of Government support would give him the widespread base of grievance which he needs to use the NUM as a vanguard for extraparliamentary action by the trade union movement against this Government.

75. For a policy of modernisation to succeed (rather than simply be a cover for a policy of appeasement) will require management at every level taking action to improve the economics of each pit and each area; and progressively achieving a greater local credibility than the NUM. It requires generous redundancy payments, as now exist. And it requires a



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growing divergence between profitable and unprofitable areas, encouraged by relevant cost-reducing investment. Behind this should lie the competitive shadow of a convincing nuclear programme.

76. A fundamental change in attitudes in a traditional industry, with inbred management and unions, will be a long hard slog. But we believe that a policy of continued modernisation under a credible Chairman and management offers the most convincing way towards achieving in time the Government's principal objectives, not only on the efficiency of the industry but also in reducing the ability of NUM leaders to bring out their members in support of excessive pay settlements or in order to subvert Government authority more generally.

#### CONCLUSIONS AND RECOMMENDATIONS

77. Our analysis offers no quick measures to improve the balance of power. During the next few years, measures for dealing with the problem lie mainly with the NCB and much will depend on the new Chairman. Only in the longer term will measures to reduce the miners' power, such as the nuclear programme, have increasing effect. We believe Government's objectives are more likely to be achieved within a policy of continued modernisation, rather than of retrenchment:

78. We group our main positive conclusions and recommendations into those of immediate significance and those important in the longer-term:

#### Matters of immediate significance

- i. the current differences of view about a public opinion campaign should be explored and resolved so that an appropriate campaign can be put in hand (40)
- ii. Government should have access to more systematic regular opinion research on grassroots miners' feeling (43)
- iii. the next Chairman of the NCB should be appointed as soon as possible (51). We believe he should probably be an industrial, rather than a political, figure (53).

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*annals  
1982 issue.*

iv. while seeking to avoid confrontation in autumn 1981, Government should take appropriate steps to prepare for this (60). There are a number of measures which should improve the chances of achieving a moderate settlement through agreement (61)

v. a policy of continued modernisation under a credible Chairman and management offers the most convincing way towards achieving in time the Government's principle objectives (76)

Longer Term

vi. the case for nuclear power should be openly based on the need to diversify supply (24). But we would not at present recommend an accelerated programme because implementation of the present programme is itself going to be a major task to achieve. Every effort should be made to ensure that these plans do succeed in time. If the present programme goes better than we at present fear, the possibility of acceleration should be examined in a few years time (26).

*how?*

vii. Government should retain the right to import and extend it when a suitable opportunity occurs (17).

viii. a strategy of coastal coal-based power stations should be examined as a possible policy for the 1990s (18).

ix. the feasibility of (a) moving open-cast mines to the private sector and (b) allowing major private sector coal-mining projects should periodically be reviewed, even though such moves if taken immediately would lead to confrontation (23).

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ANNEX A

THE RELEVANCE OF EMPLOYMENT LEGISLATION

1. In 1972 and 1974, the NUM rapidly escalated their strike by picketing power stations, docks and coal depots, so that as well as coal, other essential supplies were cut off from the power stations. This meant that the nation's power supplies were threatened long before the CEEGB's stocks of coal were exhausted.
2. At that time, secondary picketing on the scale employed was a novel device. It readily attracted attention and is clearly remembered. But then, and in 1974, it was probably not critical to the outcome of the dispute except in terms of its psychological effect on the public and maintaining the miners' morale. Picketing of the docks was ineffective and imported coal continued to come into the country, although none was contracted to the CEEGB and no attempt was made to divert it. At the conclusion of both strikes, the CEEGB had considerable stocks of coal, and although there were problems with ancillary materials, at no time did CEEGB employees refuse to handle such supplies.
3. However proposals have been made to tighten up the legislation to preclude miners' secondary picketing and possible secondary action by dockworkers and railmen during a coal strike. In reviewing current and possible future legislation, the special nature of the NUM and coal industry must be taken into account. Coal mining is an inbred industry with many of its workers living in isolated mining communities with little outside contact. The union and workers have a tradition of militancy and defiance of authority and convention, so legislation which might deter a union or individuals from unlawful action in other industries may not deter the close knit mining community during an emotive confrontation with the NCB and Government.

Current Legislation

4. The current legislation is in the 1974 and 1976 Trade Union and Labour Relations Acts, which were amended by the 1980 Employment Act. The present position has been reviewed in the Green Paper entitled 'Trade Union Immunities' (Cmd 8128) which was published in January 1981 as a consultation document.

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These acts grant trade unions and individuals certain immunities in civil law when taking action in contemplation or furtherance of a 'Trade Dispute'. Individuals and trade unions taking industrial action are still liable to prosecution for criminal acts like violence, damage to property, breach of the peace, obstruction etc. Indeed, as the Attorney General and the Lord Chancellor pointed out at the time, the intimidatory mass picketing at Saltley Coke Depot in 1972 and at Hadfields in Sheffield in 1980 were actionable under the criminal law. The problem in both civil and criminal law when faced with large numbers of strikers acting unlawfully is that of enforcement.

#### Picketing

5. The 1974 and 1976 Acts give wide ranging immunities, which the 1980 Act (Section 16) reduced for individuals in respect of secondary picketing. Under the 1980 Act, the secondary picketing of power stations practiced by the NUM in 1972 and 1974 is unlawful. If picketed, the CEEGB or another coal customer can take action against individual pickets or the picket organisers. There is the problem of identifying individual pickets but it is unlikely that union officials would be ready or able to disguise their role. If an injunction were not observed, the individual could, on evidence from the complainant, be found in contempt. The union might or might not pay the fine, but if personalisation of the issues is one of the strongest weapons in the unions' armoury, this would create martyrs and would intensify the bitterness of and possibly extend the dispute. For martyrs to be ineffective it is essential that their cause should not have public sympathy.

#### Secondary Action

6. Secondary action is generally industrial action by employees of an employer not party to the dispute. Such action in support of the NUM is most likely to be taken by the railway workers, the dockworkers and perhaps by power station employees. Under the 1980 Employment Act (Section 17) power station workers may retain their immunity in tort, because the CEEGB is a customer of the NCB, but only if their action is targetted on the movement of coal from the NCB. If the railway workers or dockers take secondary action to block coal movements or imports, then the CEEGB or another coal customer can take civil action against individuals or organisers. Although Section 17 of the 1980 Act has yet to be properly tested, it is possible that the threat of such action might deter significant secondary action.



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Possible Further Legislative Changes

7. The 1981 Green Paper (Cmnd 8128) explores the possibility of further changes in legislation. In the context of a miners' dispute, many of the proposals, for example on secret ballots etc, are not relevant. Detailed changes in the law on picketing and secondary action will not solve the problems with the NUM of enforcement and of creation of martyrs which exist under the 1980 Act. Only two issues, trade union immunities and legislation to prevent industrial action which creates a national emergency, are really worth considering in the coal context.

Trade Union Immunities

8. It has already been noted that the secondary picketing tactic used by the miners in 1972 and 1974, if not in breach of criminal law, is now unlawful for individuals under the 1980 Act. The problem is now that of creating martyrs if individuals or organisers ignore injunctions and are found in contempt of court. The suggested remedy for this is to remove immunity for trade union funds; perhaps to bring trade union immunities into line with that of the individual.

9. It is certain that any attempt to curtail trade union immunities will encounter vigorous opposition from the whole of the trade union movement, who would picture it as a threat to the very existence of unions. If legislation for such a change were introduced in early 1982, it could come to be tested severely in the NUM's late 1982 pay negotiations. This would provide a highly political issue in which the TUC and many other unions could become joined. The likelihood of this is enhanced by the probability that Gormley's successor is almost certainly Scargill, who will be looking to 'win his spurs' and establish with Mick McGahey a militant leadership on the General Council of the TUC. Action by the TUC in these circumstances is highly plausible and could well include wider action in support of the NUM. So on balance, it appears that legislation to put union funds at risk would not deter the NUM from employing the full range of industrial action it mounted in 1972 and 1974.

Legislation to prevent Industrial Action which creates a National Emergency

10. Three proposals have been made to deal with strikes which threaten the national interest:

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- (a) power for the Government to declare illegal a strike which threatens the national interest ie making striking or industrial action short of this a criminal offence;
- (b) a power for the Government to delay a strike by order while further negotiations take place - a so called statutory cooling off period;
- (c) giving employers the right to lay off employees at times of national emergency.

11. There are arguments for and against these approaches, but in the coal case, the major problem is that of enforcing sanctions for disobeying an order to stop a strike. Taking sanctions against organisers raises the prospect of martyrdom, and particular difficulties of prosecution if a strike continues unofficially after the organisers have ordered a return to work. Sanctions against individual union members, raises the possibility of mass prosecution of strikers. This has only been tried once when the Government tried to prosecute 4,000 miners at Betteshanger Colliery in 1941. This was a failure and mass prosecution of strikers is clearly not a practical proposition.

12. Giving other employers, who are affected by a national strike, the right to lay off employees without compensation (and perhaps without access to social security benefits) is a course which would need careful consideration to decide whether implementing it would have the effect of increasing pressure on miners to settle. The time for introducing such legislation with prospects of implementing it successfully would be immediately after widespread and unjustified hardship had been brought about by unions and caused the public to lose sympathy with them.

#### Conclusions

From the analysis it seems improbable that further legislative changes would influence the mineworkers' approach to a coal strike or strengthen the NCB's position. The overwhelming problem remains that of enforceability. Miners have a history of successful defiance of authority, running from the action in 1911 and 1914, through Betteshanger in 1941 to the mass picketing of 1972. In the general industrial relations context, the 1980 Act should inhibit the more excessive union dispute practices, and no

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doubt more legislative measures, eg on trade union immunities, could be taken aimed at further discouraging such practices among unions generally. Legislation might be effective in deterring other unions, such as the railway workers from taking secondary action in support of the miners, although the 1980 Act, which removed immunity from individuals, has yet to be properly tested in a major strike.

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Role of Coal in Power Generation by ESI in England  
and Wales in 2000 and 2010.

The following table gives broadly indicative figures for required new coal-fired capacity in England and Wales to 2000 and 2010 under three cases of growth in electricity demand and two rates of construction of new nuclear capacity. It is assumed that the CEGB achieves considerable success in extending the life of existing coal-fired stations from 30 to 40 years.

REQUIRED NEW CAPACITY (GW)

	<u>To 2000</u>		<u>2001-2010</u>		<u>Total</u>	
	Coal	Nuclear	Coal	Nuclear	Coal	Nuclear
<b>A. <u>Low Growth in Demand</u></b>						
<b><u>(0.4% p.a.)</u></b>						
(i) High Nuclear Build	4.5	15.0	-	22.5	4.5	37.5
(ii) Low Nuclear Build	12.0	7.5	10.5	12.0	22.5	19.5
<b>B. <u>Medium Growth in Demand</u></b>						
<b><u>(0.9% p.a.)</u></b>						
(i) High Nuclear Build	10.5	15.0	2.5	24.0	13.0	39.0
(ii) Low Nuclear Build	18.0	7.5	14.5	12.0	32.5	19.5
<b>C. <u>High Growth in Demand</u></b>						
<b><u>(1.4% p.a.)</u></b>						
(i) High Nuclear Build	17.5	15.0	7.5	24.0	25.0	39.0
(ii) Low Nuclear Build	25.0	7.5	19.5	12.0	44.0	19.5



Assumptions :-

1. Growth in demand for electricity from the 1979/80 restricted maximum demand of 44 GW assuming a 28% planning margin. Three cases are considered: the medium growth case of 0.9% p.a. is the long-term rate assumed by the ESI; the low growth case of 0.4% p.a. is that recommended by the Planning Department within CEEB's 1980/81 Development Review and the high growth case of 1.4% p.a. balances the low growth case. Total Required capacities are as follows:

	GW	
	<u>2000</u>	<u>2010</u>
Low Growth	62.5	65.0
Medium Growth	68.5	75.0
High Growth	75.5	87.0

2. Life extension of coal-fired plant from 30 to 40 years is achieved for all plant except in the 200-350 MW range, thus reducing retirements to 2000 by 14 GW all of which capacity is retired over the period 2001 to 2010. (If all coal plant had life extensions to 40 years an additional 6 GW of capacity would still be in operation in 2000.)
3. Rate of construction of new nuclear power stations after Heysham II.
  - (a) "High Nuclear Build" assumes that the programme of 15 GW of new capacity in operation by 2000 is achieved; and that two new power stations per annum (2.4 GW) are brought into operation from 2001 to 2010.
  - (b) "Low Nuclear Build" assumes half the rate of "High Nuclear Build".



The next table shows the percentage capacity met by coal and nuclear in 2000 and 2010. The figures include coal and nuclear plant currently in operation or under construction which has not yet been retired by the relevant date.

Percentage of Demand met by Coal and Nuclear in 2000 and 2010

	2000		2010	
	Coal	Nuclear	Coal	Nuclear
A. <u>Low Growth in Demand</u>				
<u>(0.4% p.a.)</u>				
(i) High Nuclear Build	45	34	22	61
(ii) Low Nuclear Build	57	22	49	33
B. <u>Medium Growth in Demand</u>				
<u>(0.9% p.a.)</u>				
(i) High Nuclear Build	50	31	30	55
(ii) Low Nuclear Build	61	20	56	29
C. <u>High Growth in Demand</u>				
<u>(1.4% p.a.)</u>				
(i) High Nuclear Build	54	28	40	47
(ii) Low Nuclear Build	64	18	62	25

In 2000 approximately 30% of total capacity is met by coal plant already in operation or under construction in 1981 and this figure has fallen to around 15% of total capacity by 2010. No early retirement of oil-fired capacity has been assumed; thus in 2010 the oil-fired capacity brought into operation in the nineteen eighties (approximately 5 GW) is still taken to be available.



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WITHSTANDING A COAL STRIKE

REPORT BY THE OFFICIAL GROUP  
ON COAL

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THE TIMING AND POSSIBLE FORM OF INDUSTRIAL ACTION

1. The miners' pay settlement date is now 1 November. Negotiations are likely to begin in the second half of September and last some weeks. The National Union of Mineworkers' (NUM) Executive will not conclude a settlement without balloting the membership on a final offer and can be expected to press for this to be made before the settlement date; traditionally, the NUM is unwilling to continue the normal bargaining process beyond this date. A ballot would take about 2/3 weeks.
2. Given the NUM Executive's internal divisions, it is most unlikely that it would be able to recommend acceptance of any offer which can be visualised. At best the ballot question will be neutral. If, on such a question, the offer were rejected, it could be expected (unless an improved offer were then made) that a further ballot would be held on the question of industrial action, although this would not be essential. Under the NUM's rules a national strike needs to be approved by ballot by 55% of members voting. Action short of this, eg a national overtime ban, can be decided upon by the Executive or a national delegate conference. Area strikes on a pay issue, as experienced in 1969 and 1970, are very unlikely.
3. Depending on where a final offer is pitched, a first ballot could, however, well ask for authority for a national strike or for the Executive to mount unspecified industrial action which would provide sufficient authority for a national strike.

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4. With this as background, the probability is that any industrial action could begin in November or in early December. Although in 1971 and 1973 an overtime ban and working to rule were first adopted before coming to a national strike (in the main to develop support for strike action), such a tactic is now unlikely. Miners would recognise that an overtime ban, given the stocking position and overt action to improve it, would itself be ineffectual. It would result in a much greater loss of earnings than in 1971 and 1973 now that earnings are significantly dependent on productivity, and the perceived effect of the threat of a national strike earlier this year would be remembered. Both the moderate and militant wings of the leadership might well therefore see every advantage in threatening an all-out strike from the outset with the minimum objective of securing a higher offer before it began.

5. As a national strike from the outset is the greater and more probable threat, the possibilities for endurance need to be considered against it.

6. This assessment is not based on knowledge of what is in fact planned; there has so far been no considered rehearsal within the NUM of possible tactics, and, indeed, no decision in favour of industrial action this autumn.

7. Attached at Annex A is a fuller description of the miners' strikes in 1971-72 and 1973-74 and of the main differences between now and then which seems to us to make an early all-out strike the more likely tactic for the NUM to adopt this autumn.

#### THE ENDURANCE OF THE NUM AND ITS MEMBERS

8. A national strike would begin only after a pithead ballot had demonstrated the support of at least 55% of members voting. The miners poll high (over 80 per cent in the 1980 pay ballot) and the outcome would be conclusive. There is a deep

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tradition of unity of action and purpose, which owes nothing to its formal expression in a closed shop, and there could be no doubt that an official strike would be completely supported from the outset.

9. It must also be expected that the strike would continue until another ballot was held. It is most improbable that the NUM Executive would end it or conclude a settlement without formally again testing the views of the membership. The occasion for such a second ballot could only be an improved offer or an accumulation of internal and external pressures which led a majority of the Executive to believe that they had come to defeat. In 1972 the NUM could not be persuaded to suspend strike action whilst a Court of Inquiry reported.

10. On the hypothesis that no improved offer were to be made, (ie the Government accepted that the NCB should stand firm on its final offer and become publicly committed to that stance) the essential question becomes how and when the prospect of the need to accept tactically the rejected offer, and accept the futility of continued strike action (and the total accumulated loss of wages), might emerge sufficiently strongly to move the Executive to hold a second ballot. In such circumstances it would only be likely to do so if at least a majority on the Executive were sure that there would be an overwhelming majority for surrender. The possibility that the miners' ranks would break (ie that a partial unofficial return to work could be visualised) before such a point was reached is not realistic.

11. The experience of previous national strikes is relevant. In both 1971-72 (a 9 weeks' overtime ban resulting in some loss of earnings and increasingly difficult physical working conditions, followed by a 7 weeks' strike) and 1973-74 (a 13 weeks' overtime ban, followed by a 4 weeks' strike), the cost of a settlement progressively and observably increased.

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12. Miners are stubborn and the tradition of endurance in hardship runs strong. It could not be expected that a sufficient perception of inevitable defeat would emerge for some long time. There would be strong motivation, however illogical, to continue the strike until at least some improvement was made to the previous offer, both as a symbol of achievement and as small recompense for wages lost.

13. The economic endurance of miners and their families would be a factor which could influence the length of a strike. Under its rules the NUM is under no obligation to make payments to members on strike; the rules provide that it is at the discretion of the Executive whether any payments are made and at what rate. In 1971-72 and 1973-74 (when strike pay could be authorised by the Executive at the rate of 50p a week) no payments were made. There were no indications that NUM members pressed for such payments or that the absence of financial support from the union weakened the possibilities for endurance.

14. It is most unlikely that the NUM would be able to contemplate affording strike pay but this has not so far been a restraining factor on its actions. It has an essentially federal structure with the NUM headquarters controlling only a small proportion of the union's net total assets which amounted to about £22m in 1979. The great bulk of these assets are under the control of the union's geographical and functional areas. The greater likelihood is that area councils would come to make individual hardship payments as the strike progressed. It is not possible to assess usefully for how long adequate payments might be made to how many.

15. State benefits provide for the possibility of some continued income. Child benefits would continue in respect of dependent children and claims could be made for supplementary benefit in respect of dependents (subject now to a deeming provision which reduces normal entitlement by £12pw for strikers' families) and,

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in an emergency, to single persons. In 1973-74 the NUM actively encouraged claims for supplementary benefits and by the end of the strike some 68,000 had received payments. Tax rebates would be generally available, although they are to be withheld from strikers from April 1982. They would provide a useful contribution to family income, the other sources of which could be a wife's or children's earnings. Savings could be spent.

16. As the possibility of a strike neared, the folk memories in mining communities could be expected to result in a prudent deferment of expenditure (including the non-payment of bills) and additional savings. Credit cards, although by no means universal, could provide a ready source of credit. During strikes landlords do not press for rent, building societies for mortgage repayments, public utilities for the payment of bills or hire purchase companies for payment. It is not in their interests to do so. Extended credit at local shops in mining communities offers another possibility for endurance.

17. With all this in mind, there are no conclusive reasons to believe that miners would be forced back to work by severe economic hardship for some long time and there is no precedent for a major national strike collapsing for this reason in recent times. ISTC members endured a strike of 13 weeks in 1980 without strike pay.

18. As for external pressures, miners would be slow to be persuaded that the acceptance of the rejected offer and a return to work were necessary in the national interest. As consequential lay-offs took effect in other industries, these would be much more likely to increase the pressures from other unions and the TUC on the Government to facilitate a settlement than to lead to any urging on the NUM that the strike should end. Relationships between the miners and the TUC are still found to be coloured by the experience of the General Strike and the TUC has never so far

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found it possible to bring an influence to bear on the NUM. It would not be found able or willing to condemn the miners' actions. The Official Opposition and all manifestations of the Broad Left would come to support the miners' cause.

19. Public opinion, as reflected by the media, might prove of small influence. Although not as isolated in distinct communities as once they were, miners more than any other group of employees have not so far been found receptive to such influence and as the strike continued their attitudes would be likely to harden. The last three strikes in the industry are accounted victories. The reduction of electricity supplies, although extending physical endurance, would be viewed as evidence that the strike was succeeding. Those of their leaders who have strong political motivation would prove determined to maintain the strike, once begun, as long as possible. The moderate leadership (Joe Gormley having been voted in a recent national opinion poll as the country's most popular trade union leader) could be found persuasive in exhorting further negotiations and an improved offer in a reasonable way as a sensible means by which the strike could be ended.

20. Therefore, on the assumption of no improved offer there can be no conclusion from such brief analysis other than any early collapse of a strike would be most unlikely.

#### THE CRUCIAL AREAS IN THE EVENT OF A STRIKE

21. It is clear from past experience that maintaining electricity supplies is the key to withstanding a miners' strike. This is discussed in detail in the following section of the report. But while the lack of coal supplies for those who use coal directly as a fuel would probably not be a critical factor until well into a strike, the effects would become increasingly serious the longer the strike lasted, particularly for industry.

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22. No detailed information is available on the coal stocks held by industry, but the Department of Energy estimates that they are likely to be sufficient for about 6 weeks, with possibly more in the distribution network. Most companies would probably, therefore, be able to make their supplies last for about 10 weeks or so at the most, as they did during the 1973-74 dispute. But after about 10 weeks the position of the major coal consumers - metal manufacture and cement - would be becoming very difficult and large parts of these industries might be forced to close until coal supplies were resumed. If the rest of industry could not obtain alternative supplies from abroad they too might have to reduce and eventually cease production as their supplies of basic metal manufacture and cement ran out.

22a. The impact of a long miners' strike on both electricity supplies and coal-burning industries would therefore lead to cumulative shortages of vital components and materials, which would restrict output over an increasing range of industry.

23. Coal merchants, supplying mainly domestic consumers, will probably carry 4-6 weeks stocks by this autumn. The impact on the domestic consumer will therefore be felt fairly quickly (but we estimate that only about 10 per cent of households are now largely dependent on coal for heating and hot water). In the past the trades unions co-operated in ensuring that essential supplies of coal were available for the sick, the elderly, hospitals and other such priority cases, and we have no reason to believe that they would not do so again.

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## MAINTAINING ELECTRICITY SUPPLIES

24. There are four ways in which electricity supplies can be maintained, as follows:-

- (i) by maximising power station coal stocks and ancillary materials before a strike begins;
- (ii) by substituting oil or gas for coal, either when coal stocks are exhausted or in advance so that they last longer;
- (iii) by replenishing power station coal stocks either from NCB stocks or through increased imports of coal; and
- (iv) by reducing the demand for electricity.

The first three of these relate to the supply of electricity; the fourth to demand for it. We consider in the following paragraphs the scope for each of these courses of action, the impact that each might have on endurance times and the costs involved; and also the availability and likely impact of private electricity generation and standby capacity.

### (i) power station coal stocks and ancillary materials

25. By 1 November power station coal stocks in England and Wales are likely to reach about 20 m tonnes and in Scotland 1.8m tonnes offering about 9 weeks endurance at the full level of electricity demand expected this winter (ie. taking no account of any statutory restrictions on electricity consumption that might be introduced). These estimates take account of the likely impact of the recession on

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electricity demand this winter, and the decision now reached by Ministers, following consultations with the Electricity Boards, on the volume of extra coal supplies to be moved to the power stations over the summer (at least  $1\frac{1}{2}$  m tonnes and possible more). They also assume the successful delivery of programmed supplies of coal, which would, of course, be interrupted if there were a rail strike over the summer, as currently seems possible; and the normal pattern of oil station utilisation ie. minimal oil burn and maximum use of nuclear power stations. So far as we can judge without consulting the industry in detail, power station coal stocks are regionally distributed to be roughly in balance with the levels expected to be necessary for electricity generation, and the summer programme of coal deliveries should maintain that balance.

26. Electricity demand, and therefore endurance times, would be negligibly affected by particularly severe winter weather; but if a miners' strike were to extend over the Christmas holiday period, endurance times would be extended by up to 1 week, because of reduced electricity demand during that period.

26A. We have considered the scope for increasing power station coal stocks in the winter in advance of industrial action by the miners. During the winter the replacement of stocks is slower than use so that the duration of electricity supplies represented by power station coal stocks falls as the winter progresses. Stepping up the rate of delivery during the winter would therefore improve duration. In principle, the optimum rate of delivery would be that which kept power station stocks at a maximum at all times ie. so that deliveries matched consumption. However, this would involve substantially greater movements than are achieved at present in the winter months when rail capacity, which accounts for almost all power station coal deliveries, is fully utilised. Movements might be increased to some extent, particularly under present economic conditions when rail freight resource for other traffics are under-utilised, but capacity of rolling stock, track and loading and unloading facilities would limit the scope for doing this. Early planning involving BRB, NCB and the Electricity Boards would be essential and close

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co-operation be vital to carrying out the operation effectively. Without detailed consideration by industries involved, it is not possible to assess to what extent the duration of stocks could be enhanced during the winter. This aspect will be considered further in the context of the work now in hand on how power station coal stocks might be maximised throughout the next year.

27. Ancillary materials (such as lighting-up oil, industrial gases, water purification chemicals, frozen carbon dioxide etc) are essential to the utilisation of fuel in power stations. At present the Electricity Boards maintain stocks of ancillary materials at a level equivalent to 6 weeks expected consumption, but they have been told that the Government expects them to bring their stocks of ancillary materials into line with the likely level of fuel stocks at power stations well in advance of any industrial action this autumn. The Boards are now taking measures to do so. But for some materials the construction of extra storage facilities may well be required; for lighting-up oil, in particular, storage facilities are, we understand, at present equal only to the 6 weeks stocks normally held. It is not certain at this stage that the work involved could be completed by the Autumn. However, the Electricity Boards have found it possible, though not easy, during previous miners' strikes to bring in fresh supplies of ancillaries to the power stations and also to edge out supplies by other means (although this involves increased fuel consumption). But its stocks of ancillaries were to run low because of insufficient storage facilities or the impact of picketing (which is discussed in detail below) it would be possible, if necessary, for servicemen to delivery supplies, mainly by road, when they would have to cross (unlawful) picket lines, but also in appropriate cases by air since some of the loads involved are relatively small. It would however, be necessary to requisition oil delivery vehicles for which a State of Emergency would first have to be proclaimed. If the Boards might well seek compensation from the Government for the costs involved. These points are under separate consideration between the Department of Energy, the Scottish Office and the Electricity Boards.

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(ii) substituting oil or gas for coal

28. The Electricity Boards have spare oil-fired generating capacity which is normally too expensive to operate at the present level of oil prices in relation to coal. Indeed, the use of oil-fired power generating capacity has been deliberately minimised on cost grounds, and in accordance with the UK's international obligations to minimise oil use. But this excess capacity could clearly be used to conserve coal stocks, either once a strike was underway, or beforehand.

29. Once a miners' strike had begun the Government could direct the Electricity Boards to increase their use of oil by Order in Council under the Energy Act 1976. A State of Emergency would not, therefore, have to be proclaimed before such a direction could be issued. By maximising the use made of the present spare capacity (which would mean burning about an extra 275,000 tonnes of oil per week) endurance times could be extended by about 2 weeks for every period of eight weeks during which the maximum amount of extra oil was burnt. But the cost of doing so would be high - about £200 m for each eight-week period - especially since the Electricity Boards would almost certainly have to purchase extra supplies of heavy fuel oil on the spot market, because they will not have already entered into contracts for the necessary extra oil.

30. Supplies of heavy fuel oil (which is the only form of oil that can be used in electricity generation) are likely to be relatively restricted, because the oil industry has altered the pattern of refinery production to increase the output of gasoline and lighter products. Nonetheless, we think the necessary supplies of heavy fuel oil are likely to be available, although the entry into the market of a major purchaser could send prices up in a matter of a few days. Although, in theory,

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the oil companies could increase the volume of oil that is processed through the refineries or adjust the pattern of refinery production to increase the proportion of heavy fuel oil produced from the current volume of refinery production, it is unlikely that they would be prepared to do so in practice, mainly because there is already an excess of supply in the oil market, but also because heavy fuel oil produces a lower profit for the oil companies. But if demand for heavy fuel oil were to increase dramatically and supplies seemed likely to become scarce, the Government could direct the oil companies to change their refinery patterns or take other measures to ensure that the Electricity Boards had adequate oil supplies. The delivery of oil to the power stations is unlikely to present particular problems. About half the existing oil-fired capacity is served by pipeline and most of the remainder is served by water-borne transport. Supplies by both routes have been maintained during previous emergencies and we have no reason to believe that this would not be the case in the autumn, although the excess of oil fired capacity was not as great then as it is now.

31. The Government could also encourage the Electricity Boards to begin to conserve their coal stocks in advance of a miners' strike by burning extra oil early in the winter, but there are no powers by which it could direct the Electricity Boards to do so. Indeed, in principle the Electricity Boards could burn extra oil over the summer to conserve coal stocks further. But we do not recommend this course. It is the course most likely to be seen as provocative by the trade unions. since they would become immediately aware that the utilisation of oil-fired capacity had increased and would have no difficulty in deducing the reason for this. It would also run directly counter to the Government's policy of pressurising the Electricity Boards to reduce costs generally throughout the industry, since to burn more oil than strictly necessary would increase costs. Such a policy would also run counter to the UK's international obligations to adopt policies to reduce oil use.

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32. It is unlikely that the Electricity Boards could accommodate within their existing External Finance Limits the costs involved in burning extra oil unless they were passed on to the consumer, and the Boards are, therefore, likely to seek compensation in some form from the Government. But this question would not arise until a decision had been taken to ask or direct the Electricity Boards to increase their use of oil.

33. The Electricity Boards also have under-utilised oil storage capacity, which could be utilised to ensure that the maximum possible amount of oil was available immediately a decision was taken to increase power station oil consumption, or that any brief interruptions in oil supplies could be overcome; but they would not in themselves extend endurance .

34. By the autumn the Electricity Boards will probably hold oil stocks of about 0.9 million tonnes, which might be increased over the summer by a maximum of  $\frac{1}{4}$ - $\frac{1}{2}$  million tonnes. The cost would be in the range of £25-50 m plus interest charges (which would require an increase in the Electricity Boards' EFLs and a corresponding claim on the Contingency Reserve). These oil purchases would have to be made on the spot market and carefully phased. Ministers would therefore need to decide immediately whether to authorise this expenditure. It would also be possible for the Electricity Boards to burn gas instead of coal as a means of conserving coal stocks, but the scope for doing so is not large because there is clearly a physical limitation on the volume of gas that can be piped to the power

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stations. Unlike in the case of oil, the substitution of gas for coal is not facilitated by the existence of substantial spare capacity. It would therefore be possible to do so in the winter, when demand for gas is at its peak, only by diverting a proportion of the gas supplied to industrial consumers under firm contract, for which it would be necessary to use powers under the Energy Act 1976. A limited amount of excess gas is available during the summer, but its use in the power stations in place of coal would extend endurance tunnels by only a few days at most; and, since the formal consent of the Secretary of State for Energy is required before any gas can be burned in power stations, the fact that the Government had asked the Electricity Boards to take such a step would inevitably become public knowledge.

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(iii) replenishing power station coal stocks

35. In principle power station coal stocks could be replenished by either or both of the following two ways, but very considerable practical problems are involved in each:-

(a) by gaining access to NCB pithead and other coal stocks; and

(b) by increasing coal imports.

These are discussed in detail in the following paragraphs.

(a) NCB coal stocks

36. By the autumn NCB coal stocks at the pitheads and in dumps away from the pithead, which are suitable for use in power stations, are likely to total about 15m tonnes. (Out of total stocks of 23m tonnes). This is equivalent to about 7 weeks endurance this winter in the absence of statutory controls on electricity consumption. Thus if these stocks could be utilised they would nearly double (to a total of about 16 weeks) the endurance likely to be offered by stocks at the power stations. But if the miners are on strike, NCB coal stocks are certain to be picketed by the NUM. Such picketing would be legal so long as it was confined to peaceful persuasion at the place of work. The Employment Act 1980 has removed immunity from civil action from those who organise or take part in picketing (or secondary action) outside these limits and anyone whose commercial contracts were broken as a result of such picketing would be able to seek an injunction against named picket organisers. This would include the Electricity Boards and other NCB customers or suppliers. Electricity consumers, however, do not in general have a contractual right for electricity supplies to be

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maintained in such circumstances, and would have no cause of action. If such an injunction was granted anyone who failed to comply with its terms could be subject to fine or imprisonment. Obstruction or threatening behaviour of course, constitutes criminal offences whether committed by pickets or by others. However, in practice, no trade unionist is likely to be prepared to cross an NUM picket line even if it consisted of no more than 2 or 3 miners. Moreover, the recent triple alliance between the NUM, the NUR and the ISTC will no doubt have reinforced the willingness of railwaymen to support a national strike by miners. Some non-unionised lorry drivers might possibly be persuaded to cross NUM picket lines but the impact that they could make on power station coal stocks would be negligible.

37. Our conclusion, therefore, is that NCB coal stocks are unlikely to be accessible except by the use of servicemen.

38. We have considered how servicemen might be used to transport coal to the power stations both by rail and by road.

39. Coal movements to power stations are dominated by Merry-go-Round trains (that is fixed formations of special high-capacity wagons/<sup>moving</sup> continuously from pitheads to power stations and back again making use of special automatic equipment for loading and unloading). Rail transport is responsible for about 80 per cent of all movements of coal to the power stations, and of this 85 per cent is by Merry-go-Round trains. Average carryings are 1,000 tonnes and there are more than 1,000 train deliveries in an average week. The largest lorries, however, carry only 20 tonnes, so that a minimum of fifty lorries would be required for each such delivery. Military plans have been formulated in the past for moving coal to the power stations by road involving the use of 4500 service drivers and requisitioned lorries, but these were

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abandoned in 1979 because they were thought to be too limited to have much impact on endurance. We have considered whether these plans should be resurrected. The main difficulty is that since 1979 a number of small power stations, which might have been serviced by lorries in an emergency, have been closed and the remaining large power stations have been designed for deliveries of coal only by rail; their access roads and reception facilities would be too limited at present for an adequate supply of coal to be delivered by lorry. It would be possible to prepare plans for the improvement of the facilities at each power station, and we shall report further on this to Ministers. But this work could not be completed by the autumn.

40. Even if this problem could be overcome the use of lorries is not entirely straightforward. The necessary vehicles would have to be requisitioned, which means that a State of Emergency would first have to be proclaimed. Quite apart from the industrial relations problems to which this might give rise in the road haulage industry, requisitioning would be a slow process. To requisition 4500 vehicles would take a minimum of 15 working days, and possibly much longer. The necessary vehicles would first have to be identified (they would probably come mainly from small operators) and in some cases might have to be adapted to carry coal. It would therefore be several weeks from the decision to commit servicemen before a substantial volume of coal was being moved to the power stations. But if all these difficulties could be overcome, it seems likely that at least half of normal power station coal deliveries could be maintained by using 4500 vehicles, provided that adequate access and reception facilities could be provided at the power stations.

41. However, if servicemen were to be used in the case of a miners' strike this autumn, it would probably have to be to maintain some form of rail service to the power stations since, for the reasons given above, we do not think that adequate

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deliveries by road would be possible by then.

42. The services have only some 23 experienced train drivers - all of whom are attached to the BAOR and are trained to drive only small shunting engines in an army depot. Merry-go-Round trains are very much heavier than these and servicemen would therefore need about five weeks training in their handling as well as further familiarisation with the actual routes to be used before they could be brought in to deliver coal to the power stations. Some initial experience might be acquired on comparable operations abroad - although we have not investigated this possibility in detail - but the replacement drivers would have to undertake much of their training on actual Merry-go-Round operations on BR trains and under the instruction of BR employees. It is unlikely that BR staff will be prepared to co-operate in this, and indeed to ask them to do so carries a strong risk of provoking industrial action and thereby interrupting the build-up of coal stocks over the summer.

43. If, however, the problem of training could be overcome, it would not be necessary to restrict the training to the existing service drivers and it would therefore be possible, at least in principle, to train a sufficient number of servicemen (about 200- 300 drivers would probably be needed) to maintain Merry-go-round deliveries to the power stations at near normal winter levels, for as long as pithead stocks lasted.

44. We have considered whether it might be possible to recruit volunteer drivers from Railway Preservation Societies or elsewhere either to man trains themselves or to assist in the training of troops but our conclusion is that this is unlikely to be effective. The Railway Preservation Societies tend to have a strong sense of identity with the rail unions (and indeed they often make common cause in arguing

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for the re-opening of closed railway lines) and, moreover, many of their members are working or retired railwaymen. In principle BR management staff would be capable of driving the trains, but in practice they are unlikely to be prepared to do so because of the industrial relations problems with their own staff to which this would undoubtedly give rise. Equally, they could in principle undertake the training of servicemen, although even if they were prepared to do so in advance of a strike, this is unlikely to be possible without the railway trade unions (and therefore the NUM) becoming aware of it.

45. Finding drivers for Merry-go-Round trains is not, however, the only problem. Co-operation would also be required from signalmen and level-crossing controllers as well as from the BR staff involved in refuelling and basic maintenance. Merry-go-Round train movements are not isolated from the main railway network; all involve at least crossing a line used for other services and in some cases the trains need to travel for at least part of their journey on the main network. These train movements cannot, therefore, be carried out without signalling and, under circumstances in which rail unions are refusing to handle coal movements, the necessary co-operation of signalmen and others would almost certainly be denied. Servicemen could not carry out signalling work without considerable training and any attempt to involve them in this would be almost certain to extend the scope of action by the railway unions. Comprehensive action by signalmen would effectively shut down the rail system.

46. But ironically, if the railway were shut down, it would probably be possible to provide some sort of Merry-go-Round service provided train drivers were available. Certain essential track jobs such as setting points would have to be done by other servicemen, as would fuelling and basic maintenance. Some co-operation from senior

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railway management would probably be necessary. But in these circumstances the Merry-go-Round system would be a relatively easy target for disruption; the trains would run mainly through coal mining areas and their obstruction or derailment by placing obstacles on the tracks or actual damage to the rails would be very difficult to prevent, although disruption of this sort is by no means a normal trade union tactic. The services could probably make any such damage sufficiently good for coal deliveries to be maintained, but this might take time in some instances and as a result coal supplies could be seriously delayed.

47. Alternative arrangements for running trains to the power stations would only be effective if loading and unloading arrangements could be maintained. At some pitheads where the arrangement of stocks and sidings is suitable it might be possible to by-pass the automatic loading equipment and load trains with earth-moving equipment or its equivalent operated by servicemen or possibly volunteers, although this would be very much slower than the existing automatic systems. Where this is not possible some training and supervision of servicemen in the use of the automatic loading equipment would be essential. In principle this equipment could be operated or the training and supervision of servicemen undertaken by low-level NCB managerial staff, but in practice we think it very unlikely that they would be prepared to do either. Alternative arrangements - such as assistance from the manufacturers' staff might also be possible, and, in the last resort, the servicemen could attempt to operate the equipment without advice. This last possibility would inevitably result in a low through-put in the early stages and could in some cases result in expensive damage or even total breakdown of the equipment. Unloading would require co-operation from power station staff. Discharge of Merry-go-Round wagons is generally by gravity into special bunkers which are cleared to conveyor. If these bunkers are not cleared it is impossible to discharge the coal from further trains; the quantities of coal involved make manual loading or unloading of limited value.

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48. Finally, in considering the scope for the use of servicemen Ministers will wish to bear in mind the likely reaction of the miners themselves. For historical reasons the appearance of troops at a pithead in particular (for example to load a coal train could give rise to very severe public order problems.

49. On the other hand, the background against which the use of servicemen might take place would be one of very intense need for electricity. The claims of hospitals, the sick and elderly during the winter months, struggling UK industry and the ordinary domestic consumer would lend moral authority to any measures designed to ensure that publicly-owned or imported coal could be burned at the power stations. The balance of public opinion could well depend on whether or not the NCB's offer was widely seen as reasonable.

50. Overall, our conclusion is that although troops could, in principle, operate a Merry-go-Round train service to power stations which might extend endurance times significantly, to do so would raise practical problems which might prove insuperable. The servicemen involved would require some training, which would be impossible without co-operation from BR, which is unlikely to be forthcoming. Furthermore, the involvement of soldiers carries with it not only the possibility of considerable public order problems at the pitheads but also the danger that industrial action might spread from the mines to the railway. The successful use of servicemen would also depend on co-operation of the power station staff in unloading trains and in using the coal delivered by them. At this stage we have no way of assessing whether power station workers would, in fact, be prepared to co-operate but the possibility that they would not cannot be lightly dismissed.

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(b) increasing coal imports

51. Coal could be imported either direct to power stations with their own port facilities or through other ports with existing or potential facilities for importing coal or other heavy materials. Some Central Electricity Generating Board (CEGB) power stations in the South East of England have the capacity to handle a total of  $7\frac{1}{2}$ - $8\frac{1}{2}$ m tonnes a year of coal at their own docks; this is coal deliveries by sea from the North East coalfields. The Electricity Boards expect to import no more than  $\frac{3}{4}$ m tonnes of coal this year of which only  $\frac{1}{2}$  m tonnes would go to these power stations. Therefore, in the event of a miners' strike it would be possible for these CEGB power stations to increase their imports by about 150,000 tones per week if the necessary coal could be acquired on the world market.

51A. So far as other port facilities are concerned, previous studies have established that if, at relatively small cost, all suitable ports were to be switched to handling coal, their capacity could be increased from the present level of 2-3 m tonnes per year to possibly 10-12m tonnes per year. But this would involve major transfers of capacity including adopting existing British Steel Corporation (BSC) facilities to handle coal imports, and might take 12-18 months overall, the construction of some relatively small, rail links might be necessary; and the extent to which facilities could be adapted would depend on their likely pattern of use in the future /BSC's for the import of iron ore. Further work, probably involving consultations with the industries concerned, would be required to clarify the scope for adapting BSC's facilities. But we do not recommend that this should be undertaken at this stage, since power station port capacity in the South East is likely to be more than sufficient for the level of imports which will probably be available on the world market within the period covered by this report.

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52. There are, however, two limitations on the use of extra coal imports. The first is that additional imports are unlikely to be available in the short term. There is no significant spot market for coal in Western Europe as there is for oil and, while it might be possible to pick up odd cargoes, it is more likely that it would take between 1 and 3 months to secure single shipments. Moreover, the world market is under pressure following strikes in America, Australia and Poland while demand for coal is rising. Therefore, unless a decision to increase imports was taken well in advance the impact that they could make on endurance seems likely to be limited.

53. The second limitation is the impact of industrial action. In the past power station workers have been prepared to handle contracted coal imports during coal emergencies and we have no reason to believe that they would not do so in the autumn. But it is possible that extra coal imports during a miners' strike would be "blackened" by the National Union of Seamen (NUS), the dockers or the power station workers and it is unlikely that the NUR would be prepared to handle coal imports for power stations. It is also likely that the NUM would take steps to prevent additional coal imports being used.

54. If miners were to picket places other than their place of work (for example docks and power stations) they would have no immunity from civil action and anyone whose commercial contracts were broken as a result of such picketing would be able

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to seek an injunction against named picket organisers; anyone who failed to comply with the terms of such an injunction could be subject to fine (which might be paid by the NUM) or imprisonment. However, the miners can be expected to have less regard than most for industrial relations law. When they see that the Government is determined to withstand a strike they are likely to take tough and determined action, as they have done before, for example by way of flying pickets at docks and inland power stations. They will be well organised, and capable of switching targets in such a way as to make it difficult for the police to match them in sufficient numbers at short notice. This will not in itself amount to criminal behaviour, but it may well give rise to it if it involved intimidation of people willing to cross a picket line and to violence against them or against the police trying to protect them. To assist the police in reacting to the threats of violence and intimidation posed by flying pickets, arrangements for mutual aid between police forces may need to be implemented. The National Reporting Centre in New Scotland Yard may need to be in operation throughout the strike; this is the machinery by which police support units can be moved away from any part of the country to assist a force in urgent need of reinforcement. The Home Secretary and the Secretary of State for Scotland have residual powers (never yet used) to direct one force to reinforce another.

55. Secondary action by, for example, the NUS, <sup>the dockers</sup> /or the NUR, is also possible. The legal position in respect of secondary action is more complex. Secondary action in the form of blacking or a sympathetic strike would be unlawful if the employers of those taking the action had no commercial contract with the NCB, that is they were not direct customers or suppliers of the NCB. Thus secondary action by employees of transport undertakings which had contracts only with the Electricity Boards (for example, British Rail) but not with the NCB or by employees of other firms without commercial contracts with the NCB would be unlawful. Secondary action by employees of the Electricity Boards or of other firms which did have contracts with

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the NCB would be lawful only if its principal purpose was to disrupt coal supplies between NCB and the Electricity Boards, and not if it went further and was aimed principally at other suppliers, for example of electricity or ancillary materials. Any employees taking such action would in any case be in breach of their employment contract and therefore subject to disciplinary sanctions or dismissal by their employer. If dockers or others were induced to black imported coal or to picket their place of work with the same object this would not attract civil immunity and actions for an injunction or damages might be brought by those whose contracts were affected. If the Electricity Boards, for example, wished to secure access to stocks of imported coal unloaded at ports but subsequently blacked by dockers, they could seek an injunction in the High Court against those responsible for the blacking. The action might, for example, name one or more of the dockers concerned and a senior official of his union. The injunction, if granted, would require those concerned to stop organising the blacking. If the injunction was ignored by those named in it, or by others who sought to take their place, this would constitute contempt of court which may be punishable by fines and in the last resort imprisonment. In practice, employers are often reluctant to prejudice relations with their own employees and to risk further industrial action which could arise out of an application for an injunction though this might not apply to employers not otherwise affected by the dispute who were anxious to secure deliveries of coal from the docks.

56. We have also considered whether the production of opencast coal mines could be increased, but we think it unlikely that this could make much impact on endurance times. Although the workers at NCB's opencast mines are members of the Transport and General Workers' Union and not of the NUM, we think it unlikely that they would be prepared to increase production and to allow the resulting extra coal to make good part of the deficiency arising out of a miners' strike. But even if they were, the

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coal would be picketed at the power stations even though this would be unlawful. In any case, opencast pits currently account for only about 11 per cent of total coal production and we doubt if this could be increased to more than 12 per cent in the short term. Some power stations are supplied direct by conveyor from open-cast sites, and these supplies would probably be maintained during a miners' strike, but their contribution to endurance would be very limited.

57. Finally, supplies of coal are not in themselves sufficient to ensure that electricity supplies are maintained; adequate supplies of ancillary materials are also essential. This has already been discussed.

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(iv) reducing demand for electricity

58. There are a number of ways in which electricity demand can be restricted, as follows:-

(a) under powers contained in the Energy Act 1976, the Government can:-

(i) restrict industrial and commercial users to using electricity only on specified days of the week;

(ii) require specific percentage cuts in consumption; and

(iii) ban completely the use of electricity for certain purposes e.g. advertising, heating in public buildings (but this would have only a minimal impact on total electricity consumption).

(b) the Electricity Boards can also introduce rota disconnections, with the Government's authority, in addition to the measures listed above.

58A. Rota disconnections or a statutory requirement to reduce electricity consumption by a specified amount would apply equally to domestic and non-domestic consumers; but the latter would be difficult to enforce, and might not produce sufficient savings. A reduced working week, on the other hand, would concentrate the effects of the supply restrictions on industry and commerce and therefore to achieve a particular reduction in total consumption would mean reductions in industrial and commercial electricity consumption of about twice that level. In practice the best approach would probably be a combination of rota cuts and a reduced working week.

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59. However, the extent of the restrictions that can be introduced without causing severe industrial damage and great inconvenience to the domestic consumer, is limited. Generally speaking, provided electricity supplies can be kept at or above 85 per cent of their expected winter level the risk of substantial long-term damage to the economy, is likely to be fairly low in a short strike but would be significantly greater if a strike were to last for a very long time. The experience of 1973-74 suggests, that industry would be able to cope without suffering substantial damage if reductions to this level did not continue for more than about 10 weeks. However, industry is in a much weaker financial position now than it was in 1973 and consequently it would be unlikely to survive for as long during the coming winter without major damage and the collapse of companies already hard hit by the recession. There is very little experience of the impact of electricity supply restrictions over a long period; The only recent experience was early in 1974 during the miners' strike, when electricity supplies were cut by around 15 per cent for 2-3 weeks; these are the most severe electricity supply restrictions that have ever been implemented. It would clearly be important to maintain supplies so far as possible for essential services such as water and sewerage and public transport key defence installations and important industrial processes such as food production, oil refineries and other fuel production facilities and certain continuous processes interruptions in which could be very costly indeed. Therefore, remaining electricity consumption would have to be cut by about 20 per cent to achieve an overall reduction of 15 per cent. However, there is currently considerable slack in the economy and the introduction of rota cuts for reduced working might well have little impact on some sectors of industry and therefore produce little reduction in their electricity consumption. The brunt of electricity restrictions would probably therefore be borne by the successful parts of industry. Past experience of rota cuts shows that domestic consumers tend to use more electricity than normal during the periods when supplies are on and that to achieve a particular level of reduction in consumption requires a much higher apparent level of restriction.

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60. To achieve an overall reduction in consumption of 20 per cent by rota cuts would mean restricting supplies to domestic customers to 3 hours on and 3 hours off during daylight and evening hours for 3 days per week with much smaller cuts on the other days including Sunday; and industry and commerce would have electricity supplies equivalent for about half their normal working day. Street lighting would also be cut off during periods of rota disconnections, with implications for crime public order. The approach which the Electricity Boards would initially adopt to rota cuts would be designed to protect so far as possible essential services and vital industries during periods of disconnection. But this would require a large amount of manual switching and could be maintained for only 3-4 weeks at the most before the engineering staff concerned would not longer be able to cope. Once that point had been reached, the Electricity Boards would introduce a much cruder plan, entirely reliant on remote switching which would not distinguish to nearly the same extent between priority and other users, although it could be implemented for an indefinite period.

61. To achieve a similar level of reduction through the statutory control of days worked or a requirement to achieve specified reductions in electricity consumption would probably mean the eventual closure of those parts of industry which could not obtain materials or spares or which could not maintain financial stability under the prevailing conditions.

62. If the Government wished to withstand a very lengthy miners' strike more severe electricity supply reductions might eventually prove necessary.

It is not possible in the absence of any experience of cuts of this magnitude

to do more than speculate on what the consequences might be, but they would clearly be severe. For example, to reduce electricity consumption to 50 per cent of normal winter level by rota cuts would mean that consumption would have to be cut to  $\frac{1}{3}$  of its normal level ie consumers would have electricity supplies an average for only 3 hours out of every 9 and on some days supplies would be cut off for 12 hours or more consecutively and commerce and industry would have electricity supplies equivalent to only

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about  $\frac{1}{4}$  of their normal



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working week in isolated 3 hour periods. As a result some industries might well be and this could, in turn, precipitate the closure of others, if it gave rise to shortages of vital industrial materials and supplies which could not be obtained from abroad. Other industries might be able to operate at only about 10 per cent of their normal level. Much of commerce might be completely closed down, and shops might be open for only about 3-6 hours per day unless they /had emergency equipment eg. gas lanterns. Food supplies would start to deteriorate and it might not be possible to maintain supplies of milk or meat. Severe shortages of this nature might well eventually give rise to looting and rioting particularly since unemployment by then would probably be very high. There is also the danger that whole areas might be without electricity supplies for long periods if the switches in the electricity supply grid were to fail or become difficult to manipulate properly.

63. Once coal supplies for the power stations run out oil-fired, hydro and nuclear-powered electricity generating stations could together produce about 20-30 per cent of expected electricity demand this winter (but up to 50 per cent in Scotland), for as long as oil supplies continued to be available. (Although the Scottish and Central Electricity Generating Board systems are inter-connected, they cannot be run as a single unit because the capacity of the inter-connector is limited and at its maximum could supply only 3-4 per cent of electricity demand in England and Wales). The electricity grid could probably still be maintained in balance even at this low level, but supplies would be available only for the most essential services and perhaps for some limited food distribution. Industry and commerce would be virtually completely closed down and domestic consumers would have electricity supplies for only 1-2 hours a day. The electricity grid would also be unstable and whole areas might well be blacked out for days at a time.

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64. The extra endurance bought through the restriction of electricity supplies is limited. Demand would have to be effectively restricted to 85 per cent of its expected winter level for 6 weeks for endurance to be extended by 1 week; and the restriction of demand to 50 per cent below its expected winter level for 3 weeks would extend endurance only by 1-1½ weeks.

65. The timing and extent of supply restrictions would clearly require careful consideration. The longer they are delayed and the smaller they are, the less their impact on endurance times. But to introduce large restrictions early in the strike could cause damage to industry and weaken public support for the Government. There is no technical reason why they could not be introduced immediately. But in practice it would probably take about a week for restrictions on electricity demand to be organised and come into force after a decision to do so had been taken and an Order and Council under the Energy Act 1976 signed a few days are necessary for rota cuts to be organised in detail and for information about them to be produced and publicised in the views media and in Electricity Board showrooms. Similarly, to prohibit the use of electricity for certain purposes or on certain days or the introduction of a requirements to reduce consumption by a specified amount would require Orders to be made and publicity to be organised.

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#### THE AVAILABILITY OF PRIVATE ELECTRICITY GENERATING CAPACITY

66. Industry itself generates about 13 per cent of its total electricity consumption with capacity concentrated in a few large firms in those industries which are heavy users of electricity. These private generators carry some spare capacity and their output could probably be increased provided that adequate fuel supplies were available (about half of this capacity is oil-fired; the rest is coal or gas-fired). We do not know to what extent total rated private generating capacity could be operated continuously, but if we assume that output could be doubled the additional output would provide about 5-6 per cent of total normal electricity demand from the Electricity Boards, or a further 13 per cent of industrial consumption. We have no information on the level of fuel stocks normally held by users of private generating equipment, but we do not think that the availability of fresh oil supplies would be a problem.

#### THE AVAILABILITY OF STANDBY ELECTRICITY GENERATING CAPACITY

67. If the standby generating equipment available to private industry could be fully utilised it might produce a further 10 per cent of industrial consumption (or 4 per cent of overall demand) but only over very short periods.

68. Health service policy on fuel supply emergencies in recent years has been directed to increasing standby capacity rather than protecting hospitals from disconnection when supply cuts are operating. Most hospitals, therefore, including all the main hospitals, have their own standby equipment, mainly diesel generators. Over half of all hospitals have sufficient standby equipment to meet 90 per cent or more of their normal needs; and 80 per cent of hospitals have sufficient equipment

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to meet at least 60 per cent of their needs. In practice, therefore, most hospitals will have sufficient standby equipment available to maintain emergency services, at least, during periods of electricity cuts.

69. Of other key public sector installations, most water and sewerage authorities have now acquired standby equipment; all civil prisons have, or could be provided with, standby generators capable in an emergency of maintaining security and basic regimes; and the Property Services Agency (PSA) has installed some 243 generators to provide standby power in emergency suites in central government offices, regional offices (including Regional Emergency Committees), essential computer installations, government laboratories, government communication centres and air traffic control and metrological stations.

70. Finally, there are more than 5,500 local authority homes in Great Britain and also a large number of privately-run homes, most of which will lack standby equipment. It would not be feasible to supply these with standby equipment from central resources. In these circumstances, therefore, local authorities would probably wish to consider, if necessary, arranging for help from volunteers to look after those in their care, if, for example, electricity rota cuts were to be imposed.

71. In most cases, at least in the public sector, the fuel supplies held on the premises for standby equipment will be sufficient for only 8 or 9 days continuous running, although, in practice, since standby equipment will probably be used only during periods of rota cuts these fuel supplies should last for some time. But, in any case, we do not think that the availability of fresh fuel supplies (mainly diesel oil) is likely to pose a severe problem. This type of equipment is, however, not designed for long periods of continuous running, and if it were to be operated in this way would probably require frequent maintenance to avoid breakdowns. The

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maintenance of standby generators would normally be the responsibility of the owner or operator. Most firms with such equipment are likely to have their own maintenance capability and those that have not will have access to commercial maintenance facilities. The Services, however, have a limited capacity for the repair of such equipment, although in some cases there might be difficulty because the equipment is unfamiliar or spares are not available. In the unlikely event that the owners' own resources could not cope with the task of regular maintenance, a restricted emergency service could therefore be organised at reasonably short notice.

#### THE USE OF VOLUNTEERS

72. The main role for volunteers is likely to be in offering assistance to local authority and other homes where, in general, standby electricity generation equipment is not available and to the elderly, the sick etc in the community who are likely to be most seriously at risk as a result of rota disconnections or other cuts in electricity supplies. As we discussed in an earlier section of this report, we do not think that volunteers, even if they were forthcoming, could make much contribution to the transfer of coal stocks from either the pitheads or the ports to power stations.

#### POSSIBILITY OF SIMULTANEOUS INDUSTRIAL ACTION BY OTHER KEY GROUPS ON OTHER ISSUES

73. It is impossible at this early stage to forecast with any certainty the likelihood of simultaneous industrial action in other sectors, but we review here briefly the main groups with pay settlement dates in the period November to February,



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when a miners' strike over pay is most likely. Other key groups with pay settlement dates in November are firemen, local authority manual workers and oil tanker drivers. Firemen are already threatening 24 hour strikes from July unless the local authorities restore the index-linking of their pay. The risk of an intensification of strike action from November cannot be ruled out. Similarly, there is at least a risk of spasmodic industrial action by local authority manuals who will be reluctant to accept for a second year any offer much below what they conceive as the "going rate". Oil tanker drivers, who customarily continue bargaining for some long time beyond their settlement date, are likely to be finally offered a settlement they will accept

74. The water manuals' due settlement date is early in December. In each of the last 3 years they have threatened industrial action before settling retrospectively. They might well do so again, although the likelihood is that the unions would want to avoid strike action until the outcome of the miners' negotiations was in prospect. If the miners came to a long strike, the risk of simultaneous action cannot be discounted.

75: In January, dockers at a number of ports, steelworkers (who were denied a pay increase at their last due settlement date for 6 months) and gas manual workers will be expecting to settle. Customarily, dockers are content to let their due date pass before pressing hard, but pressures are evident for enhanced severance terms in the industry and for an extension of the Dock Labour Scheme. A combination of these issues (and the risk that attempts to enforce civil legal remedies against action short of a strike in their pursuit) could lead to the threat of strike towards, or at the turn of, the year. In the aftermath of the 1980 strike, the steel unions will be reluctant to contemplate strike action on pay, but further closures of major plants might produce a climate in which strike action could be mounted. The gas unions are likely to be ready to wait for some time the outcome of a miners'

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strike before taking industrial action themselves.

76. The power engineers in the electricity supply industry have a due settlement date at the beginning of February, but traditionally await the outcome of the manuals' settlement which is not due until March. Any possible simultaneous threat of industrial action in this industry can probably be discounted.

77. This assessment deals only with pay-related issues. But key groups might well strike over other issues. For example, in the case of British Rail, if further curtailment of services to secure economies were introduced in the Autumn; and in the case of the BGC there is the possibility of a strike in January/February when legislation on the disposal of gas showrooms might be under discussion in Parliament.

78. It does not seem to us to be likely, on the basis of this preliminary assessment, that next winter the Services might face difficult problems of priorities in dealing with the consequences not only of a miners' strike but also of strikes by other key groups. If, however, there were to be strikes in other key areas at the same time as a miners' strike - and at this stage a strike in the gas industry in January/February cannot be discounted - possibilities for endurance might well be reduced or at the very least the extra inconvenience and discomfort caused to the general public might be sufficient to undermine their willingness to withstand a miners' strike and this, therefore, could lead to pressure on the Government to facilitate a settlement. We do not think that simultaneous strikes by the miners and by one or more key groups of workers would be likely to lead in itself to more widespread industrial action. In practice trade unions in other key sectors would probably prefer to allow the miners' dispute to be settled before seeking to conclude their own pay negotiations,

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although in some cases if a settlement were to be seriously delayed pressure from the workforce might make industrial action inevitable. If, however, for any reason miners were to be imprisoned, for example for failing to obey an injunction, widespread industrial action, with strong political overtones could quickly result leading, in an extreme situation, to a general strike.

#### PUBLICITY AND PUBLIC ATTITUDES

79. There are two aspects to publicity. The first is providing essentially factual information to Ministers and to the public about the impact of a strike, and the second is attempting to influence public attitudes.

80. So far as the mechanics of publicity arrangements are concerned, the Civil Contingencies Unit is already reviewing in consultation with the Prime Minister's Chief Press Secretary the form that publicity arrangements might best take in the event of a major strike or other civil emergency and will be reporting separately to Ministers. In the event of a miners' strike it would be particularly important to take steps to reassure the public and also to provide adequate explanations of contingency arrangements eg the timing of rota disconnections.

81. As for influencing public attitudes, Ministers will wish to consider in the event of a strike whether to deply information about the costs to the economy of the coal industry and about the implications for miners' earnings of the closure of uneconomic pits -

- i. to maintain public support for the NCB and the Government ie to ensure that the public continues to understand and accept the need for a firm stand by the Government and the NCB and, therefore, to ensure that the weight of public opinion does not begin to swing towards support for the miners; and

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ii. to undermine the miners' solidarity, so far as that is likely to be possible.

82. The role that publicity might play in preventing a strike was outside our terms of reference and we have not therefore considered this aspect. But it seems to us that publicity is unlikely to make much impact on attitudes once a strike has begun, and that properly planned it could be used to much greater effect well in advance of a strike; separate work is already in hand on this following the letter of 6 July from the Chancellor of the Exchequer's private secretary to the private secretary to the Secretary of State for Energy.

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## PREVIOUS STRIKES IN THE COAL INDUSTRY

1. There have been only three major strikes in the coal industry this century - in 1926, in 1971-72 and in 1973-74. In 1926 the national economy differed so greatly from the present day that no useful lessons can be drawn from that experience. In 1971-72 (when the miners' pay settlement date was 1 November) industrial action took the form of an official ban on overtime lasting for 9 weeks from November 1971 followed by an official strike for 7 weeks from 9 January to 28 February 1972. A Court of Inquiry into the dispute was set up under Lord Wilberforce on 11 February and reported a week later, but the NUM rejected the inquiry award, and normal working resumed only after discussions involving the TUC and the then Prime Minister when the Government conceded a yet more expensive settlement. When the industrial action began power station coal stocks stood at 18.7 million tonnes, which was then equivalent to 8 or 9 weeks endurance. The loss of coal production as a result of the overtime ban was only 5 million tonnes but the strike cut stocks by 19½ million tonnes. In 1973-74, (when the pay settlement date was 1 March) industrial action again took the form of an official ban on overtime, which lasted for 13 weeks from 12 November 1973, followed by a full strike for 4 weeks from 10 February to 11 March 1974. A return to work was achieved only following the dissolution of Parliament and a General Election. The loss of coal production under each form of industrial action was 10 million tonnes (total 20 million), compared with coal stocks of 19 million tonnes at the beginning of the industrial action, which was then equivalent to 8-9 weeks endurance.

2. The outstanding features of industrial action in 1971-72 were -

- a. Widespread picketing (occasionally violent and intimidating) of power stations, industrial installations and coal merchants' depots significantly



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reduced the usefulness of stocks;

- b. miners were successful in reaching agreements with some other workers (eg railwaymen) not to handle coal supplies; no other union took overt sympathetic action but it was widely accepted and endorsed that unionists should not cross official NUM picket lines;
- c. power stations, which had some 8 weeks' supply when the industrial action started, began to run into severe trouble within about 5 weeks, largely because of interference by pickets with movements of ancillary supplies held by the CEGB.

3. The 1973-74 emergency differed in several respects from that of 1972. The overtime ban was operated much more severely and caused a heavier loss of production which would have been even higher without continuous weekend work by the small corps of management staff. Picketing during the strike itself was much less severe, the NUM limiting pickets at any one place to six; and priority consumers of coal as a primary fuel (ie. where life-support and hardship were considerations) continued to be sufficiently supplied by arrangement with the NUM.

4. In both strikes in the early 1970s the cost of a settlement increased progressively the longer the strike continued.

5. The crucial factor during both strikes was power station endurance and this remains the case. In 1973-74 erosion of power station coal stocks caused the then Government to introduce restrictions on the use of electricity and finally a 3-day working week. So far as the coal burning industries were concerned, coal stocks

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proved to be just adequate, although in many places by the end of the dispute stocks were virtually exhausted. Overall, the effect during the period of the 3-day week was to reduce industrial production by about 8-9 per cent but there are indications that had the dispute continued for much longer the position might have deteriorated quite sharply. For domestic consumers, coal merchants succeeded, through the operation of a voluntary rationing system, in maintaining adequate supplies to those with compassionate needs; and the trades unions co-operated in allowing coal supplies to be delivered to those hospitals which relied on coal for heating.

6. The circumstances which obtain now are, however, significantly different from those in the early 1970s. Miners' earnings are now much more dependent on productivity than they were then, which may mean that they will be less willing to embark on a lengthy period of work-to-rule and overtime ban (which could cost individual miners between £15 and £20 gross per week) than has been the case in the past. The impact of this change has been particularly noticeable in NUM ballots over pay offers in the last few years when there have been marked differences in the levels of militancy between areas of high and low productivity. The rules governing the payments of Supplementary Benefit to strikes have also changed. Since November 1980 the amount of Supplementary Benefit to which a striker may be entitled for his family has been reduced by £12 per week and in most cases urgent needs payments are no longer made to strikers or their families. Furthermore, from April 1982 tax rebates are to be withheld from strikers until after they have returned to work.

7. A further difference between now and the early 1970s is that power stations are now much less dependent on oil than they were then. In the early 1970s coal accounted for 60 per cent of electricity generation, oil for 25 per cent and nuclear power for

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9 per cent. The proportions are now: 78 per cent coal, 9 per cent oil and 12 per cent nuclear. This means that there is now considerable spare oil-fired electricity generating capacity and therefore much greater scope than in the past for substituting oil-fired capacity for coal-fired when coal supplies are scarce. There is also the impact of the Employment Act 1980 on picketing and secondary action to be taken into account.

Finally, industry is now more fragile than in 1973-74 and its ability to withstand and successfully recover from a lengthy universal strike will therefore be significantly less.

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cc Transport  
British Rail

file

RUE



bc Ingham  
Veneker

10 DOWNING STREET

Nav h d

From the Private Secretary

3 March, 1982

Dear John,

I am writing to confirm that the Prime Minister is holding a meeting on Monday, 15 March at 1515 hrs at 10 Downing Street to discuss coal and the railways. The Chancellor will be represented by the Chief Secretary and it is possible that the Secretary of State for Defence will not be present.

I am copying this letter to John Kerr and Terry Mathews (HM Treasury), David Omand (Ministry of Defence), Jonathan Spencer (Department of Industry), Barnaby Shaw (Department of Employment), Julian West (Department of Energy), Anthony Mayer (Department of Transport), Muir Russell (Scottish Office), Robin Ibbs, David Wright and Robert Wade-Gery (Cabinet Office).

Yours sincerely  
Cassie Stephen

John Halliday, Esq  
Home Office

dl



copy to JV please.

Prime Minister

MCS 5/3

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Ref: B06423

MR SCHOLAR

c Mr D J Wright

A very useful note.

I understand that the CEGIS <sup>yesterday</sup> ~~has~~ accepted that they will do a 250,000 tce oilburn for the time being,  
Coal Endurance financed by loan. Satisfactory.

You asked me this morning about the power station endurance <sup>MCS 4/3</sup> implications of the short-term choice between continuing maximum oilburn (0.5 mtce ~~equivalent~~) and cutting it to 0.25 mtce from 8th March.

2. Power station coal stocks are now around 14 million tonnes. By 4th April they should be just over 16 million tonnes if extra oilburn is now cut (to 0.25 mtce), and just over 17 million tonnes if it is continued at the higher level. Of these stocks, about 3 million tonnes are probably not usable.

3. The question therefore is whether the difference between 16 and 17 million tonnes of stocks will materially affect

- (a) endurance in a total rail strike, during which non-rail coal deliveries are unaffected;
- (b) endurance in a total rail strike, during which other internal coal movements are also stopped;
- (c) endurance next November, if stocks are run down by a rail strike this spring.

The answers are: (a) Not significantly; (b) Probably not; (c) Not at all.

4. Net wastage of stocks during an April-May strike would be about 0.3 million tonnes per week on the assumption at (a) and about 0.8 million tonnes per week on the assumption at (b). Even if stocks were only 16 million tonnes at the start, therefore, nominal endurance would be 65 weeks (sic) under (a), and 13 weeks under (b). Even the latter period is probably longer than any strike could be withstood on other grounds (eg bankruptcy of coal-burning industries).





4. As regards (c), maximum power station coal stocks could probably be rebuilt by next November following a rail strike lasting up to 8 weeks, provided we were willing to pay for a high level of extra oilburn during the summer. Failing to gain an extra 1 million tonnes by oilburn in March would only mean 2 extra weeks of maximum oilburn during the summer or early autumn.

R L Wade-Gery

3rd March 1982

R L WADE-GERY





Lee AD 7  
JV  
①

Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000 2 March 1982

The Rt Hon Nigel Lawson MP  
Secretary of State for Energy  
Department of Energy  
Thames House South  
Millbank  
LONDON SW1

Prime Minister

*WMS*

Consistent with your

view - except X : no need to  
intervene unless tomorrow's

meeting CEGB / D/En goes wrong?

MCS 2/3

Dear Secretary of State,

EXTRA OILBURN

Thank you for your letter of 26 February reporting your discussions with the Chairman of the CEGB and the Electricity Council about my proposal that the net costs of additional oilburn in February and March ought to be met by an increase in borrowing and a reduction in profitability rather than through a grant.

As I made clear in my earlier letter, I believe that grant finance is unnecessary if the CEGB were prepared to offer reasonable co-operation to the Government and to agree that the costs of oilburn should be financed entirely from lower profits. But it is clear from your discussions that they are not prepared to co-operate in this way.

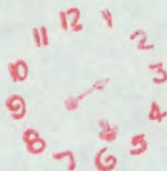
My other concern with grant was about its visibility. Concession of a grant for the extra oilburn associated with the ASLEF dispute would have made it difficult to refuse grant for the costs of a summer oilburn programme designed to build up stocks before the next NUM pay claim. Grant finance for such a programme would have had to be announced to Parliament. But it would have been virtually impossible to explain the reason for such an announcement without raising suspicions that its purpose was to build up stocks in advance of the NUM pay claim. I understand that following discussions in MISC 57 yesterday, this looks to be less of a difficulty. Power station coal stocks next November look as if they could be maximised through the "super-accelerated" rail movements and without expensive oilburn. The difficulty of a summer announcement of an oilburn programme therefore drops away.

In these circumstances, I agree, subject to the conditions set out below; that we should:

/i) pay grant for



- 2 MAR 1982



- i) pay grant for additional net costs of £20m incurred in February; and
- ii) accept the lower rate of additional oilburn in March if the CEEB decide to fund it through borrowing (at a gross cost for purchasing the oil of about £15m a week).

The conditions are as follows:

- a. Payment of the grant should be governed by ground rules agreed between your Department and the industry, in consultation with the Treasury. These should be drawn up quickly.
- b. Your officials should satisfy mine about the level of additional net costs, which are estimated in your letter at £20m. Additional net costs are defined here as the net cost, which would otherwise have fallen on the consumer, of burning oil rather than coal.
- c. There should be an early announcement to Parliament of the decision to pay a grant for this purpose. Your officials should clear with interested Departments the text of the announcement. Grant provision should be taken through a Summer Supplementary Estimate.

X | You suggest that if the CEEB refuse to accept the proposals outlined in paragraph four above, we would have no choice but to finance oilburn in March by a grant, in which case we should instruct them to burn the full 500,000 tce extra. This is obviously something that we want to avoid and I should be glad if you would consult me again before agreeing to finance the March oilburn by way of grant. If we are forced to giving the Board instructions, I suggest that the level of oilburn involved should be the 250,000 tce extra per week, subject to review during March.

Finally I understand from the Chief Secretary that our officials have explained to yours the presentational advantages in the CEEB's paying for the extra oil this financial year rather than next. I understand that you are prepared to ask the CEEB to do so, without of course suggesting any willingness to pay extra grant to the Board.

I am sending a copy of this letter to the Prime Minister, David Howell, George Younger, Patrick Jenkin, Norman Tebbit, Sir Robert Armstrong and Robin Ibbs.

*Yours sincerely*  
*Peter Jenkins*

for GEOFFREY HOWE

(Approved by the Chancellor of the Exchequer and signed in his absence)



PA 69

MR. SCHOLAR

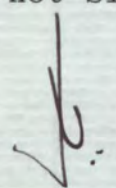
*NOTE*  
*Since what is happening is consistent with the PM's view so c.c. Mr. Hoskyns Mr. Duguid*  
*for I wasn't going to intervene - get. M.S. Hold*

EXTRA OIL BURN

The Chancellor has now replied to Mr. Lawson's letter suggesting that the rate of additional oil burn be halved if the CEEB decide to fund it through borrowing; and the Chancellor suggests that the rate of additional oil burn be halved anyway, i.e. even if we have to fund it by grant. The present rate of oil burn, pursuant to the Prime Minister's instructions (your letter of 19 February), is 500,000 tce above normal; the effect of accepting the Chancellor's proposal would be to reduce that to 250,000 tce. Everyone is still talking about the position up to 1 April only, i.e. about four weeks: the lower rate of oil burn would therefore mean the consumption of an extra 1m tonnes of coal, which would lower coal endurance by about half a week.

In an ideal world, no decision would be taken on this until the next report of MISC 57 is available. MISC 57's preliminary work indicates that we can still achieve maximum CEEB coal stocks before 1 November, even if there is a four-week all-out rail strike. So if there is no rail strike, the extra oil burn is not necessary in order to preserve our position next autumn.

I think therefore, and bearing in mind the considerable cost of additional oil burn, we could agree to the Chancellor's proposal, subject to immediate reversion to maximum oil burn in the event of a further rail strike; if time permits, I think you ought to ask the Chairman of MISC 57 to confirm that he is also satisfied that reducing the additional oil burn does not significantly harm endurance.



2 March 1982



CC AS  
JV

Prime Minister (2)

ms 1/3

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Nigel Lawson MP  
Secretary of State  
Department of Energy  
Thames House South  
Millbank  
London SW1P 4QJ

1 March 1982

*Nigel*

THE NCB'S 1981-82 AND 1982-83 EFLS

Thank you for your letter of 17 February.

I am content to deal with the NCB's overrun of its present EFL in 1981-82 on the principles set out in your letter. Clearly the Board have an interest in blaming the ASLEF dispute for as much as possible of their likely overrun so our officials will need to probe the detailed figures carefully.

When officials have agreed the detailed figures with the Board, the Board's EFL for 1981-82 should be increased to allow for the loss of revenue due to the ASLEF strike. Any overrun of the revised limit will be deducted from next year's EFL under the arrangements for end-year flexibility. In addition, the 1982-83 EFL should be reduced to allow for the recovery of coal sales following the end of the dispute.

The revised EFL for 1981-82 must be announced quickly, as early as possible before the end of the financial year. It may take a little longer to calculate the EFL for 1982-83, but clearly this should be announced as quickly as possible.

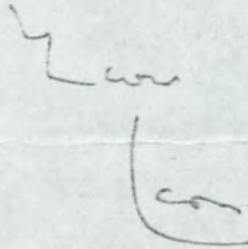
I understand that about 90 per cent of the NCB's loss of revenue during the ASLEF dispute reflected reduced sales to the CEGB. It follows that the increase in the NCB's EFL in 1981-82 on account of lost coal sales should be largely offset by a shortfall on the electricity industry's EFL (which should also benefit from the cold weather in December). The net claim on the Contingency Reserve should, therefore, be small, perhaps £15m. Please could you let me have very soon revised figures on the electricity industry's finances so that this can be confirmed.



It would be undesirable to increase the NCB's EFL in 1982-83 to reflect the interest costs of postponing the payments of 1981-82 grants. I am content, therefore, for the grants to be paid early in 1982-83 once the Coal Industry Bill receives Royal Assent. This can be done partly from the Vote on Account with the balance being advanced from the Contingencies Fund. Your officials should approach the Treasury Estimate Clerk about the advance when the timing and figures are clearer. The use of the Fund will need to be announced to Parliament before the advance is made.

I am content also for the Board's temporary borrowing limit to be raised pending the payment of the grants and the recoupment of sales delayed by the ASLEF dispute. My officials will be in touch with yours on the details. Finally, when the Board has agreed these proposals, I am content for you to confirm its capital authorisation of £886m in 1982-83 on condition that it meets its EFL.

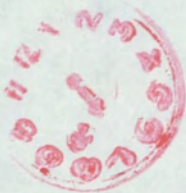
I am sending copies of this letter to the Prime Minister, Willie Whitelaw, Patrick Jenkin, David Howell, Norman Tebbit, Sir Robert Armstrong and Robin Ibbs.

Handwritten signature of Leon Brittan, consisting of a stylized 'L' followed by 'eon' and a flourish.

LEON BRITTAN



EST MAR 1982







SECRET

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AD

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SECRETARY OF STATE FOR ENERGY  
THAMES HOUSE SOUTH  
MILLBANK LONDON SW1P 4QJ  
01 211 6402

Prime Minister

Do you agree to X?

Or would you prefer the

higher rate of oilburn,

notwithstanding the

consequence for grant?

26 February 1982

SECRET

Rt Hon Sir Geoffrey Howe QC MP  
Chancellor of the Exchequer  
Treasury Chambers  
Parliament Street  
LONDON SW1

Agree to X as the  
very minimum.  
Should the Board  
not agree to this we  
shall have to fund  
it by grant as  
well.  
not.

MUS 26/2

Dear Chancellor,

EXTRA OIL BURN

Thank you for your letter of 18 February about financing extra oil burn which was followed by one from the Prime Minister's Private Secretary, looking for maximum oil burn in the coming weeks. I have since had discussions with the Chairmen of the CEGB and the Electricity Council and have put to them your proposal that the net costs of additional oil burn in February and March ought to be met by an increase in borrowing and a reduction in profitability to prevent the additional fuel costs passing through to consumers.

At my request, the CEGB have been burning oil at maximum rates at an estimated cost of about £20 million up to 28 February. Because they have been doing this at the specific request of Government, and without a Board decision that it was necessary, the Chairman insists that the costs should be covered by grants.

He would prefer a grant for any continuation of oil burn in March, too, but he has offered to recommend to the Board, next Wednesday, that they should decide to burn up to 250,000 tce extra per week (compared with the 500,000 tce extra per week we had envisaged for March) which they would agree to finance as you have proposed. Both the CEGB and the Council are clear that they would wish this to be accompanied by a consequential reduction in the esi's financial target in order to avoid the odium of falling short of their target. I have undertaken to consider this.

There is some advantage in this course; it involves the Board closely in the decision to burn extra oil, and places on them the responsibility for financing the additional costs of borrowing. However, the Board will need to amend the BST publicly in order to prevent added fuel costs passing through to the electricity consumer this year or next. The CEGB and the Council (speaking for the Area Boards) believe that there will be strong reactions from the Consumer Council over the eventual effect of this proposal on costs and therefore, they fear, on prices.

The Chairman of the CEGB was unable to give me a view on whether the Board was likely to decide on Wednesday in favour of extra oil burn at the lower rate, although he argued that our agreement to offer grants for the costs incurred in February would be very helpful. He has however agreed to maintain the higher rate of burn for the next few days.





If the Board do not agree, we would have no choice but to finance oil burn in March by a grant, in which case we should instruct them to burn the full 500,000 tce extra.

In the circumstances, I believe that we should:

- X |
- i) pay grant for additional net costs of £20 million incurred in February; and
  - ii) accept the lower rate of additional oil burn in March if the CEEB decide to fund it through borrowing (at a gross cost for purchasing the oil of about £15 million a week).

I would be grateful for your agreement during the course of Monday.

I am copying this letter to the recipients of yours.

Yours sincerely,

N. D. —————

N. NIGEL LAWSON

(Approved by the Secretary of State  
and signed in his absence)

SECRET



RECEIVED  
FEB 26 1982  
FBI

26 FEB 1982



File



bc: Mr. Duguid  
Nat Ind

DSG

10 DOWNING STREET

*From the Private Secretary*

26 February 1982

FOUNDRY COKE

I wrote to you on 15 February recording the Prime Minister's comments on Mr. John Moore's letter of 9 February to the Chief Secretary.

Since then I have seen Alan Proud's very helpful letter to Willie Rickett of 19 February; you also told me that the Chief Secretary was minded, reluctantly, to accept Mr. Moore's proposals, subject to the losses being eliminated in two years rather than three (as set out in the ante-penultimate paragraph of Mr. Moore's letter of 9 February).

On this basis I have consulted the Prime Minister again about this proposal. She is content to leave the matter for decision by the Chief Secretary.

I am sending a copy of this letter to Alan Proud (Department of Energy).

M. C. SCHOLAR

9

Terry Mathews, Esq.,  
Chief Secretary's Office,  
H.M. Treasury.





Prime Minister

Mus 26/2

②

CC AD  
JV

Treasury Chambers, Parliament Street, SW1P 3AG

John Moore Esq MP  
Parliamentary Under Secretary  
of State  
Department of Energy  
Thames House South  
Millbank  
London SW1P 4QJ

25 February 1982

## FOUNDRY COKE

Thank you for your letter of 9 February in which you suggest continuation of the assistance to the NCB in order to enable the list prices for foundry coke charged by National Smokeless Fuels Ltd, their wholly-owned subsidiary, and British Benzol Carbonising Ltd, the other UK producer of foundry coke, to be reduced to levels competitive with the delivered price or imported foundry coke. I have also seen your Private Secretary's letter of 19 February to No. 10, and Patrick Jenkin's letter of 24 February.

As you know, the Treasury agreed to the existing subsidy scheme only with reluctance and we are unenthusiastic about its renewal. Your letter shows that the industry faces a chronic excess of capacity. The effect of the subsidy is to remove the industry's incentive to bring supply into line with demand. The public expenditure costs of the subsidy scheme are also unwelcome.

Nevertheless, I accept that abrupt termination of the scheme would cause difficulties for the firms concerned, and subject to the conditions below, I agree that the scheme should be extended at a cost of £7m - £8m in 1982-83 so that both NSF and BBC can avoid further increases in their list prices for foundry coke until 31 December 1982. This would need an increase in the NCB's deficit grant and EFL. It would also require a claim on the Contingency Reserve, to which I am prepared to agree in this exceptional circumstance. We can decide the level of subsidy, if any, for the rest of 1982-83 when the NCB's plan for the industry, referred to in the next paragraph, is received.

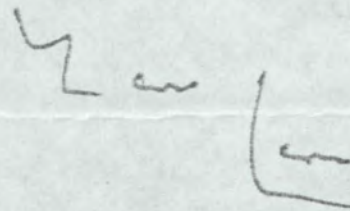
You say in your letter that assistance to the NCB should be made conditional on the Board submitting to us, no later than May, an effective plan, to be implemented in agreement with us, for



NSF to bring capacity and demand into line to eliminate losses within three years. I agree that a time limit must be an essential condition of the scheme; but I consider that the Board should be required to produce a plan which would eliminate losses, and the need for subsidy, earlier than three years. It should also be made clear to all concerned that the subsidy will not be a continuing scheme, and that it is the Government's firm intention to phase it out quickly.

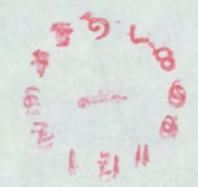
The CBI included the continuation of the subsidy scheme in their Budget representations and if you agree, the Chancellor may wish to make the first public reference to the continuation of the scheme in his Budget Statement, with perhaps a rather fuller announcement from the Department later that day. Perhaps your officials could be in touch with mine about the details of an announcement. The Department's announcement later on Budget Day could also refer to the increase in the NCB's EFL.

I am sending a copy of this letter to the Prime Minister, the members of E Committee, Sir Robert Armstrong and Mr Ibbs.



LEON BRITTAN





26 FEB 1982





Secretary of State for Industry

DEPARTMENT OF INDUSTRY  
ASHDOWN HOUSE  
123 VICTORIA STREET  
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 3301  
SWITCHBOARD 01-212 7676

24 February 1982

The Rt Hon Leon Brittan QC MP  
HM Treasury  
Parliament Street  
London SW1

Dear Leon,

## FOUNDRY COKE

I have seen a copy of John Moore's letter to you of 9 February proposing that sufficient support be given to the NCB to enable NSF and BBC to avoid further increases in their list prices for foundry coke until December 1982.

2 I can confirm that there is no sign of any improvement in the financial position of the foundry industry and I can foresee no increase in output in 1982. There is still severe competition from imported castings and this may even increase in the short term now that serious trading problems are affecting vehicle industries throughout Western Europe. UK foundries cannot afford to move their prices out of line with their European competitors without losing a significant volume of sales. Some of the large foundry groups have told the NCB that it will require only a small increase in raw material costs for some of the groups to decide to close works.

3 I therefore share John Moore's judgement that price increases of £20/t would not stick. I cannot judge to what extent foundries would be able to turn to imports as an alternative to closing, but I am keen to see that they are able to obtain coke at a similar price to that paid by their Continental competitors. The most recent report to the NEDC Energy Task Force brought out that prices in the UK and on the Continent were broadly comparable after the £10 per tonne price reduction in June. It also established that even with this reduction, prices in France were £17 per tonne or so lower, which has led to some complaint that our assistance should be increased to allow French prices to be matched.

4 The need for Government support to keep UK prices down seems

NBPM

MS 25/2

CC JU  
AD

TPM in PM  
Box 24/2





to be as great as ever and I hope you will be able to agree to John's proposals.

5 I am copying this letter to the Prime Minister, the members of E Committee, Sir Robert Armstrong and to Mr Ibbs.

*You are  
Patel*

25 FEB 1982







CVV H

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marked

10 DOWNING STREET

From the Private Secretary

19 February 1982

Extra oilburn during the ASLEF dispute

The Prime Minister has seen a copy of the Chancellor of the Exchequer's letter of 18 February about the financing of oil burn during the ASLEF dispute.

This letter crosses with my letter of 18 February to Anthony Mayer in which I recorded the outcome of the Prime Minister's discussion with your Secretary of State after Cabinet yesterday. The purpose of this letter is to make it clear that the Prime Minister wishes your Secretary of State to arrange that coal stocks are rebuilt at the fastest possible rate over the coming weeks, by means of continuation of maximum oil burn, road haulage, use of the Scottish link; and also super accelerated rail delivery. The Prime Minister believes that such action is justified by the run-down of stocks in the wake of the ASLEF dispute, and by the recent very cold weather; and also by the continuing fragility of the ASLEF situation.

I am sending copies of this letter to John Holmes (FCO), John Kerr (HM Treasury), Muir Russell (Scottish Office), Caroline Varley (Department of Industry), John Rhodes (Department of Trade), Anthony Mayer (Department of Transport), Barnaby Shaw (Department of Employment), David Wright (Cabinet Office) and Gerry Spence (CPRS).

M. G. SCHOLAR

Julian West, Esq.,  
Department of Energy.

2





Prime Minister

①

Mat Ind

de JV  
A:D

Liam Brittan is

prepared, reluctantly, to  
agree with Energy's

proposal - subject to

the losses being eliminated

in two years rather than

three.

Content to leave this

to Liam Brittan?

DEPARTMENT OF ENERGY  
THAMES HOUSE SOUTH  
MILLBANK  
LONDON SW1P 4QJ  
01-211 3932

13<sup>th</sup> February 1982

CONFIDENTIAL

W F S Rickett Esq  
Prime Minister's Office  
10 Downing Street  
LONDON SW1

Dear Willie

Mes  
ms

FOUNDRY COKE

MS 24/2

Mr Moore has seen a copy of your letter of 15 February to Terry Mathews in the Treasury.

Mr Moore thinks that it may be helpful if I make a number of points in reply. First: Ministers' discussion in MISC 56 last June, when the original decision to hold down foundry coke prices was taken, shows that the purpose of this aid is to help the private sector foundry industry, not the producers of foundry coke. Second: both main producers of foundry coke have absorbed and will have to go on absorbing increases in costs other than the costs of coal. National Smokeless Fuels Limited, the main producer and a subsidiary of NCB, for example, reduced its unit operating costs, other than coal, by 5% in real terms in 1981/82 and are planning a further reduction this year. The costs which the foundry coke producers cannot absorb are the increases in coal prices in 1980 and 1981. Third: Ministers agreed this aid after careful consideration only last summer. Its ending now, when the foundry industry is in no easier a position and a number of companies are close to bankruptcy, might not be generally understood. Fourth: the proposed closure of a foundry coke oven, which would be made a condition of continuing support would result in real cost reductions.

I am sending a copy of this letter to Terry Mathews in the Treasury and Jonathan Spencer in the Department of Industry.

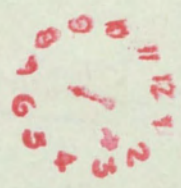
Yours ever

Alan.

A D PROUD  
Private Secretary



DEPARTMENT OF ENERGY  
THOMAS HOUSTON  
MILLER  
BOSTON OFFICE



119 FEB 1982

*[Handwritten red scribble]*

*[Faint, mostly illegible typed text, possibly bleed-through from the reverse side of the page]*

*[Faint, mostly illegible typed text at the bottom of the page]*





Treasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

18 February 1982

The Rt. Hon. Nigel Lawson MP  
Secretary of State for Energy

*Nigel*

EXTRA OILBURN DURING THE ASLEF DISPUTE

Thank you for your letter of 16 February about the financing of oilburn during the ASLEF dispute.

Now that the ASLEF action has been called off, I think that the full additional oilburn programme should be quickly terminated. The costs involved are considerable; they were put at some £30m-£35m per week in the recent MISC 57 report. Since they are not being recovered from the consumer, they add to public expenditure. It is relevant here that much of the cost from any oilburn from now on would fall to be paid in 1982-83. You will appreciate my concern to minimise costs falling in that financial year. I therefore suggest that the extra oilburn programme should cease from Monday, unless it is then clear that the coal trains are not beginning to work normally again. This would, of course, be without prejudice to any programme of extra oilburn for building up stocks before next Winter; but we have still to take decisions on that option. It would also be without prejudice to consideration of the possible case for some continuing additional oilburn if the BR ASLEF situation continues to look fragile. We could review that at the end of next week.

You propose that the cost of oilburn associated with the ASLEF dispute should be met by way of grant. I see good presentational and political reasons for trying to avoid a grant.

Decisions have still to be made on extra oilburn for the longer term exercise of building up coal stocks before next Winter. As you know, I am unconvinced that the considerable expenditure involved would represent the best use of the limited public expenditure resources available. But if this expenditure was agreed, our agreement now to grant finance the programme of oilburn during the ASLEF dispute would make it harder to deny the CEGB a grant for further oilburn programme to build up stocks for next Winter. That grant would have to be announced



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2 3 4 5 6 7 8 9 10



19 FEB 1982

when a decision had been made to pay it. But it would be virtually impossible to explain why it was being made without arousing the suspicions of the mining unions. Whatever was said about replenishing coal stocks after the ASLEF dispute, the miners would surely realise that the real purpose of this highly expensive oilburn programme was to build up coal stocks over the Summer so as to put the Government in a better position to resist their pay claim next November. This would be in conflict with the low profile approach to these matters which we have adopted hitherto.

You recognise that announcement would be needed on a decision to pay the grant. Such an announcement ought to be made quickly when the decision had been made to pay it. Otherwise Parliament could argue that the Government's credit had been pledged to the CEGB without their being notified and the following Supplementary Estimate would in effect present them with a *fait accompli*. Criticism would be intensified because the purpose of the grant would be somewhat contentious.

Such an announcement could well be unhelpful even though the ASLEF dispute appears to be settled. It would demonstrate that the Government had been more involved in the dispute than had been made clear at the time and would emphasise to ASLEF the importance for the future of the coal card.

For these reasons, particularly the first, I think that we should avoid a grant. There is certainly no question of the industry immediately passing the oilburn costs onto the consumer. But they can borrow to finance the expenditure and then either pass the cost to the consumer over a long period of time through slightly increased prices; or, and perhaps preferably, finance the costs by a reduced level of profitability without any increase in electricity prices. It is relevant here that the industry as a whole is profitable and is expected to have negative EFLs both this year and next. It ought therefore to be possible for it to absorb the costs of the oilburn without the need for grant finance. The fact that the oilburn programme should shortly terminate ought to help matters here.

Finally, I note that you cannot yet assess the changes needed to the industry's EFL. I recognise the difficulties here, but I hope that your officials can quickly provide mine with an estimate of the EFL costs of the ASLEF dispute, both for the CEGB and the NCB.

I am sending a copy of this letter to the Prime Minister, (David Howell), Peter Carrington, George Younger, Patrick Jenkin, John Biffen, Norman Tebbit, Sir Robert Armstrong and Mr Ibbs.

Y  
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Prime Minister

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JV

MUS 18/2

SECRETARY OF STATE FOR ENERGY  
THAMES HOUSE SOUTH  
MILLBANK LONDON SW1P 4QJ

01 211 6402

Rt Hon Leon Brittan QC MP  
Chief Secretary to the  
Treasury  
Treasury Chambers  
Parliament Street  
London SW1P 3AG

17 February 1982

Dear Leon

THE NCB's 1981/82 AND 1982/83 EFL

As foreshadowed in John Moore's letter of 2 February to you, I am writing about the handling of the NCB's EFLs for 1981/82 and 1982/83.

1981/82 EFL

You will recall that after considerable bilateral discussion it was decided in E on 14 May 1981 that the NCB's EFL should not exceed £1100m. The EFL was subsequently revised to £1117 to take account of the costs of accelerated coal deliveries to the CEGB, and of help to foundry coke producers. This EFL included an unspecified cut in costs of £50m proposed by David Howell plus a further unspecified cut of £77m proposed by the Treasury, making a total of £127m unspecified reductions. At the time Derek Ezra made it clear to David Howell that, while the Board would use their best endeavours to meet the EFL, the cut in the Board's EFR was so stringent that he could not promise to meet it.

If at our behest the Coal Board had sold an extra 1½m tonnes to the CEGB during 1981/82, either as part of a scheme to reduce electricity prices or as part of the accelerated delivery programme and had been paid for such deliveries it would have been within its EFL. Even without these special sales they have made real progress in a number of areas, eg 12 pit closures in the past 12 months, a higher than expected level of redundancies and a 3% plus improvement in productivity. They have also been able to make a further reduction of £13m in their estimate of stores at the year-end. Had it not been for the effects of the ASLEF strike, therefore, the Board believe that their EFR might have been £1130-£1140, an overrun of £13-£23m.



2.

Our officials will need to probe these figures in depth. My purpose here is to suggest the principles on which the 1981/82 overrun should be handled. With the proviso set out in paragraph 5 below, I would propose that the non-ASLEF overrun of some £13m-£23m should be carried forward into 1982/83 under the new arrangements. The Board will no doubt be unhappy about this approach, just as they were when I put forward an earlier proposal that the cost of 1½m tonnes should be carried forward. They will feel with some justification that they have performed much better than could reasonably be expected in the face of an arbitrary cut of £127m, and that their adroit handling of the wage negotiations should be recognised. Nevertheless I feel we can at a pinch ask them to accept such a cut in their 1982/83 EFL.

The NCB calculate that the ASLEF strike action has already cost them some £110m-£115m to 13 February and is now increasing their EFR by £20m each week in lost revenue. They have slightly revised downwards their estimates since the figures in John Moore's letter of 2 February because of their increased success in maintaining deliveries. They expect most of their lost sales, notably to the CEGB, to be recouped later, but probably not until 1982/83. Other sales, notably to the export market, may be lost permanently. It will be some time before the Board and our officials can calculate the precise net effects of ASLEF action. But I suggest the guiding principle should be that the NCB's 1981/82 EFL should be adjusted to allow for the ASLEF effects. Depending on when the strike ends, this will involve an increase in the EFL this year, but a decrease next year to allow for recouped sales less the interest costs, stock-holding costs and other increased costs, if any, such as increased transport charges. Having set the Board very tough EFLs for 1981/82 and 1982/83 it would be quite unrealistic to expect them to carry the cost of ASLEF disruption and would certainly sap the Board's willingness to overcome the potential disruption of ASLEF action now and possible trouble from Arthur Scargill in the autumn.

#### 1982/83 EFL

Turning to 1982/83 the Board consider that they have a reasonable chance of meeting their EFL of £1026m on the basis it was set last autumn. Indeed they are prepared to try to absorb the significant loss of sales to Peterhead without seeking an increase in their EFL, on the basis, to which you have already agreed, that their deficit grant will be increased by up to £20m. As indicated above, I am prepared to ask them to absorb a further £13m-£23m carryover from the current year. My proviso is that we either find some way of paying their outstanding grants, eg from the contingency reserve, at an early date once the Coal Industry Bill receives Royal Assent, or else we should agree in principle to adjust their EFL by an amount equivalent to the extra cost of borrowing, ie £15-£20m. The delay in introducing the Coal Bill was an important element in our strategy for obtaining an acceptable outcome to the miners' ballot. Since I understand that there is no objection in principle to the use of the Contingencies Fund for this purpose, I hope that the problem of additional interest costs resulting from



3.

delayed grant payment will be small (about £4m) and should be absorbed by the Board. I also hope you will agree that any extra borrowing resulting from ASLEF should be covered by an increase in the Board's short term borrowing limits. My officials are already in touch with yours on this point.

If you agree with these proposals I shall communicate them to the Board. When the Board accept them, the way will be open to confirm the capital authorisation of £886m for 1982/83. I will, however, make it clear to Derek Ezra that this figure is contingent on the Board meeting its overall EFL.

We are in touch separately on the foundry coal subsidy. I shall also be writing separately about the financial implications of an accelerated coal delivery programme in 1982/83 and the effect of the ASLEF disruption on the esi's finances.

I am sending copies of this letter to the Prime Minister, Willie Whitelaw, Patrick Jenkin, David Howell, Norman Tebbit, Sir Robert Armstrong and Robin Ibbs.

*YN*  
*Wid*

NIGEL LAWSON



118 FEB 1982





SECRET

MR. SCHOLAR

Prime Minister

①

X seems sensible.

3A

Yes no

Shall I write accordingly?

c.c. Mr. Hoskyns  
Mr. Ingham

MUS 18/2

Cost of increased oil burn

The recommendations in Mr. Lawson's letter of 16 February to the Chancellor are consistent with the Prime Minister's strong feeling, which I believe was endorsed at her meeting of Ministers on 8 February, that no extra charge should fall upon the electricity consumer. But I am unhappy at the prospect of a public announcement at a time when the ASLEF dispute might well be affected in an unpredictable way by an indication that the Government is taking these special measures.

x / The Prime Minister may feel that it would be wise to tell Mr. Lawson that we do not want any public announcement until the dust has settled from the current dispute, and that when it does come, it implies that the extra oil burn was largely the result of the exceptionally cold weather.

---

17 February, 1982.

SECRET



Ref: B06410



PM has seen

MUS n/2

MR SCHOLARPower Station Endurance

The Secretary of State for Energy hopes to make the following factual points at this afternoon's meeting.

(a) On MISC 57's explicit assumption that in a shut-down the miners would continue to accept present or presently anticipated loading patterns (350,000 tonnes/week by road and 160,000 by water), endurance is 14 weeks from 1st March.

(b) If you assume instead that they would only accept loading at normal levels (100,000 by road and 130,000 by water), endurance falls to 11 weeks.

(c) If you assume that they would stop all loading, but that imports would replace water-borne NCB coal deliveries, then endurance falls to 9 weeks.

(d) If you assume that they would stop all loading, and that there would be no imports, then endurance falls to 8 weeks.

2. All four points are factually correct. As a matter of judgement he will go on to argue that (a) is optimistic, (c) and (d) pessimistic, and (b) about right. This is a gloomier assessment than his officials made in MISC 57; but perfectly fair comment.

17th February 1982

Rwell

R L WADE-GERY

cc Mr Hoskyns  
Mr Vereker  
Sir Robert Armstrong  
Mr Ibbs  
Mr Moyes



ed JV 2  
AD

Prime Minister (2)

MUS 16/2

01 211 6402

*ms*

Rt Hon Sir Geoffrey Howe QC MP  
Chancellor of the Exchequer  
Treasury Chambers  
Parliament St  
London  
SW1

16 February 1982

Dear Chancellor,

To offset the effect of the rail dispute on their coal stocks, the CEGB have started to maximise their oil burn, as agreed at the Prime Minister's meeting on 8 February, on the understanding that the financing would be settled quickly.

on  
revision  
part

Costs

They estimate that the gross cost of the additional oil (equivalent to some 3.3 mt of coal) will be around £200m, including duty, for the 7 weeks between 14 February and 4 April. (This estimate allows for the possibility of some movement in the market against the CEGB). Allowing for the cost of coal that would otherwise have been burned, the net cost to the CEGB will be up to £80m. This includes £5m which I suggest we should also allow for additional coal stocking costs. The CEGB ought to absorb their increased operating costs from extra oil burn.

Financing

If the CEGB were to finance their extra oil burn by borrowing, I understand that they would need to publish an amendment to the BST in order to prevent their additional gross costs from passing through quickly to electricity consumers. This would be so even if we agreed to give an interest relief grant. Negotiating an amendment to the BST would be a long and difficult process which the industry as a whole would in any case be unlikely to accept. In those circumstances, the CEGB could not be persuaded to continue burning additional oil.

I recommend, therefore, that we should agree to pay grant equal to the CEGB's additional net costs, up to a maximum of £100m, in respect of oil burn in addition to their normal tonnage. This would allow for a review if, for example, the weather turned exceptionally cold and the Board would have burned more oil in normal circumstances. Our officials have discussed the ground rules for such a scheme. I hope that it will be possible to draw on the Contingency Reserve pending a supplementary estimate in the summer.



EFL

I cannot yet assess what changes would be needed to the industry's EFL: other factors such as the recent bad weather will have to be taken into account. Up to mid-February, ASLEF had reduced NCB deliveries to the CEEGB by about 2½m tonnes (with a corresponding loss of revenue to the NCB and to BR). Consequently, the CEEGB may have 'saved' about £110m on coal, but this figure is only a rough estimate. Next year, however, the NCB and CEEGB will attempt to catch up on the reduced deliveries and next year's EFLs will also require adjustment.

The timing of expenditure on coal and oil is relevant to the balance between the likely changes in 1981/82 and 1982/83. ASLEF action after about February 20 is unlikely to affect the accounts for this year, and most of the oil payments are likely to fall in April and May 1982. Our officials are in touch on this.

Public Announcement

If you agree to a grant, an announcement will be needed, the timing of which could have a bearing on the course of the ASLEF dispute. The EC Commission ought to be informed at the same time - I would take the line that the grant was in response to temporary and exceptional circumstances.

I am copying this letter to the Prime Minister, Peter Carrington, George Younger, Patrick Jenkin, John Biffen, Sir Robert Armstrong and Mr Ibbs.

*Yours sincerely*

*John M. Chadwick*

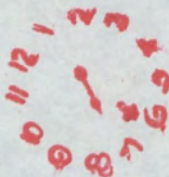
NIGEL LAWSON

(Approved by the Secretary of State  
and signed in his absence)

18 FEB 1982  
1000



16 FEB 1982





EK

MT Jnd  
Coal



file

10 DOWNING STREET

From the Private Secretary

15 February 1982

Foundry Coke

The Prime Minister has seen a copy of Mr. John Moore's letter of 9 February to the Chief Secretary.

The Prime Minister has minuted that we should surely enquire into the reasons and validity of the proposed increases in costs, since others - in the private sector - are having to hold their prices.

I am sending a copy of this letter to David Watts (Department of Energy).

mcg. 5

Terry Mathews, Esq.,  
HM Treasury

CONFIDENTIAL



Prime Minister

1A

Ref: B06408

*MS,*



*12 weeks' endurance ; contrast the*

*conclusion of Mr Lawson's minute of 10 Feb: "In the event of an all-out strike, I see no*

MR SCHOLAR

Coal and the Railways

*prospect of avoiding electricity restrictions.... approx 4 weeks after*

At their meeting on 11th February Ministers instructed the Official Group on Coal to submit an urgent report on power station endurance in the event of the complete shutdown of the railways. This is now attached.

*a stoppage... by the sixth week we*

2. If the present rail stoppages continue, measures already in hand mean that power station coal stocks can be held at not less than their present level (11.8 million tonnes). If a complete shutdown started on 1st March, theoretical endurance might be until about the end of May. This would be without use of troops or electricity cuts. In practice, minor limitations on peak demand might be technically necessary from mid-April. There are too many variables for confident prediction to be possible.

*should need to cut demand by an unprecedented 40% or 50%." FCS 16/2*

3. 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 Defence, Scotland, Industry, Energy and Employment; and to Sir Robert Armstrong and Mr Ibbs.

*RLG.*

15th February 1982

R L WADE-GERY



POWER STATION ENDURANCE IN THE EVENT OF THE  
CLOSURE OF THE RAILWAYS

Note by the Official Committee on Coal

Introduction

1. At the Prime Minister's meeting on 11 February the Official Group on Coal (MISC 57) was asked to report urgently on power station endurance in the event of the complete closure of the railways. This report concentrates on the position in England and Wales. Power stations in Scotland could endure for substantially longer than those in England and Wales, and, as a result, the maintenance of electricity supplies in Scotland is unlikely to become a critical factor. The Scottish position is summarised in the Annex to the report.

Continued Coal Deliveries by Rail

2. Sufficient train drivers are members of only the National Union of Railwaymen (NUR) for them to maintain normal coal deliveries by rail to the power stations if the remainder of the railway network were to be closed down; any familiarisation training that they might require would take only two or three weeks. But only a small number of these men are normally employed on coal deliveries and we think it unlikely that the NUR Executive would be prepared to agree that their members should do more than their normal rostered turns in the event of the closure of the rail network. NUR members are already under instructions not to cross picket lines mounted by the Amalgamated Society of Locomotive Engineers and Firemen (ASLEF) and, although picketing is virtually non-existent, 90 per cent of NUR members are not reporting for work on strike days. Even if NUR members were prepared to continue to work normally it is unlikely that the National Union of Mineworkers (NUM) would be prepared to agree that their members should load trains other than those normally rostered and driven by the normal train crew. Thus, in the event of the closure of the railways we think that, at best, only insignificant volumes of coal would continue to be delivered to the power stations by rail.



Road Delivery of Coal

3. Normally about 100,000 tonnes of coal per week are delivered to the power stations by road; this has been increased to 275,000 tonnes/week during the rail strike. The National Coal Board (NCB) thinks that it would be possible to increase this to 350,000 tonnes/week by about the end of February, given continued co-operation from the NUM. But there is already some pressure on the NUM Executive to black coal deliveries by road above normal levels, and this is likely to increase. The extent of NUM co-operation is therefore likely to deteriorate over time. On the other hand pithead stockyards are filling up.

The point could therefore be reached when some pits might have to reduce or stop production, which would affect miners' bonuses. The threat of increased imports might also be used to persuade the miners to co-operate with the delivery of coal by road, although this would be seen by the miners as a provocative step and would therefore require careful presentation.

4. In the event of the complete closure of the railway the Central Electricity Generating Board (CEGB) thinks that a maximum of 450,000 tonnes of coal per week might be delivered by road by civilian drivers. But the NUM is highly unlikely to co-operate with this level of deliveries and it is therefore unlikely to be achievable in practice. On balance we think that the maximum delivery by road by civilian drivers will be about 350,000 tonnes/week.

5. We have previously reported that the Services have a theoretical capacity to deliver 750,000 tonnes of coal per week to the power stations. The key limitation is the capacity of the road system at the nodal points on the routes between the pitheads and the power stations. However, considerable - though not insuperable - logistic problems would arise in achieving and maintaining this rate of delivery for any length of time. More important, the NUM would undoubtedly refuse to load lorries delivered by Servicemen and any attempt to use Servicemen for this task could lead to industrial trouble in the mines. In any case Servicemen are unlikely in practice to prove capable of delivering very much more coal than civilian drivers. Thus we doubt that the use of Servicemen is a realistic option.



But if the willingness of the NUM to tolerate civilian drivers were to deteriorate sharply the option might need to be reconsidered, despite the logistical and law and order problems involved.

#### Deliveries of Coal by Water-borne Transport

6. Normally about 130,000 tonnes of coal per week is transported by sea to waterside power stations. This has been increased to 160,000 and this rate of delivery could be maintained for some weeks from existing coal stocks at the ports.

#### Imports

7. The CEGC have 1 million tonnes of coal stockpiled at Rotterdam, which could be imported. But if this were to be brought in at Thameside power stations it would displace a proportion of the NCB deliveries by sea referred to above. If, however, coal imports were to be landed at other ports it might prove difficult to transport it to inland power stations in the event of an all-out rail strike. Thus we think that the maximum level of coal deliveries possible through water-borne transport and imports would be no more than the 160,000 tonnes/week already mentioned.

#### Power Station Oilburn

8. Extra oil equivalent to 400,000 tonnes of coal per week is already being burnt in the power stations following the decisions reached by Ministers on 8 February and this will build up to a maximum of 500,000 tonnes/week in March. Neither this extra oil nor the oil burnt normally in power stations are transported by rail, and deliveries would therefore not be disrupted by the complete closure of the railway network. Fuel rods for nuclear power stations are transported by rail, but storage capacity is adequate for several months.

#### Electricity from Scotland

9. The maximum possible transfer of electricity from Scotland is broadly the equivalent of 0.1 million tonnes of coal per week. This is already taking place and would continue without interruption in the event of the complete closure of the railways.



Gasburn

10. Gas supplies in the United Kingdom have been badly depleted by the cold winter, and extra gas for burning in the power stations would therefore have to be imported by sea. The Department of Energy is investigating the possibilities, but it seems likely that the extension of endurance would be small for a very high cost.

Summary of Endurance

11. The supply position in England and Wales may be summarised as follows -

	<u>February</u>	<u>from March</u>
		tonnes of coal (or equivalent) per week
Coal		
- by road	275,000	350,000
- by water and imports	160,000	160,000
Power station oil burn	400,000	500,000
From Scotland	100,000	100,000
Total	935,000	1,110,000
Weekly Power Station coal consumption	1,800,000	1,700,000
Shortfall	865,000	590,000

12. Endurance will therefore depend on how long the weekly shortfall could be met from power station coal stocks. These are now stabilised at about 12 million tonnes, of which the CEBG believe 9 million are usable. If for example the present ASLEF stoppages continue through February and the rail system is then closed down on 1 March, stocks ought in theory to last for perhaps 12 weeks thereafter, without supply restrictions or the use of Servicemen.



Electricity Supply Reductions

13. However, in practice the CEGB would wish for technical reasons to introduce a measure (perhaps 5 per cent) of electricity supply reductions to deal with peaks of demand about 7 weeks or so after an all-out rail strike began. But once power station coal stocks had been exhausted the other sources listed above could supply only about 70 per cent of expected demand. Power supply cuts at least twice as severe as the three-day week would therefore be unavoidable. Stocks held by coal burning industry particularly British Steel, are likely to be depleted well before then.

Costs

14. The total cost to public expenditure of the above measures is likely to be £30-35 million/week, make up of the costs of oil purchases and the NCB's irrecoverably lost coal sales. The Chancellor of the Exchequer and the Secretary of State for Energy are considering whether these should be met by a special grant or by increased borrowing by the CEGB.

Cabinet Office

16 February 1982



## POWER STATION ENDURANCE IN SCOTLAND

1. Endurance in Scotland would be longer than in England and Wales, mainly because a smaller proportion of coal deliveries is normally carried out by rail but also because existing stocks are higher. At present stocks amount to around 1.05m tonnes. The following table shows prospective endurance, assuming weekly consumption to meet Scottish demands of 150,000 tonnes, continuous export of 1,000 MW (the maximum possible) to CEGB, and non-rail deliveries of 100,000 tonnes per week.

2.	Coal Deliveries (tonnes/week)	Coal Consumption (tonnes/week)	Stock Run-down (tonnes/week)	Endurance (weeks)
Present endurance with no out-of-merit oil burn	150,000	225,000	75,000	14
Endurance assuming no rail deliveries, but with no oil burn	100,000	225,000	125,000	8½
Endurance assuming no rail deliveries and introduction of maximum oil burn when rail rail deliveries cease	100,000	125,000	25,000	42

3. The current level of non-rail deliveries is somewhat above 100,000 tonnes per week. Deliveries could drop below this level if NUM co-operation were withdrawn, but would be unlikely to fall below 75,000. It will be seen that the Scottish Boards are at present providing the exports to CEGB from their coal-fired stations, since they consider their endurance position to be reasonably secure. The Boards will be keeping under review the possibility of switching to oil-fired capacity, but as the last line of figures shows their position once this is done becomes extremely strong. They therefore believe they can postpone for some weeks any decision to commence oil burn out of merit order.





cc. AD

W.

(2)

Prime Minister

MS.

PRIME MINISTER

Relevant to the meeting we have arranged at 1715 on Tuesday; McLaverty is now expected to report on Tuesday morning.

Plus 12/2

NCB ROAD DELIVERIES TO POWER STATIONS

At yesterday's meeting I undertook to let you have a note about the meeting of the NUM National Executive Committee that same day to discuss what support the NUM should give to ASLEF, in particular by preventing the delivery of coal to the power stations by road.

The outcome was reasonably satisfactory. Joe Gormley stressed that the NUM were concerned lest the ASLEF action led to the closure of pits, as pithead coal stocks reach capacity levels. Having voted against a strike, the miners clearly do not want to lose substantial sums of pay because of the ASLEF disruption. It is helpful that the NUM will be meeting all three rail unions next week, as this will ensure that the NUR continue to urge the NUM not to take any drastic action in support of ASLEF. Joe Gormley will use the occasion to play the NUR off against ASLEF.

The Coal Board's preliminary assessment of yesterday's NUM meeting is that they would expect to be able to maintain existing levels of deliveries by road to the CEEB and SSEB in the coming week, ie some 250,000 tonnes to the CEEB and 28,000 tonnes to SSEB. They would hope to be able to improve on this level during the week after next. Deliveries of coal by other modes of transport are unlikely to be affected.

The Board have promised to keep me informed of their assessment as the position develops and notably after next week's meeting between the NUM and the three rail unions. They emphasise that the situation can change in pits from day to day, and even from shift to shift. They therefore suggest that too much attention should not be paid to press reports on developments at individual pits.

I would add that the Board have assured me there is no possibility of their agreeing to the suggestion of a Welsh NUM official, recorded on the tapes, that coal would be moved to temporary stock piles and then returned to collieries after





the dispute had ended. When facilities for stocking coal at the pits are full the men will be transferred to other work, eg maintenance and new drivages. If necessary the Board are prepared to close down pits, although this seems unlikely to happen in the near future.

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

*Smith, Chadwick*

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

12 February 1982





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192

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SUBJECT  
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SECRET AND PERSONAL

cc: HMT  
HO  
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MOD  
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ENERGY ✓  
EMP  
CO  
CPRS

file

43



10 DOWNING STREET

bc of developer

12 February 1982

From the Private Secretary

CF → for backup for 1715 mtg  
please.

COAL AND THE RAILWAY

The Prime Minister held a meeting yesterday morning to discuss the railway dispute. Those present were the Home Secretary, the Secretaries of State for Defence, Scotland, Energy, Industry, Transport and Employment, the Chief Secretary, Treasury, Sir Robert Armstrong, Mr. Ibbs and Mr. Wade-Gery.

The Prime Minister, summing up the discussion, said that there seemed no prospect of an early resolution of the rail dispute. Ministers would need to meet again as soon as Lord McCarthy's inquiry had reported. Meanwhile MISC 57 should report urgently on power station endurance in the event of the complete shutdown of the railways. The Secretary of State for Scotland should consider whether the South of Scotland Electricity Board should be encouraged to increase its rate of power station oilburn. The Secretary of State for Transport should seek to discover very discreetly from the Railways Board what were the detailed implications of their proposals on ASLEF members' earnings and hours/days worked and should encourage the Board to make a much more vigorous publicity effort to get their case across to ASLEF members. The Ministers directly concerned would need to meet once the McCarthy inquiry had reported, to consider the situation as it then stood and the Government's stance in relation to it. The Secretary of State for Transport, in consultation with the Secretary of State for Employment, the CPRS and the No. 10 Policy Unit, should prepare for that meeting advice on the situation and prospects, and on any action it might be appropriate for the Government to take. In the meantime, it was vital that the Government should continue to remain apart from the dispute and not seek to make it a matter of Party political controversy. Ministers would need to consider at a later stage the Government's response to any request from the Railways Board for an increase in their temporary borrowing powers.

We have tentatively arranged the meeting to which the Prime Minister referred for Tuesday 16 February at 1715 hours or Wednesday 17 February at 1500 hours (depending on when McCarthy reports; the earlier time, if possible - we will let you know) with your Secretary of State, the Home Secretary, the Chancellor of the Exchequer and the Secretaries of State for Scotland, Energy and Employment.

/ I am sending



SECRET AND PERSONAL

- 2 -

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

M. G. SCHOLAR

Anthony Mayer, Esq.,  
Department of Transport

*Ac*



GR  
pt type fms.  
MCS

Th. Scholar  
RWS 11/2/82

[Th. Mayer's draft; deliberately bastardized]

Draft letter for Mr Scholar to send to Mr Mayer, Department of Transport

Coal and the Railway

1. The Prime Minister held a meeting ~~yesterday~~ <sup>this</sup> morning to discuss the railway dispute and its impact on power station coal stocks. Those present were the Home Secretary, the Secretaries of State for Defence, Scotland, Energy, Industry, Transport and Employment, the Chief Secretary, Treasury, Mr Ibbs, Sir Robert Armstrong, and Mr Wade-Gery.

2. The Prime Minister, summing up the discussion, said that there seemed no prospect of an early resolution of the rail dispute. ~~Ministers will need to meet again ~~following the report on the following Monday~~ as soon as Lord McCarthy's inquiry would probably report on the following Monday ~~or Tuesday~~, but its credibility had been severely impaired by ASLEF's refusal openly to give evidence to it, and it seemed unlikely that the inquiry would provide a basis for a resolution of the dispute. Power station coal stocks had now been stabilised by a combination of increased oilburn, substantially increased deliveries of coal to the power stations by road and the purchase of electricity from Scotland. But if the railway were to be closed down completely reductions in electricity supplies seemed inevitable. It was therefore essential that the rail dispute should not escalate beyond the present pattern of one day strikes.~~

MISC 57 should report urgently on power station endurance in the event of the complete shutdown of the railway. The Secretary of State for Scotland should ~~also~~ consider whether the South of Scotland Electricity Board should be encouraged to increase ~~slightly~~ its rate of power station oilburn. ~~It was by no means clear that the implications of the Railways Board's flexible rostering proposals for the earnings <sup>or working hours</sup> of, or hours worked~~



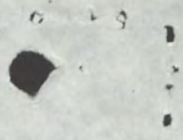
on any one day by <sup>of</sup> an individual train driver had been worked out and <sup>calculated</sup> <sup>members'</sup> put to the workforce in an easily comprehensible manner. The Secretary of State for Transport should seek to discover very discreetly from the Railways Board what were the detailed implications of their proposals <sup>on ASLEF earnings and</sup> and should encourage the Board to make a much more vigorous publicity <sup>hours</sup> effort. <sup>to get their case across to ASLEF members</sup> ~~The Ministers directly concerned would need to meet early in~~ <sup>Days</sup> <sup>worked</sup> the following week to consider the findings of the McCarthy inquiry (or sooner if it seemed that the situation might deteriorate rapidly, for example if the NUM acceded to ASLEF's request and decided to block ~~increased coal deliveries by road~~). <sup>It</sup> It was vital that the Government should continue to remain apart from the dispute and not ~~to~~ seek to make it a matter of party political controversy. Finally, Ministers would need to consider at a later stage the Government's response to any request from the Railways Board for an increase in their temporary borrowing powers.

[3. We have tentatively arranged the meeting to which the Prime Minister referred for [Tuesday at ] with your Secretary of State, <sup>the Home</sup> <sup>Scotland,</sup> the Chancellor of the Exchequer and the Secretaries of State for Energy and Employment.]

4. I am sending a copy of this letter to the Private Secretaries to the Chancellor of the Exchequer, the Home Secretary, the Secretaries of State for Scotland, Defence, Industry, Energy and Employment, ~~Mr~~ <sup>+ Mr</sup> <sup>ibbs</sup> and Sir Robert Armstrong. I should be grateful if you and they would ensure that it is circulated <sup>only</sup> on a strictly "need to know" basis.

The Ministers directly concerned would need to meet once the McCarthy inquiry had reported, to consider what the ~~best~~ <sup>best</sup> solution is as it has stood and the Government's stance in relation to it. The S.A.S. for Transport, in consultation with the S.A.S. for Employment and the CPRES, should prepare a report for ~~the meeting~~ <sup>the meeting</sup> advise on the situation and prospects, and on ~~any~~ <sup>any</sup> action it might be appropriate for the Govt. to take in the meantime





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SECRET  
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 from the ...



PART 5 ends:-

RTA to Mr A04404 10.2.82

(42)

PART 6 begins:-

Mrs to Transport Mfg Record

(1)



